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PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Inter-American Development Bank
Location:	Headquartered in Washington, D.C., U.S.A. Field offices in 23 South American locations
Size:	12/31/75
Assets:	U. S. $2.98 billion
Capital:	Authorized Capital: U. S. $6.3 billion Paid-in-Capital: U. S. $983 million
Purpose:	Established 10/1/60 pursuant to Inter-American Development Bank Agreement of December, 1959. Membership consists of 24 North and South American Governments, plus Belgium, Denmark, Israel, Japan, Spain, Switzerland, U.K., West Germany and Yugoslavia. Purpose of Bank is to further individual and collective economic and social development of regional developing member countries via: (1) promotion of public and private investment for development purposes; (2) financing, directly or through guarantees, of development and economic growth of members; (3) encouragement and/or supplement of private investment in development projects; (4) co-ordination of members' development, economic growth and foreign trade; (5) provision of technical assistance on development projects.
Source of Funds:	Capital provided by members' subscriptions plus borrowings in U. S. and international capital markets, internally generated funds and sales of loan participations. See also "Special Funds" below.
Management Structure:	Governed by Board of Governors, one from each member state; executive powers delegated to Executive Directors (11), one U. S., 2 non-regional and 8 regional. Administrative responsibility centered in President, appointed by Board, and Executive Vice President, appointed by Executive Directors. Operations organized by region and function.
Management of Funds:	Internal. Loans made directly to or guaranteed by member governments (98%). Loans monitored with respect to country, industry and regional economic conditions. Since inception, defaults have occurred on 2 loans totalling $11.2 million, resulting in net losses of $1.8 million. The Bank does not take part in debt rescheduling agreements.

Portfolio:

Loans made pursuant to 6 principles: (1) loans made only on basis of formal analysis presented to Executive Directors; (2) in evaluating loan or guarantee, Bank must take into account ability of borrower to obtain private financing on terms it believes reasonable; (3) Bank must consider ability of borrower or guarantor to meet loan obligations; (4) in opinion of Bank, interest rate and other loan charges plus amortization schedule must be appropriate for the project being financed; (5) the Bank must receive adequate compensation for risks assumed by guaranteeing loans made by others; (6) loans made for special projects only and directly, except when amounts too small to warrant bank supervision. Since inception, Bank has made or authorized 889 loans aggregating $8.7 billion. Largest borrowers are Brazil, Mexico, Argentina, and Columbia. Loans made for terms of 10-25 years, including grace periods, at fixed rates. Current lending rate is 8%.

Capital Structure:

Debt 53.6%, capital funds and reserves 46.4%. Capital subscriptions of member states available for general use unless specifically restricted.

Income:

Income retained as reserve for loan losses.

Special Funds:

Social Progress Trust Fund. Administered by Bank from grant provided by U. S. Government. Resources of Fund may be used to improve land use, land settlement, low income housing, water supplies, sanitation or education. Assets consist of 119 loans aggregating U. S. $537.2 million.

Special Operations Fund. Established by Bank from separate contributions by members to finance projects to which special circumstances apply, principally need for loan terms to be more liberal than those normally offered by Bank. Assets consist of 453 loans aggregating U. S. $4.2 billion.

Venezuelan Trust Fund. Administered by Bank from U. S. $500 million grant provided by Venezuela in 1975. Purpose is to contribute to the financing of projects and programs that would have significant effect on development of Bank's smaller members. Approved loans aggregate U. S. $83.7 million.

PROSPECTUS

$100,000,000

Inter-American Development Bank

8¾% Twenty-Five Year Bonds of 1976, due July 15, 2001

Price 99.125%, plus accrued interest from July 15, 1976

Payable from the ordinary capital resources of the Bank as more fully set forth under "Description of the Bonds". Interest payable January 15 and July 15 in New York City.

Not redeemable prior to January 15, 1989. Redeemable (a) on or after January 15, 1989 at the option of the Bank, as a whole or in part at any time, at 103.15% to and including July 15, 1989 and at decreasing prices thereafter, and (b) through operation of the sinking fund at 100%, together in each case with accrued interest.

The Bank is to redeem, as a mandatory sinking fund, $6,400,000 of the Bonds on or within 90 days before July 15, in each of the years 1989 through 1994 and $8,800,000 on or within 90 days before July 15 in each of the years 1995 through 2000. The sinking fund is calculated to retire 91% of the issue prior to maturity. The Bank has the non-cumulative option to increase any sinking fund retirement by an amount not exceeding the mandatory sinking fund obligation.

Application will be made to list the Bonds on the New York Stock Exchange.

The Underwriters have agreed to purchase from the Bank, at 98.250% of their principal amount and accrued interest, all Bonds not subject to delayed delivery contracts referred to below. Such Bonds are offered for sale subject to issuance and acceptance by the Underwriters and subject to prior sale. It is expected that delivery of such Bonds will be made on or about July 29, 1976 against payment in New York funds.

Bonds are also being offered, through the Underwriters, for sale to certain institutions, at the public offering price stated above, under delayed delivery contracts between the Bank and such institutions providing for payment and delivery on October 12, 1976 and January 12, 1977, as more fully described herein under "Delayed Delivery Contracts". The Underwriters will receive from the Bank a fee of .875% of the principal amount of the Bonds for which delayed delivery contracts are made.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Lehman Brothers
Incorporated

Lazard Frères & Co.

Goldman, Sachs & Co.

The date of this Prospectus is July 15, 1976.

No person is authorized to give any information or to make any representation not contained in this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by the Bank or by any Underwriter. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

Except as otherwise specified, all amounts in this Prospectus are expressed in current United States dollars. Currencies other than United States dollars have been translated into United States dollars at current rates of exchange. See Note A to the Financial Statements.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OR OF OTHER SECURITIES OF THE BANK AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR IN THE OVER-THE-COUNTER MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BANK

The Inter-American Development Bank (the Bank) is an international institution, the members of which are governments, established and operating under an Agreement Establishing the Inter-American Development Bank (the Agreement) which became effective December 30, 1959. The Bank officially began operations on October 1, 1960. Its principal office is located at 808—17th Street, N.W., Washington, D.C. 20577.

Thirty-three governments are members of the Bank, including twenty-four American governments and the governments of nine nonregional countries. These members, and their respective subscriptions to the ordinary capital stock and inter-regional capital stock of the Bank and their voting power, are as follows:

Member	Total Subscribed Ordinary Capital	Total Subscribed Inter-Regional Capital	Number of Votes	Percent of Total Votes
Argentina	$ 805,644,000		66,919	11.97
Barbados	9,639,000		934	.17
Belgium		$ 12,498,000	1,171	.21
Bolivia	64,672,000		5,496	.98
Brazil	805,644,000		66,919	11.97
Canada	292,755,000		24,403	4.36
Chile	221,231,000		18,474	3.30
Colombia	221,038,000		18,458	3.30
Costa Rica	32,342,000		2,816	.50
Denmark		5,392,000	582	.10
Dominican Republic	43,151,000		3,712	.66
Ecuador	43,151,000		3,712	.66
El Salvador	32,342,000		2,816	.50
Germany, Federal Republic of		63,092,000	5,365	.96
Guatemala	38,024,000		3,287	.59
Haiti	32,342,000		2,816	.50
Honduras	32,342,000		2,816	.50
Israel		4,994,000	549	.10
Jamaica	43,151,000		3,712	.66
Japan		68,725,000	5,832	1.04
Mexico	517,895,000		43,066	7.70
Nicaragua	32,342,000		2,816	.50
Panama	32,342,000		2,816	.50
Paraguay	28,491,000		2,497	.45
Peru	107,956,000		9,084	1.63
Spain		61,596,000	5,241	.94
Switzerland		13,752,000	1,275	.23
Trinidad and Tobago	32,342,000		2,816	.50
United Kingdom		61,596,000	5,241	.94
United States	2,409,116,000		199,839	35.74
Uruguay	86,387,000		7,296	1.31
Venezuela	380,360,000	51,282,000	35,916	6.43
Yugoslavia		5,055,000	554	.10
Total	$6,344,702,000	$347,982,000	559,246	100.00%

The purpose of the Bank is to further the economic and social development of the regional developing member countries, individually and collectively. According to the Agreement, the Bank has the following functions:

(a) to promote the investment of public and private capital for development purposes;

(b) to utilize its own capital, funds raised by it in financial markets, and other available resources, for financing the development of the member countries, giving priority to those loans and guarantees that will contribute most effectively to their economic growth;

(c) to encourage private investment in projects, enterprises, and activities contributing to economic development and to supplement private investment when private capital is not available on reasonable terms and conditions;

(d) to cooperate with the member countries to orient their development policies toward a better utilization of their resources, in a manner consistent with the objectives of making their economies more complementary and of fostering the orderly growth of their foreign trade; and

(e) to provide technical assistance for the preparation, financing, and implementation of development plans and projects, including the study of priorities and the formulation of specific project proposals.

The ordinary operations of the Bank (see "Ordinary and Inter-regional Operations of the Bank") are financed from its ordinary capital resources, which include the subscribed ordinary capital stock of the Bank plus funds derived from borrowings for inclusion in such resources and funds derived from the Bank's ordinary operations. The subscribed ordinary capital stock totals $6,344,702,000, which is composed of $983,037,000 in paid-in shares, usable for ordinary operations, and $5,361,665,000 in callable shares subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in the Bank's ordinary capital resources or guarantees chargeable to such resources (see "Ordinary Capital").

The inter-regional resources operations of the Bank (see "Inter-regional Capital") are to be financed from its inter-regional capital resources, which include the subscribed inter-regional capital stock of the Bank plus funds derived from borrowings for inclusion in such resources and funds derived from the Bank's inter-regional resources operations. The subscribed inter-regional capital stock totals $347,982,000, which is composed of $48,941,000 in paid-in shares, usable for inter-regional resources operations, and $299,041,000 in callable shares subject to call when required to meet the obligations of the Bank on borrowings of funds for inclusion in the Bank's inter-regional capital resources or guarantees chargeable to such resources. The inter-regional capital resources are held, obligated and otherwise disposed of entirely separate from the ordinary capital resources; however, the Agreement provides for the ultimate merger of the inter-regional and ordinary capital resources (see "Inter-regional Capital").

In addition, the Bank administers the Fund for Special Operations, established by the Agreement, with total subscribed contribution quotas equivalent to $4,691,983,000 (see "Fund for Special Operations"), and, under agreements with the United States and Venezuela, respectively, the Social Progress Trust Fund with authorized resources of $525,000,000 (see "Social Progress Trust Fund") and the Venezuelan Trust Fund with authorized resources of the equivalent of $500,000,000 (see "Venezuelan Trust Fund"). These three funds are entirely separate from the ordinary and inter-regional capital resources of the Bank.

USE OF PROCEEDS

The net proceeds to the Bank from the sale of the Bonds offered hereby will be $98,250,000 (before deducting expenses estimated at $160,000) and when received will be included in the ordinary capital resources of the Bank and used in its ordinary operations.

UNITED STATES APPROVAL OF BORROWING

As required by the Agreement, the United States Government has approved the raising of funds by the Bank in the capital markets of the United States by the issue of the Bonds and has agreed

that the proceeds of sale of the Bonds may be exchanged for the currency of any other country without restriction.

ORDINARY CAPITAL

The funded debt of the Bank outstanding as of May 31, 1976 and as adjusted to reflect the issuance of the Bonds offered hereby is as follows:

	Outstanding	As Adjusted
FUNDED DEBT		
Payable in United States dollars	$ 932,117,000	$1,032,117,000
Payable in Venezuelan bolívars[1]	23,256,000	23,256,000
Payable in Trinidad and Tobago dollars[1]	4,167,000	4,167,000
Payable in non-member currencies[1]	843,028,000	843,028,000
Total Funded Debt	$1,802,568,000	$1,902,568,000

The ordinary capital stock of the Bank (expressed in current United States dollars) is as follows:

ORDINARY CAPITAL STOCK		
Authorized: 746,127 shares (par value $10,000 per share in terms of United States dollars of 1959); subscribed 525,945 shares	$6,344,702,000	$6,344,702,000
Less callable portion of subscriptions	(5,361,665,000)	(5,361,665,000)
Total Paid-In Ordinary Capital Stock	$ 983,037,000	$ 983,037,000

[1] Translated into United States dollars on the basis of current rates of exchange. See Note A to the Financial Statements.

More detailed information with respect to the Bank's funded debt is contained in Note G and Appendix 2 to the Financial Statements. The Bank will from time to time issue additional funded debt in the ordinary course of its operations. It is the Bank's policy to limit borrowings for inclusion in all categories of its capital resources, together with guarantees chargeable to such resources, to 80% of the callable portion of its subscribed capital stock. This policy applies to the aggregate of the Bank's capital resources of all categories, including the inter-regional capital resources (see "Inter-regional Capital").

Subscriptions to the ordinary capital stock of the Bank are divided into "paid-in" and "callable" shares, such subscriptions being payable as follows:

Paid-in Ordinary Capital. Each subscription to the paid-in ordinary capital has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of each respective member country, except for the subscription of Canada which has been paid entirely in Canadian dollars. Furthermore, the Bank has accepted, or will accept, non-negotiable, non-interest-bearing demand obligations in lieu of a part of the member's subscription to the paid-in ordinary capital. Under the Agreement such obligations shall be accepted where currencies are not required for the Bank's operations.

The gold or dollars received by the Bank in payment of the 50% portion of the member's subscription paid in gold or United States dollars may, under the Agreement, be freely used by the Bank in any of its ordinary operations. The balance of the paid-in ordinary capital paid in the currencies of the subscribing members may also be freely used by the Bank in its ordinary operations unless the pertinent member notifies the Bank of its desire to restrict the use of such funds

to making payments for goods and services produced in the territory of such member. The equivalent of $39,990,000 of the paid-in ordinary capital has been so restricted.

Callable Ordinary Capital. The callable portion of the ordinary capital subscriptions is subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in the Bank's ordinary capital resources or guarantees chargeable to such resources, and, accordingly, may not be called to make loans. In the event of a call, payment may be made at the option of the member either in gold, in United States dollars, or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made. No calls have been made on the callable portion of the subscriptions.

Calls on the callable portion of the ordinary capital subscriptions are required to be uniform in percentage on all shares, but obligations of the members of the Bank to make payment upon such calls are independent of each other. Failure of one or more members to make payments on any such call would not excuse any other member from its obligation to make payment, and successive calls could be made on non-defaulting members if necessary to meet the Bank's obligations. However, no member could be required on any such call to pay more than the unpaid balance of its ordinary capital subscription.

The following table shows in summary form the subscribed ordinary capital stock of the Bank, showing separately the subscription of the United States of America and the total subscriptions of the other members.

Paid-in Ordinary Capital Stock	United States Subscription	Subscriptions of Other Members	Total
In gold or United States dollars	$ 361,903,000	$ 286,440,000	$ 648,343,000
In the currencies of other subscribing members		334,694,000	334,694,000
Total Paid-In Ordinary Capital Stock	361,903,000	621,134,000	983,037,000
Ordinary Capital Stock Subject to Call			
Payable in gold, United States dollars or the currency required to meet obligations for which call is made	2,047,213,000	3,314,452,000	5,361,665,000
Total Subscribed Ordinary Capital Stock	$2,409,116,000	$3,935,586,000	$6,344,702,000

Under the Agreement each member is obligated to maintain in terms of United States dollars on January 1, 1959 the value of all its currency constituting part of the ordinary capital resources of the Bank other than currencies derived from borrowings by the Bank. See Note B to the Financial Statements.

INTER-REGIONAL CAPITAL

On July 9, 1976, a group of nine nonregional countries comprising (in order of size of subscription) Japan, Federal Republic of Germany, Spain, United Kingdom, Switzerland, Belgium, Denmark, Yugoslavia and Israel became members of the Bank.

In order to permit the use of the capital subscribed by nonregional member countries to support borrowings independent of the Bank's borrowings for inclusion in its ordinary capital resources, the Agreement Establishing the Bank was amended June 1, 1976 to create the inter-regional capital resources which are completely separate from the ordinary capital resources. The inter-regional capital

stock available for subscription by nonregional members consists of 42,000 shares, each having a par value of $10,000 (in terms of 1959 dollars) and divided into 7,000 paid-in shares and 35,000 callable shares. The nine original nonregional members have subscribed to 24,595 shares, reflecting subscriptions in terms of current United States dollars of $48.9 million in paid-in shares and $247.8 million in callable shares, or a total of $296.7 million. In addition, Austria, France, Italy, and the Netherlands have initiated steps to become nonregional members of the Bank with aggregate subscriptions of 11,407 shares of inter-regional capital totalling $137.6 million, including $22.7 million in paid-in shares and $114.9 million in callable shares. The balance of such available authorized inter-regional capital stock will be available for subscription by other nonregional countries for a period of two years, after which it could be subscribed on a pro rata basis by the existing nonregional members.

The amendments to the Agreement also permit subscriptions to inter-regional capital by regional members and subscriptions to ordinary capital by nonregional members. (See "Increase of Capital".)

Subscriptions to the inter-regional capital stock of the Bank are divided into "paid-in" and "callable" shares, such subscriptions being payable as follows:

Paid-in Inter-regional Capital. Each subscription to the paid-in inter-regional capital is to be paid entirely in the currency of the respective member country.

Callable Inter-regional Capital. The callable portion of the inter-regional capital subscriptions is subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in the Bank's inter-regional capital resources or guarantees chargeable to such resources, and, accordingly, may not be called to make loans, provided, however, that the callable inter-regional capital subscriptions are also subject to call to meet any of the Bank's obligations in respect of its ordinary capital borrowings which were outstanding at December 31, 1974. In the event of a call, payment may be made at the option of the member either in fully convertible currency of a member country or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

The inter-regional capital resources, which are to be used to finance the inter-regional resources operations independent of the ordinary operations are required to be held, obligated and otherwise disposed of entirely separate from the ordinary capital resources. The ordinary capital resources are not liable for any obligations or losses chargeable to the inter-regional capital resources and the inter-regional capital resources are not liable for any obligations or losses chargeable to the ordinary capital resources, except the inter-regional capital resources are liable to meet any of the Bank's obligations in respect of the Bank's ordinary capital borrowings which were outstanding at December 31, 1974.

The Agreement also provides for the merger of the inter-regional and ordinary capital stock, but not before the Bank shall have discharged its liabilities on all its ordinary capital borrowings which were outstanding at December 31, 1974. The final maturity of such liabilities is 1995 and such liabilities may not be discharged prior to 1983.

Subscriptions to the inter-regional capital stock carry the same voting rights as subscriptions to ordinary capital stock. Subscriptions to capital stock, either ordinary or inter-regional, will not become effective if the result would reduce the voting power of (i) the regional developing countries below 53.5%; (ii) the United States below 34.5%; or (iii) Canada below 4% of the total voting power. This permits nonregional members to have a voting power of up to 8%. The payments to paid-in inter-regional capital stock subscribed to by the nonregional members are to be effected over a three-year period (in special cases over a five-year period) starting in 1976. During the same period the nine nonregional members will contribute $296.7 million to the Fund for Special Operations. Each nonregional member country appoints one Governor and one Alternate to the Bank's Board of Governors and the nonregional members elect two Executive Directors to the Bank's Board of Executive Directors.

INCREASE OF CAPITAL

On June 1, 1976, the Board of Governors approved an increase of approximately $4 billion in the authorized capital stock of the Bank consisting of $344,000,000 of authorized paid-in capital and $3,656,000,000 of authorized callable capital. The subscriptions to the increase of the paid-in and callable capital are to be made, respectively, in three equal annual installments commencing in 1976. Only regional members are to subscribe to the increase. They have the right to subscribe in whole or in part to inter-regional capital rather than ordinary capital. Those regional members which have indicated their intention to subscribe to inter-regional capital and the amounts of their proposed subscriptions thereto are the United States ($600,000,000), Venezuela ($288,700,000), and Canada ($195,800,000), representing subscriptions of $168.5 million to paid-in inter-regional capital and $916 million to callable inter-regional capital. Subscriptions to the increase totalling $335,300,000 have entered into effect, including a $51,282,000 subscription by Venezuela to inter-regional capital.

The resolution approved by the Board of Governors also contains provision for a further $1.3 billion increase of authorized capital to become effective once the final quota of the first part of the increase has been paid. Such subsequent increase, however, would be contingent upon further approval by the Board of Governors after the final date for subscriptions of all installments of the callable capital to be authorized for the first part of the increase.

MEMBERSHIP AND SUBSCRIPTION OF THE UNITED STATES OF AMERICA

The United States of America became a member of the Bank pursuant to the Inter-American Development Bank Act of August 7, 1959. The United States has subscribed to 199,704 shares of the ordinary capital stock of the Bank and has 199,839 votes, constituting 35.74% of the total votes of all members. The United States has paid its entire $361,903,000 subscription to the paid-in ordinary capital stock of the Bank. The Inter-American Development Bank Act, as amended, and other United States legislation authorize and the Congress has also appropriated, without fiscal year limitation, the remaining $2,047,213,000 representing the callable portion of the United States ordinary capital subscription. No further appropriation is necessary to enable the Secretary of the Treasury to pay this $2,047,213,000 if any part of it is ultimately needed to meet obligations of the Bank.

The United States share of the increase of capital (See "Increase of Capital") is $120,000,000 of paid-in capital and $1,080,000,000 of callable capital. The United States Congress has authorized the U.S. subscription to the capital increase and the United States has agreed, subject to Congressional appropriation of the requisite amounts, to subscribe to $600,000,000 of callable ordinary capital and $480,000,000 of callable inter-regional capital of the Bank (See "Inter-regional Capital"). The entire $120,000,000 of paid-in capital is to be subscribed to inter-regional capital.

STATEMENT OF INCOME AND GENERAL RESERVE — ORDINARY CAPITAL

The following statement has been examined by Price Waterhouse & Co., independent accountants, whose report thereon appears on page 23 in this Prospectus. As described in Note H to the Financial Statements, the method of accounting for the income and expenses relating to the special supervision and inspection of loans was changed in 1973. The statement should be read in conjunction with the other financial statements and notes thereto included on pages 24 through 35 in this Prospectus.

(Expressed in thousands of United States Dollars — Note A)

	Years Ended December 31,				
	1971	1972	1973	1974	1975
Income					
From loans					
Interest	$ 37,597	$ 46,470	$ 59,895	$ 71,428	$ 91,545
Credit commissions	7,352	8,885	9,668	11,144	15,002
Special commissions	6,875	7,973	9,785	11,242	13,747
Supervision and inspection fees (Note H)	—	—	2,446	2,367	3,227
	51,824	63,328	81,794	96,181	123,521
From investments, principally from time deposits and government obligations	46,236	41,260	57,953	73,690	78,781
From other sources, including gains on purchases of funded debt (Note G)	4,198	2,384	3,314	4,142	5,671
Gross Income	102,258	106,972	143,061	174,013	207,973
Less — Commissions allocated to Special Reserve (Note F)	(6,875)	(7,973)	(9,785)	(11,242)	(13,747)
Gross income less allocation to reserve	95,383	98,999	133,276	162,771	194,226
Expenses					
Funded debt expenses	60,461	67,911	81,991	86,573	108,926
Administrative expenses (Note A)					
Salaries	6,028	6,463	8,428	10,198	11,923
Other compensation and benefits (Note J)	2,097	2,243	2,829	3,574	5,118
Office occupancy (Note L)	941	902	1,582	1,709	2,022
Other	2,799	2,612	3,719	4,636	5,495
	11,865	12,220	16,558	20,117	24,558
Less — amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator	(198)	(173)	(143)	(221)	(436)
Total administrative expenses	11,667	12,047	16,415	19,896	24,122
Exchange adjustments (Note A)	(316)	(20)	929	1,206	2,912
Total expenses	71,812	79,938	99,335	107,675	135,960
Income before cumulative effect of change in accounting method	23,571	19,061	33,941	55,096	58,266
Cumulative effect on prior years of changing the method of accounting for supervision and inspection of loans (Note H)	—	—	3,914	—	—
Net income*	23,571	19,061	37,855	55,096	58,266
General Reserve beginning of period	98,534	122,105	142,302	182,691	237,787
Special credit arising from maintaining value of currency holdings (Note B)	—	1,136	2,534	—	—
General Reserve end of period	$122,105	$142,302	$182,691	$237,787	$296,053

* Pro forma net income assuming the retroactive application of the new method of accounting for supervision and inspection of loans is $24,493,000 in 1971, $20,163,000 in 1972 and $33,941,000 in 1973.

Net income for the five months ended May 31, 1976, as indicated by the Bank's unaudited financial statements, was $20.6 million as compared with $26.4 million for the corresponding five-month period of 1975. Approximately $3.9 million of this decline was due to fluctuations in market rates of exchange affecting the United States dollar equivalents of accumulated net income in borrowed currencies, principally Italian Lire (see Note A to the Financial Statements). The exchange adjustments for the respective five-month periods were a $2.8 million loss in 1976 and a $1.1 million gain in 1975. Lower yields earned on short term investments also adversely affected net income for the first five months of 1976. The net income for this period is not necessarily indicative of results for the full year.

The Bank has not distributed any part of the net income from its ordinary capital resources as dividends to its members, but has pursuant to actions of the Board of Governors allocated such net income to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year will be allocated automatically to such reserve.

The Agreement Establishing the Bank permits, subject to certain conditions, the Board of Governors to transfer part of the net income from its ordinary capital resources and from its inter-regional capital resources in respect of a particular fiscal year to the Fund for Special Operations.

ORDINARY AND INTER-REGIONAL OPERATIONS OF THE BANK

General

The Bank's ordinary operations are those financed from the Bank's ordinary capital resources (see "Ordinary Capital") and its inter-regional resources operations are those financed from the Bank's inter-regional capital resources (see "Inter-Regional Capital").

Loans from the Bank's ordinary and inter-regional capital resources are required under the Agreement to be repayable in the respective currency or currencies in which they were made. It is the policy of the Bank not to convert borrowed currencies into other currencies for lending purposes. Under the Agreement the use by the Bank of gold or a currency to purchase other currencies requires a two-thirds majority of the total voting power of the member countries.

In the case of loans to borrowers other than national governments, the Bank may, but is not obligated to, require that the government or an agency thereof guarantee the loan.

Under the Agreement, the total amount outstanding of loans and guarantees made by the Bank in its ordinary operations may not at any time exceed the total amount of the unimpaired subscribed ordinary capital of the Bank, plus the unimpaired reserves and surplus included in its ordinary capital resources, exclusive of income assigned to the special reserve (see "Loan Terms and Special Reserve") and other income of the ordinary capital resources assigned by decision of the Board of Governors to reserves not available for loans or guarantees.

Under the Agreement, the total amount outstanding of loans and guarantees made by the Bank in its inter-regional resources operations may not at any time exceed the total amount of the unimpaired subscribed inter-regional capital of the Bank, plus the unimpaired reserves and surplus included in the inter-regional capital resources, exclusive of income of the inter-regional capital resources assigned by the Board of Governors to reserves not available for loans or guarantees.

Loans from Ordinary Capital Resources

At May 31, 1976, the Bank's 295 approved loans from its ordinary capital resources aggregated the equivalent of $4,059,910,000 and related to the financing of programs or projects in 21 countries. After eliminating participations of others and principal repayments on loans held by the Bank, approved loans totalled the equivalent of $3,307,717,000, of which the undisbursed balance was the equivalent of $1,713,590,000.

A summary statement of the loans approved by the Bank at December 31, 1975 is set forth in Appendix 1. At May 31, 1976 loans were approved in the following amounts for the following purposes: the equivalents of $1,284,795,000 for electric power, $1,052,403,000 for industrial and mining enterprises, $685,430,000 for agriculture, $655,527,000 for transportation and communications, $139,148,000 for revolving lines of credit for medium-term financing of capital goods exports, $120,457,000 for water and sewage, $75,328,000 for tourism, $26,200,000 for education, $19,522,000 for urban development and $1,130,000 for preinvestment.

Approximately 80% of the aforementioned approved loans from its ordinary capital were made to or guaranteed by national governments or central banks, while an additional 18% were made to or guaranteed by other governmental entities. There have been no defaults on such loans to or guaranteed by governments, central banks or other governmental entities. Since the establishment of the Bank there have been defaults aggregating $11.2 million on loans to two borrowers. The total amount of loan write-offs has aggregated $1.8 million and the Bank expects to recover in full on the other defaults. See Note E to the Financial Statements. Delays in the payment of loan service charges have been insignificant. The Bank follows a policy of not taking part in debt rescheduling agreements.

Funds for disbursement under the above loans authorized by the Bank have been obtained from the Bank's paid-in ordinary capital, from funds derived from the Bank's ordinary operations, from the issuance of its own obligations, and from the sale of 574 loan participations to commercial banks in the United States, Europe, Canada and Japan, and an international organization. All participations in loans have been without the guarantee of the Bank except for one in the original amount of $400,000 extended to a participant under a special agreement.

Loan Policy

The Bank's lending operations are subject to the following rules and conditions set forth in the Agreement:

"(i) the applicant for the loan shall have submitted a detailed proposal and the staff of the Bank shall have presented a written report recommending the proposal after a study of its merits. In special circumstances, the Board of Executive Directors, by a majority of the total voting power of the member countries, may require that a proposal be submitted to the Board for decision in the absence of such a report;

(ii) in considering a request for a loan or a guarantee, the Bank shall take into account the ability of the borrower to obtain the loan from private sources of financing on terms which, in the opinion of the Bank, are reasonable for the borrower, taking into account all pertinent factors;

(iii) in making or guaranteeing a loan, the Bank shall pay due regard to prospects that the borrower and its guarantor, if any, will be in a position to meet their obligations under the loan contract;

(iv) in the opinion of the Bank, the rate of interest, other charges and the schedule for repayment of principal are appropriate for the project in question;

(v) in guaranteeing a loan made by other investors, the Bank shall receive suitable compensation for its risk; and

(vi) loans made or guaranteed by the Bank shall be principally for financing specific projects, including those forming part of a national or regional development program. However, the Bank may make or guarantee over-all loans to development institutions or similar agencies of the members in order that the latter may facilitate the financing of specific development projects whose individual financing requirements are not, in the opinion of the Bank, large enough to warrant the direct supervision of the Bank."

It is the policy of the Board of Executive Directors to consider loans only on the basis of written reports prepared by the staff. These reports set forth in detail information regarding the technical feasibility of the project and relevant financial and legal matters, as well as the economic situation of the country of the borrower.

The Bank generally will not lend more than 50% of the total cost of the project to be financed, and loans have been made only for the acquisition or expansion of capital assets and, in certain cases, for technical services.

The Bank has not undertaken to guarantee any loans made by others.

Loan Terms and Special Reserve

The interest rate charged on loans presently being made by the Bank from its ordinary capital resources is 8% per annum. The interest rate charged on such loans includes the 1% per annum commission for the Bank's special reserve. In addition to the interest rate, a credit commission normally at the rate of 1¼% per annum is currently charged on the undisbursed portion of loans.

The Agreement requires that the 1% commission received by the Bank be set aside as a special reserve to be held in liquid form and to be retained for meeting liabilities of the Bank on its borrowings and guarantees chargeable to its ordinary capital resources.

The amortization periods for most of the loans granted by the Bank have run between 10 and 25 years, including grace periods.

Technical Cooperation

In addition to its financial operations, the Bank has furnished technical cooperation both in connection with and independently of its loan operations. In accordance with the Agreement, this cooperation is being extended for the preparation, financing, and execution of development plans and projects, the formulation of loan proposals on specific national and regional development projects, and the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects. The Bank has also become increasingly active in the preinvestment field, particularly through extending loans for preinvestment purposes to national development institutions to help in the identification and formulation of high priority development projects.

Under the Agreement the Bank may arrange with member countries or firms receiving technical cooperation for reimbursement of its expenses in furnishing such assistance. Expenses not so reimbursed are to be met from the net income of the ordinary capital resources, of the inter-regional capital resources, or of the Fund for Special Operations. Pursuant to resolutions of the Board of Executive Directors, all nonreimbursable technical cooperation expenditures have been charged to the net income of the Fund for Special Operations.

FUND FOR SPECIAL OPERATIONS

The member countries of the Bank have subscribed a total equivalent to $4,691,983,000 to the Fund for Special Operations, which was established under the Agreement for making loans "on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects." The amortization periods for loans from the Fund have usually been longer and the interest rates lower than for loans from the Bank's ordinary capital resources. Loans presently being made from the Fund are repayable in the respective currencies in which they were disbursed, although in most cases loans made prior to 1973 are repayable in the currency of the borrower. The Board of Governors in March 1965 directed the Bank to include in future operations of the Fund financing for social development purposes, including fields previously financed with the resources of the Social Progress Trust Fund, thus in effect combining under one fund activities formerly carried out through two funds.

The Fund is completely separate from the Bank's ordinary capital resources and from the inter-regional capital resources. Under the Agreement the ordinary capital resources and the inter-regional capital resources of the Bank are required at all times and in all respects to be held, used, obligated, invested and otherwise disposed of entirely separate from the resources of the Fund. Separate financial statements for the ordinary operations, the inter-regional resources operations and the operations of the Fund are required. The ordinary capital resources and the inter-regional capital

resources are under no circumstances to be used to discharge losses or liabilities arising from the Fund's operations. Expenses pertaining to the operations of the Fund are charged to the Fund. (See Note A to the Financial Statements.)

At May 31, 1976, the Bank's 453 approved loans from the Fund for Special Operations aggregated the equivalent of $4,151,445,000.

Included in the subscribed contribution quotas of the Fund 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. The member countries' payment to the increase totals $1,450,000,000. The United States has agreed to contribute $1,000,000,000 of the increase and, has paid $950,000,000, with the balance subject to further action.

On June 1, 1976 the Board of Governors approved a further increase of $1 billion in the Fund for Special Operations to be effected in the 1976-1978 period. The contributions of each member will become payable in three equal annual installments. The United States share of the increase is $600,000,000.

SOCIAL PROGRESS TRUST FUND

The Social Progress Trust Fund with authorized resources of $525,000,000 is administered by the Bank, as Administrator, under the Social Progress Trust Fund Agreement executed by the United States Government and the Bank. The resources of the Trust Fund are held by the Bank entirely separate from its own resources.

The Trust Fund may be used to improve conditions in the fields of land settlement and improved land use, housing for low income groups, community water supply and sanitation facilities, and supplementary financing of facilities for advanced education and training related to economic and social development. At May 31, 1976, the Bank's 119 approved loans from the Social Progress Trust Fund aggregated the equivalent of $537,191,000.

VENEZUELAN TRUST FUND

The Venezuelan Trust Fund, with authorized resources of the equivalent of $500 million ($400 million in United States dollars and the equivalent of $100 million in Venezuelan bolivars) is administered by the Bank pursuant to an Agreement between it and the Government of Venezuela signed February 27, 1975. The resources of the Fund are held by the Bank entirely separate from its own resources.

The purpose of the Fund is to contribute to the financing of projects and programs that would have a significant effect on the development of those members of the Bank which are relatively less developed, of limited market or of intermediate size. At May 31, 1976, the Bank as Administrator of the Venezuelan Trust Fund, had approved loans aggregating the equivalent of $83,700,000.

ADMINISTRATION OF THE BANK

The affairs of the Bank are conducted by the Board of Governors, the Board of Executive Directors, the President, the Executive Vice President, other officers, and the staff.

All the powers of the Bank are vested in the Board of Governors, which consists of one Governor and one Alternate appointed by each member country. The Governor or Alternate Governor from each member exercises the voting power to which that member is entitled, each member having 135 votes plus one vote for each share of capital stock of the Bank held (see page 3). The Board of Governors holds regular annual meetings.

The Board of Executive Directors presently consists of eleven Directors, one appointed by the United States, two elected by the Governors of the nonregional member countries, and the remaining eight elected by the Governors of the other members of the Bank. The Board of Governors has delegated to the Board of Executive Directors all its powers except certain powers reserved to the Governors under the Agreement. Each Executive Director is entitled to cast the number of votes of the member country which appointed him or, if elected, the number of votes that counted toward his election.

All matters before the Board of Governors or the Board of Executive Directors are decided by a majority of the total voting power of the Bank, except in certain cases provided in the Agreement in which a higher percentage is required.

The President is elected by the Board of Governors. Under the direction of the Board of Executive Directors, he conducts the ordinary business of the Bank and is chief of its staff. The Executive Vice President is appointed by the Board of Executive Directors. Under the direction of that Board and the President of the Bank, the Executive Vice President exercises such authority and performs such functions in the administration of the Bank as may be determined by that Board.

The Board of Executive Directors

The following is a list of the Board of Executive Directors of the Bank and the member countries by which they were appointed or elected:

Armando Prugue (Peru) Augusto Ramírez Ocampo (Alternate) (Colombia)	Elected by:	Colombia Peru
Jesús Rodríguez y Rodríguez (Mexico) Dorel M. Callender (Alternate) (Jamaica)	Elected by:	Dominican Republic Jamaica Mexico Panama
John M. Porges (United States of America) Yan M. Ross (Alternate) (United States of America)	Appointed by:	United States of America
Juan Pablo Pérez Castillo (Venezuela) Charles A. T. Skeete (Alternate) (Barbados)	Elected by:	Barbados Trinidad and Tobago Venezuela
Hernán Aldabe (Argentina) Benjamín Mira (Alternate) (Chile)	Elected by:	Argentina Chile
José Carlos Fonseca (Brazil) Pedro Aguayo Cubillo (Alternate) (Ecuador)	Elected by:	Brazil Ecuador
Edmundo Valencia Ibáñez (Bolivia) Carlos Schroeder (Alternate) (Uruguay)	Elected by:	Bolivia Paraguay Uruguay
David B. Laughton (Canada) William A. Kilfoyle (Alternate) (Canada)	Elected by:	Canada
Rodolfo Martínez Ferraté (Guatemala) Mario Rietti Matheu (Alternate) (Honduras)	Elected by:	Costa Rica El Salvador Guatemala Haiti Honduras Nicaragua
Günther Schultz (Federal Republic of Germany)	Elected by:	Belgium Denmark Germany, Federal Republic of United Kingdom
Torao Aoki (Japan)	Elected by:	Israel Japan Spain Switzerland Yugoslavia

Principal Officers

The principal officers of the Bank are as follows:

Antonio Ortiz Mena	President
Reuben Sternfeld	Executive Vice President
Norman Marques Jones	Operations Manager
James A. Lynn	Senior Deputy Manager
Jorge D. Ferraris	Deputy Manager, Region I
Sidney Schmukler	Deputy Manager, Region II
Pedro Abelardo Delgado	Deputy Manager, Region III
Henry J. Costanzo	Financial Manager
Pedro Irañeta	Deputy Financial Manager-Treasurer
Cecilio J. Morales	Economic and Social Development Manager
Jorge Ruiz Lara	Deputy Manager for Economic and Social Studies
Martha Ramos	Deputy Manager for Technical Cooperation
Joaquín O. González	Deputy Manager for Integration
Guillermo Moore	Project Analysis Manager
Juan A. Prado	Deputy Manager
Arnold H. Weiss	General Counsel
José R. Chiriboga	Deputy General Counsel
Freebor.i G. Jewett, Jr. ..	Deputy General Counsel
José D. Epstein	Administrative Manager
William Lee Taylor	Deputy Manager
Jorge Hazera	Secretary of the Bank
Alfred C. Wolf	Program Advisor

THE AGREEMENT ESTABLISHING THE BANK

The Agreement Establishing the Bank, which constitutes the Bank's basic charter, sets forth the Bank's purpose and functions, and its capital structure and organization. The Agreement outlines the operations in which the Bank may engage and prescribes limitations on these operations. The Agreement also establishes the status, immunities and privileges of the Bank, and provides for the disposition of the currencies available to the Bank, the withdrawal and suspension of members, and the suspension and termination of the Bank's operations.

The Agreement provides that it may be amended only by decision of the Board of Governors by a majority of the total number of Governors, including two-thirds of the Governors of regional members, representing not less than three-fourths of the total voting power of the member countries. The unanimous agreement of the Board of Governors is required for the approval of any amendment modifying the right to withdraw from the Bank, the right to purchase capital stock of the Bank and to contribute to the Fund for Special Operations, and the limitation on liability. The Agreement provides that any question of interpretation of its provisions arising between any member and the Bank or between members of the Bank shall be submitted to the Board of Executive Directors for decision. Such decision may then be submitted to the Board of Governors, whose decision shall be final. Although any member may withdraw from the Bank by delivering written notice, any such member remains liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the notice.

For the full text of the Agreement, reference is made to the copies available for inspection and distribution at the Bank's office in Washington, D.C.

LEGAL STATUS, IMMUNITIES AND PRIVILEGES

The following is a summary of the principal provisions of the Agreement relating to the legal status, immunities and privileges of the Bank in the territories of its members.

The Bank possesses juridical personality and has full capacity to contract, to acquire and dispose of immovable and movable property, and to institute legal proceedings. Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No action shall be brought against the Bank by members or persons acting for or deriving claims from members.

The property and assets of the Bank are immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank. Such property and assets are also immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action. The archives of the Bank are inviolable. The Governors, Executive Directors, Alternates, officers and employees of the Bank are immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives this immunity.

The Bank, its property, other assets, income and the operations and transactions it carries out pursuant to the Agreement are immune from all taxation and from all customs duties in its member countries. The Bank is also immune from any other obligation relating to the payment, withholding or collection of any tax or duty. Certain other provisions of the Agreement with regard to taxation of the Bank's securities and interest thereon are summarized below in "Description of the Bonds" under "Tax Status".

DESCRIPTION OF THE BONDS

The Twenty-Five Year Bonds of 1976, due July 15, 2001 (the Bonds) will be direct unsecured obligations of the Bank and will be limited to the aggregate principal amount of $100,000,000. Interest at the rate per annum set forth on the cover page will be payable semi-annually on January 15 and July 15. The Bonds will state that they are not the obligation of any government.

The Bonds are payable from the ordinary capital resources of the Bank provided that, in the event the ordinary capital stock and the inter-regional capital stock are merged (see "Inter-regional Capital"), the Bonds will be payable from the merged capital resources.

The principal of, and premium, if any, and interest on, the Bonds will be payable, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, at the office or agency of the Bank in New York City. The Federal Reserve Bank of New York will be appointed the Bank's Fiscal Agent for the purposes of paying principal of, and premium, if any, and interest on the Bonds and of handling exchanges, registration and transfers of Bonds.

The Bonds are issuable only in the form of registered Bonds without coupons in denominations of $1,000 and any multiple thereof. Bonds will be interchangeable in like aggregate principal amounts and transferable without charge for such exchange or transfer.

The statements under this heading are subject to the detailed provisions of the Bonds and the Resolution of the Board of Executive Directors of the Bank creating the Bonds, copies of which are available at the Bank's office in Washington, D. C.

Optional Redemption

The Bonds will be redeemable, at the election of the Bank, as a whole or in part at any time on and after January 15, 1989 at the following redemption prices (expressed in percentages of principal

amount): if redeemed on or before July 15, 1989, 103.15%; if redeemed during the twelve-month periods ending on July 15 in each of the following years:

1990	102.75%	1994	101.15%
1991	102.35%	1995	100.75%
1992	101.95%	1996	100.35%
1993	101.55%		

and if redeemed thereafter at 100% of the principal amount thereof; plus in each case interest accrued and unpaid to the redemption date.

Sinking Fund

As a mandatory sinking fund for the Bonds, the Bank is to redeem $6,400,000 principal amount of the Bonds on or within 90 days before July 15 in each of the years 1989 through 1994 and $8,800,000 principal amount of the Bonds on or within 90 days before July 15 in each of the years 1995 through 2000, in each case at 100% of the principal amount, together with accrued interest to the redemption date. At its option, the Bank may, on or within 90 days before each such date, redeem, at 100% of the principal amount plus interest accrued and unpaid to the redemption date, an additional principal amount of the Bonds not exceeding the amount of the mandatory sinking fund obligation in respect of such date. The right to redeem such additional principal amount of the Bonds shall not be cumulative, and the exercise of any such option shall not operate to reduce the amount of any subsequent mandatory sinking fund obligation. The Bank may credit against the principal amount of the Bonds to be redeemed pursuant to any mandatory sinking fund obligation the principal amount of any Bonds which shall have been redeemed otherwise than pursuant to a mandatory or optional sinking fund redemption, or which shall have been purchased or otherwise acquired and retired by the Bank prior to the redemption date, and not previously credited against any mandatory sinking fund obligation.

Negative Pledge Covenant

So long as any of the Bonds shall be outstanding, the Bank will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Bonds shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other bonds, notes or evidences of indebtedness.

Remedy on Default

If the Bank shall default in the payment of the principal of, or premium, if any, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any bonds (including the Bonds), notes or similar obligations which shall have been issued, assumed, or guaranteed by the Bank, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Bonds may deliver or cause to be delivered to the Bank at its principal office in the City of Washington, District of Columbia, United States of America, written notice that such holder elects to declare the principal of all Bonds held by him (the serial numbers and denominations of which shall be set forth in such notice) to be due and payable, and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Bonds shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

Tax Status

The Bonds and the interest thereon will not be exempt from taxation generally.

Under the Agreement, the Bonds and the interest thereon are not subject to any tax by a member (a) which discriminates against the Bonds solely because they are issued by the Bank, or (b) if the

sole jurisdictional basis for such taxation is the place or currency in which the Bonds are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Agreement, the Bank is not under any obligation to withhold or pay any tax on the interest on the Bonds.

As regards United States taxation, the United States Treasury Department has ruled that interest on securities issued by the Bank is not subject to United States income taxes, including withholding taxes, if paid to a non-resident alien individual (or foreign partnership, estate or trust) or to a foreign corporation, whether or not such person is engaged in trade or business in the United States, except that, absent any special statutory or treaty exemption, such interest is subject to United States income tax in the following cases: (i) such interest is derived by such person in the active conduct of a banking, financing or similar business within the United States or is received by a corporation the principal business of which is trading in stock or securities for its own account, and in either case such interest is attributable to an office or other fixed place of business of such person within the United States; (ii) such person is a foreign corporation taxable as a life insurance company carrying on a United States insurance business and such interest is attributable to its United States business.

The ruling provides that interest paid by the Bank on its obligations constitutes income from sources without the United States.

The ruling also provides that, unless a death tax convention provides otherwise, debt obligations of the Bank are deemed to be situated outside the United States for purposes of the United States federal estate tax and are not includable in the gross estate for purposes of such tax in the case of a decedent who was a non-resident of the United States and not a citizen of the United States.

Legal Opinions

The legality of the Bonds offered hereby will be passed upon by the General Counsel or the Assistant General Counsel of the Bank and by Messrs. Sullivan & Cromwell, counsel for the Underwriters, who, with respect to certain matters, will rely upon the opinion of the counsel of the Bank.

General

The Bonds will not contain any limitation on the right of the Bank to issue any other bonds, notes or obligations. It is the Bank's policy to limit borrowings for inclusion in all categories of its capital resources, together with guarantees chargeable to such resources, to 80% of the callable portion of its subscribed capital stock. The Bank's debt issues in the United States market prior to 1975 contain provisions limiting the Bank's borrowings of funds for inclusion in its ordinary capital resources, together with guarantees chargeable to such resources, to the amount of the subscription of the United States of America to the Bank's callable shares. The final maturity of such debt issues is October 1, 1995, but all such debt will have become redeemable by April 1, 1983.

The Bonds will not be issued under an indenture, and no trustee is provided for in the Bonds.

Under the provisions of Section 11(a) of the Inter-American Development Bank Act, the Bonds are exempted securities within the meaning of Paragraph (a)(2) of Section 3 of the Securities Act of 1933, as amended, and Paragraph (a)(12) of Section 3 of the Securities Exchange Act of 1934, as amended.

Application will be made to list the Bonds on the New York Stock Exchange.

The issuance of this Prospectus and the offering and sale of the Bonds are not a waiver by the Bank or by any of its members, Governors, Executive Directors, Alternates, officers or employees of any of the rights, immunities, privileges, or exemptions conferred upon any of them by the Agreement Establishing the Inter-American Development Bank or by any statute, law or regulation of any member of the Bank or any political subdivision of any member, all of which are hereby expressly reserved.

UNDERWRITING AND DISTRIBUTION

Under the terms and subject to the conditions contained in the Underwriting Agreement, dated July 15, 1976, the Underwriters named below have severally agreed to purchase, and the Bank has agreed to sell to them severally, the principal amount of Bonds set forth below opposite their names less the principal amount of Bonds to be sold pursuant to delayed delivery contracts referred to below:

Name	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 7,350,000
Lehman Brothers Incorporated	7,350,000
Lazard Frères & Co.	7,350,000
Goldman, Sachs & Co.	7,350,000
The First Boston Corporation	2,000,000
Morgan Stanley & Co. Incorporated	2,000,000
Salomon Brothers	2,000,000
Bache Halsey Stuart Inc.	1,350,000
Blyth Eastman Dillon & Co. Incorporated	1,350,000
Dillon, Read & Co. Inc.	1,350,000
Discount Corporation of New York	1,350,000
Drexel Burnham & Co. Incorporated	1,350,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,350,000
E. F. Hutton & Company Inc.	1,350,000
Kidder Peabody & Co. Incorporated	1,350,000
Kuhn, Loeb & Co.	1,350,000
Loeb, Rhoades & Co.	1,350,000
Paine, Webber, Jackson & Curtis Incorporated	1,350,000
Reynolds Securities Inc.	1,350,000
Smith Barney, Harris Upham & Co. Incorporated	1,350,000
Warburg Paribas Becker Inc.	1,350,000
Wertheim & Co., Inc.	1,350,000
White, Weld & Co. Incorporated	1,350,000
Dean Witter & Co. Incorporated	1,350,000
Bear, Stearns & Co.	1,350,000
L. F. Rothschild & Co.	1,350,000
Shearson Hayden Stone Inc.	1,350,000
Weeden & Co. Incorporated	1,350,000
A. E. Ames & Co. Incorporated	1,000,000
Alex. Brown & Sons	1,000,000
Dominion Securities Harris & Partners Inc.	1,000,000
EuroPartners Securities Corporation	1,000,000
Shields Model Roland Securities Incorporated	1,000,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	1,000,000
UBS-DB Corporation	1,000,000
Wood Gundy Incorporated	1,000,000
ABD Securities Corporation	600,000
Arnhold and S. Bleichroeder, Inc.	600,000
Robert W. Baird & Co. Incorporated	600,000
Basle Securities Corporation	600,000
Bateman Eichler, Hill Richards, Incorporated	600,000
William Blair & Company	600,000
Dain, Kalman & Quail, Incorporated	600,000
Daiwa Securities America Inc.	600,000
F. Eberstadt & Co., Inc.	600,000
Eppler, Guerin & Turner, Inc.	600,000
Faulkner, Dawkins & Sullivan, Inc.	600,000
Keefe, Bruyette & Woods, Inc.	600,000
Kleinwort, Benson Incorporated	600,000
Ladenburg, Thalmann & Co. Inc.	600,000
McDonald & Company	600,000
Moseley, Hallgarten & Estabrook Inc.	600,000
New Court Securities Corporation	600,000

Name	Principal Amount
The Nikko Securities Co. International, Inc.	$ 600,000
Nomura Securities International, Inc.	600,000
Oppenheimer & Co., Inc.	600,000
Piper, Jaffray & Hopwood Incorporated	600,000
Wm. E. Pollock & Co., Inc.	600,000
Prescott, Ball & Turben	600,000
R. W. Pressprich & Co. Incorporated	600,000
The Robinson-Humphrey Company, Inc.	600,000
SoGen-Swiss International Corporation	600,000
Stuart Brothers	600,000
Suez American Corporation	600,000
Spencer Trask & Co. Incorporated	600,000
Tucker, Anthony & R. L. Day, Inc.	600,000
Ultrafin International Corporation	600,000
Wood, Struthers & Winthrop Inc.	600,000
Yamaichi International (America), Inc.	600,000
Advest Co.	250,000
American Securities Corporation	250,000
Bacon, Whipple & Co.	250,000
Blunt Ellis & Simmons Incorporated	250,000
Boettcher & Company	250,000
Bosworth, Sullivan & Company, Inc.	250,000
J. C. Bradford & Co.	250,000
Butcher & Singer	250,000
Elkins, Stroud, Suplee & Co.	250,000
First of Michigan Corporation	250,000
Greenshields & Co Inc	250,000
Johnston, Lemon & Co. Incorporated	250,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc.	250,000
Loewi & Co. Incorporated	250,000
Moore, Leonard & Lynch Incorporated	250,000
Nesbitt Thomson Securities, Inc.	250,000
Newhard, Cook & Co. Incorporated	250,000
The Ohio Company	250,000
Parker/Hunter Incorporated	250,000
Reinholdt & Gardner	250,000
Rotan Mosle Inc.	250,000
Shuman, Agnew & Co., Inc.	250,000
Sutro & Co. Incorporated	250,000
C. E. Unterberg, Towbin Co.	250,000
Watling, Lerchen & Co. Incorporated	250,000
Craigie, Mason-Hagan, Inc.	200,000
Daniels & Bell, Inc.	200,000
First Harlem Securities Corporation	200,000
First Southwest Company	200,000
Folger Nolan Fleming Douglas Incorporated	200,000
Freeman Securities Company, Inc.	200,000
Hinkle Northwest, Inc.	200,000
The Milwaukee Company	200,000
Raffensperger, Hughes & Co., Inc.	200,000
Scherck, Stein & Franc, Inc.	200,000
Thomas & Company, Inc.	200,000
Total	$100,000,000

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Lehman Brothers Incorporated, Lazard Frères & Co. and Goldman, Sachs & Co., as Representatives of the Underwriters, have advised the Bank as follows: The Underwriters propose to offer part of the Bonds to be sold by them directly to

the public at the public offering prices set forth on the cover page hereof and part to dealers at a price which represents a concession of .475% of the principal amount under the public offering price. The Underwriters may allow, and such dealers may reallow, a discount not in excess of .250% of the principal amount to certain brokers or dealers. After the initial public offering of the Bonds the public offering prices and the selling terms may be varied by the Representatives.

DELAYED DELIVERY CONTRACTS

The Bank has authorized the Underwriters to solicit from certain types of institutional investors offers to purchase Bonds in an aggregate amount not to exceed $20,000,000 pursuant to delayed delivery contracts in minimum amounts of $500,000 providing for payment and delivery on October 12, 1976 and January 12, 1977.

The delayed delivery contracts are to be entered into by the respective purchasers and the Bank, in a form prescribed by the Bank, at or before the delivery to the Underwriters of the Bonds to be purchased by them, and are to be conditioned upon the sale to the Underwriters of the Bonds to be purchased by them.

Institutional investors with whom such delayed delivery contracts may be made include savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, commercial banks purchasing for their own account or for accounts of others of the foregoing types, and such others as may be approved by the Bank.

A fee of .875% of the principal amount of Bonds for which delayed delivery contracts are made will be paid to the Underwriters. The Underwriters may allow a commission of .475% to dealers, including Underwriters acting as dealers, in respect of Bonds for which delayed delivery contracts are arranged through them by the Representatives of the Underwriters.

The Bank reserves the right to reject in whole or in part applications for the Bonds on the delayed delivery basis and to allot amounts smaller than applied for.

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REPORT OF INDEPENDENT ACCOUNTANTS
ORDINARY CAPITAL

Board of Governors
Inter-American Development Bank

We have examined the financial statements of the Inter-American Development Bank — Ordinary Capital listed in the index on page 22 as of December 31, 1975 and for the five years then ended. 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.

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 the financial position of Inter-American Development Bank — Ordinary Capital at December 31, 1975, and the results of its operations and the changes in its financial position for the five 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.

Washington, D.C.
February 13, 1976

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

BALANCE SHEET

December 31, 1975

(Expressed in thousands of United States Dollars — Note A)

ASSETS

Cash		
Unrestricted		
Member currencies	$ 106,936	
Non-member currencies	2,553	
Restricted (Note C)		
Member currencies	17,367	$ 126,856
Investments		
Obligations issued or guaranteed by governments or issued by United States agencies, at amortized cost (face amount $69,763)	69,563	
Time deposits		
Member currencies	689,631	
Non-member currencies	78,774	837,968
Loans outstanding held by Bank (Note D) (Appendix 1)		
Total loans approved by Bank since inception, less cancellations	3,923,518	
Less undisbursed balance of approved loans held by Bank	(1,726,267)	
Less principal collected by Bank and loans sold or agreed to be sold	(701,084)	1,496,167
Accrued interest and other charges		
On investments	26,181	
On loans	30,896	57,077
Due from members in member currencies (Note I)		
Capital subscriptions (Appendix 3)	167	
Non-negotiable, non-interest bearing demand obligations (Appendix 3)	331,478	
Amounts required to maintain value of currency holdings (Note B)	13,628	345,273
Other assets		
Land, building and improvements, at cost less accumulated depreciation of $2,194	11,840	
Unamortized funded debt issue costs	11,613	
Miscellaneous, including interfund receivables (Note E)	10,532	33,985
Special Reserve assets (Note F)		83,466
Total assets		$2,980,792

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

BALANCE SHEET

December 31, 1975

(Expressed in thousands of United States Dollars — Note A)

LIABILITIES, SPECIAL RESERVE AND CAPITAL

Liabilities		
Funded debt, less unamortized debt discount (Note G) (Appendix 2)		$1,573,097
Other liabilities and credits		
Accrued interest on borrowings	$ 32,596	
Accounts payable and accrued expenses	4,865	
Mortgage payable	2,902	
Deferred credits (Note E)	4,776	45,139
Special Reserve (Note F)		83,466
Capital		
Capital Stock (Note I) (Appendix 3)		
Authorized 515,000 shares of $10,000 par value in terms of 1959 U.S. dollars		
Subscribed 494,466 shares	5,964,957	
Less callable portion	(4,981,920)	
	983,037	
General Reserve (Note K)	296,053	1,279,090
Commitments (Note L)		
Total liabilities, Special Reserve and Capital		$2,980,792

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENT OF CHANGES IN FINANCIAL POSITION

(Expressed in thousands of United States Dollars — Note A)

	Years Ended December 31,				
	1971	1972	1973	1974	1975
Source of funds					
Provided from operations					
Net income	$ 23,571	$ 19,061	$ 37,855	$ 55,096	$ 58,266
Items not (providing) requiring cash funds, net	1,756	304	(8,402)	(7,545)	14,976
Cash funds provided from operations	25,327	19,365	29,453	47,551	73,242
Special addition to General Reserve	—	1,136	2,534	—	—
Loan principal collections	73,948	80,420	88,690	89,890	102,190
Sales of loans to participants	11,278	2,672	3,539	11,550	503
Borrowings	137,621	176,105	130,432	106,315	369,874
Proceeds from delivery of bonds sold in 1970	4,962	—	—	—	—
Increase (decrease) in funded debt resulting from exchange rate fluctuations	45,793	—	73,046	51,292	(26,052)
Subscriptions to "paid-in" capital	83,646	202,178	97,914	33,836	8,836
Increase in "paid-in" capital resulting from maintenance of value adjustments	—	57,795	101,547	6,982	1,823
Collection of amounts due from members	40,451	59,993	58,974	51,941	53,991
Other	922	1,134	631	4,954	312
Total source of funds	$423,948	$600,798	$586,760	$404,311	$584,719
Application of funds					
Loan disbursements	$179,964	$185,813	$224,241	$291,206	$327,719
Payment of loan principal collections to participants	6,118	6,565	4,833	3,355	5,631
Increase (decrease) in loans outstanding resulting from exchange rate fluctuations	18,360	—	34,657	41,443	(22,585)
Retirement of funded debt	77,413	55,293	81,195	70,589	110,131
Subscriptions to "paid-in" capital and maintenance of value adjustments billed to members	83,646	261,109	201,995	40,818	10,659
Increase (decrease) in cash funds, including $27,063 in 1971, $40,332 in 1973, $8,750 in 1974 and $(6,130) in 1975, resulting from exchange rate fluctuations	55,542	88,890	33,483	(46,055)	147,962
Other	2,905	3,128	4,356	3,455	5,202
Total application of funds	$423,948	$600,798	$586,760	$404,311	$584,719

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

NOTES TO FINANCIAL STATEMENTS

Five Years Ended December 31, 1975

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 and the financial statements are expressed in United States dollars. Assets and liabilities denominated in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital subscriptions do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note B. Gains or losses relating to fluctuations in market rates of exchange of borrowed currencies are recorded as exchange adjustments when incurred. Although such fluctuations in borrowed currencies result in significant adjustments to the Bank's assets and liabilities, their effect on net income is significantly less because of the Bank's policy of lending borrowed currencies under loan contracts denominated in such currencies and making temporary investments in the same currencies prior to their disbursement under loans. Exchange gains and losses may occur whenever the Bank has an excess of assets or liabilities denominated in borrowed currencies as a result of accumulated net operating income or loss in such currencies or by conversions of one borrowed currency into another for purposes of debt servicing.

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 issued or guaranteed by governments or issued by United States Agencies 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 straight-line 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 each issue in proportion to principal amounts outstanding.

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 the five years ended December 31, 1975 such expenses were charged to the Ordinary Capital and to the Fund for Special Operations as follows:

	Ordinary Capital	Fund for Special Operations
1975	47%	53%
1974	44%	56%
1973	42%	58%
1972	40%	60%
1971	40%	60%

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 expenses 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. 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.

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, except for 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. 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 a member to making payments for goods and services produced in its territory.

Note D — Loans Outstanding Held by Bank

The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territories of its members. For loans to borrowers other than members and central banks, the Bank in almost all 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 $36,262,000 at December 31, 1975.

Note E — Miscellaneous Assets and Deferred Credits

Miscellaneous assets include the amount of $4,776,000 representing the balance of principal, accrued interest and reimbursable expenses due from a private enterprise in Brazil which in 1966 defaulted in the payment of two loans. Part of the borrower's properties were sold in 1973 by the Bank to recover the amount of the indebtedness, under a contract providing for the payment of the proceeds in monthly installments through 1977. Interest accrued since November 1966 and reimbursable expenses incurred in years prior to 1973 have been recorded as Deferred Credits and are being taken into income starting in 1975; $1,370,000 representing such income is included under income from other sources. The Bank expects to fully recover the total indebtedness.

Note F — Special Reserve

Under a provision of the Agreement, the amount of special commissions earned by the Bank on loans made out of the Ordinary Capital resources is required to be segregated as a special reserve for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum.

The Special Reserve assets at December 31, 1975 consist of the following:

	(Thousands of United States dollars)
Cash	$ 601
Investments	
United States Government and Agencies obligations, at amortized cost (face amount $13,000)	12,876
Time deposits in U.S. dollars	57,600
Accrued loan commissions	4,201
Due from member countries	
Non-negotiable, non-interest bearing demand obligations	8,188
	$83,466

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, in Venezuelan bolivars, Trinidad and Tobago dollars and in non-member currencies, at interest rates ranging from 4% to 8⅞%.

Sinking fund requirements and funded debt maturities subsequent to December 31, 1975 are approximately equivalent to the following:

Year	Amount (in thousands)
1976	$ 92,773
1977	128,767
1978	91,040
1979	93,134
1980	91,312
1981/85	778,842
1986/90	193,298
1991/95	111,214
	$1,580,380

The Bank has entered into an agreement with the Export-Import Bank of Japan which provides that the Bank may borrow up to an additional $10,000,000 in Japanese Yen, not included above. Since December 31, 1975, the Bank has borrowed the equivalent of approximately $91,000,000 (unaudited) in Europe and entered into an agreement for the borrowing of approximately $16,000,000 (unaudited) in Japan. On February 10, 1976 the Bank issued in the U.S. capital market $75,000,000 of 8⅜% ten year notes and $75,000,000 of 9% twenty-five year bonds.

The weighted average face value interest rate on the outstanding principal of the Bank's funded debt at December 31, 1975 approximates 6.89%. The weighted average effective interest rate on the outstanding principal of the funded debt, after deducting discount, approximates 7.00% at December 31, 1975. The amortization of discount amounted to $1,112,000 in 1975, $884,000 in 1974, $844,000 in 1973, $709,000 in 1972 and $636,000 in 1971.

Gains on purchases of funded debt pursuant to sinking fund requirements amounting to $3,943,000 in 1975, $3,957,000 in 1974, $2,921,000 in 1973, $2,259,000 in 1972 and $3,999,000 in 1971, are included under income from other sources.

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 years prior to 1973 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 during the prior two years, net income for those years would have been the pro forma amounts shown in the footnote to the Statement of Income and General Reserve on page 9.

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. Because of the devaluations of the United States dollar mentioned in Note B, the $10,000 par value of each share in terms of the 1959 United States dollar has increased to $12,063 in terms of the current United States dollar. In these terms, the authorized Ordinary Capital at December 31, 1975 was $6,212,668,000 (515,000

shares of $12,063 each), comprised of $1,055,550,000 (87,500 shares) of "paid-in" capital and $5,157,118,000 (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 has been paid 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 borrowings of funds for inclusion in the Bank's Ordinary Capital resources or guarantees chargeable to such resources and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made. Final installments under a "paid-in" capital increase approved in 1971 were subscribed by members in 1975.

On July 9, 1975, the Board of Governors approved a resolution recommending an increase in the authorized capital stock in the amount of $4,000,000,000, to become effective only upon agreement of at least 16 members to subscribe to at least $3,015,000,000 of the increase. Such increase would consist of $344,000,000 of authorized "paid-in" capital and $3,656,000,000 of authorized "callable" capital. Subscriptions to the increase would be made in three equal annual installments beginning in 1976. Part of the increase may be subscribed by certain members in the stock of a new fund, the Inter-Regional Capital, which would be created by the approval of certain amendments to the Agreement Establishing the Bank which have been submitted to the Board of Governors for its consideration.

The following table summarizes the changes in the subscribed capital for the year ended December 31, 1975:

	Subscribed Capital			
		Amount (Thousands of United States dollars)		
	Shares	"Paid-in"	"Callable"	Total
Balance at December 31, 1974	493,582.4	$972,378	$4,981,920	$5,954,298
Capital subscribed by members during 1975 (in 1959 U.S. dollars)	883.6	8,836	—	8,836
Increase of 1975 capital subscription as a result of 1973 and 1972 maintenance of value adjustments	—	1,823	—	1,823
Balance at December 31, 1975	494,466.0	$983,037	$4,981,920	$5,964,957

Note J — Staff Retirement Plan

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 62 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the Plan (1975 — $4,693,000, 1974 — $3,049,000, 1973 — $2,534,000, 1972 — $2,292,000, and 1971 — $2,106,000) were charged to administrative expenses and allocated between funds as indicated in Note A. The 1975 contributions increased by approximately $1,000,000 as a result of amendments to the Plan, including certain amendments that created an unfunded liability which is being amortized over a ten year period.

NOTES TO FINANCIAL STATEMENTS (Continued)

Five Years Ended December 31, 1975

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.

Note L — Leases

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1980. The estimated annual rentals through 1980, under leases in effect at December 31, 1975 (net of amounts under sublease agreements), are as follows:

1976	$2,107,000
1977	1,889,000
1978	602,000
1979	150,000
1980	102,000

The Bank has an option to renew for three additional five-year periods its principal lease which expires in 1978.

Office rental expense (net of amounts received under subleases) was $2,199,000 in 1975 and was allocated between funds as set forth in Note A.

Note M — Events Subsequent to Date of Opinion of Independent Accountants (February 13, 1976) (Unaudited)

For changes in the Bank's capital stock which became effective subsequent to December 31, 1975, see table on page 3 and "Inter-regional Capital" and "Increase of Capital".

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

SUMMARY STATEMENT OF LOANS — NOTE D

December 31, 1975

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	Loan 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	Other "paid-in" currencies	Other borrowed currencies
Argentina	$ 580,913	$116,655	$21,640	$ 442,618	$ 184,088	$ 258,530	$ 88,206	$ 21,811	$148,513
Barbados	9,100	—	—	9,100	9,100	—	—	—	—
Bolivia	68,360	762	—	67,598	37,496	30,102	19,847	300	9,955
Brazil	1,245,808	155,222	15,879	1,074,707	591,713	482,994	270,585	40,374	172,035
Chile	229,160	59,151	6,312	163,697	109,133	54,564	31,111	3,734	19,719
Colombia	354,187	55,606	4,257	294,324	155,717	138,607	44,407	8,044	86,156
Costa Rica ...	71,040	9,501	1,520	60,019	50,435	9,581	4,613	74	4,894
Dominican Republic ...	6,713	6,513	200	—	—	—	—	—	—
Ecuador	70,409	4,424	257	65,728	47,056	18,672	12,209	386	6,077
El Salvador ...	7,029	4,573	251	2,205	—	2,205	1,881	104	220
Guatemala ...	35,819	6,928	15,725	13,166	10,000	3,166	3,022	—	144
Honduras	460	400	60	—	—	—	—	—	—
Jamaica	13,308	69	—	13,239	8,458	4,781	3,177	105	1,499
Mexico	722,011	93,283	12,637	616,091	278,986	337,105	132,318	27,572	177,215
Nicaragua	16,900	6,973	1,794	8,133	—	8,133	5,355	652	2,126
Panama	1,536	542	—	994	—	994	604	324	66
Paraguay	6,332	3,612	429	2,291	—	2,291	1,558	375	358
Peru	80,550	18,681	7,834	54,035	33,469	20,566	10,197	2,715	7,654
Trinidad and Tobago	710	—	—	710	557	153	13	—	140
Uruguay	81,692	15,360	952	65,380	43,098	22,282	15,034	2,014	5,234
Venezuela	129,403	40,276	5,768	83,359	23,635	59,724	15,125	9,062	35,537
Regional	192,078	6,038	1,000	185,040	143,323	41,717	31,436	—	10,281
Total	$3,923,518	$604,569	$96,515	$3,222,434	$1,726,267	$1,496,167	$690,698	$117,646	$687,823

The following table summarizes the borrowed currencies other than United States dollars, in which the outstanding portion of approved loans held by the Bank is collectible:

Currencies	Amount
Austrian Schilling	$ 21,459
Belgian Franc	6,004
Pound Sterling	2,609
French Franc	29,554
Deutsche Mark	215,244
Italian Lira	54,122
Japanese Yen	121,650
Netherlands Guilder	19,966
Spanish Peseta	13,591
Swedish Kronor	25,165
Swiss Franc	155,474
Trinidad and Tobago dollar	1,875
Venezuelan Bolivar	21,110
	$687,823

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENT OF FUNDED DEBT — NOTE C

December 31, 1975

Expressed in thousands of United States dollars — Note A

Payable in	Face Value interest rate range	Due Date	Principal outstanding
Austrian Schillings	6¾% 7 %	1980-1983	$ 18,535
Belgian Francs	7 %-7½%	1982-1986	15,762
Deutsche Marks	5½%-8½%	1976-1987	253,007
French Francs	8 %-8½%	1989-1992	43,509
Italian Lira	5 %-0 %	1982-1989	58,538
Japanese Yen	5 %-8 %	1978-1990	135,267
Netherlands Guilders	7 %-8 %	1986-1988	24,627
Pounds Sterling	5½%-8⅞%	1984-1989	4,822
Spanish Pesetas	6%	1985	13,949
Swiss Francs	5½%-8 %	1981-1989	162,264
Swedish Kronor	7½%-8¼%	1979-1984	22,824
Trinidad and Tobago dollars	8%	1984	4,167
United States dollars	4 %-8⅝%	1976-1995	799,853
Venezuelan Bolivars	7%	1987	23,256
			1,580,380
Less — Unamortized debt discount			(7,283)
Total			$1,573,097

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER — NOTE I

December 31, 1975

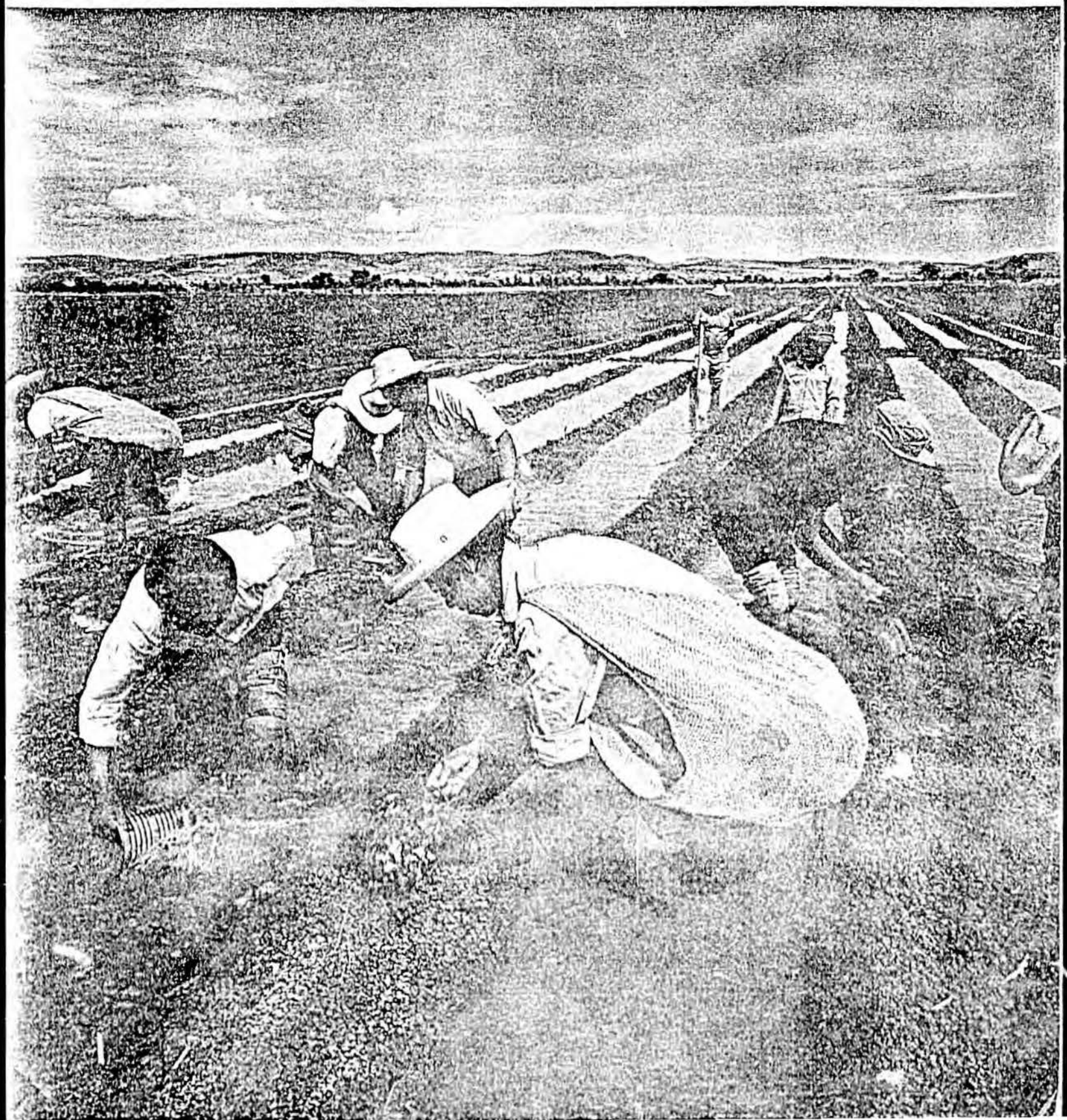
Expressed in thousands of United States dollars — Note A

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	Other member currencies				Paid-in capital subscriptions	Non-negotiable, non-interest bearing, demand obligations
Argentina	58,850	11.90	$ 709,933	$ 62,211	$ 62,211	$ 585,511	58,985	11.85		$ 41,568
Barbados	704	.14	8,493	1,249	1,249	5,995	839	.17		1,204
Bolivia	4,724	.95	56,989	4,995	4,994	47,000	4,859	.98		5,142
Brazil	58,850	11.90	709,933	62,211	62,211	585,511	58,985	11.85		—
Canada	24,268	4.91	292,755	—	48,254	244,501	24,403	4.91		20,857
Chile	16,160	3.27	194,915	17,082	17,082	160,781	16,295	3.28		13,398
Colombia	16,146	3.26	194,776	17,070	17,070	160,636	16,281	3.27		4,852
Costa Rica	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		920
Dominican Republic	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Ecuador	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		—
El Salvador	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,076
Guatemala	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Haiti	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		2,348
Honduras	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		998
Jamaica	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		2,766
Mexico	37,830	7.65	456,359	39,990	39,990	376,379	37,965	7.63		—
Nicaragua	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		—
Panama	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,334
Paraguay	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,291
Peru	7,886	1.59	95,132	8,336	8,336	78,460	8,021	1.61	$ 167	5,709
Trinidad and Tobago	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,797
United States	199,704	40.39	2,409,116	361,903	—	2,047,213	199,839	40.15		189,024
Uruguay	6,310	1.27	76,120	6,671	6,671	62,778	6,445	1.30		2,450
Venezuela	31,530	6.37	380,360	33,331	33,332	313,697	31,665	6.36		30,746
Total	494,466	100.00	$5,964,957	$648,343	$334,694	$4,981,920	497,706	100.00	$ 167	$331,478

DUPLICATE

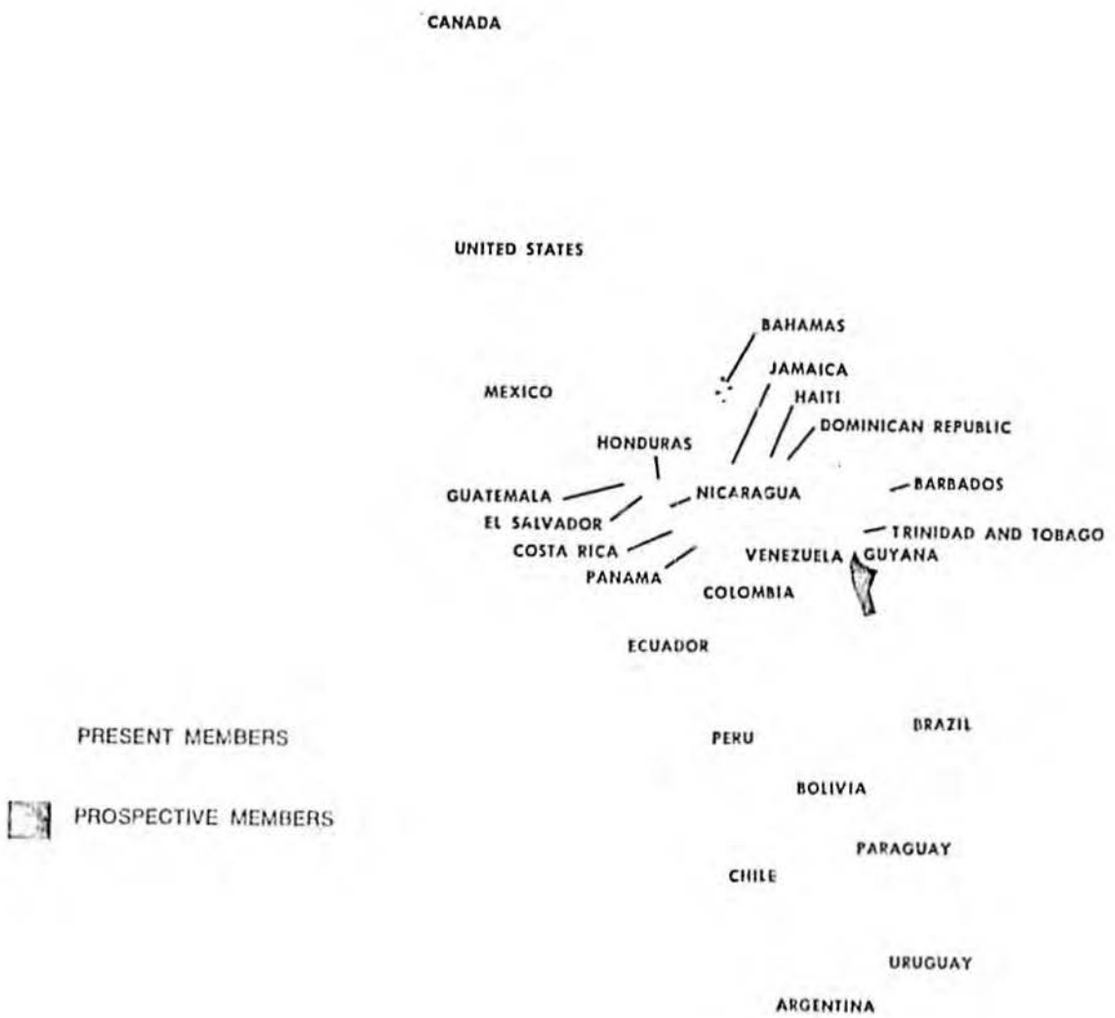
Inter-American Development Bank

annual report 1975



MAJOR MEMBERSHIP EXPANSION for Inter-American Bank moves forward. During 1975 substantive progress was made in the Bank's efforts to bring 12 additional capital contributing countries into membership. They include Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom and Yugoslavia. In addition, action was carried forward during the year to permit the entry into the Bank of two new countries within the region—Bahamas and Guyana.

Inter-American Development Bank
Annual Report 1975



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

March 18, 1976

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, I transmit to you the Annual Report of the Bank for 1975, which the Board of Executive Directors of the Bank submits to the Board of Governors.

The Report contains an overview of the Bank's first 15 years of operations; a section on development trends in Latin America; a review of the Bank's activities in 1975; a description, on a country-by-country basis, of the loans and technical cooperation authorized during the year, and a brief summary of the funds which the Bank administers for member, as well as nonmember, countries.

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; the Social Progress Trust Fund, pursuant to Section 5.04 of the Agreement signed between the United States Government and the Bank, and the Venezuelan Trust Fund, pursuant to Article VI, Section 24, of the Agreement between the Venezuelan Government and the Bank.

Sincerely yours,

Antonio Ortiz Mena
President

Chairman, Board of Governors
Inter-American Development Bank

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THE COVER: Bank-financed irrigation in Michoacán, Mexico, nurtures seedlings and makes arid soil fertile.

1975 IN BRIEF

The year 1975, which marked the completion of the first decade and a half of operations for the Inter-American Development Bank, was a year of accomplishment in the Bank's mission of promoting the economic and social development of its member countries.

During the year the Bank set substantially higher operational records than it had in any previous year and laid the foundations for continued growth of its activities in the future by authorizing a large increase in its resources for the 1976-79 period.

The highlights of the Bank's activity for 1975 included:

- A decision taken by the Bank's Board of Governors to augment the Bank's financial resources by $6.3 billion over the 1976-79 period through increases in the Bank's capital stock of $5.3 billion and its Fund for Special Operations of $1 billion.

- A decision taken by the Bank's Board of Governors to initiate action to change the Agreement Establishing the Bank to permit 12 nonregional countries to join the Bank as full members. The 12 new members would contribute an additional $745 million to the Bank's resources over an initial three-year period.

- The entry into force of an agreement under which the Bank is administering a $500 million trust fund established by the Government of Venezuela to foster development projects in its sister republics in Latin America.

- The initiation of a complementary financing program to raise substantial additional credit resources for Latin America's development from the world's private financial sector.

- The approval of the highest yearly total of loans—$1,375 million—ever approved by the Bank, 24 per cent higher than the $1,111 million approved in 1974. This raised the Bank's cumulative lending as of Dec. 31, 1975, to $8,685 million, an amount which is helping to finance Latin American development projects costing more than $33 billion.

- Volume of disbursements of $712 million in 1975, compared with $628 million in 1974.

- Earnings from the Bank's ordinary capital resources and the Fund for Special Operations of $101 million in 1975 compared with $93 million in 1974.

- Repayments on loans of $199 million in 1975, compared with $179 million in 1974. As of Dec. 31, 1975, cumulative repayments to the Bank amounted to $1,175 million.

- Highest yearly total of nonreimbursable and contingent repayment technical cooperation ever extended: $24.6 million compared with the previous record of $22.4 million authorized in 1974.

- Priority support for agriculture and food production in its lending and technical cooperation programs.

- Steadily rising support in the Bank's lending and technical cooperation for the region's nine less developed countries and the six of limited market. Such countries received a total of $562 million in loans, compared with $390 million in 1974. Of that amount some $413 million was extended on concessional terms, compared with $292 million in 1974.

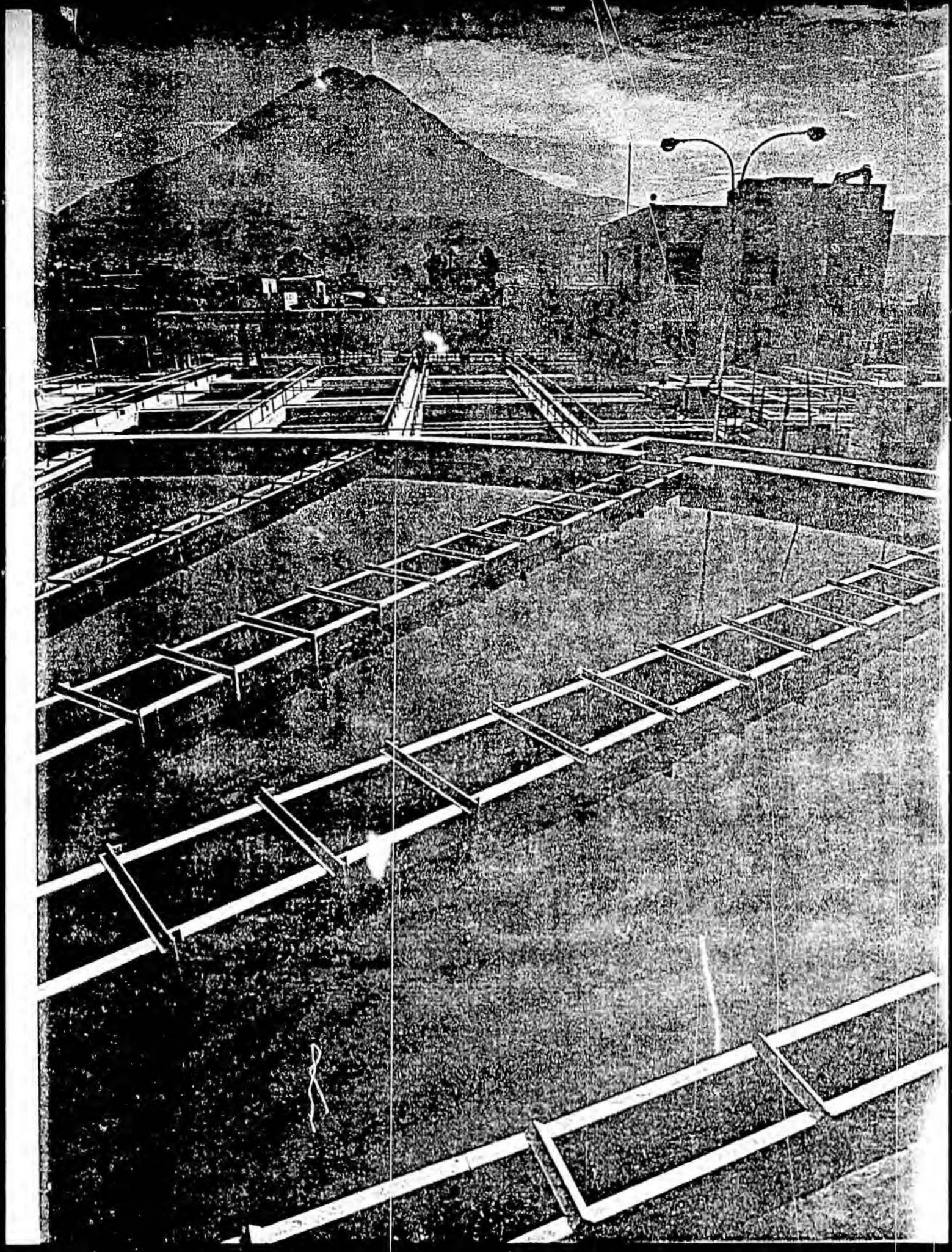
Highlights of the Bank's 1975 activities in figures, along with those of the previous four years, are contained in the table on the following page. A more complete table on pages 28 and 29 shows the Bank's activities in figures during its full 15 years of lending operations.

FIVE-YEAR HIGHLIGHTS, 1971-75

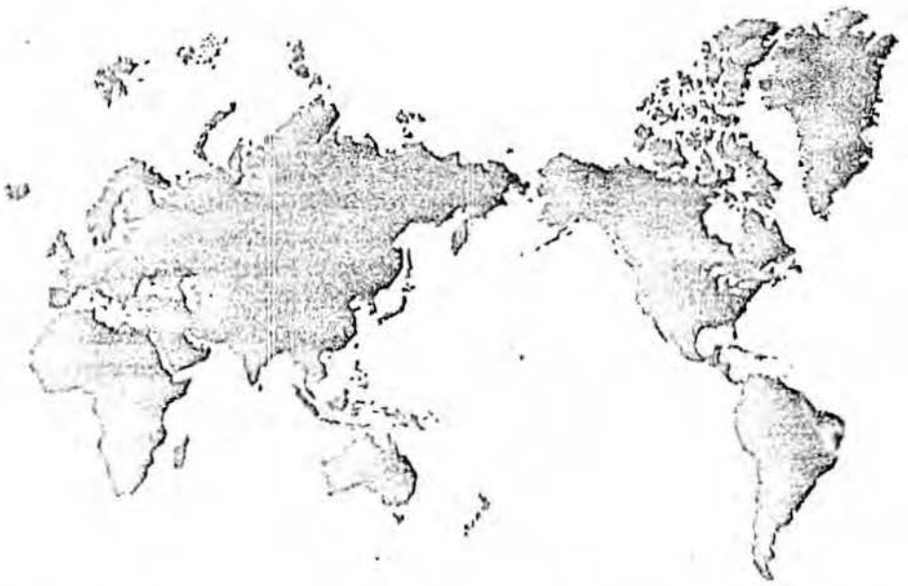
In Millions of Dollars

	1971	1972	1973	1974	1975
TOTAL RESOURCES					
Subscriptions (End of Year)					
Ordinary Capital Resources	3,466	4,373	5,710	5,954	5,965
Fund for Special Operations	2,328	3,988	4,393	4,394	4,395
Other Funds	606	627	637	640	1,145
Total	6,400	8,988	10,740	10,988	11,505
BORROWINGS					
Oustanding Debt (End of Year) [1]	1,018	1,137	1,260	1,347	1,580
Annual Borrowings:					
Gross	181	141	131	105	365
Net (Increase in Debt) [1]	103	119	123	87	233
OPERATIONS					
Loans Authorized (Cumulative) [1 & 2]					
Ordinary Capital Resources	1,764	2,162	2,652	3,326	3,924
Fund for Special Operations	2,405	2,687	3,064	3,497	4,076
Other Funds	576	592	593	593	685
Total	4,745	5,441	6,309	7,416	8,685
Loans Authorized (Annual)					
Ordinary Capital Resources	236	443	453	636	646
Fund for Special Operations	400	344	427	475	634
Other Funds	16	20	4	—	95
Total	652	807	884	1,111	1,375
Loan Disbursements (Annual)					
Ordinary Capital Resources [3]	180	186	224	291	328
Fund for Special Operations	249	279	312	324	371
Other Funds	12	14	11	13	13
Total	441	479	547	628	712
Loan Repayments (Annual)					
Ordinary Capital Resources [3]	74	81	89	90	102
Fund for Special Operations	35	45	56	65	72
Other Funds	19	21	23	24	25
Total	128	147	168	179	199
Nonreimbursable Technical Cooperation Authorized (Annual)					
Fund for Special Operations	2	2	3	11	11
Other Funds	4	4	3	11	13
Total	6	6	6	22	24
FINANCIAL HIGHLIGHTS					
Net Income (Less Technical Cooperation Expense)					
Ordinary Capital Resources	24	19	38	55	58
Fund for Special Operations	14	22	34	38	43
Reserves (End of Period)					
Ordinary Capital Resources	155	186	241	307	380
Fund for Special Operations	40	62	95	134	177
ADMINISTRATION					
Administrative Expenses [4 & 5]					
Total—All Funds	34	34	39	46	52

[1] Including adjustments in U.S. dollar equivalent of borrowed currencies.
[2] Net of cancellations.
[3] Figures in prior Annual Reports restated to exclude exchange adjustments.
[4] Including loan supervision and inspection expenses.
[5] Including depreciation and amortization expenses relating to buildings.
Note: "Other Funds" do not include agency agreements with Kreditanstalt für Wiederaufbau and the Inter-Governmental Committee for European Migration.



THE FIRST 15 YEARS: AN OVERVIEW



In 1975 the Inter-American Development Bank completed 15 years of operations in support of the development of its Latin American member countries.

The Agreement Establishing the Bank came into effect Dec. 30, 1959; the First Meeting of the Board of Governors took place in San Salvador, El Salvador, Feb. 3 to 16, 1960, and, after a period of organization, the Bank officially opened its doors for business Oct. 1, 1960. On Feb. 3, 1961, the Bank authorized its first loan —$3.9 million—to improve the water and sewage system of Arequipa, Peru.

The ratification of the Agreement Establishing the Bank in 1959 by 20 nations of the Western Hemisphere fulfilled a long-standing Latin American goal. Proposals for the creation of a hemispheric financial agency had been on the agenda of inter-American meetings since the turn of the Twentieth Century. Dedicated solely to the needs of Latin America, the Bank was the first of the world's regional development institutions. Not only were the borrowing member countries contributors, along with the industrial countries, to the Bank's resources but they were given a major responsibility in setting the Bank's policy and priorities and in authorizing its loans and technical cooperation.

Recording the events of 1960, the Bank's First Annual Report noted that "the real contact of the Inter-American Development Bank with the financial realities of the hemisphere has brought home a realization of the scope and complexity of the problems involved in economic development."

The test of the Bank's contribution, the Report said, should be "what it means for Latin America to have an authentically inter-American organization to promote its interests on the international private capital markets and to serve as an adequate multilateral vehicle for channeling financial assistance from other nations."

Reviewing conditions in Latin America in 1960, the Report said:

"Latin America is still in a transitional phase of evolution toward the more advanced stages of economic and social development. Traditional institutions and concepts are often an obstacle to more effective utilization of technological advances, to accelerated progress in general, and to more equitable distribution of the benefits of common endeavor. They are thus a contributing factor to social and political instability unfavorable to growth. The task for this decade will be to make certain that the necessary changes take place without major problems and are conducive to favorable conditions for more rapid development."

Since the Bank opened its doors, extraordinary changes have taken place throughout the world and in the Western Hemisphere—changes which have repeatedly posed new challenges for the institution. The world community is much more interdependent today. Economic issues are sharply more important today. In response to these conditions the Bank has broadened the scope and function of its lending and technical cooperation activities.

During its decade and a half of operations, the Bank has increased its membership; it has steadily replenished its financial resources, thanks to the strong support it has received from its own membership as well as from nonmember countries, and it has widened its fields of activity by financing projects in sectors previously neglected by international financial institutions.

The Bank began operations with 19 Latin American countries and the United

WHERE BANK'S LENDING BEGAN. Very first loan made by the Bank helped provide [illegible] Peru, with this modern water treatment plant. The $3.9 million loan was extended [illegible] 1961, and served a harbinger of the Bank's continuing concern for the social well-being of the peoples of its member countries.

States. In the 1960s three newly independent Caribbean nations—Trinidad and Tobago, Barbados and Jamaica—became members. Canada joined in 1972. A proposal to amend the Bank's Charter to authorize the admission of Bahamas and Guyana is being acted on by the Bank's member countries.

The Bank's Charter is also being amended to permit the admission into membership of 12 nonregional developed countries which would join the Bank solely as contributors of resources for Latin America's development. The entry of these 12 countries—Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom and Yugoslavia—will greatly reinforce the multilateral character of the institution and its resource base.

The Bank's financial capacity has increased dramatically over the past 15 years. It was initially created with total resources of $1 billion, of which $850 million constituted the ordinary capital and $150 million represented contributions to the Fund for Special Operations. Through subsequent periodic increases put into effect to meet the Bank's increasing requirements for capital to help finance the external resource needs of Latin America, the ordinary capital resources had grown to $5.9 billion and the Fund for Special Operations to $4.4 billion by the end of 1975.

The Bank's member countries are currently acting to augment these resources even further by $5.3 billion in the ordinary capital and $1 billion in the Fund for Special Operations. Once those increases are approved and implemented and the nonregional members have joined the Bank, its total financial resources will have grown to about $18 billion—$12 billion in the capital stock, and $6 billion in the Fund for Special Operations.

In addition, the Bank administers 11 trust funds totaling nearly $1.2 billion established by both member and nonmember countries. The two largest are the $525 million Social Progress Trust Fund placed under the Bank's administration in 1961 by the United States and the $500 million Venezuelan Trust Fund established by that country in 1975.

The Agreement Establishing the Bank provided that the Bank should have both paid-in and callable capital in its ordinary resources. The callable capital serves as a guarantee for borrowings of the Bank in the world's capital markets. It was contemplated that the ordinary capital resources would largely come from borrowings in the private capital markets, thereby providing a new bridge for private capital to participate in the development process of the Latin American countries and, at the same time, subjecting the Bank to the discipline of the market place.

From the very beginning of its operations the Bank has made constant efforts to expand the market for its bonds. They are now traded in the capital markets of most of the major financial centers of the world. In the 15 years of its existence the Bank has borrowed more than $2 billion and its securities enjoy excellent acceptance among private investors. The nearly $1 billion in borrowings effected in the United States have received the highest rating—Triple A—given by the major rating services and are generally found in the portfolios of the larger institutional investors.

The Bank has also borrowed in 14 nonmember countries through long-term bond issues and in two developing member countries—Venezuela and Trinidad and Tobago. The Central Banks of many Latin American member countries, as well as Israel's, have held over a period of ten years short-term obligations of the Bank. The Bank has also sold participations in its loans through arrangements amounting to $109 million to commercial banks.

In 1975 the Bank introduced a new mechanism of complementary financing whereby commercial banks, insurance companies and pension funds can purchase participations or participate in other ways in entire Bank loans under customary commercial terms parallel with and augmenting financing granted by the Bank on its usual terms of longer maturities and at its fixed interest rates.

The continuing financial support the Bank has received has enabled it to vastly increase its lending support for the economic and social well-being of its Latin American member countries. This has been particularly true of the Bank's past five years, a period in which the Bank lent more than it had in its previous 10 years of operation. In the Bank's first year it lent about $300 million; by 1975 the volume had risen to $1,375 million. In all, in 15 years the Bank has authorized 889 loans amounting to $8.7 billion, a volume of lending which is helping to finance projects requiring a total investment of some $33 billion. These amounts are far beyond even the most optimistic forecasts which the founders of the institution had in mind.

As the Bank's lending volume has grown, so has the spectrum of activities financed by Bank loans. The Bank has pioneered in sectors which had been neglected prior to its creation or which had been considered beyond the scope of international financial institutions.

In this connection, for example, the Bank's primary role as a catalyst in welding domestic and external financial resources for Latin America's development was characterized from its beginning by a unique social development concern. This was evident even in the negotiations that preceded the Bank's creation. In those negotiations a consensus emerged that low-income people in Latin America had to be integrated into the region's economy if there was to be lasting growth. The creation in the Bank's Agreement of the Fund for Special Operations as a separate financial "window" gave the institution the necessary flexibility to help its member countries face this fundamental need.

The concern for social development projects and programs which would help the peoples of Latin America was expressed by the nations of the hemisphere in the Act of Bogota of 1960 and the Declaration of Punta del Este of 1961.

The Bank's support for such development was redoubled with the signature of the Social Progress Trust Fund Agreement under which the Bank accepted the administration of U.S. resources "to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvement and to adopt measures to employ efficiently their own resources with a view

to achieving greater social progress and more balanced economic growth."

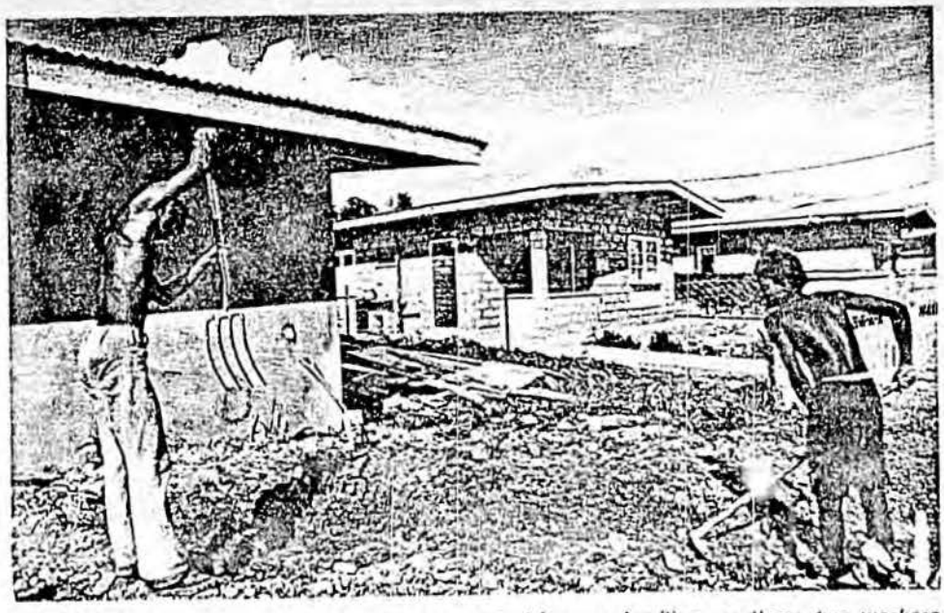
Under that Agreement the United States pla d $525 million at the disposal of the Bank for making loans on concessional terms in the fields of land settlement and improved land use, housing for low-income groups, community water supply and sanitation facilities and supplementary financing of facilities for advanced education. Since 1965, when the resources of the Trust Fund were fully committed, the needs of those sectors have been met through the Fund for Special Operations, whose resources have been increased periodically for this purpose.

Concessional lending provided from the Fund for Special Operations enables the Bank to help finance projects that may yield slow financial returns but which are indispensable if those on the fringes of the regional economy are to be integrated into the economic mainstream. The Fund for Special Operations, for example, has enabled the Bank to give increasingly greater preferential treatment to its less developed member countries and to the most disadvanta,,d groups within countries.

Of the cumulative Inter-American Bank lending through 1975 of $8.7 billion more than half has come from the Bank's concessional resources for projects primarily benefiting low-income areas or groups of people and substantial parts of that amount have been devoted to projects benefiting Latin America's countryside, traditionally its most neglected area, or needy urban areas.

The Bank's lending activity in support of the productive sectors—agriculture and industry—also deserves special mention. In its first Annual Report, the Bank stated:

"In general, the development of Latin America has failed to meet the requirements of balanced growth; on the contrary, the disparity has become more pronounced in various sectors of the economy while in others it remained the same. The contrasts between per capita productivity in agriculture and industry is about the same today as it was ten years ago. In agriculture, while productivity has increased in the export sector, it has declined or remained static in the sector producing for domestic consumption."



PITCHING IN TO PROVIDE HOUSING for modest-income families are these two workers in Trinidad and Tobago. Here they level yard on just-constructed housing unit built with help of Bank loan under which more than 2,000 houses are going up throughout the nation. The project also includes schools, shopping areas and community centers.

Fifteen years later food production in Latin America is still not expanding at the pace required to reasonably satisfy the growing needs of its population. Despite an abundance of land and rural manpower, which represents 36 per cent of the labor force, the countryside is marked by poverty and unemployment, and while Latin America as a whole is a net exporter of agricultural and livestock products, the volume of these exports has been declining in recent years. Moreover, an increasing number of countries are importing significant quantities of staples, even though they themselves have the potential to supply their own needs.

In seeking to help Latin America increase its agricultural production and improve the lot of the rural resident, the Bank has extended a variety of financing to foster greater production, productivity and employment and a more equitable distribution of income in the rural areas of Latin America. The Bank's agricultural lending has included such wide-ranging projects as large-scale mechanization programs, the construction of large and small irrigation facilities, land settlement and agrarian reform projects, and farm credit programs for low-income farmers.

Indeed, agriculture is the Bank's leading lending sector. Through 1975 the Bank had provided nearly $2 billion in loans for farm, forestry and fishery development being carried out in Latin America at a total cost of $5.4 billion. To this must be added Bank financing in other sectors which has a direct impact on rural development, such as construction of access and farm-to-market roads, rural water supply projects and rural electrification programs. Up to the end of 1975, the Bank had lent some $500 million for such projects. Also contributing to agricultural development are industrial loans in such fields as fertilizer production and agribusiness activities. Education loans are helping to improve training in the agricultural sciences. In addition, a large part of the Bank's technical cooperation program has promoted agricultural development through the preparation of agricultural studies and through support to agricultural research institutions in the region.

The industrial sector in Latin America has expanded in recent years faster than the overall Latin American economy. Today the yearly value of manufacturing output is almost double that of agriculture. In 1974, manufacturing generated about 25 per cent of the regional gross product.

Since 1961 the Bank has cooperated

EDUCATION IN AGRICULTURAL SCIENCES is being improved in Chile with the support of a Bank loan extended to the University of Chile for construction of buildings and purchase of books to improve the University's School of Agronomy and of Animal Husbandry and Veterinary Medicine.

with its member countries in expanding, modernizing and diversifying industry through direct loans to help large private and public enterprises carry out major industrial projects, including cement, iron and steel, metal products and chemical and petrochemical plants, as well as through loans channeled through national development agencies to small- and medium-scale firms for industrial projects which are too small to be financed directly by the Bank.

Through the end of 1975 the Bank's industrial lending totaled about $1,250 million, of which $694 million was in the form of direct loans and $556 million was channeled through development agencies. This lending is helping to finance projects valued at $10.7 billion.

In addition, the Bank devotes part of its loans to a program designed to support the financing of exports of capital goods among the Latin American member countries as one means of stimulating higher levels of production and of intra-regional trade in these goods. During 1975 this program was expanded to include intermediate goods and services, thereby providing a mechanism to benefit countries which are not exporters of capital goods.

The Bank's contribution to the expansion of Latin America's economic infrastructure facilities—electric power production and distribution, highways and rural roads, telecommunications systems—has been an important complement to its lending for projects in the productive and social sectors. Almost 40 per cent of its loan portfolio is financing such projects, which range from vast works to harness the hydroelectric potential of the Paraná and River Plate Basins to the construction of missing links in the intercontinental highway network and to the development of Latin America's regional and international telecommunications network.

Through 1975 the Bank had authorized a total of $1,856 million in loans for electric power projects whose total cost amounted to $9,083 million. Similarly, the Bank had approved $1,592 million in loans for transportation and communications projects whose total cost was $3,716 million.

The drafters of the Agreement Establishing the Bank recognized that a critical factor in accelerating the development of its member countries was the identification and formulation of projects. The Agreement authorizes not only reimbursable technical cooperation for the preparation, financing and execution of development plans and projects but also provides for grant technical cooperation. Through 1975 the Bank had authorized more than $238 million for preinvestment and technical cooperation of which $96 million had been on a grant or contingent recovery basis, primarily for the less developed member countries.

Another aspect of technical cooperation has been the role of the Bank as a training institute for the member countries. Many former Bank staff members are employed in nearly all member countries planning institutes. Bank alumni are present in most ministries of member countries dedicated to economic and social development. This interchange of professional people complements the loans and the technical cooperation of the Bank and facilitates mutual understanding between the Bank and its member countries.

A third aspect of the Bank's technical cooperation has been the support given for the preparation of a variety of studies to identify development activities and projects that could be undertaken on a coordinated basis by a group of countries or by the region as a whole. Technical cooperation provided to the region's economic integration organizations—the Latin American Free Trade Association, the Central American Common Market, the Caribbean Common Market and the Andean Group—has been of great help to these agencies in the advancement of their respective integration schemes.

Similarly, in the field of training over the years the Bank has sponsored numerous hemispheric and regional symposia and training courses, many of them under the aegis of the Bank's Institute for Latin American Integration (*INTAL*), based in Buenos Aires. This institute is dedicated to research and training programs designed to enhance the economic integration of Latin America.

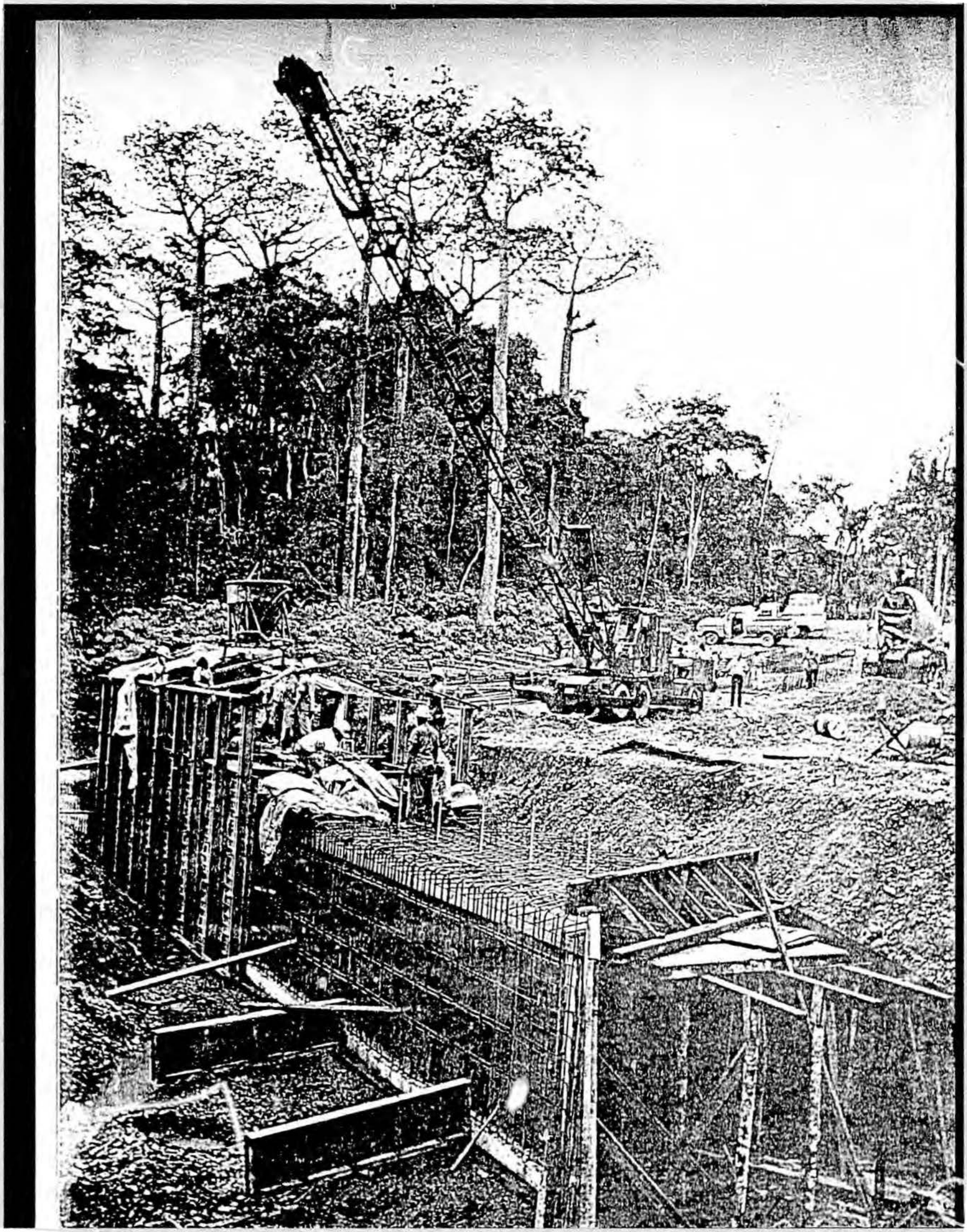
An assessment of the work of the Bank over the past 15 years must take into account Latin America's enhanced standing in the world community. It is a unique area, occupying about one-fifth of the total surface of the inhabited globe. Its 300 million people account for about 8

per cent of the world's population. Wide disparities exist among the Bank's 24 member countries. Politically the nations range from Caribbean member countries newly emerged from a colonial status to countries which have been independent for some 200 years. Nonetheless, it is a region which shares a common heritage and which traditionally has had close national ties. Among the world's developing regions Latin America has recorded the highest rate of economic growth over the past 10 years.

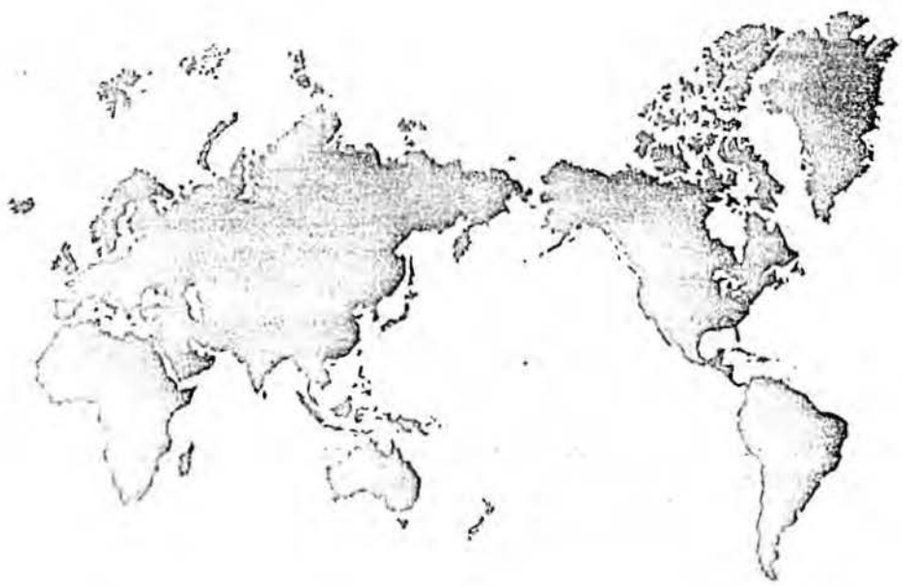
Self-help and mutual aid are key ingredients to development. The Bank best exemplifies the cooperative effort necessary to sustain an accelerated tempo of economic and social development to meet the aspirations of Latin America. This union of contributing and borrowing countries in a cooperative enterprise enables the Bank to act as a bridge on which not only finance but ideas and "know how," as well, can travel. The Bank is a forum as well as a financial institution. There are contributors and borrowers, suppliers and users, who have dedicated themselves together to the higher goal of a Western Hemisphere in which people live in harmony, peace and well-being.

Latin America as a whole and its individual countries are living in a world of rapid economic and social change in which each country must establish for itself priorities in accordance with its own objectives and means. The Bank's financing can only be catalytical, for it is the individual countries themselves which mobilize their available human, natural and financial resources toward productive investment and adopt appropriate policies to maximize the impact of those resources on the development process.

While the Bank can look back with some pride on what it has accomplished in the last 15 years, the pace of economic and social development of Latin America leaves no room for complacency. A vast amount of additional resources will be necessary to meet the aspirations and hopes of the Latin American countries to accelerate their economic and social development. The Bank stands ready to play an even greater role in meeting this challenge and looks to its member countries for the continuation of the support it has received from them over the past 15 years.



DEVELOPMENT TRENDS



Economic growth in 1974 again exceeded 7 per cent for Latin America as a whole, as was anticipated in last year's Report. The rate of 7.2 per cent was only moderately lower than the peak of 7.7 per cent recorded in 1973, because the impact of the international recession of 1974-75 had not been completely felt in Latin America.

Most of the effect of the downturn in the industrialized countries[1] was indeed experienced in 1975 and it is estimated that the regional product grew by little more than 3 per cent during the year. But, again due to the known lagged effect on the region of economic performance in those countries, the resurgence of growth in the Northern Hemisphere which began in 1975 will be working favorably for Latin America in 1976, but in such a way that economic expansion should not be expected to show a much higher rate than in 1975. A full resumption of higher growth rates in Latin America will probably not take place until 1977.

The economies of the industrial countries have gone through the most severe recession since the Second World War, unprecedented not only for its length and depth but also for its widespread nature. This situation has been characterized by falling demand and production, a low rate of capacity utilization, an increase in unemployment, and, despite some recent slowdown in the rate of inflation, a continuing rise in consumer prices. A characteristic of the inflationary movement has been the relative ease with which cost increases are transmitted among countries, due to their economic interdependence.

An important element in the recession was the need for adjustment to the increase in the relative cost of energy and the size of the oil deficit in the industrial countries. This affected virtually every aspect of production but particularly the housing and automobile industries. The persistence through 1974 of high rates of inflation coupled with an increasing uncertainty about the future course of employment and real income, depressed consumer expenditures and increased unplanned inventory accumulation.

The non-oil exporting developing countries as a whole recorded an average rate of economic growth of 5.3 per cent in 1974, down from 6.9 per cent in 1973. The oil exporting countries, however, experienced relatively high rates of growth of about 9 per cent on average in 1974, reflecting the effect of increased oil revenues on domestic expenditures.

It is estimated that the volume of world trade declined sharply, on the order of 6 per cent, in the first half of 1975, after a growth of 6 per cent in 1974, 13 per cent in 1973 and 8.5 per cent during the 1960s. The industrial countries as a group registered an 8 per cent increase in export volume in 1974, compared to the previous year's 14 per cent. Most of this increase was accounted for by exports to other areas, mainly to developing countries, as their reciprocal trade grew in volume by only about 1 per cent in 1974.

Note: 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.

[1] Members of the Organization for Economic Cooperation and Development.

TROPICAL RAIN FOREST YIELDS to construction workers carving new road through Panama's Darien Gap, final link in Pan American Highway which will travel the length of North and South America. Highway is being built through the gap with help of Bank loan approved in 1973. Road was discussed at First Pan American Conference in 1889.

Foreign trade prices have shown a sustained growth in recent years, rising from an annual average rate of more than 5 per cent in 1971 to about 40 per cent in 1974. This upward trend has been the result of high rates of inflation in the industrial countries in 1973 and 1974, and a substantial rise in primary commodity prices, including sharp oil price increases. These price movements have originated drastic changes in the terms of trade for different groups of countries. After a slight decline in 1973, the terms of trade of the industrial countries as a whole fell considerably in 1974. The non-oil developing countries experienced a deterioration of the terms of trade in 1974 that canceled most of the gains obtained in 1973, due to the downward trend of prices for primary commodity exports and the continuing price increase for imports from industrial countries. On the other hand, the major oil exporters registered considerable gains in their terms of trade from 1973 to 1974.

The balances of payments of the industrial countries were strongly influenced in 1974 by floating exchange rates of major currencies, the weakening of economic activity and the oil price increases. From a surplus of $7.7 billion in 1973, the trade balance of the industrial countries as a whole registered a deficit of $27 billion in 1974.[1] Of the seven major industrial countries, only Germany, Canada and Japan had trade surpluses in 1974, with Germany accounting for most of the total.

The combined deficit of the other four countries (the United States, France, Italy and the United Kingdom) widened considerably from 1973 to 1974. Preliminary information for 1975 indicates a remarkable turnaround in the trade balance of the industrial countries, moving from the large deficit in 1974 to a moderate surplus in 1975, as a result mainly of the improved position of the United States, France, Japan, Italy and the United Kingdom.[2]

The combined current account of the industrial countries reversed from a moderate surplus of $2 billion in 1973 to a deficit of $33 billion in 1974. Data for 1975 point to substantial changes in current account balances, lowering the total deficit to about $6 billion. The United States moved to a high surplus position, while the United Kingdom, France and Italy appeared likely to have smaller deficits and the German surplus might have been reduced to about one-half that of 1974.

The current account deficit of non-oil developing countries increased from $2.5 billion in 1973 to about $17.5 billion in 1974, largely as a result of their higher oil bills. This deficit in 1975 amounted to $27 billion, mainly because of a substantial deterioration in the terms of trade and a declining volume of exports.[3]

In order to meet their external payments the developing countries of the world, other than the net oil exporters, were forced to make intensive use of foreign credits, both public and private. Long-term net official transfers and private flows amounted to $24.8 billion, compared to $19.2 billion in 1973. Preliminary estimates indicate that the total may have reached $29 billion in 1975. Within these totals the OPEC countries represented an increasing contribution, which rose from $1.3 billion in 1973 to $4.8 billion in 1974 and $5.1 billion in 1975. However, in spite of the very sizeable external credits made available to the developing countries in the past three years, it became necessary for them to draw down their official international reserves by $3.5 billion in 1975, and to increase short-term borrowings by about $3 billion.

The net financing flow obtained by the developing countries, from all external official and private sources, amounted to $40.8 billion in 1974, compared to $35 billion in 1973 and a yearly average of $21.1 billion in 1970-72. Even though there has been a considerable diversification of international financing sources in recent years, a still high proportion was provided by the DAC member countries whose share declined from about 90 per cent in the 1960s to 84 per cent in 1970-72, 71 per cent in 1973 and 69 per cent in 1974.

The process of international monetary reform was set in motion with the creation of the Committee of 20, established by the IMF Board of Governors to advise and report on all aspects of monetary reform. After two years of intensive work, the Committee of 20 ended in June 1974, recommending a gradual approach to the establishment of a new monetary system. The Committee's recommendations included the formation of an Interim Committee of the IMF Board of Governors on the International Monetary System, in order to carry on the efforts at monetary reform by advising the Board of Governors on the supervision, management, and adaptation of the monetary system. The Fifth Meeting of the Interim Committee, which had been formed in September 1974, took place in Kingston, Jamaica, on January 7-8, 1976, and complete agreement on a range of issues was achieved.

The new arrangements provide, among other things, for making the Fund's holdings of each member's currency usable in its operations and transactions and for promoting previously agreed objectives of reducing the role of gold in the monetary system and making the SDR the principal reserve asset. They set forth a new system of exchange arrangements, under which floating would be legalized with the objective of exchange rate stability related to the achievement of greater underlying economic and financial stability, and in which the Fund would exercise surveillance of exchange rate policies under specific principles to be adopted. The agreement also provides for the public auction of one-sixth of the Fund's gold (25 million ounces) for the benefit of developing countries with 1973 per capita income no higher than SDR 300. The Interim Committee endorsed the decision of the Executive Director liberalizing the compensatory financing facility. Under this decision the Fund will be prepared to authorize drawings up to 75 per cent of a member's quota as against 50 per cent under the 1966 decision. It was further agreed that, until the effective date of the amendment of the Articles, the size of each credit *tranche* should be increased by

[1] Exports and imports valued at f.o.b. prices.

[2] Organization for Economic Cooperation and Development, *Economic Outlook*, Nos. 17 and 18.

[3] Current account estimates include official transfers. OECD, *Op. cit.*, No. 18, p. 24.

45 per cent, which would mean that total access under the credit tranches would be increased from 100 to 145 per cent of quota. The Interim Committee also endorsed proposed increases in quotas for almost all the Fund's members. The agreements on reform specified in the Interim Committee's *communiqué* are to be formalized through amendment of the IMF Articles of Agreement.

For Latin America as a whole, in spite of the economic recession in the industrial countries and a weakening of prices for primary commodity exports beginning in the second quarter of 1974, the balance-of-payments performance was favorable in 1974. The net inflow of foreign capital exceeded $10 billion, more than compensating for the current account deficit, which reached $6.3 billion. However, if the four net oil exporting countries (Bolivia, Ecuador, Trinidad and Tobago and Venezuela) are excluded, the current account balances of the other countries as a group show a deficit of $12.6 billion in 1974. The large deficit in current account was financed to a great extent by foreign capital flows. Available evidence suggests that for most countries in the region there was a worsening of the current account in 1975.

The considerable external financing received by the countries enabled the region again to expand its reserves, recording a total of $18.1 billion at the end of 1974. This figure is nearly six times the average of Latin America's reserves during the Decade of the 1960s. However, several countries had to utilize some of their reserves to meet balance-of-payments requirements in 1974 and again in 1975.

The total value added of Latin American manufacturing output increased by 6.8 per cent in 1974, down from 8.7 per cent in 1973. According to preliminary data, production actually dropped in absolute terms in the early months of 1975. However, there appeared to be a strong recovery underway during the second and third quarters, so that the outlook should be favorable for 1976, except for the difficulties that some countries are encountering in financing the required levels of imports for current production inputs and capacity expansion.

Agricultural production fared better in 1974 than in 1973, but increases in output were still the result more of area expansion than yield improvements. A concerted effort to improve farming techniques, particularly among medium and small producers, must be incurred as unpostponable, for while the rural population in Latin America has ceased to expand rapidly, the explosive growth of urban areas continues unabated. Between 1960 and 1975, while the estimated rural population increased by only 14.2 per cent, from 101.1 million to 115.5 million (and actually declined in absolute terms in Argentina, Barbados, Colombia, Chile, Jamaica, Trinidad and Tobago and Venezuela) the urban population went up by 89.4 per cent, from 98.7 million to 186.9 million.

Therefore, strains on the system of production, processing and marketing of food and fiber continue to be felt and represent a major challenge for public policies.

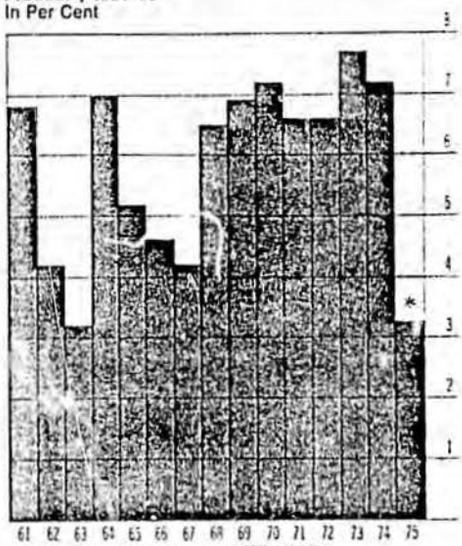
GROSS DOMESTIC PRODUCT

Most of the Latin American countries recorded a sharp drop in economic growth in 1975, together with additional external imbalances. According to preliminary estimates,[1] the combined gross domestic product for the region, at constant prices, rose during the year by a little over 3 per cent, slightly higher than the population increase.

This development contrasts with the expansion trends of previous years particularly during 1968–74, when the average product increase amounted to 6.9 per cent per annum. However, this should be evaluated within the framework of the particularly adverse conditions of the world economy, which the region was able to ease initially through domestic growth dynamics and use of its international reserve and external credit capacity.

In this regard, it should be noted that the economic evolution of the industrial countries worsened in 1974 and 1975, with successive product reductions equivalent to 0.1 and 2 per cent, respectively,[2] while non-oil exporting developing countries registered a sharp cutback in their economic growth, from 5.3 per cent in 1974 to 1.4 per cent in 1975.

Latin America: Growth of Gross Domestic Product*, 1961–75
In Per Cent



*At constant mark. prices converted to 1973 U.S. dollars.
*Estimated
SOURCE: Inter-American Bank, based on official statistics of member countries.

While some industrial countries, especially the United States, Germany, France, Canada and Japan, had already begun to show encouraging signs of economic recovery and a slowdown of inflation, in general the positive effect of that development on Latin American economic activity is expected to be relatively slight at the start, becoming progressively stronger later on, in contrast with the experience in the declining phase of the cycle. Consequently, 1976 regional economic growth will probably average close to the 1975 level, with a significant improvement projected for the following year.

Overall economic expansion trends in the region over the past few years differ significantly with the experiences of individual countries. For example, indices for the region as a whole indicate a sharp acceleration of product growth, from an average of 5 per cent per annum in 1965-67 to 6.9 per cent in 1968–74. However, most of the increase derived from the evolution of the Brazilian economy, whose rate of growth accelerated from 4.6 per

[1] Based on official data from the countries and from the U.N. Economic Commission for Latin America.

[2] OECD, *Economic Outlook* No. 18, December 1975.

Annual Variations in Gross Domestic Product, 1961-74 [a]

In Per Cent

Country	1961-70	1970	1971	1972	1973	1974
Argentina	4.4	5.4	4.8	3.1	6.1	7.0
Barbados	4.9	9.8	3.5	—2.3	2.3	—6.5
Bolivia	5.1	5.2	3.8	5.1	6.9	6.7
Brazil	6.0	9.5	11.3	10.4	11.4	9.6
Chile	4.5	3.6	7.7	—0.1	—3.6	4.3
Colombia	5.3	7.3	5.8	7.8	7.1	5.9
Costa Rica	5.8	7.1	6.5	8.9	7.7	4.3
Dominican Republic	5.4	10.6	10.6	12.4	11.2	8.9
Ecuador	4.8	11.5	5.4	8.0	17.6	11.7
El Salvador	5.7	3.0	4.6	5.7	4.5	6.4
Guatemala	5.5	5.7	5.6	7.3	6.8	5.5
Haiti	0.8	0.6	6.5	0.9	8.2	6.9
Honduras	4.7	3.7	3.5	3.7	5.1	0.5
Jamaica	5.0	7.5	7.1	6.4	3.2	5.8
Mexico	7.0	6.9	3.4	7.3	7.6	5.9
Nicaragua	7.1	2.7	5.4	3.0	6.3	9.2
Panama	8.0	7.0	8.7	6.3	6.5	3.5
Paraguay	4.5	6.2	4.4	5.1	7.3	8.3
Peru	5.5	7.7	5.4	6.1	5.7	6.3
Trinidad and Tobago	3.4	0.2	5.2	3.3	1.9	3.7
Uruguay	1.6	4.7	—1.0	—3.4	0.9	1.9
Venezuela	5.9	7.2	2.8	3.6	5.8	4.5
Latin America	5.6	7.2	6.6	6.6	7.7	7.2

[a] At constant market prices with reference to the base year used by each country. For Latin America the figures were calculated by converting the national values indicated into United States dollars of 1973 purchasing power.
SOURCE: Inter-American Bank, based on official statistics of member countries.

cent in 1961-67 to 10.1 per cent in 1968-74. For the rest of the Latin American countries taken together, the economic growth rose from 5.2 to 5.6 per cent between the two periods.

Other Latin American countries also experienced outstanding economic performance. Ecuador and the Dominican Republic showed an 11 per cent rate of growth in 1970-74 and 1969-74, respectively. Mexico, which from 1962 to 1967 sustained product increases above the regional average, equivalent to an annual rate of 7.4 per cent, saw its economic growth rate lowered to 6.5 per cent per year in 1968-74.

Up to 1969 Panama maintained a generally more rapid pace of expansion than the region as a whole, amounting to 8.1 per cent per year, which dropped to an average of 6.4 per cent per year over the following five-year period. On the other hand, Chile, which up to 1971 had expanded by 4.7 per cent per year on the average, underwent a severe economic depression in the following years, with successive product reductions in 1972 and 1973. In 1974 Chile recovered slightly, reaching a level of production similar to that of 1971. Uruguay showed a relatively unfavorable economic development throughout the period, with a virtually stagnant level of total production between 1969 and 1974.

With regard to the four net oil exporting countries—Bolivia, Ecuador, Trinidad and Tobago and Venezuela—which in 1961-70 reached a growth rate equal to the regional average and 5 per cent in 1971-74, given that the method of measuring production is at constant prices, the higher income derived from improvement of their terms of trade in 1974 was reflected indirectly in the growth rate of the domestic product and only to the extent that it contributed to the expansion of consumer and investment spending.

The allocation of resources for capital formation played an active and major role in accelerating the region's economic growth in recent years. Gross domestic investment at constant prices increased by 11.8 per cent per annum in 1968-74 compared with only 4.5 per cent in the seven preceding years.

Outstanding among this group was the sustained high investment recorded by Brazil in 1968-74, equal to 18.7 per cent per annum and almost six times the rate of increase in 1961-67. Ecuador, too, recorded an average increase in investment of 18.7 per cent per annum in 1967-74, though with sharp fluctuations in the last three years. The Dominican Republic expanded its gross domestic investment by 21.3 per cent per annum in 1969-74, consistently higher than in the preceding years when the average rate was 17.4 per cent per annum.

Just as there has been a link between investment and economic growth in the countries noted, so in the case of countries with reduced economic improvement, capital formation has been inadequate. For example, Chile expanded investment by 5.2 per cent per annum in 1961-70, and had negative investment in 1971 and 1972. Only in 1974 total investment reached a level similar to that of 1970. In Trinidad and Tobago and in Uruguay capital formation was virtually nil over the past 15 years.

Exports of goods and services (entered at constant prices in national accounts) also contributed to the recent economic expansion in certain Latin American countries. For example, Brazilian exports rose by 14.7 per cent per annum in 1968-73, following a series of sharp fluctuations over the preceding seven years when the average increase amounted to only 3.6 per cent per annum. In 1974 the value of Brazilian exports at constant prices declined by 7.9 per cent, owing mainly to a drop in exported volumes of sugar and coffee.

Thanks to development of its oil production, Ecuador expanded its exports by 43 per cent per annum in 1972-74, following a standstill in earlier years. The Dominican Republic accelerated its export growth by 21.3 per cent in 1970-73, in contrast with a virtually constant level in 1961-69. Mexico, whose manufacturing and tourism sectors have attained a relatively advanced stage of development, increased its exports of goods and services by an average of 5.4 per cent a year in 1961-70, accelerating to 8.7 per cent in the following years. Significant among the Central American countries were Costa Rica and Guatemala, which averaged export increases of 9 per cent per annum over 1971-74.

Supply and Demand of Finished Goods and Services, 1960-74 [a]
In Per Cent

	Structure		Average Annual Variation			Annual Variation			
	1960-64	1970-74	1961-65	1966-70	1971-74	1971	1972	1973	1974
Gross Domestic Product	89.0	88.4	5.3	5.9	7.0	6.6	6.6	7.7	7.2
Imports	11.0	11.6	3.2	7.6	10.5	7.6	6.1	9.0	19.5
Global Supply and Demand [b]	100.0	100.0	5.0	6.1	7.3	6.7	6.6	7.9	8.2
Consumption	71.8	69.4	5.0	5.7	6.5	6.8	5.3	6.7	7.5
Gross Domestic Investment	16.2	19.7	5.1	8.4	11.7	8.0	10.3	11.7	16.9
Exports	12.0	10.8	5.2	4.6	5.5	3.8	8.2	9.6	0.3

[a] At constant market prices converted to United States dollars of 1973 purchasing power.
[b] Global supply equals the sum of the gross domestic product plus imports. Global demand corresponds to consumption plus gross domestic investment and exports.
SOURCE: Inter-American Bank, based on official statistics of member countries.

Structure and Growth of Gross Domestic Product, 1960-74 [a]
In Per Cent

	Structure		Average Annual Variation			Annual Variation			
	1960-64	1970-74	1961-65	1966-70	1971-74	1971	1972	1973	1974
Primary Sector	21.9	17.2	4.4	2.8	3.7	3.0	1.0	5.7	5.0
Agriculture	17.6	13.9	4.3	2.7	4.0	4.2	1.2	4.8	5.9
Mining	4.3	3.3	4.7	3.1	2.3	—2.1	0.4	9.4	1.3
Secondary Sector	34.0	38.1	5.6	7.6	8.1	7.8	8.6	8.6	7.3
Manufactures	21.9	25.0	6.4	7.3	8.1	8.4	8.6	8.7	6.8
Construction	5.0	5.0	1.2	9.1	8.1	5.8	10.5	8.7	7.3
Electricity, Gas and Water	1.5	2.1	9.6	10.0	8.9	9.9	9.9	9.2	6.8
Transportation and Communications	5.6	6.0	5.3	6.6	7.6	6.6	6.4	7.9	9.5
Tertiary Sector	44.2	44.7	5.5	5.9	7.4	7.1	7.2	7.6	7.9
Commerce	19.9	20.5	5.2	6.3	7.3	6.9	7.2	7.5	7.7
Financial Services	9.3	9.4	6.2	5.6	7.6	7.4	7.1	7.9	7.9
Other Services	9.1	8.5	4.7	5.2	6.4	5.9	5.8	6.7	7.2
Government	5.9	6.3	6.3	6.2	9.2	8.9	9.5	8.9	9.6
Gross Domestic Product	100.0	100.0	5.3	5.9	7.0	6.6	6.6	7.7	7.2

[a] At constant market prices converted to United States dollars of 1973 purchasing power.
SOURCE: Inter-American Bank, based on official statistics of member countries.

In contrast, the slow growth or virtual stagnation of exporting activity in other countries restricted their economic development. Illustrative in this regard are the declining exports of Argentina, Chile, Peru and Uruguay during the 1970s, against the expanding trends observed in each of those countries during the 1960s.

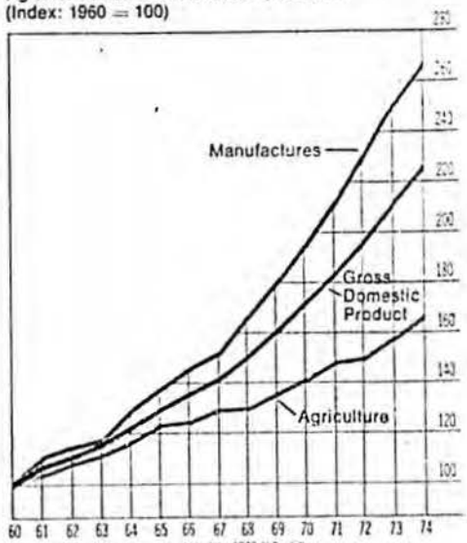
The allocation of resources for private and public consumption in Latin America has shown an upward trend over the long term, more than doubling the population increase in 1971-74. Nevertheless, compared to gross domestic investment, its relative expansion was considerably less, reducing its participation in regional total demand from an average of 71.8 per cent in 1960-64 to 69.4 per cent in 1970-74.

Consumer spending and gross domestic investment in the region rose more rapidly than the gross domestic product, especially since the mid-1960s, creating a growing gap in goods and services traded abroad.

To sustain the expansion of domestic demand, the region absorbed foreign goods and services financed mainly by long-term capital receipts. As a reflection of this process, the import content of the goods and services required to satisfy global demand in the region increased from an average ratio of 10.7 per cent in 1963-67 to 11.7 per cent in 1971-74.

Together with the economic expansion

Latin America: Growth of Gross Domestic Product, Agriculture and Manufactures [a], 1960–74
(Index: 1960 = 100)



[a] At constant market prices, converted to 1973 U.S. dollars.
SOURCE: Inter-American Bank, based on official statistics of member countries.

in the region, the change in structure of the combined gross domestic product of the Latin American countries was accentuated in past years.

Manufacturing production accelerated its upward trend, progressing from an average annual growth rate of 6.4 per cent in 1961-65 to 7.3 per cent in 1966-70 and 8.1 per cent in 1971-74. In 1974, as a first sign of the increasing difficulties caused by the economic recession in the industrial countries, expansion of Latin American manufactures weakened, rising by only 6.8 per cent as compared to 8.7 per cent in 1973.

The construction sector reacted similarly, though less markedly than manufacturing. The value added by the transportation and communication services moved generally upward, with a growth rate since the middle of the last decade slightly above that of the total product.

Agricultural output, which has for the most part developed rather slowly, with an annual average growth of 3.5 per cent in 1961-70, barely outpacing population growth, recorded an encouraging recovery in 1973 and 1974, expanding by 4.8 and 5.9 per cent, respectively. Among the countries showing a higher gain in farm production over the last two years were Argentina, Brazil, Ecuador, Paraguay and Venezuela.

Production in the mining sector, channeled largely to exports, was unable to maintain relatively stable growth trends. Following the trend of economic activity in the industrial countries, mining production for the region went from a negative of 2.1 per cent in 1971 to an increase of 9.4 per cent in 1973 and of only 1.3 per cent in 1974.

Reflecting domestic inflationary pressures as well as the effect of worldwide inflation, domestic price rises (measured by comparing annual averages) became steeper and more widespread among the Latin American countries during the 1970s, especially from 1973 on. In 1974 all of the Latin American countries recorded increases in consumer prices of more than 8 per cent as compared to 1973, being particularly high in Uruguay (77 per cent) and Chile (504 per cent). Inflation in Brazil and Mexico climbed from about 12 per cent in 1973 to 27 and 22 per cent, respectively, in 1974.

In 1975 nine countries (Barbados, Bolivia, Ecuador, Honduras, Jamaica, Mexico, Panama, Paraguay, and Trinidad and Tobago) significantly curtailed their domestic inflation, while inflation in five other countries (Brazil, El Salvador, Guatemala, Haiti and Peru) rose more rapidly than in the preceding year. Argentina, Chile and Uruguay registered price rises at rates of 184, 375 and 88 per cent, respectively.

Manufacturing Sector: Structure and Growth of Value Added, 1960-74 [a]

In Per Cent

Country	Manufacturing/GDP		Average Annual Rate of Change			Annual Variation			
	1960-64	1970-74	1961-65	1966-70	1971-74	1971	1972	1973	1974
Argentina	31.3	37.2	6.6	5.2	7.1	9.6	6.0	6.4	6.5
Barbados [b]	9.4	11.9	6.6	8.7	2.8	9.5	5.2	3.9	—7.3
Bolivia	12.9	13.8	5.8	6.4	5.7	2.8	5.3	5.0	9.7
Brazil	21.0	23.4	3.9	10.5	12.3	11.5	14.1	15.2	8.2
Chile	23.2	25.2	7.4	3.6	2.7	13.7	2.3	—4.5	—1.4
Colombia	18.3	19.3	5.5	5.8	8.1	8.5	9.2	8.9	5.6
Costa Rica [b]	14.7	18.8	8.3	8.9	8.8	8.3	7.5	10.0	9.5
Dominican Republic	15.1	17.3	0.6	14.7	11.9	13.2	10.4	13.0	11.2
Ecuador	15.9	19.1	5.3	9.0	10.7	8.2	8.9	11.9	13.7
El Salvador	15.4	18.6	10.7	5.7	5.9	7.0	3.8	6.7	6.0
Guatemala	13.3	15.9	7.1	8.2	6.3	7.2	5.5	8.1	4.6
Haiti	10.5	11.0	1.3	0.4	12.5	6.0	8.6	17.7	17.6
Honduras	13.7	13.7	2.7	4.9	5.2	5.1	7.6	8.2	0.1
Jamaica	14.6	14.6	7.2	4.6	4.5	10.1	2.1	2.8	3.1
Mexico	23.3	27.3	9.2	8.8	6.6	3.1	8.4	7.9	7.1
Nicaragua	14.3	23.0	15.9	11.0	6.8	4.8	6.9	7.8	7.8
Panama	14.9	16.9	12.6	9.4	5.3	8.5	6.2	4.2	2.1
Paraguay	15.5	16.1	2.9	5.6	7.2	5.6	7.0	7.5	8.9
Peru	17.0	20.6	9.0	6.0	7.4	7.0	7.7	7.2	7.9
Trinidad and Tobago	3.6	7.9	14.6	10.2	6.4	10.0	9.5	1.2	5.0
Uruguay [b]	22.5	23.2	0.7	2.5	0.2	—1.8	—0.4	—0.8	3.7
Venezuela	14.9	16.4	9.9	4.5	4.7	7.0	3.6	2.9	5.3
Latin America	**21.9**	**25.0**	**6.4**	**7.3**	**8.1**	**8.4**	**8.6**	**8.7**	**6.8**

[a] At constant market prices, converted to United States dollars of 1973 purchasing power.
[b] Includes mining as well as manufacturing output.
SOURCE: Inter-American Bank, based on official statistics of member countries.

INDUSTRIAL SECTOR

Industrial production (manufacturing and mining) rose 6.2 per cent in 1974, a rate less than that of 1973, but more nearly at the previous year's rate than was the case in the other major regions of the world. The manufacturing component increased by 6.8 per cent, down from the previous year's growth of 8.7 per cent, but the value added by mining registered a rise of only 1.3 per cent compared to the figure of 9.4 per cent in 1973.

Haiti, Ecuador and the Dominican Republic posted the most rapid rates of manufacturing growth in 1974 (17.6, 13.7 and 11.2 per cent, respectively), but these countries and the three others with rates of approximately 9 per cent or more (Bolivia, Costa Rica and Paraguay), together accounted for only 3 per cent of regional output.

In Brazil, which produces just under one-third of Latin America's manufacturing value added (up from approximately one-fifth in 1960), the increase was 8.2 per cent, little more than half the 1973 rate. Mexico and Argentina, which together account for somewhat more than two-fifths of the regional total (unchanged from 1960), experienced rises in industrial production more comparable to the previous year, 7.9 and 6.5 per cent, respectively.

Among the countries with intermediate size manufacturing sectors (Colombia, Venezuela, Chile and Peru), the 1974 increases were below the Latin American average except in Peru. A similar trend in recent years has led to a decline in this groups' share of regional output from one-fifth in 1960 to one-sixth at present. In the nine countries not already accounted for, output increases were generally low, except in Nicaragua and El Salvador.

The metal products, machinery and appliance group of industries paced manufacturing output in 1974, with a rate of increase of almost 15 per cent (even higher than in 1973)[1]. Basic metals also showed an improvement over the previous year with a growth of almost 12 per cent. Chemical products and non-metallic minerals were the other branches with relatively high rates of increase. These four industries, also the most rapidly growing for the 1971-74 period, include the three most energy intensive branches of manufacturing, and a similar high growth in high energy intensive activities is taking place in the mining sector as well.[2]

At the low growth end of the scale in 1974 were wood products, textiles, apparel and paper, the first three of which were hard hit by the world recession (of particular consequence for Colombia be-

[1] Regional growth rates for the major groups of industries are based on unpublished United Nations data made available in early 1976.

[2] Source: "Energy Consumption in Latin American Mining and Manufacturing Industry," Chapter I, *Economic and Social Progress in Latin America*, Annual Report 1975.

cause of its emerging role as an internationally significant exporter of textiles and apparel). Foodstuffs, beverage and tobacco occupied a more intermediate position, with its value added rising 5.6 per cent, a rate actually somewhat higher than in 1973.

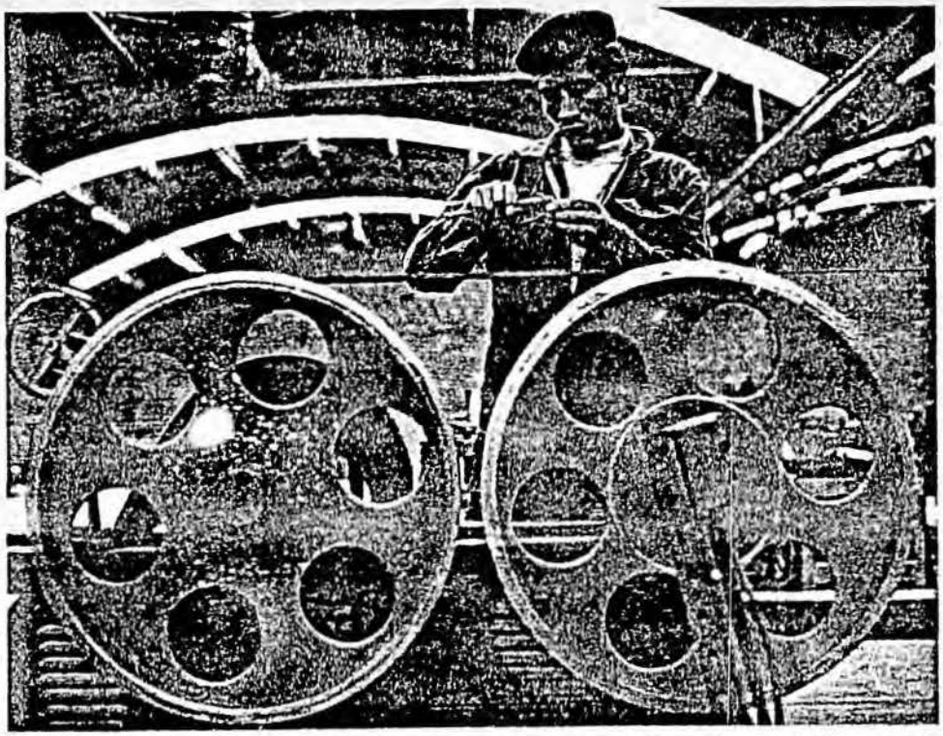
Among the seven nations which account for more than nine-tenths of Latin American output, growth rates clustered around the regional averages in five of the nine major groups of industries, but varied considerably from country to country in the other four (basic metals, non-metallic minerals, chemicals and paper).

In this group of countries, Brazil registered relatively rapid rates of growth in metal products, machinery and appliances, chemicals and non-metallic minerals. Growth in Peru was notable in the latter and in food, beverages and tobacco, paper and printing and wood products. Venezuela was among the leaders in apparel, textiles and the metals, machinery and appliance group; Colombia in the latter and in paper and printing; Mexico in basic metals and paper and printing, and Chile in basic metals and non-metallic minerals. Growth in Argentina appears to have been more nearly at the level of regional averages in most groups.

While comparative data on the share of manufacturing in national output reflects, in part, variations between the countries in the relative prices of manufactures vis-a-vis the prices of other goods and services, the information is useful as a general indicator of the increasing importance of the sector.

The country with the relatively largest manufacturing sector is Argentina, and since the mid-1960s, Mexico has occupied the second position. The manufacturing sector has been relatively least important in Trinidad and Tobago, Barbados, Haiti, Bolivia and Honduras. The most rapid rises in the relative importance of manufacturing since 1960 have been in Trinidad and Tobago and Nicaragua, with the sharpest increase since 1970 in Haiti.

Latin American industrial output grew at a rate of less than 2 per cent in the first half of 1974 and dropped in absolute terms in the first quarter of 1975, according to preliminary United Nations data, reflecting both a lagged effect of the world recession and post-energy crisis, as well as balance-of-payments difficulties which limited imports of essential industrial inputs in several countries whose manufacturing production had been expanding most rapidly.



MECHANIC SERVICES MACHINERY at this small factory which produces plastic tubes in Bolivia. Bank financing provided through the Banco Industrial, S.A., has helped expand this plant's output as well as that of a large number of other small plants throughout the country. New loan extended in 1975 will help finance additional projects.

There was a strong recovery in the second quarter but total production for the first half of 1975 was only 4.3 per cent higher than in the same period in 1974 (4.2 per cent for manufacturing, 8.9 per cent for electricity, gas and water and 1.9 per cent for mining). Early reports from the member countries on the second half of the year indicate that the previous high rate of growth had been resumed, providing evidence of the underlying strength and increasing international competitiveness of the region's industry.

Manufacturing output was expanding at less than half of the 1974 rate in Brazil, but recovering significantly. In Argentina, the rate was comparably below that of the previous year and was not yet showing signs of resurgence. Manufacturing output was increasing somewhat more rapidly than in 1974 in Venezuela, but only at half the previous year's rate in Peru. There were declines in absolute terms in Chile and Colombia, though recovery was under way in both countries and was expected to be relatively strong in Colombia. In the remaining countries, trends were mixed, but most growth rates at mid-year were considerably lower than in 1974. Preliminary data for all of 1975 indicate that manufacturing production was lower in Mexico than in the previous year.

PETROLEUM SUBSECTOR

In contrast with previous years, the petroleum sector of Latin America reduced its level of activity in 1974, owing to the decrease in energy demand brought about by high oil prices, balance-of-payments pressures and world recession, as well as to the sharp curtailments of Venezuelan output. Regional production volume of crude oil declined by 5.5 per cent in 1974 and that of refined oil by 1.1 per cent. Similarly, combined exports of those

products fell by 11.3 per cent and imports by 8.5 per cent. Preliminary data available for 1975 indicate a continuation of these trends.

Venezuelan production of crude oil decreased by 11.6 per cent and that of refined oil by 8.4 per cent in 1974. This country currently accounts for more than 60 and 30 per cent of the respective regional totals. Among other countries crude output receded noticeably in Ecuador, Colombia and Chile and refined production declined in Trinidad and Tobago. On the other hand, Mexico and, to a lesser extent, Brazil and Peru, showed marked gains in both, while Trinidad and Tobago expanded its refinery activities.

Venezuela also led the decline in exports of crude and refined oil and accounted for nearly nine-tenths of regional export reduction in 1974. Similarly, exports declined substantially in Ecuador and Colombia. However, a number of countries registered increases in their shipments abroad. This was so of Trinidad and Tobago in the case of crude oil and Brazil and Mexico in that of refined products. As to imports, most of the decline in crude purchases was attributable to Brazil, Mexico and Trinidad and Tobago. Refined products imported into Chile, Mexico and Uruguay also declined, while the opposite took place in Ecuador and Peru.

As a result of these developments, net earnings of Latin America from petroleum and derivatives trade declined by $1.3 billion in 1975, as compared to a gain of more than $4 billion in 1974. There were reductions of $2.2 billion in Venezuela, $49.4 million in Bolivia and $95.7 million in Ecuador, only partially offset by gains of $18.6 million in Colombia and of $246.7 million in Trinidad and Tobago.

The net importing countries, as a group, reduced their expenditures on petroleum and derivatives by $769 million in 1975, following a dramatic increase of $2.9 billion in 1974. Among large importers in 1974, Mexico became a significant petroleum exporter in 1975 with net revenues estimated at $300 million, as opposed to a deficit of $259 million in 1974. Net purchases decreased by $163 million in Argentina, $100.9 million in Chile, $88.6 million in Brazil, and $15.3 million in Peru. Additional net expenditures of $28.2 million in the Dominican Republic and $43.1 million in Panama were made in 1975. Most of the countries of the Caribbean and Central America also showed increases in import expenditures, especially the Dominican Republic and Panama.

Agricultural Sector: Structure and Growth of Value Added, 1960-74 *
In Per Cent

Country	Share of GDP		Average Annual Variation			Annual Variation			
	1960-64	1970-74	1961-65	1966-70	1971-74	1971	1972	1973	1974
Argentina	16.4	12.3	3.7	1.2	2.5	−5.1	−7.9	16.8	6.1
Barbados	27.2	11.9	2.1	−4.7	−6.8	−9.5	−8.8	1.2	−10.1
Bolivia	22.3	15.6	3.4	0.4	3.2	4.0	2.7	2.1	3.9
Brazil	18.2	15.0	5.8	3.1	7.3	11.4	4.1	4.8	8.8
Chile	10.3	8.3	1.9	2.9	−0.5	6.7	−4.1	−17.4	12.7
Colombia	32.0	25.2	2.7	3.2	4.7	1.8	8.7	3.3	5.0
Costa Rica	25.3	19.8	2.5	6.1	1.4	−4.3	4.9	6.7	−1.7
Dominican Republic	28.0	21.8	−1.3	5.9	4.7	5.5	3.6	6.6	3.3
Ecuador	36.9	25.7	2.1	2.9	3.5	1.9	1.9	6.4	3.9
El Salvador	31.2	25.2	4.3	4.0	3.7	3.7	1.5	1.8	8.0
Guatemala	30.0	27.8	4.3	4.8	6.6	7.1	9.6	5.3	4.4
Haiti	50.0	44.8	1.0	0.3	0.3	3.0	−0.7	−2.9	0.7
Honduras	36.0	37.1	7.2	3.4	2.6	5.8	2.9	4.3	−2.4
Jamaica	11.6	8.1	2.4	0.8	3.6	13.5	−4.5	−7.5	12.8
Mexico	15.2	10.7	4.8	2.7	1.4	2.0	0.5	2.2	0.9
Nicaragua	27.0	23.9	11.7	0.7	5.1	9.9	−1.3	6.1	5.8
Panama	21.8	16.6	6.7	4.1	2.3	3.7	2.9	3.4	−0.8
Paraguay	39.1	35.0	7.2	1.8	5.8	1.4	3.9	8.7	9.2
Peru	21.5	15.1	2.7	3.0	−0.2	−0.6	−4.9	0.6	4.1
Trinidad and Tobago	6.0	4.5	−0.3	1.6	−2.3	−1.4	9.8	−17.7	−0.2
Uruguay	15.2	15.9	4.3	3.3	−1.6	−1.1	−9.9	3.8	0.8
Venezuela	7.0	6.7	6.4	4.4	3.7	−0.9	1.7	6.5	7.6
Latin America	**17.6**	**13.9**	**4.3**	**2.7**	**4.0**	**4.2**	**1.2**	**4.8**	**5.9**

* At constant market prices converted to United States dollars of the purchasing power of 1973.
SOURCE: Inter-American Bank, based on official statistics of member countries.

AGRICULTURAL SECTOR

The overall growth of the agricultural sector continued a trend of recuperation in 1974 with an increase in sector value added of nearly 6 per cent. This compares favorably with the 1973 growth rate of 4.8 per cent and the minimal growth of 1.2 per cent in 1972. Over the four-year 1971-74 period, growth has proved to be greater than the average rates which occurred in the 1966-70 period.

The region's recent 1974 acceptable overall growth in value added contains important differences of national performance. Among the largest agricultural producers, Brazil, Argentina and Venezuela had above average growth rates of 8.8 per cent, 6.1 per cent and 7.6 per cent, respectively; Colombia and Mexico had lower than average rates of 0.9 per cent and 5.0 per cent, respectively. Countries with reductions in agricultural sector value added were Costa Rica, Honduras and Panama. This production performance was reflected in pressures for higher internal prices and larger food import bills common to nearly all countries of the region.

The growth in agricultural value added has improved in the 1971-74 period compared to the much lower average expansion which occurred in the 1966-70 period. The favorable growth in Argentina and Brazil in 1973 and 1974, together with improvements in Colombia in 1974 and similarly in Chile, Ecuador and Peru, among others, permitted greater growth over the two periods. Mexico, Venezuela and Uruguay had overall lower average rates in 1971-74 than in 1966-70.

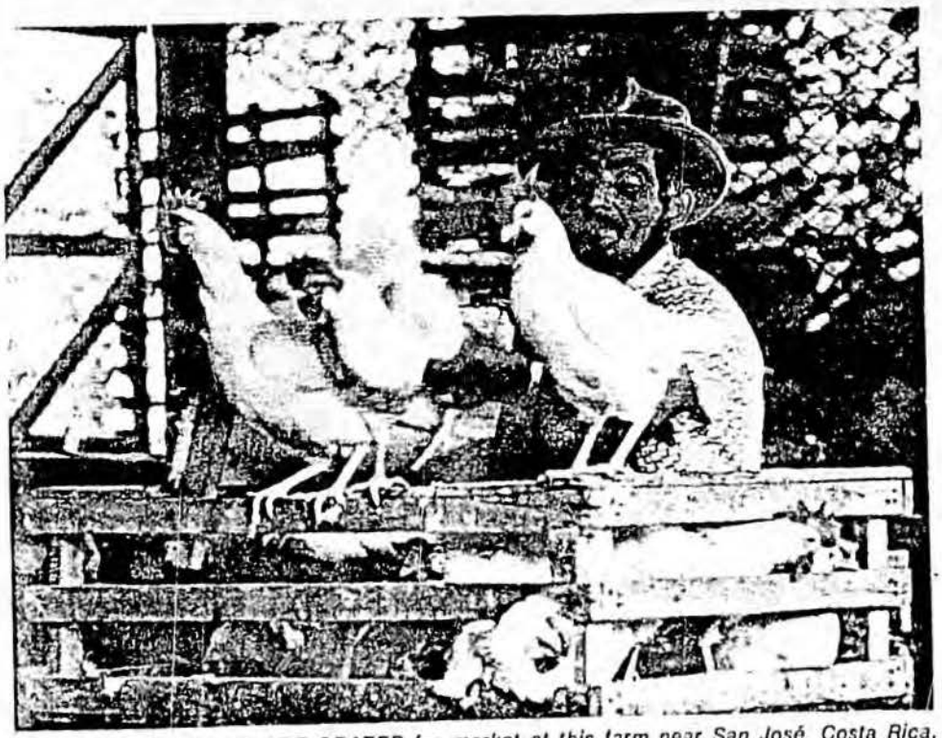
Continuing problems persist among individual countries in supplying basic food stuffs. Nevertheless, the region achieved a historically very high increase of 5 per cent in total food production in 1973-74.

This was higher than nearly all regions of the world and far above the estimated increase in total world food production of only 1 per cent. The increase in 1974 was exceptional compared to recent years and points to the continuing urgency of major efforts to strengthen programs favoring greater food production in the region. This is reinforced by the fact that per capita food production remains practically unchanged from 1970-74 because of the high population growth canceling out any increases in food production.

The growth in per capita agricultural production has shown a similar configuration to that of per capita food production. Among major producers and exporters, only Brazil and Venezuela had larger per capita outputs in 1974 compared to 1970, so that much of the recent upturn in Argentina, Colombia and Central America reflects a return to or near previous levels of activity. Many countries are producing on a per capita basis significantly below the 1961-65 reference period. These circumstances indicate that the task of increasing the availability of food stuffs for a growing population of the region is still a major one.

The prospects for achieving long-term goals of feeding an expanding population and insuring agricultural export earnings depends upon the opportunities for expanding production. The recent growth in agricultural production in the region has occurred substantially as a result of area expansion in cultivated land rather than an improvement in the agricultural technology *per se*. Likewise, the yield improvements have been concentrated in only a few commodities. For the 1961-65 to 1970-74 period and for all major crops, two-thirds of the increase in production was due to a greater area under cultivation and one-third was due to an increase in crop yields. In this period, the area in production expanded at a rate of 1.7 per cent while yields increased by about 0.9 per cent per annum.

Grains and other selected commercial crops (coffee, cocoa, tobacco, sugar cane and bananas) accounted for the bulk of the increase due to yield improvements. In the case of sorghum, the area under production in Latin America more than tripled from 3.2 million acres in 1961-65 to 10.9 million acres in 1974; simultaneously sorghum yields rose from 8,531 pounds per acre to 12,606 pounds per acre. Both maize and rice production expanded due to combined area and yield increases. Soybean production expanded significantly because of a massive area expansion in Brazil.



PUREBRED CHICKENS ARE CRATED for market at this farm near San José, Costa Rica. Producer improved and expanded his operations with help of Inter-American Bank credit channeled through Banco de Costa Rica. Through such lending Bank reaches small-scale private entrepreneurs at the grassroots level.

The important oil seed group expanded almost entirely because of area increases. Therefore, recent trends in crop production show a great dependence on the increase in land under cultivation. Only those selected products common to the advanced commercial and export sector have shown promising growth through the application of modern agricultural technology and significantly increasing yields per acre.

The future expansion in crop and livestock will depend to a greater extent in coming years on improving technology through greater research, dissemination of results and adequate levels of investment in infrastructure such as irrigation, although there is still a margin for expanding areas under agricultural production in Latin America.

In Central and South America actual arable land is estimated to be only 25 per cent of potentially arable land. In addition, present cultivated areas could be cropped more intensively. Roughly 22.2 million acres are presently under irrigation in Latin America compared to an arable land base of 301.3 million acres. Opportunities are present for expanding irrigated areas in countries with urgent food shortages such as in Central America.

Although the availability of arable land seems significant for the region, the areas of future expansion, especially into humid tropical areas, require heavy infrastructure investments, new crop and livestock production and resource management systems.

The recent flows of capital of international bilateral and multilateral institutions to Latin America reflect the concern for raising agriculture productivity. Large increases in financing resources between 1973 and 1974 were registered for crop development, water development, rural development and agricultural services. Similarly, more resources have been channeled into agroindustrial programs in the region.

Latin America: Current account balance, long-term capital flows and international reserves, 1960–74
In Millions of Dollars

SOURCE: IMF, Balance of Payments Yearbook, December 1975, and International Financial Statistics, various issues.

The need to support efforts to expand agricultural production and especially food production has moved into a period of defining more specific action at the world and regional levels. Following the World Food Conference, the World Food Council was established and has begun to function with the mandate to monitor the world food situation and coordinate United Nations agricultural development activities. The Consultative Group on Food Production and Investment jointly sponsored by the FAO, the World Bank and the UNDP will promote the flow of resources to agriculture in developing countries. During 1975 steps were taken at the initiative of the Inter-American Bank to form an International Group for Agricultural Development in Latin America which brings together principal multilateral and bilateral lending and technical assistance agencies, to discuss and coordinate with the countries means to accelerate agricultural development in the region.

BALANCE OF PAYMENTS

The external position of Latin America [1] during the first half of the 1970s reflects, on the one hand, the favorable developments during 1972 and particularly in 1973, when both export revenues and imports were significantly above the long-term trends of the 1960s, and on the other hand, the adverse effects of the events that took place in 1974 and continued through 1975. These include the sharp increase of oil prices at the beginning of 1974, a weakening of prices for primary commodity exports starting in the second quarter of that year, higher import prices and the economic recession of the industrial countries.

For the region as a whole, the combined current account deficit, which was reduced from $4,321 million in 1972, to $3,044 million in 1973, soared to $6,302 million in 1974. The net balance of long-term capital flows [2] more than compensated for this deficit, yielding a positive basic balance [3] of $908 million in 1972 and around $4,000 million in 1973 and 1974.

A different picture of the regional current account emerges, however, if the oil exporting countries (Bolivia, Ecuador, Trinidad and Tobago and Venezuela) are excluded. The trade balance of the non-oil exporting countries as a group shows a persistent deficit that increased substantially from 1973 to 1974. If the net payments on the services account are included, a staggering current account deficit of $12,668 million was recorded for 1974 in comparison with $3,865 million in 1973. The surplus on current account for the four oil-exporting countries soared from $821 million in 1973 to $6,367 million in 1974, with Venezuela accounting for 96 per cent of the total in the latter year.

For the region as a whole, the negative balance on the services transactions shows a deteriorating trend. From an annual rate of increase of 7.2 per cent in 1971 and 15.5 per cent in 1972, the deficit grew by 27.5 per cent in 1973 and by a record 74.3 per cent in 1974. With the exception of travel, all service categories contributed to this trend. More than one-half of the regional deficit in 1974 was accounted for by the net oil exporters which posted a negative service balance of $5,612 million. Most of this amount – 87 per cent – represents net expenditures for servicing foreign capital.

The oil importing countries registered a negative service balance of $5,183 million in 1974. As in the case of the oil exporting countries, a substantial part of this deficit—70 per cent—represented payments for the use of the factors of production owned by foreigners—mainly capital—in the form of interest on external debt, public and private, and profits on foreign investment.

After payments to the capital factor, the freight and insurance items showed the highest deficit on Latin America's services account, that reached a total of $2,239 million in 1974, representing an increase of 61 per cent in comparison with 16 per cent in 1973 and 11 per cent in 1972. All the countries of the region recorded a negative balance on this account in the 1970-74 period. Most of the deficit is attributable to payments made to foreigners for transportation charges that in 1974 reflected substantial increases in freight rates and other maritime transport costs, mainly as a result of higher prices for energy and fuels.

The "travel" item, comprised mainly by tourism receipts and expenditures, is the only service account with a net surplus for Latin America as a whole. The positive balance increased from $229 million in 1970 to $841 million in 1974. In this year Mexico accounted for 63 per cent of the total income and for nearly one-half of the expenditures. Other countries with a surplus balance during the 1970-74 period were Barbados, Costa Rica, Haiti, Jamaica, Panama and Trinidad and Tobago.

The net oil importing countries of Latin America were able to finance their large deficits on current account by the net inflow of foreign capital. In 1972 and 1973 external financing was on a scale sufficient to leave a surplus which improved the position of the monetary sector. Net long-term capital inflows in 1974 amounted to $10,359 million in comparison with $6,817 million in 1973

[1] The balance of payments analysis in this section is based on data which include intra-regional transactions and therefore reflects gross values for the region rather than the net position of Latin America in relation to the rest of the world.

[2] Total of private direct investment, long-term loans and capital received by the public sector.

[3] The net balance on current account plus net long-term capital flows.

and $4,641 million in 1972. Despite the considerable increase in 1974, the inflow of capital was not sufficient to cover the current account deficit, which amounted to $12,669 million, so that the basic balance for this group of countries was a negative one of $2,309 million. Brazil and Mexico recorded net inflows of $4,891 million and $3,048 million, respectively, in 1974, accounting for nearly 80 per cent of the total received by the net oil importing countries.

Considering the region as a whole, gross international monetary reserves expanded significantly during 1970-74, from $5,356 million at the end of 1970 to $18,104 million at the end of 1974. The latter figure is nearly six times the average of Latin America's reserves during the Decade of the 1960s. If the oil exporting countries are excluded, international monetary reserves of the rest of the countries as a group fell from $11,457 million in 1973 to $10,657 million in 1974, representing a 7 per cent decrease in comparison with increases of 67 per cent and 49 per cent in 1972 and 1973, respectively. Preliminary data for 1975 point to a further decline of international reserves for many of the non-oil exporting countries, with Argentina and Brazil recording the most significant reductions. This situation suggests a weakening in the inflow of foreign capital and a continued deterioration in the terms of trade, both resulting from the recession in the world economy in 1974-75.

Latin America's liquidity position improved substantially between 1970 and 1973, but worsened in 1974. The ratio of monetary reserves to the total value of imports (c.i.f.) rose from 35.1 per cent in 1970 to 56.7 per cent in 1973 and declined to 42.4 per cent in 1974. This level compares favorably with other areas of the world except the oil exporting countries. Within Latin America, the ratio of monetary reserves to the total value of imports in 1974 was 1 to 1 for the oil exporting countries, but only 30 per cent for the other countries.

The overall balance on merchandise trade for Latin America suffered a sharp deterioration in 1974 as a consequence of the unprecedented increase in the value of imports—70.3 per cent—combined with the comparatively slower increase in the value of exports, due primarily to the decline in the region's export prices of primary commodities after mid-year.[1] The resulting deficit in the merchandise trade balance equaled $3,067 million in 1974, compared to $31 million in 1973.

The value of exports of the non-oil exporting countries increased by 34.9 per cent in 1974, compared to 43.6 per cent in 1973. The volume of goods exported which had risen by 9.3 per cent in 1973 decreased by 2.6 per cent in 1974, mainly as a result of the economic recession in the industrial countries, which are the region's main export markets. These figures, however, conceal pronounced differ-

SEARCH FOR IMPROVED CROPS is carried out at Ecuador's National Institute of Agricultural Research. A 1969 Bank loan is improving the Institute's ability to find new high-yield crops, improve farm practices and develop better seed and livestock varieties. Agriculture accounts for more than half the nation's labor force and a fourth of its output.

[1] In this section, exports are valued at f.o.b. prices and imports are valued at c.i.f. prices. Additionally, Venezuela's petroleum exports have been valued at an estimated transactions price, whereas they have been valued at the fiscal price in the balance-of-payments section above.

ences among countries whose performance varied according to the trend in price and demand for their main commodity exports.

The dollar value of merchandise imports (c.i.f.) of the same group of countries increased by 70.7 per cent in 1974 in comparison with 33.5 per cent in 1973. The sharp rise in the value of imports represented an increase in the volume of goods imported which rose from 14 per cent in 1973 to 21.5 per cent in 1974. The corresponding figure was 5.6 per cent in 1972 and 8 per cent in 1971. The brisk pace of import expansion was stimulated by the higher level of economic activity in the region, the improvement of export earnings and bigger flows of external financing.

Brazil and Mexico recorded the largest trade balance deficits in the region. For the first country, the deficit reached the unprecedented figure of $6,211 million in 1974 in comparison with $800 million in 1973. The corresponding figure for Mexico was nearly $2,964 million, almost twice the deficit of the previous year.

As a result of the increase in petroleum prices, the oil exporting countries of the region increased their export revenues to $14,386 million in 1974, nearly 2.3 times the amount registered in the previous year. The volume of exports, however, decreased in these countries due to a lower demand in world markets, a deliberate policy of production cutbacks in Venezuela and technical difficulties in Ecuador.

The considerable increase in export revenues enabled these four countries to increase their imports from $4,345 million in 1973 to $7,325 million in 1974, an increase of 68.6 per cent in comparison with 18.6 per cent in the preceding year. Nevertheless, a positive trade balance of $7,061 million was recorded in 1974, almost four times the amount in 1973.

During the 1970-74 period, 12 primary commodities—each representing an average of at least 1 per cent of the total regional value of merchandise exports—together accounted for over one-half of total export earnings.[1] Following a sluggish growth during the first two years of the decade and a moderate resurgence in 1972, the combined regional export value of these products rose by 39 per cent in 1973 and 49 per cent in 1974. The most significant increases occurred in petroleum. Crude oil rose by 62 per cent in 1973 and by 145 per cent in 1974, while petroleum products (not included among the 12 products), which during 1970-74 represented an average of over one-tenth of total merchandise exports, increased by 61 per cent in 1973 and by 142 per cent in 1974. Exports of the 11 main, non-fuel primary commodities experienced their strongest surge in 1973, when their combined value rose one-third above the level of the previous year, and then expanded by half that rate in 1974. Nevertheless, in both 1973 and 1974, the combined earnings from all other exports (excluding petroleum products) grew by an even higher rate than that of the 12 principal products—47 per cent in 1973 and 51 per cent in 1974. As a result, the participation of the 12 products in the total value of merchandise exports fell from 52.9 per cent in 1972 to 51.1 per cent in 1973, and to 48 per cent in 1974.

ECONOMIC INTEGRATION

The economic integration movement in Latin America made substantial progress during 1975. Although at the end of the year decisions had not been made on all negotiations confronting each of the four groups functioning in the region, mention should be made of the strong support received by the countries in their efforts to use integration and new forms of economic cooperation as an effective instrument for development of the region, in which the multilateral agencies operating in the area played an important role.

It is also of interest to note that the convergence of the various groups was begun with the establishment of the Latin American Economic System *(SELA)* and at the financial level with the formation of the Conference of Development Finance Institutions *(COFINDE)*.

The member countries of the Latin American Free Trade Association (LAFTA) continued their efforts to revise and reorganize existing mechanisms through the holding of the Fourth Round of Collective Negotiations, which resulted in the adoption of guidelines for future formal agreements. Following those negotiating meetings, the protocol establishing the LAFTA Council of Ministers of Foreign Affairs entered into effect with the deposit of the last instrument of ratification.

Another positive point is the proposed new industrial complementation agreement in the chemical sector, sponsored by the sectoral meeting, which will include 126 items from the LAFTA nomenclature.

Actions by groups of countries have become more dynamic, particularly negotiations by Argentina and Brazil with each of the URUPABOL nations (Uruguay, Paraguay and Bolivia) designed to further trade and promote technical cooperation, including the formation of mixed enterprises such as the binational enterprise between Paraguay and Brazil which is carrying out the construction of the 12.6-million-kilowatt Itaipú hydroelectric project, the world's largest, and that of Yacyreta, a 4.5-million-kilowatt project currently under negotiation between Paraguay and Argentina.

Significant progress was made with regard to establishment of a Latin American banking acceptances market for the purpose of promoting the financing of Latin American exports through the creation of a short-term negotiable instrument expressed and payable in United States dollars. The Advisory Committee on Monetary Affairs adopted several resolutions aimed at placement of those documents, including the approval of a legal report permitting brokers to evaluate and define their role in placement of such acceptances in the New York market, an effort financed by the Bank through a technical cooperation arrangement.

During 1974 global exports, excluding Venezuela (to avoid the distortion represented by the oil trade), expanded by 37 per cent, while intrazonal exports rose 70 per cent. This was reflected in a significant increase in the participation of

[1] These products and their proportion to total exports are as follows: Crude petroleum (15.4 per cent); coffee (9.9 per cent); sugar (5.5 per cent); copper (4.8 per cent); beef (3.5 per cent); cotton (2.5 per cent); iron ore (2.5 per cent); soybeans (2.1 per cent); maize (1.9 per cent); bananas (1.8 per cent); cocoa (1.1 per cent), and fishmeal (1.1 per cent).

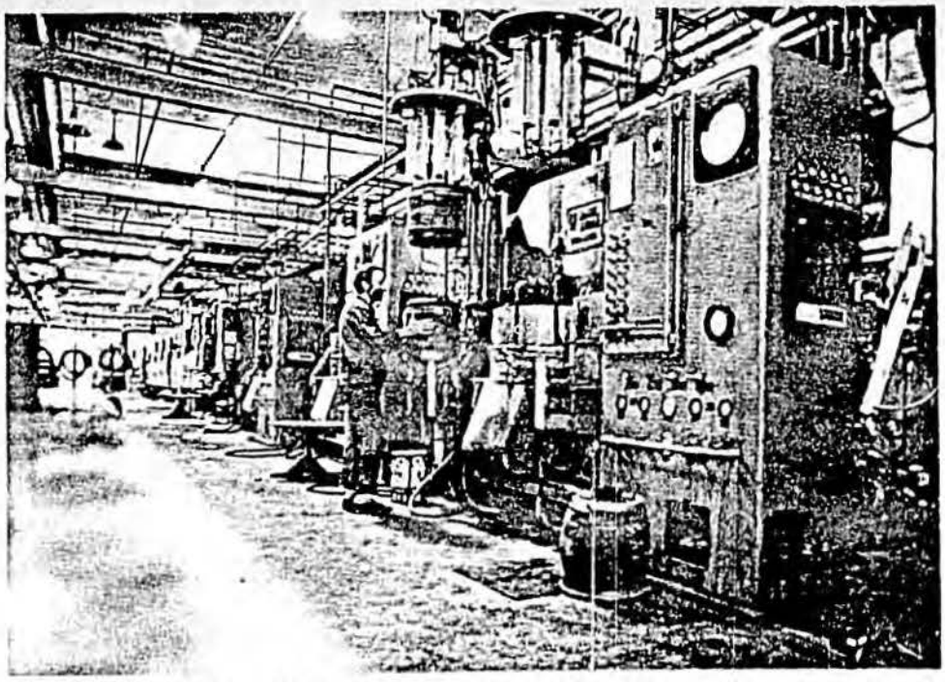
intrazonal trade within total exports, which, excluding Venezuela, ranged from 11 per cent in 1973 to 16 per cent in 1974.

In 1975 the Andean Subregional Group completed a year of intensive negotiations, primarily in the area of industrial programming, securing approval of the petrochemical program to be carried out by the six member countries with a view to the subregional market. Preliminary consensus was also reached regarding allocations under the automotive program, and progress was made in the study of several other proposals by the Board of the Cartagena Agreement, including fertilizers, pharmochemicals, pulp and paper and other programs.

In infrastructure, the Andean trunk highway system was approved, classifying as integration roads a minimum of highways providing easy communications between member countries which would increase subregional trade and tourism.

Formation of a reserve fund at the subregional level which would, among other functions, help to support member country balances of payments was studied. In addition an analysis was made of the establishment of common external tariffs to operate as an important instrument of industrial development policy in the area. The agricultural sector also received considerable attention with the development of a study covering aspects of animal health, establishment of an informa- system on farm products and inputs the output of sectoral products in supply in the subregion. It is also ant to note the significant increases intra-subregional trade, particularly in Available figures for that year in- that trade between the Andean ries amounted to almost five times the prior to signature of the Agree- of Cartagena. With regard to the l program of the machine metals production and marketing at the nal level of several of the allo- products were initiated. In addition, was begun on the technological beginning with the projects for hydrometallurgy and exploitation al forests.

the intensive work carried out by the Andean Group, the Commission of the Agreement of Cartagena was obliged to adopt agreements designed to extend certain terms scheduled to expire on Dec. 31, 1975. Accordingly, the consideration of major proposals aimed at fulfilling the Agreement will be continued in 1976.



GLEAMING TIRE FACTORY in Uruguay has expanded and improved its production thanks to credit facilities provided by the Bank through the Banco de la República Oriental del Uruguay for small- and medium-scale industrial plants, as well as for such tourist facilities as small hotels and motels.

The integration movement in Central America has been concentrated at the stage of defining policies to obtain a consensus on the various aspects comprising the preliminary draft of a new "framework treaty" that would establish the Economic and Social Community of Central America (*CESCA*), to which end the High-Level Committee (*CAN*) for Reorganization of the Common Market has held 11 working sessions. Many technical and policy sessions have also taken place, including meetings of the chiefs of state of the member countries. Upon delivery during the first quarter of 1976 of the proposed "framework treaty" analyzed by *CAN*, the process of its negotiation and approval will begin.

An important event was the meeting of the ECLA Economic Coordinating Committee of the Central American Isthmus, held in Tegucigalpa in May 1975. In attendance were the Ministers of Economy and high-ranking officials of the Central American countries and Panama and delegates from international agencies. A total of 19 resolutions aimed at reactivating Central American economic integration in the near future were approved.

The Caribbean Economic Community pursued its activities with reference to trade, industrial and technological exchange arrangements, as well as measures in the fields of health and education and physical infrastructure projects. Other important developments in the Caribbean countries were their proposed participation in the Caribbean shipping consortium and in a multinational aluminum plant.

A start was made towards solving the problem posed for the CARICOM countries by the maintenance of the sugar market through the Lomé Convention, which is a five-year aid and trade accord entered into between the member countries of the European Economic Community (EEC) and 46 countries of Africa, the Caribbean and the Pacific (ACP), signed in Lomé, Togo, on Feb. 28, 1975. Under the Convention most

Investment and Savings by Countries, 1970-74 [a]

Country	In Per Cent of GDP: Gross Domestic Investment Average 1970-73	Gross Domestic Investment 1974	Gross National Savings Average 1970-73	Gross National Savings 1974	In Per Cent: Ratio of National Savings to Domestic Investment 1970	1971	1972	1973	1974
Argentina	20.5	21.7	20.2	23.8	97	92	97	109	110
Barbados	23.4 [b]	19.1 [b]	−2.0	−1.3	−1	6	−6	−38	−7
Bolivia	14.4	13.2	10.0	15.8	85	72	62	58	120
Brazil	21.6	26.4	19.6	21.2	93	88	90	92	80
Chile	14.0	16.9	11.3	16 0	88	85	72	75	95
Colombia	20.4	24.5	16.8	24.8	80	73	85	95	96
Costa Rica	22.7	26.0	13.2	9.8	61	52	57	63	38
Dominican Republic	19.7	22.0	12.9	16.0	53	51	80	75	73
Ecuador	22.6	21.0	15.7	21.2	63	60	60	96	101
El Salvador	15.1	19.9	13.3	10.8	96	91	94	62	54
Guatemala	13.3	17.5	11.2	13.5	88	75	84	91	77
Haiti	8.6	8.5	4.4	2.8	44	51	60	51	33
Honduras	18.2	25.9	13.0	11.3	55	76	86	74	44
Jamaica	24.1	23.7	14.0	17.3	64	51	64	54	73
Mexico	19.7 [b]	22.6 [b]	17.6	19.3	86	90	91	91	85
Nicaragua	17.0	30.3	12.0	12.4	70	68	112	51	41
Panama	28.8	23.7	21.8	8.6	76	78	75	75	36
Paraguay	15.9	21.0	13.0	18.1	75	68	86	94	85
Peru	14.1	17.3	14.4	11.6	121	101	100	90	67
Trinidad and Tobago	26.5	18.5	17.1	33.9	66	52	53	93	183
Uruguay	12.2	12.3	11.0	6.2	85	80	92	102	50
Venezuela	27.6	19.1	29.4	40.1	100	105	101	119	210

[a] Calculated on the basis of current values in national currencies.
[b] Figures are for gross fixed investment.
SOURCE: Inter-American Bank, based on official statistics of member countries.

exports from the ACP nations are allowed to enter the Community duty free without the EEC asking for reciprocal concessions. On their part, the ACP countries have undertaken to grant most-favored-nation treatment to trade with EEC and a policy of non-discrimination between member states. More than $4 billion in aid will go to the ACP countries during the life of the Convention, including a $400-million Export Earnings Stabilization Fund. The scheme seeks to protect ACP exporters of 12 primary products (or groups of products) against fluctuations in export proceeds by assuring monetary transfers to them when their earnings from exports to the EEC fall below a specified level. There are special protocols on sugar, rum and bananas.

With regard to trade, despite the 56.7 per cent growth of intrazonal exports and the 21.5 per cent increase in intrazonal imports during 1974, as compared to the preceding year, their relative participation in total trade dropped from 11.6 per cent to 7.5 per cent for exports and from 8.7 per cent to 5.8 per cent for imports, owing to the enormous expansion of global trade. In effect, total exports spiraled by 140.9 per cent and imports by 79.6 per cent.

In the River Plate Basin, the most important decision was the designation of Bolivia as the site of the Basin Financing Fund. URUPABOL, for its part, held its annual meeting to identify development projects of mutual interest to the member countries.

The Agreement Establishing *SELA* was signed Oct. 17, 1975, by 23 countries, whose Ministers of Foreign Affairs or Economy met in Panama for that purpose. Its objective is to promote international cooperation, formulate integration programs, serve as organ of consultation and coordination for common positions maintained by Latin America in its negotiations with the rest of the world and encourage means of ensuring preferential treatment for the economically less developed countries.

The *COFINDE* meeting was held in Mexico City from March 3 to 7, 1975. It was organized by the subregional integration and economic development banks (CABEI, CAF, CARIBANK), *Nacional Financiera* of Mexico and *ALIDE*. The conclusions are directed towards seeking additional sources and better conditions for external financing of development of the Latin American countries.

DOMESTIC FINANCING

During the period 1970-74, the levels of gross domestic investment and national savings relative to GDP rose in the majority of the Latin American countries. Compared with the preceding 1970-73 period, in 1974 the proportion of GDP devoted to gross domestic investment increased in some 13 countries—Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay and Peru—while it remained approximately constant in Haiti and Uruguay. The extraordinary growth in oil-export earnings in Bolivia, Ecuador, Trinidad and Tobago and Venezuela contributed in 1974 to a more rapid increase in the GDP valued at current market prices, than in the relative level of domestic investment in these countries. In turn, Barbados, Jamaica and Panama registered a decline in the ratio of gross domestic investment to GDP. The level of national savings as a ratio of GDP increased appreciably in 15 countries in 1974 in comparison with 1970-73: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Nicaragua, Paraguay, Trinidad and Tobago, and Venezuela. These trends reveal to a large degree the effects of the sustained efforts in Latin America to promote a more efficient mobilization of the national savings potential, and of the policies to strengthen financial institutions, and to support the development of domestic capital markets.

The table on the relationship between investment and savings in Latin American countries indicates the proportion of investment financed with domestic resources. During the 1970-74 period, five countries financed between 80 and 100 per cent of investment with domestic resources: Argentina, Brazil, Colombia, Mexico and Venezuela. (Peru and Uruguay achieved similar results in the period 1970-73.) In 1974 national savings exceeded the level of investment in absolute terms in the four

net oil-exporting countries of the region and in Argentina, thus permitting a net increase of international reserves, the servicing of the external debt and the provision of financial assistance to other countries. Ten countries in 1974 financed between 80 and 100 per cent of gross domestic investment with internal resources: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Trinidad and Tobago, and Venezuela.

During the 1970-74 period, Barbados, Costa Rica and Haiti financed over 30 per cent of their domestic investment with external resources, in addition to Bolivia in 1971-72, Ecuador in 1970-72, Jamaica in 1970-73, Nicaragua in 1970-71 and 1973-74, and Trinidad and Tobago in 1970-72. The recent trends in the world economic situation during 1973 and 1974 were reflected in the contribution of national savings to development financing in the region. In the majority of the region's non-oil exporting countries, there was an upward trend in the share of external financing, which exceeded 50 per cent of domestic investment in seven countries: Barbados, Costa Rica, Haiti, Honduras, Nicaragua, Panama and Uruguay.

In 1974 the contributions of governments[1] to the financing of development in the countries of the region continued to expand as a result of their efforts to promote the mobilization of fiscal resources, to increase the level of transfer payments for purposes of public policy, and to accelerate the growth of capital formation. This situation was reflected in the budgetary operations of most central governments primarily in a more rapid growth in revenues than in expenditures, increasing levels of current savings, and a growing share of expenditures devoted to real and financial investments, and capital transfers. The improved fiscal performance of a majority of the governments in Latin America resulted in lower relative increase in their fiscal deficits than in the 1970-73 period, and in five countries sizeable fiscal surpluses.

Several countries were successful at simultaneously sustaining or accelerating the growth with in current revenues and at least holding the level in current expenditures in 1974: Bolivia, Brazil, Chile, Costa Rica, Guatemala, Honduras, Panama, Paraguay, Peru, Trinidad and Tobago, and Venezuela. In the oil-exporting countries, the extraordinary growth in current revenues and savings in 1974 resulted principally from the then newly adopted tax reference pricing system for petroleum exports. The revenue-raising flexibility and domestic tax base also increased in most other Latin American countries following the adoption of new taxes, the improvement in tax collection systems, and the growing determination of central governments to mobilize internal resources for development.

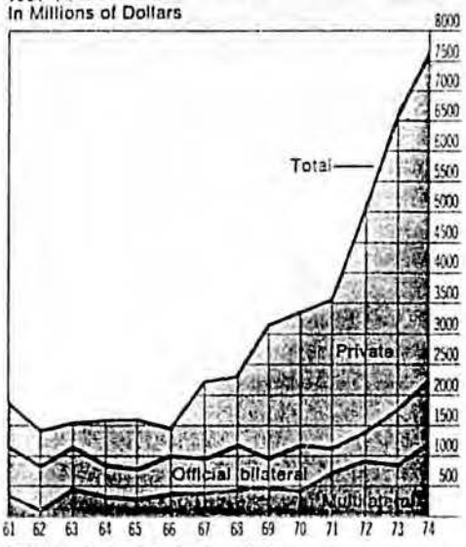
The growth in central government revenues in 1974 was accompanied in all the countries of the region by a more rapid growth in tax, than in non-tax, revenues, except for Ecuador, Nicaragua and Peru. In 12 countries (Argentina, Barbados, Bolivia, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Jamaica, Nicaragua, Paraguay and Uruguay) indirect taxes increased more rapidly than direct taxes. International trade taxes, in particular, rose sharply in several countries as a result of largely increased import levels in 1974. While indirect taxes continue to play a predominant role as a source of central government revenues in Latin America, and provide over 70 per cent of taxes in about half of the countries, the structure of indirect taxation is widening with new types of taxes. Among these are value added taxes and general sales taxes on goods and services. The relative importance of traditional consumption excises and import duties is declining. In 1974 direct taxes as a share of current revenues increased in ten countries, particularly in Venezuela, Trinidad and Tobago, and Ecuador, where corporate income taxes levied on the oil industry accounted for most of the increase. The share of direct taxes also increased in Brazil, Chile, Haiti, Honduras, Mexico, Panama and Peru.

The recent trends in the level and composition of government expenditures in Latin America reveal sustained efforts on the part of most governments to expand the provision of public services, and to increase their contribution to domestic capital formation and their financial participation in the equity capital and debt financing of public and private enterprises. Government current expenditures showed a decelerating trend in 1974 compared with the 1970-73 period, and increased less rapidly than total expenditures, except for Argentina, Costa Rica, Ecuador, Mexico and Panama. The improvement in the current savings of a majority of the region's governments enabled them to increase their capital outlays for infrastructure development projects and public works, and to raise the level of loans and capital transfers to decentralized agencies, state and local governments and public and private enterprises. In 1974, sizable shares of government savings in the oil-exporting countries were used in the creation of public investment funds, of which the most important are the Venezuelan Investment Fund and the Petroleum Development Fund of Trinidad and Tobago. The main objective of these funds is to finance public investment projects for the development of the domestic economy and the diversification of the productive structure.

The overall fiscal situation of governments improved in 14 countries during 1974. Brazil, Paraguay, Venezuela and Ecuador showed a larger surplus in 1974 than in 1973; Bolivia and Trinidad and Tobago obtained a surplus for the first time in the 1970-74 period, and Chile, Colombia, Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Peru reduced their deficits as a proportion of GDP. These trends reflect a considerable improvement of the fiscal situation in Latin America in 1974 in comparison with the 1970-73 period, when a majority of countries had a rapidly rising fiscal deficit. In the other countries of the region, the deficit rose markedly as a per cent of GDP in 1974, and as a result governments had to resort to increasing levels of internal and external

[1] The analysis in this section is based on the operations of central governments (national, federal) that correspond to the highest level of government organization in each country. Other levels of government (provincial, state, municipal) are thus excluded.

Latin America: Net Flow of External Financing, 1961–74
In Millions of Dollars



SOURCE: Inter-American Bank, based on official statistics of member countries and international institutions

borrowing for the financing of expenditures.

EXTERNAL FINANCING

The long-term external financing received by Latin America in recent years has constituted a substantial complementary support to its own internal development effort. The rapid rise in such financing since 1967 has been related to the acceleration in the region's economic growth during the period.

The net flow of official and private external financing towards Latin America increased from a stagnant level of $1,556 million in the 1961-66 period to $5,111 million in 1972, $6,617 million in 1973 and $7,603 million in 1974 [1]. The contribution of this financing to gross domestic investment increased from 7 per cent in 1961-66 to 9.2 per cent in 1967-70 and to 12.2 per cent in 1971-74. In the middle income and less developed countries that percentage was considerably higher. It is important to note that in the last eight years, gross domestic investment was the most dynamic factor in the economic growth of the region. In 1974 external financing made a large contribution to the equilibrium of the balance of payments of the region, enabling the majority of the Latin American countries to support greater costs of imports without reducing their volume of imports.

The largest part of the increase in the net flow of external financing received by the region in the last eight years stemmed from private sources, particularly private bank lending and direct private investment.

Official financial flows also increased, but at a considerably lesser rate. The largest portion of that increase came from multilateral sources.

In recent years, 18 Latin American countries have obtained credits from the private Eurocurrency market. However, due to a lack of information, such financing is reflected only partially in the external financing statistics for the region. The loans in the Eurocurrency market extended to Latin America increased from $506 million in 1971 to $1,866 million in 1972, $3,846 million in 1973 and $4,453 million in 1974. In the first nine months of 1975, according to data, such credits totaled $3,559 million. An increasing proportion of such financing went to Brazil and Mexico, countries which increased their share of the regional total from 52 per cent in 1971 to 69 per cent in 1974.

Financing obtained by the region in the Eurocurrency market was devoted in large measure to investment projects and thus constituted a complementary source of long-term external development credit, even though such financing was extended on more onerous terms than was official financing. The average rate of interest for credits obtained in the Eurocurrency market by Latin America in 1974 was 11.1 per cent, compared with an average rate of 6 per cent on the total loans authorized by the Agency for International Development, the Export-Import Bank, the World Bank and the Inter-American Bank to the region that same year. The average amortization period for the Eurocurrency credits was 8.9 years compared with 23 years for the just mentioned bilateral and multilateral agencies.

Since the mid-1960s Latin America has experienced a continuously growing intra-regional financial cooperation, which has taken the form of an increasing flow of long-term capital, particularly from the wealthier and more highly developed countries towards the relatively less developed ones.

Those resources are complementing the flow of capital from the industrial countries and, along with short-term intra-regional financing and the payments mechanisms among central banks, constitute a prerequisite for the economic integration of the region. The net flow of official and private long-term loans among these countries increased from slightly under $8 million annually in 1966-67 to $80 million annually in 1969-71 and to more than $300 million yearly in 1973-74.

These flows are expected to continue expanding over the next few years, as Venezuela's financial cooperation towards other countries of Latin America is more fully utilized and the assistance programs of the more highly developed countries of the region are broadened.

Loans and grants channeled by multilateral financial institutions and the United States towards Latin America amounted to $3,579 million in 1974, a figure 24.2 per cent higher than that of 1973. The largest part of the increase was made up of compensatory and export credits of the International Monetary Fund and the Export-Import Bank.

Official development financing grew by only 2.7 per cent in 1974. In the face of rising costs for imports, this represented a substantial drop in the effective transfer of real resources to the region. Development financing, as a percentage of the total official financing authorized for those countries, declined from an average 77.2 per cent in 1970-73 to 65.2 per cent in 1974.

The terms and conditions on development loans extended by the World Bank, the Export-Import Bank, the Agency for International Development, and the Inter-American Bank dropped in 1974. The average interest rate on such loans increased from 5.83 per cent in 1973 to 5.97 per cent in 1974 as a consequence of the higher cost prevailing in the international capital market. At the same time, amortization periods dropped slightly in 1974 due to a lowering in the amortization periods on Export-Import Bank

[1] These figures do not directly compare to those of the balance of payments, due to differences in definition, coverage and time recording.

loans. In each of the other institutions just mentioned, amortization terms grew longer.

Taking into account the rate of interest and the average grace and amortization periods of loans from the four institutions, it is estimated that the subsidy element for these loans amounted to 30 per cent in 1974 compared with 31 per cent in 1973.

Sixty-five per cent of the loans authorized by the Agency for International Development, the World Bank, the Export-Import Bank and the Inter-American Bank in 1974 was channeled to industry, mining, transportation, communications and energy, compared with 59.2 per cent in 1973 and 59.2 per cent in 1966-70.

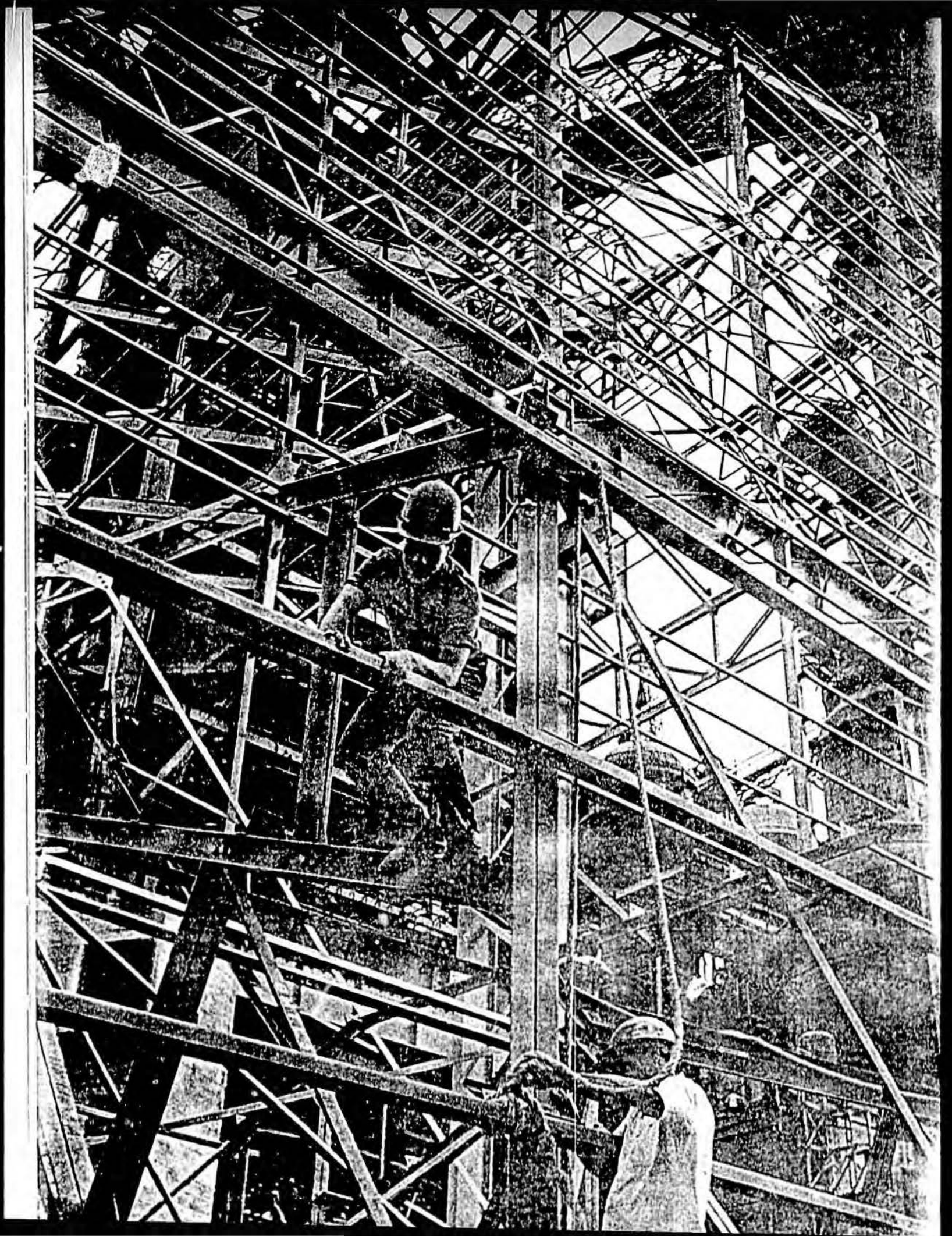
Since 1973 there has been a significant increase in official external financing going to the agricultural sector. Loans authorized by the World Bank, the International Development Association, the Inter-American Bank, the Agency for International Development and the Export-Import Bank to the sector increased from $298 million in 1972 to $488 million in 1973 and to $586 million in 1974.

The contribution of private resources to the total net flow of external financing to the region increased from an average of 63 per cent in 1967-70 to 74 per cent in 1971-73. This proportion would have been even greater if there had been adequate records for the net flow of capital coming from the Eurocurrency market.

In 1974, the net flow of private capital amounted to $5,380 million, an increase of 5.7 per cent over 1973. Despite that increase, the growth rate of such capital was substantially less than during 1971-73, thus representing a drop in its contribution to the net total flow of external financing to the region.

This growth of private capital inflows was led by suppliers' credits, which rose from $248 million in 1973 to $666 million in 1974. The increase in the flow of credits from private financial institutions, other than banks, including arrangements related to nationalization, is also worthy of note. Such flows increased from $163 million in 1973 to $517 million in 1974. Despite the fact that gross disbursements were maintained over $3,900 million thanks to the progressive increase in amortization terms, the net flow of credits from foreign private banks diminished from $2,852 million in 1973 to $2,483 million in 1974. The net flow of direct private foreign investment in 1974 was estimated at $1,834 million, a figure slightly higher than that of 1973.

Despite the fact that in recent years the majority of the Latin American countries have taken advantage of private sources of capital (with private commercial banks and direct foreign investments being the most important sources of such financing), an increasingly higher proportion of such financing has been concentrated in a small number of countries. Five countries—Argentina, Brazil, Chile, Mexico and Peru—accounted for 77.3 and 92.2 per cent in 1973 and 1974, respectively, of the total received by the region. And Brazil and Mexico alone accounted for 62 and 68 per cent of the total inflow of private resources to the region in the two-year period.



THE BANK IN 1975

The Inter-American Development Bank completed a decade and a half of operations in 1975 with a year of record support for the development of Latin America. At the same time, the Bank made marked progress during the year in its efforts to replenish its resources to help meet the increasing development requirements of its member countries over the next half decade.

These accomplishments were made against a background of unfavorable conditions on the world economic scene, coupled with continuing balance-of-payments problems for most of its members and hence increasing needs on their part for external financial resources.

The Bank's lending support for its developing member countries amounted to $[illegible] million,[1] nearly 24 per cent higher than the previous record lending figure of $1,111 million achieved in 1974. This brought the Bank's total cumulative loans as of Dec. 31, 1975, to $8,685 million, net of exchange adjustments and cancellations.

In addition the Bank provided more than $24.6 million—in technical cooperation for its developing member countries than it had in any previous year, bringing the cumulative total in nonreimbursable and contingent recovery assistance to $96.4 million, net of cancellations, at the end of 1975.

The end of 1975 also brought to a close a five-year period of remarkable achievement for the Bank. During that period the Bank's loans, which amounted to $[illegible]9 million, and its nonreimbursable technical cooperation, including contingent repayment, which totaled $65 million, surpassed the similiar figures for the entire first ten years of the Bank's existence.

MOBILIZATION OF RESOURCES

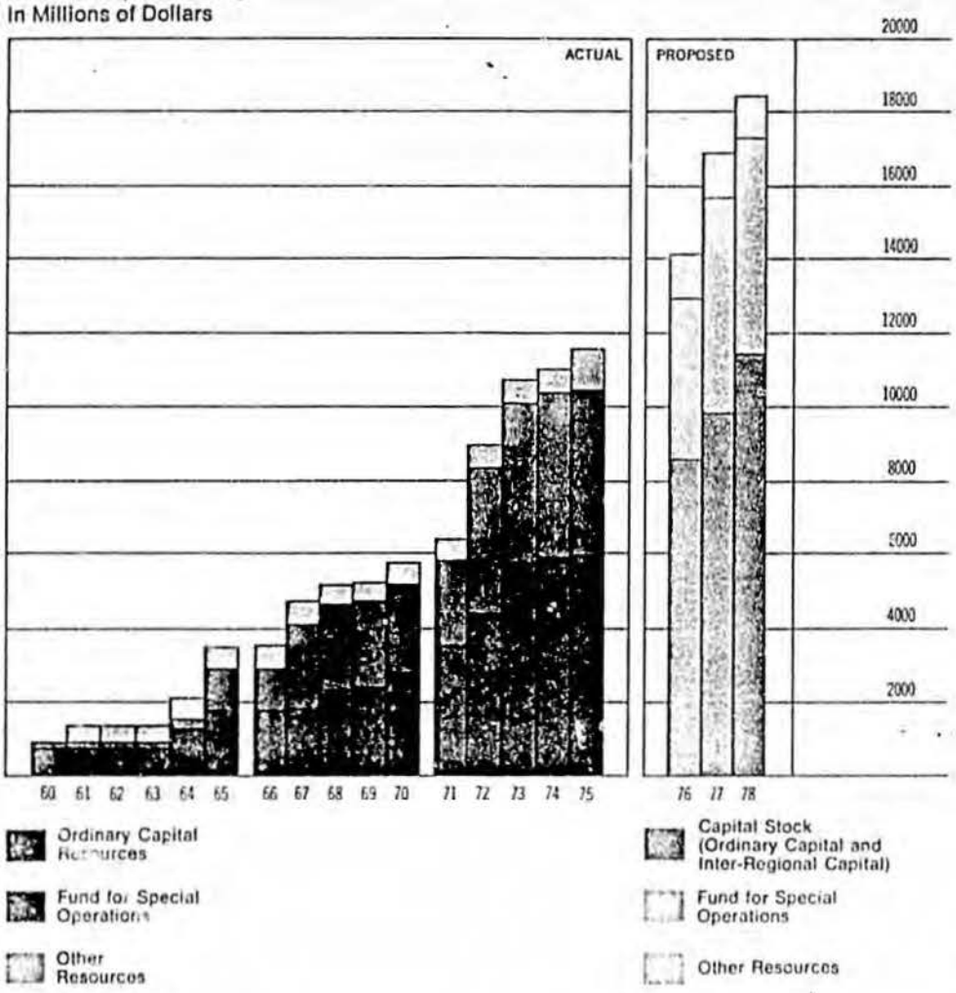
The progress made by the Bank in 1975 to ensure the replenishment of its financial resources so that it might continue its lending and technical cooperation uninterrupted in the future and so that it might increase such lending in real terms by 7 per cent a year, included:

- The approval by the Bank's Board of Governors, on July 9, 1975, of a resolution recommending that the member countries adopt measures for increases totaling $6.3 billion in the Bank's resources—$5.3 billion in the Bank's capital stock and $1 billion in its Fund for Special Operations.
- The initiation of measures, March 18, 1975, by the Bank's member countries, following the signing of the Declaration of Madrid, on Dec. 17, 1974, to amend the Agreement Establishing the Bank to permit 12 countries from outside the region to become members. The 12 would contribute a total of $745 million to the Bank over an initial three-year period.
- The acceptance by the Bank on Feb. 27, 1975, of a $500 million fund, to be provided over a five-year period, entrusted by the Government of Venezuela to finance development projects among its sister nations in the Bank.

With the entry into effect of these measures the total resources of the Bank will rise from some $12 billion to $18 billion.

[1] In this report dollar figures used include, as appropriate, the U.S. dollar equivalent of amounts in other currencies expressed in exchange rates existing on Dec. 31, 1975. Figures in the narrative portion of the report have been rounded out as appropriate.

[illegible] STEEL PROVIDES FRAMEWORK for building of Companhia Siderúrgica Nacional [illegible] Redonda, which forms part of multi-billion-dollar expansion program being carried [illegible] Brazil's three largest steel producers. Bank has provided $231 million in loans for [illegible], which is hiking nation's annual output from 7.2 to 11.6 million tons.



Increase in Resources

The Bank's concern with taking timely measures in the current period to replenish its resources for Latin America's development was expressed formally as early as the Fifteenth Annual Meeting of the Board of Governors of the Bank held in Santiago, Chile, April 1-3, 1974. At that meeting the Board of Governors adopted a resolution requesting the Board of Executive Directors to "carry out a study on the possibility of enlarging the resources of the Bank by means of an increase in the authorized capital and an increase in the resources of the Fund for Special Operations."

As a result of this mandate the Executive Directors provided a report to the Committee of the Board of Governors at a special meeting June 11, 1974, outlining alternative levels of lending for the 1976-78 period and the additional resources required to finance them.

Subsequently, during the Sixteenth Annual Meeting held in Santo Domingo, the Dominican Republic, May 19-21, 1975, the Board considered the report of the Chairman of the Committee of the Board of Governors, including the study prepared by the Executive Directors.

After considering the report, the Board of Governors agreed that the replenishment of the resources was of fundamental importance for the future of the Bank's operations and that it was of primary importance for the member countries that the Bank continue to perform and, to the extent possible, strengthen its role as a multilateral instrument for channeling the transfer of real resources for development purposes.

As a result, the Board adopted a resolution requesting that a working group be established "to study the status of the resources of the Bank and submit recommendations on measures to be taken for an increase in the Bank's capital and in the Fund for Special Operations."

The working group, which consisted of representatives of Argentina, Brazil, Canada, Colombia, Mexico, Nicaragua, the United States and Venezuela, met June 10 to 12, 1975, in Paris with the participation of representatives from Chile, Trinidad and Tobago and Uruguay, and drew up the general basis for a proposal on an increase in the resources of the Bank.

Subsequently the Board of Executive Directors called a special meeting of the Board of Governors at the headquarters of the Bank July 9, 1975. After considering a report from the President of the Bank and the working group, the Board adopted a resolution recommending that the Bank's member countries approve resolutions which would increase the resources of the Bank by a total of $6.3 billion to enable it to meet Latin America's needs for development capital in the 1976-79 period. The increases involved $5.3 billion in the capital stock and $1 billion in the Fund for Special Operations.

The proposed resolutions provide for:

- An increase of $4 billion in the authorized capital stock to be effected in the 1976-78 period. Of that amount $344 million would consist of *paid-in* capital and $3,656 million would consist of *callable* capital. The payment of the *paid-in* capital stock would be effected in three equal annual installments, on June 30, 1976; June 30, 1977, and June 30, 1978, respectively, or at such later dates as the Board of Executive Directors might determine. Fifty per cent of each installment would be payable in gold and/or dollars and 50 per cent in the currency of the member country. However, Canada and Venezuela could pay each installment entirely in their own currency, which would be freely convertible into the currencies of other countries eligible for procurement. The *callable* capital would be subscribed in three equal installments, the first to be made in accordance with a resolution of the Board of Executive Directors, on or before May 1, 1976, and the second and third on or before Dec. 31 of 1976 and of 1977, respectively, or at such later dates as the Board might deter-

Authorized Capital Stock
In Thousands of Dollars

Country	PAID-IN			CALLABLE			Grand Total after Increase
	Dec. 31, 1975	Increase	Total after Increase	Dec. 31, 1975	Increase	Total after Increase	
Argentina	$ 124,422	$ 40,171	$ 164,593	$ 585,511	$ 498,726	$1,084,237	$ 1,248,830
Barbados	2,498	434	2,932	5,995	6,008	12,003	14,935
Bolivia	9,989	3,257	13,246	47,000	40,002	87,002	100,248
Brazil	124,422	40,171	164,593	585,511	498,726	1,084,237	1,248,830
Canada	48,254	19,615	67,869	244,501	176,199	420,700	488,569
Chile	34,164	11,002	45,166	160,781	136,968	297,749	342,915
Colombia	34,140	11,002	45,142	160,636	136,848	297,484	342,626
Costa Rica	4,994	1,593	6,587	23,500	20,025	43,525	50,112
Dominican Republic	6,659	2,172	8,831	31,365	26,709	58,074	66,905
Ecuador	6,659	2,172	8,831	31,365	26,709	58,074	66,905
El Salvador	4,994	1,592	6,586	23,500	20,025	43,525	50,111
Guatemala	6,659	2,172	8,831	31,365	26,709	58,074	66,905
Haiti	4,994	1,592	6,586	23,499	20,025	43,524	50,110
Honduras	4,994	1,592	6,586	23,499	20,025	43,524	50,110
Jamaica	6,659	2,172	8,831	31,365	26,709	58,074	66,905
Mexico	79,980	25,840	105,820	376,379	320,574	696,953	802,773
Nicaragua	4,994	1,592	6,586	23,500	20,025	43,525	50,111
Panama	4,994	1,592	6,586	23,500	20,025	43,525	50,111
Paraguay	4,994	1,592	6,586	23,500	20,025	43,525	50,111
Peru	16,672	5,356	22,028	78,460	66,856	145,316	167,344
Trinidad and Tobago	4,994	1,592	6,586	23,500	20,025	43,525	50,111
United States	361,903	120,007	481,910	2,047,213	1,079,991	3,127,204	3,609,114
Uruguay	13,342	4,271	17,613	62,778	53,513	116,291	133,904
Venezuela	66,663	28,880	95,543	313,697	259,846	573,543	669,086
Unassigned	72,513	12,377	84,890	175,197	114,904	290,101	374,991
TOTAL	$1,055,550	$343,808	$1,399,358	$5,157,117	$3,656,197	$8,813,314	$10,212,672

NOTE: This table does not reflect the $1.3 billion increase in the capital stock recommended to meet loan program needs beginning in 1978.

time. The increase will become effective when at least 16 of the Bank's member countries subscribing no less than $3,015 billion of the proposed increase shall have approved it. The United States would subscribe a total of $1.2 billion of that amount—$120 million in *paid-in* capital and $1.08 billion in *callable* capital. The other member countries would subscribe $2.7 billion—$210 million in *paid-in* capital and $2.5 billion in *callable* capital. The remaining $127 million would be available for future subscription by member countries.

- The recommendation of an additional increase of $1.3 billion in the *callable* capital stock to meet loan program needs beginning in 1978 and to take effect upon the subscription of the last installment of the callable portion of the $4 billion increase. The United States would subscribe $450 million of that amount and the other member countries would subscribe $850 million.
- An increase of $1,045,300,000 in

Fund for Special Operations
In Thousands of Dollars

Country	Contributions as of Dec. 31, 1975	Increase	Total After Increase
Argentina	$ 246,319	$ 82,752	$ 329,071
Barbados	837	297	1,134
Bolivia	22,684	6,645	29,329
Brazil	253,973	82,752	336,725
Canada	74,620	50,000	124,620
Chile	71,068	22,718	93,786
Colombia	69,722	22,704	92,426
Costa Rica	10,224	3,321	13,545
Dominican Republic	13,743	4,428	18,171
Ecuador	13,372	4,428	17,800
El Salvador	9,911	3,321	13,232
Guatemala	13,597	4,428	18,025
Haiti	11,159	3,321	14,480
Honduras	10,995	3,321	14,316
Jamaica	13,193	4,428	17,621
Mexico	159,094	53,196	212,290
Nicaragua	10,770	3,321	14,091
Panama	10,380	3,321	13,701
Paraguay	11,974	3,321	15,295
Peru	34,223	11,082	45,305
Trinidad and Tobago	9,890	3,321	13,211
United States	3,040,350	600,000	3,640,350
Uruguay	26,538	8,874	35,412
Venezuela	132,169	60,000	192,169
Unassigned	123,869	—	123,869
TOTAL	$4,394,674	$1,045,300	$5,439,974

FIFTEEN YEARS OF OPERATIONS, 1961-75

In Millions of Dollars

	1961	1962	1963	1964	1965	1966
TOTAL RESOURCES						
Subscriptions (End of Year)						
Ordinary Capital Resources	813.2	813.2	813.2	1,285.0	1,769.8	1,769.8
Fund for Special Operations	146.3	146.3	146.3	218.9	1,119.5	1,119.5
Other Funds	394.0	394.0	394.0	534.3	543.6	569.4
Total	1,353.5	1,353.5	1,353.5	2,038.2	3,432.9	3,458.7
BORROWINGS						
Outstanding Debt (End of Year) [1]	—	99.2	99.2	272.6	285.1	387.4
Annual Borrowings:						
Gross	—	99.2	—	173.4	12.5	110.4
Net (Increase in debt) [1]	—	99.2	—	173.4	12.5	102.3
OPERATIONS						
Loans Authorized (Cumulative) [1 & 2]						
Ordinary Capital Resources	130.0	208.8	385.8	544.6	655.7	747.2
Fund for Special Operations	48.1	88.3	121.7	170.9	366.4	656.9
Other Funds	115.6	320.6	367.6	450.0	505.4	509.3
Total	293.7	617.7	875.1	1,165.5	1,527.5	1,913.4
Loans Authorized (Annual)						
Ordinary Capital Resources	130.0	83.7	179.3	164.0	121.5	100.9
Fund for Special Operations	48.1	40.8	32.5	49.4	196.6	291.3
Other Funds	115.6	204.9	47.1	85.9	55.4	3.9
Total	293.7	329.4	258.9	299.3	373.5	396.1
Loan Disbursements (Annual)						
Ordinary Capital Resources [3]	2.3	28.9	59.8	106.6	82.9	97.3
Fund for Special Operations	2.6	8.7	15.3	24.6	28.7	44.6
Other Funds	0.9	21.8	65.9	66.9	70.6	70.0
Total	5.8	59.4	141.0	198.1	182.2	211.9
Loan Repayments (Annual)						
Ordinary Capital Resources [3]	—	—	0.6	4.8	8.7	18.5
Fund for Special Operations	—	—	0.1	0.8	3.2	5.4
Other Funds	—	0.4	1.3	2.9	4.3	6.2
Total	—	0.4	2.0	8.5	16.2	30.1
Nonreimbursable Technical Cooperation Authorized (Annual)						
Fund for Special Operations	1.3	1.3	1.2	1.3	1.1	1.1
Other Funds	0.5	1.1	1.6	1.5	2.0	1.9
Total	1.8	2.4	2.8	2.8	3.1	3.0
FINANCIAL HIGHLIGHTS						
Net Income (Less Technical Cooperation Expense)						
Ordinary Capital Resources	0.4	2.8	3.9	4.8	5.0	6.7
Fund for Special Operations	(0.3)	0.6	(0.1)	1.1	2.0	2.4
Reserves (End of Period)						
Ordinary Capital Resources	0.4	3.4	7.7	13.8	21.0	30.5
Fund for Special Operations	(0.2)	0.3	0.3	1.4	3.4	5.8
Total	0.2	3.7	8.0	15.2	24.4	36.3
ADMINISTRATION						
Administrative Expenses [4 & 5]						
Total—All Funds	4.7	7.4	8.7	10.0	11.9	14.4

[1] Including adjustments in U.S. dollar equivalent of borrowed currencies.
[2] Net of cancellations.
[3] Figures in prior Annual Reports restated to exclude exchange adjustments.
[4] Including loan supervision and inspection expenses after 1965.
[5] Includes depreciation and amortization expenses relating to buildings.
Note: "Other Funds" do not include agency agreements with Kreditanstalt für Wiederaufbau and Inter-Governmental Committee for European Migration.

1967	1968	1969	1970	1971	1972	1973	1974	1975
1,778.8	2,259.6	2,282.3	2,763.0	3,465.9	4,373.0	5,710.3	5,954.3	5,965.0
2,321.4	2,321.4	2,328.0	2,328.0	2,328.0	3,987.6	4,393.3	4,393.9	4,394.7
577.0	586.2	584.6	599.7	606.3	627.2	636.5	640.4	1,145.4
4,677.2	5,167.2	5,194.9	5,690.7	6,400.2	8,987.8	10,740.1	10,988.6	11,505.1
513.6	632 3	767.2	915.1	1,017.8	1,137.4	1,259.7	1,346.7	1,580.4
146.0	176.9	177.4	187.0	181.0	141.0	131.2	104.7	365.2
126.2	118.7	134.9	147.9	102.7	119.6	122.3	87.0	233.7
901.1	1,081.7	1,294.1	1,486.0	1,763.5	2,161.8	2,651.7	3,325.5	3,923.5
967.5	1,169.8	1,581.6	2,021.6	2,404.9	2,687.1	3,063.7	3,497.3	4,076.5
521.5	546.4	554.0	561.0	576.4	591.7	593.1	593.2	684.8
2,390.1	2,797.9	3,429.7	4,068.6	4,744.8	5,440.6	6,308.5	7,416.0	8,684.8
171.0	193.6	208.9	194.5	236.0	443.3	453.0	635.6	646.2
313.0	210.1	412.5	443.0	399.5	344.2	426.7	475.1	634.2
12.4	27.2	10.1	7.0	16.3	19.7	4.3	—	94.6
496.4	430.9	631.5	644.5	651.8	807.2	884.0	1,110.7	1,375.0
112.9	112.9	139.2	150.3	180.0	185.8	224.2	291.2	327.7
69.7	120.4	192.3	244.6	249.0	278.7	311.5	323.6	371.1
59.9	57.5	62.5	32.9	12.3	14.1	11.3	13.3	13.4
242.5	290.8	394.0	427.8	441.3	478.6	547.0	628.1	712.2
29.5	40.2	51.2	66.2	73.9	80.4	88.7	89.9	102.2
6.7	8.5	12.0	20.6	34.6	45.3	56.3	64.7	71.5
10.3	13.9	17.5	19.8	19.3	21.6	23.5	24.4	25.1
46.5	62.6	80.7	106.6	127.8	147.3	168.5	179.0	198.8
1.6	1.3	1.7	2.0	2.3	2.0	2.9	11.2	10.8
3.5	2.4	3.6	3.1	3.6	3.8	3.5	11.2	13.8
5.1	3.7	5.3	5.1	5.9	5.8	6.4	22.4	24.6
9.1	14.3	20.2	33.1	23.6	19.1	37.9	55.1	58.3
3.2	1.8	4.7	9.7	14.4	22.0	33.6	38.5	43.4
43.2	60.0	85.2	124.2	154.6	185.6	241.2	307.5	379.5
9.0	10.7	15.4	25.1	39.5	61.5	95.1	133.6	177.0
52.2	70.7	100.6	149.3	194.1	247.1	336.3	441.1	556.5
17.7	21.2	25.1	29.1	33.7	34.2	39.3	45.7	52.2

the resources of the Fund for Special Operations, which would be paid in by the member countries in three equal installments on Dec. 31 of each of the years 1976, 1977 and 1978. The payments would be made by each country in its national currency or in United States dollars. Canada, Trinidad and Tobago, the United States and Venezuela would make their entire contributions freely convertible into the currencies of other countries eligible for procurement, and Argentina, Brazil and Mexico would do the same with respect to 25 per cent of their respective contributions. The increase will become effective when at least 16 member countries whose contributions total no less than $900 million have approved it.

As of Dec. 31, 1975, a substantial number of member countries had completed action to implement the increase in the resources of the Bank and most of the remaining member countries were well advanced in taking the necessary legal steps.

The subscriptions to the ordinary capital resources through 1975, as well as the proposed increases, are shown in the accompanying table. In a similar fashion, the contributions to the Fund for Special Operations through 1975, as well as the proposed increases, are shown in another accompanying table.

Nonregional Members

In the 1974 Annual Report, the Bank gave a summary account of its efforts—formally initiated at the Bank's Eleventh Annual Meeting held in Punta del Este, Uruguay, in April 1970—to attract capital contributing countries from outside the region into membership as a further means of broadening the financial foundation of the institution for its continued efforts on behalf of Latin America's development. These efforts resulted in the adoption at the Bank's Fourteenth Annual Meeting in Jamaica in May 1973 of basic principles providing for the admission of nonregional members.

In the Declaration of Madrid, signed Dec. 17, 1974, 12 nonregional countries—Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom and Yugoslavia—undertook to seek membership in the Inter-American Bank in accordance with the principles adopted at the Jamaica meeting.

The 12 nations pledged to contribute a total of $745 million to the Bank over an initial three-year period through the subscription to shares in the proposed inter-regional capital stock and through contributions to the Bank's concessional resource, the Fund for Special Operations.

For its part, the Bank undertook in the Declaration of Madrid to seek from its member governments approval for the necessary measures that would permit the entry of the 12 countries into membership in the Bank. These measures included a series of amendments to the Agreement Establishing the Bank which, following action by the Board of Executive Directors, were presented to the member countries for their approval by the President of the Bank on March 18, 1975.

In order to permit the use of capital subscribed by such nonregional countries to support borrowings independent of the Bank's ordinary capital borrowings, these amendments include provision for the creation of the inter-regional capital stock which would be completely separate from the ordinary capital resources.

The prospective nonregional members would subscribe to the inter-regional capital stock in the form of both *paid-in* and *callable* shares. The *callable* shares would serve as backing for borrowings by the Bank over and above the amount it can presently borrow with the backing of the *callable* capital in its ordinary capital resources.

The inter-regional capital stock is to be held, obligated and otherwise disposed of entirely separate from the Bank's ordinary capital resources and Fund for Special Operations.

Of the $745 million which would be contributed by the 12 countries, a total of $372,711,808 (made up of $61,475,252 in *paid-in* capital and $311,236,556 in *callable* capital) would be subscribed to the inter-regional capital stock and another $372,711,808 would be paid as contributions to the Fund for Special Operations.

The entry of the nonregional countries as contributing members would not affect the regional nature of the Bank because the current member countries would keep a total of not less than 92 per cent of the voting power, of which not less than 53.5 per cent would be retained by the Latin American member countries, not less than 34.5 per cent by the United States and not less than 4 per cent by Canada, leaving 8 per cent for the nonregional members as a group.

Each nonregional member would be entitled to one Governor and one Alternate Governor. In addition, as a group, the nonregional members would be entitled to elect two Executive Directors and to have two Alternate Executive Directors.

At the Sixteenth Annual Meeting of the Board of Governors held in Santo Domingo, the Dominican Republic, May 19-21, 1975, the Board approved a resolution manifesting its agreement with the action taken and recording the desirability that steps be concluded as soon as possible leading to the entry of nonregional countries into the Bank.

Furthermore, the resolution expressed the hope "that other nonregional countries that did not sign the Declaration of Madrid accede to membership in the Bank."

As of Dec. 31, 1975, a number of the Bank's member countries and several nonregional countries had completed or nearly finished action on the necessary measures to bring the proposed arrangements into effect and most of the other countries were well advanced in taking the needed legal steps.

The proposed subscriptions by the nonregional countries to the inter-regional capital stock and the Fund for Special Operations is shown in the following table.

Venezuelan Trust Fund

On Feb. 27, 1975, the Government of Venezuela entered into an agreement with the Bank for it to administer a $500 million trust fund ($400 million and 430 million bolivars) designed to contribute to the acceleration of the development process in the countries of Latin Amer-

Proposed Subscriptions to Inter-Regional Capital Stock and Fund for Special Operations
Expressed in U.S. Dollars

Country	Inter-Regional Capital Stock			Fund for Special Operations	Grand Total
	Paid-in	Callable	Total		
Austria	$ 832,377	$ 4,222,201	$ 5,054,578	$ 5,054,578	$ 10,109,156
Belgium	2,062,847	10,434,869	12,497,716	12,497,716	24,995,432
Denmark	892,694	4,499,660	5,392,354	5,392,354	10,784,708
Germany	10,410,742	52,681,009	63,091,751	63,091,751	126,183,502
Israel	820,313	4,173,948	4,994,261	4,994,261	9,988,522
Italy	10,157,410	51,438,476	61,595,886	61,595,886	123,191,772
Japan	11,339,627	57,385,748	68,725,375	68,725,375	137,450,750
Netherlands	1,544,120	7,817,104	9,361,224	9,361,224	18,722,448
Spain	10,157,410	51,438,476	61,595,886	61,595,886	123,191,772
Switzerland	2,267,925	11,484,388	13,752,313	13,752,313	27,504,626
United Kingdom	10,157,410	51,438,476	61,595,886	61,595,886	123,191,772
Yugoslavia	832,377	4,222,201	5,054,578	5,054,578	10,109,156
TOTAL	$ 61,475,252	$311,236,556	$372,711,808	$372,711,808	$745,423,616

ica, thus enabling the Bank to extend its assistance to new areas of regional economic development.

The decision of the Government of Venezuela originated in the inaugural address of President Carlos Andrés Pérez on March 12, 1974. In his address, the Venezuelan Chief Executive pledged to share a portion of the increased income derived from exports of Venezuelan petroleum for the development of Latin America through the creation of a trust fund to be administered by the Bank.

The decision was communicated to the Board of Governors at its Fifteenth Annual Meeting in Santiago, Chile, April 1-3, 1974, by the Governor for Venezuela, Héctor Hurtado, who said:

"The basic aim of the fund would be to finance areas and projects that will make the greatest contribution to the development of the region. Special emphasis will be placed on coordination, as this must be a joint effort to assist the less developed countries. Similarly, the role which the fund can play in stimulating Latin American integration will be stressed."

"It will therefore be," Mr. Hurtado went on to say, "a fund for developing the region's productive and exporting capacity and not one for strengthening the physical infrastructure, for which purpose international sources of financing are already available."

The negotiations to establish the trust fund culminated with the signature at the Bank's headquarters of the Trust Fund Agreement by the President of the Bank and the President of the Venezuelan Investment Fund.

In fulfilling the purposes for which it was created, the Fund will contribute to the financing of projects and programs which lead to the utilization of natural resources, as well as to the development of industry and agroindustry in the region.

Likewise, the Fund will broaden significantly the Bank's export financing program and, at the same time, will permit the export of manufactured and semimanufactured goods to a broader geographic area than that covered under the program heretofore.

In utilizing the resources of the Fund, the Bank will place emphasis on projects and programs which strengthen the integration schemes of Latin America.

In addition to broadening the volume of resources for financing economic projects in the region, important among them those which contribute to the development of nonrenewable natural resources and the development of agroindustry, the Fund permits the Bank to execute projects different from those carried out up to now, as for example:

- The subscription of shares or capital participations in the capital stock of enterprises developing eligible projects.
- The acquistion of shares, obligations convertible to shares and medium- and long-term bonds that would be issued for the establishment or expansion of national or multinational Latin American enterprises, having as their purpose the development of projects or programs in eligible fields.
- The extension of loans for the acquisition by Latin American investors of shares of enterprises dedicated to eligible projects or programs, as well as the acquisition of shares held by non-Latin American investors in enterprises located in the region and dedicated to the development of natural resources, especially those which are nonrenewable.
- Financing, directly or through financial institutions of the member countries of the Bank, working capital of enterprises, provided that such financing is necessary for the start up of projects or programs financed with loans from the Trust Fund.

The Agreement remains open for adherence by other Latin American member countries of the Bank which desire to join under the same conditions or in such other conditions as may be agreed upon in conjunction with Venezuela and the Bank.

Capital Market Borrowings

The capital markets of the world were again characterized by considerable uncertainty in 1975. Nonetheless, the Bank was able to borrow more money by far in such markets than it had in any previous year in its history and was able to do so at generally favorable interest rates.

During the year, the Bank borrowed a total of $365 million, including $309 million in medium- and long-term funds. This figure compared with the previous record of $187 million raised in 1970 and the $105 million borrowed in 1974.

The year marked the first entry of the Bank into the United States market since 1970. In 1975, the Bank raised $225 million in that market through the sale of two note issues. The Bank borrowed $84.6 million in nonmember countries in long-term borrowings and also increased the amount of its short-term bonds sold to the Central Banks of its member countries in Latin America by $2.25 million in addition to rolling over previous short-term borrowings amounting to $53.35

million. The borrowings in nonmember countries included $37 million in Italy, $25 million in Japan, $22 million in Switzerland and $590,000 in Finland.

The 1975 borrowings included:

United States: $225 million, including:

- $100 million in a note issue of Jan. 15, 1975, marketed through a nationwide group of investment banking houses and commercial banks under the joint management of Lehman Brothers Incorporated; Lazard Frères & Co.; Goldman Sachs & Co., and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The 8¼ per cent 10-year notes due Jan. 15, 1985, were priced at 99 per cent. They are not redeemable prior to Jan. 15, 1983. On and after that date they will be redeemable in whole or in part at any time at the option of the Bank at 100 per cent, together with accrued interest.
- $125 million in a note issue of March 1, 1975, placed by a nationwide group of investment banking houses and commercial banks under the joint management of Lazard Frères & Co.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Lehman Brothers Incorporated. The 8 per cent, 10-year notes due March 1, 1985, were priced at 99.125 per cent. The notes are not redeemable prior to March 1, 1983. On and after that date they will be redeemable in whole or in part at any time at the option of the Bank at 100 per cent, together with accrued interest.

Italy: $37 million, including:

- $12 million in a single note sold to the *Ufficio Italiano dei Cambi*, the official Italian foreign exchange office. Dated April 1, 1975, the dollar borrowing carries an interest rate of 8¼ per cent per annum and a 10-year straight maturity.
- $25 million also in the form of a single note sold by the Bank to the *Ufficio Italiano dei Cambi* July 7, 1975. The dollar borrowing carries an interest rate of 8¼ per cent per annum and a straight maturity of 10 years.

Japan: $25 million.

On May 19, 1975, the Bank borrowed 7.5 billion convertible yen (equivalent to $25 million) through a loan obtained from the Export-Import Bank of Japan. The 8 per cent loan was extended for a term of 15 years with a grace period of 4 years. It will be repaid in 22 semiannual installments beginning Sept. 20, 1979, and ending March 20, 1990.

Switzerland: $21,978,000.

On Oct. 14, 1975, the Bank sold a bond issue of 60 million Swiss francs (equivalent to $21,978,000) in Switzerland through a group of Swiss banks headed by Swiss Bank Corporation, Swiss Credit Bank and Union Bank of Switzerland. The 8 per cent, 10-year bonds will mature in 1985 and will be amortized in nine annual installments of up to 2 million Swiss francs each beginning at the end of the first year with the balance due at maturity in 1985. The Bank has the right to repurchase the bonds in the market at any time for the purpose of redemption and to redeem all outstanding bonds in anticipation beginning in 1981.

Finland: $594,499.

On June 13, 1975, the Bank received $335,613 representing a draw down under a contingent line of credit with Finnish Export Credit which provides credits to the Bank as Bank loans generate purchases in Finland. The promissory note evidencing the draw down bears interest at the rate of 6 per cent per annum and is due June 13, 1980. On Dec. 15, 1975, the Bank received a further $258,886 representing a draw down under the same line of credit. The promissory note bears interest of 6 per cent per annum and is due Dec. 15, 1980.

Latin America: $55.6 million.

On April 15, 1975, the Bank sold its tenth short-term bond issue—$55.6 million—at par to Central Banks and other governmental institutions in 16 of its member countries. A total of $54,100,000 of the issue was for two-year maturites due April 15, 1977, bearing an interest rate of 6¾ per cent and $1.5 million was in the form of 5-year maturities due April 15, 1980, at a rate of 7½ per cent per annum. The proceeds of the issue were used in part to refund $53,350,000 in two-year bonds which matured on the issue date. The remaining $2,250,000 represented a net increase in the resources raised by the Bank through short-term issues. The member countries participating in the issue were Argentina, Barbados, Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Peru, Trinidad and Tobago, and Venezuela.

Outstanding Borrowings as of Dec. 31, 1975
In Millions of Dollars

Austria	$ 29.1
Belgium	15.8
Finland	1.6
France	43.5
Germany	245.3
Israel	2.5
Italy	95.5
Japan	144.8
Latin America	125.8
Netherlands	24.6
Norway	4.0
Spain	17.1
Sweden	22.8
Switzerland	162.3
United Kingdom	12.4
United States	633.3
TOTAL	$1,580.4

Canadian Cooperation

As indicated in the 1974 Annual Report, the Government of Canada entered into an agreement March 22, 1974, entrusting a 1.5 million Canadian dollar fund to the Bank in administration to finance the preparation of development projects in its Latin American member countries. On June 6, 1975, the Bank accepted from the Canadian Government an additional 7.5 million Canadian dollars to be made available to the Bank over a three-year period, increasing the total resources of the fund to 9 million Canadian dollars.

Under the terms of the agreement, the resources of the Fund are made available to assist in the formulation of development projects, including the execution of basic studies, prefeasibility, feasibility and final engineering design studies. Special priority is granted to lesser developed member countries of the Bank.

The Fund resources are used to purchase services in Canada or the country

where the project is being executed or, under special conditions, in other member countries of the Bank. The resources are made available on a nonreimbursable, contingent recovery or reimbursable basis. The nonreimbursable assistance is reserved for the lesser developed member countries of the Bank.

Complementary Financing

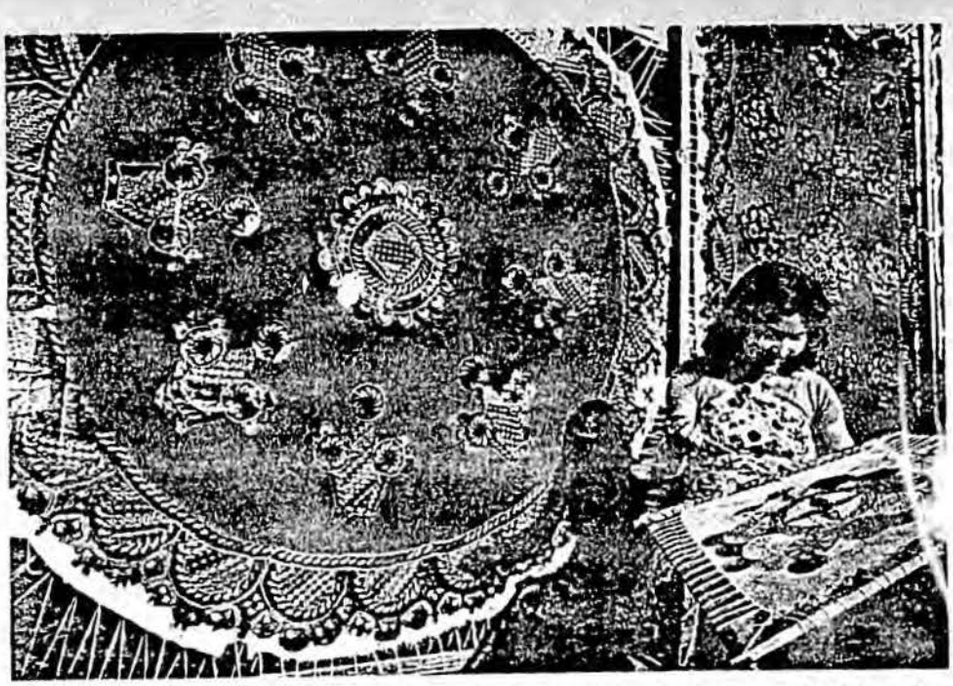
Throughout its 15 years of operations, the Inter-American Bank has sought to augment, through a variety of mechanisms, the financial resources available for the development of its own member countries. These mechanisms have included bond issues and loans arranged in the world's capital markets, resources obtained in trust from member and nonmember countries, participations in its loans, and parallel and independent financing mechanisms.

More recently the Bank has explored methods of increasing its cooperation with its member countries—particularly the less developed ones—in broadening their access to the world's capital markets for financing needed to carry out their development programs.

These efforts reached fruition in 1975, when the Bank initiated a major new mechanism for channeling private financial resources towards the development of Latin America.

Under the new mechanism, called complementary financing, resources from private commercial banks and other financial institutions are channeled towards the execution of development projects in Latin America. The Bank extends parallel loans for the same development project. One or more is authorized on traditional development lending terms from its own resources or other funds available to it. Another complementary loan is made on ordinary commercial terms and participations are sold for the full amount of this loan to interested financial institutions.

Loans extended directly by the Bank from the resources at its disposal are made customarily for 15 to 30 years at fixed interest rates which may vary from 1 to 4 per cent on concessionary resources and 7 to 9 per cent on conventional resources. Complementary loans on commercial terms are medium-term, generally from 7 to 10 years, and are made at interest rates which may, if appropriate, be subject to periodic readjustment based on a fixed spread over a reference rate which might be the London Inter-Bank Offered Rate (LIBOR), the prime rate of commercial banks or some other. Since the lending is part of an Inter-American Bank loan package, the commercial terms are expected to be more favorable to the borrower than they would be if secured independently.



BRILLIANTLY-HUED NEEDLE WORK is a principal handicraft of Paraguay. Inter-American Bank credit channeled through Paraguay's Development Bank is helping small-scale entrepreneurs to expand production for sale to the growing number of tourists visiting the country. Expansion of such handicrafts creates employment for people.

The participating financial institutions benefit from the fact that the Bank has made a thorough study of the project, that it is the disbursing and collecting agency for the loan and that it is responsible for supervising the completion of the project and administering the loan until it has been completely repaid. Furthermore, the participating financial institutions have a greater measure of security than if they make the loan directly, even though the complementary loan is made without recourse to the Bank. Virtually all Bank loans are made to governments or governmental entities or carry a governmental guarantee and the Bank has never had a default on a loan made to or guaranteed by a government.

The Bank put this pioneering technique into effect for the first time with a loan package arranged for the expansion of a steel mill in Argentina. That operation was followed by one for a hydroelectric power project in Guatemala.

The Argentine project involved a $55 million, 15-year loan extended directly by the Bank from the ordinary capital resources and a $15 million, 7-year renewable line of credit extended from the ordinary capital resources, but raised entirely through the sale of participations to commercial banks which are expected to obtain the dollar funds in the Eurocurrency market.

The Guatemalan project involved a total loan package of $105 million extended for a hydroelectric power project. The Bank financing was provided through four separate loans: one for $10 million on conventional Bank terms for 25 years from the ordinary capital resources; another for $45 million on concessional terms for 40 years from the Fund for Special Operations; another for $35 million on conventional terms for 25 years from the Venezuelan Trust Fund.

and finally one for $15 million channeled through the ordinary capital resources but raised through a sale of participations in the entire loan to three private commercial banks—two in the United States and one in Canada.

FINANCIAL HIGHLIGHTS

The Bank registered higher earnings in 1975 than it had in any previous year in its operations.

The gross income from its own resources—the ordinary capital resources and the Fund for Special Operations—amounted to $282 million, compared with $240 million in 1974.

The net earnings from the two funds amounted to $101 million, compared with $93 million in 1974.

These earnings brought about a substantial increase in the Bank's total reserves. As of Dec. 31, 1975, these had risen to $557 million, compared with $441 million in 1974.

The highlights of the earnings of the Bank's own resources are shown below:

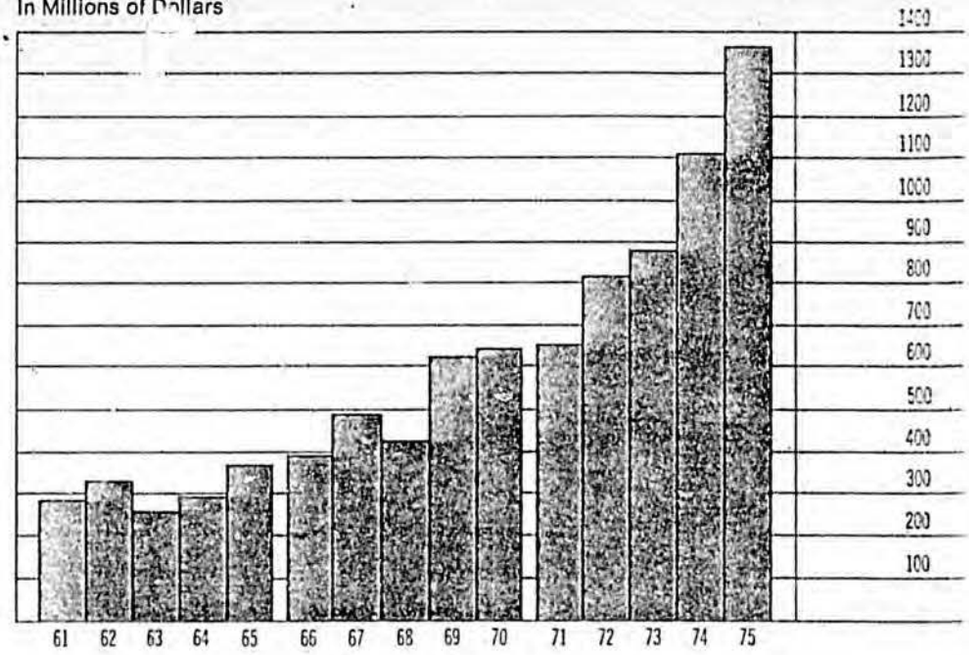
Ordinary Capital Resources: Net income: $58 million compared with $55 million in 1974. Gross income: $208 million compared with $174 million in 1974. Total reserves: $380 million as of Dec. 31, 1975, compared with $307 million at the end of 1974.

Fund for Special Operations: Net income: $43 million compared with $38 million in 1974. Gross income: $74 million compared with $66 million in 1974. Total reserves: $177 million as of Dec. 31, 1975, compared with $134 million at the end of 1974.

In addition to its own resources, the Bank administers 11 separate funds for member and nonmember countries, the largest of which are the Social Progress Trust Fund, to which the United States contributed $525 million in the early 1960s, and the $500 million Venezuelan Trust Fund constituted in 1975. The Bank maintains all of these funds completely separate from each other and accounting on the funds is given to the donor countries.

The audited financial statements of the ordinary capital resources and the Fund for Special Operations, as well as those of the Social Progress Trust Fund and the Venezuelan Trust Fund, are contained on pages 97 to 129.

Yearly Loans
In Millions of Dollars



The Bank's Lending
(Net of Cancellations and Exchange Adjustments)
In Millions of Dollars

Country	TOTAL Amount	DETAIL BY FUNDS Ordinary Capital Resources	Fund for Special Operations	Funds in Administration
Argentina	$ 936.9	$ 580.9	$ 311.7	$ 44.3
Barbados	22.5	9.1	13.4	—
Bolivia	293.5	68.4	201.3	23.8
Brazil	1,973.7	1,245.8	643.5	84.4
Chile	474.4	229.2	201.8	43.4
Colombia	688.0	354.2	266.0	67.8
Costa Rica	184.6	71.0	98.3	15.3
Dominican Republic	206.2	6.7	183.6	15.9
Ecuador	327.4	70.4	187.0	70.0
El Salvador	161.9	7.0	127.7	27.2
Guatemala	253.8	35.8	168.7	49.3
Haiti	86.7	—	86.7	—
Honduras	151.1	0.5	140.5	10.1
Jamaica	71.6	13.3	58.3	—
Mexico	1,201.2	722.0	444.2	35.0
Nicaragua	143.1	16.9	113.2	13.0
Panama	155.3	1.5	140.9	12.9
Paraguay	194.0	6.3	174.5	13.2
Peru	348.4	80.6	206.8	61.0
Trinidad and Tobago	33.8	0.7	33.1	—
Uruguay	154.3	81.7	61.0	11.6
Venezuela	324.9	129.4	122.6	72.9
Regional	297.5	192.1	91.7	13.7
TOTAL	$8,684.8	$3,923.5	$4,076.5	$ 684.8

THE YEAR'S LENDING

As indicated at the start of this chapter, the $1,375 million in 70 loans authorized by the Bank in 1975 represented the highest lending contribution ever made by the Bank in any single year for the economic and social development of its member countries. That figure was 24 per cent over the previous record high of $1,111 million achieved in 1974 and

brought the Bank's cumulative lending as of Dec. 31, 1975, to $8,685 million, net of cancellations and exchange adjustments, distributed in 889 loans.

During the five year-period which ended in 1975, the Inter-American Bank extended a larger volume of loans for the development of its member countries than it had in its whole previous ten years of operations.

The striking increments in the Bank's lending over the three five-year periods of its first decade and a half of activities is indicated by the following figures. In gross amounts, during its first (1961-65) the Bank authorized a total of $1,555 million, or an average of $311 million a year; during its second (1966-70) the Bank approved $2,599 million, or an average of $520 million a year; finally, during its third (1971-75) the Bank authorized $4,829 million, or an average of $966 million a year. Thus the $4,829 million approved in the last five years was nearly 16 per cent higher than the total of $4,154 million authorized in the previous ten years.

Loans

The Bank's lending during 1975 included $[illegible]6.2 million, or 47 per cent, from its ordinary capital resources; $634.2 million, [illegible]6.1 per cent, from the Fund for Special Operations, and $94.6 million, or [illegible] per cent, from other funds which the [illegible] administers.

As to sources of funds, the loans authorized by the Bank in 1975, as well as cumulative totals, included:

Ordinary Capital Resources: 25 loans (increases in previously authorized [illegible] financing credits) amounting to $[illegible] million. This brought the net cumulative total of ordinary capital loans [illegible] for $3,923.5 million as of Dec. [illegible]

Fund for Special Operations: 37 loans [illegible] $634.2 million, bringing the net cumulative total to 446 loans for $4,076.5 [illegible] year end.

Other Funds: 8 loans amounting to $[illegible] million, including 5 loans for $83.2 [illegible] from the newly established Venezuelan Trust Fund; $8 million in a credit [illegible] Social Progress Trust Fund; 1 for $2.5 million in a loan from the Norwegian Development Fund and 1 for nearly $1 million from the Swiss Fund for Latin American Development. These brought the cumulative total from the other funds which the Bank administers to 153 loans amounting to $684.8 million, including 117 for $502.2 million from the Social Progress Trust Fund, the above mentioned 5 for $83.2 million from the Venezuelan Trust Fund, 19 for $72 million from the Canadian Fund and 12 for $27.4 million from 7 other funds which the Bank administers for the United Kingdom (2), Argentina, Norway, Sweden, Switzerland and the Vatican.

The above cumulative figures are all expressed net of cancellation and exchange adjustments. Some loans authorized by the Bank are not finally signed and therefore lapse. A very few others are either cancelled or are revised downward. A brief detail on such cancellations is given in the table on page 55.

The Bank's cumulative lending, net of cancellations and exchange adjustments, is shown on a country-by-country basis in the accompanying table.

How Bank Projects are Financed
(Loans Net of Cancellations and Exchange Adjustments)
In Millions of Dollars

Country	Total Cost	The Bank's Loans	Latin America's Contribution
Argentina	$ 3,356.8	$ 936.9	$ 2,419.9
Barbados	31.6	22.5	9.1
Bolivia	503.7	293.5	210.2
Brazil	15,163.2	1,973.7	13,189.5
Chile	1,467.3	474.4	992.9
Colombia	1,652.3	688.0	964.3
Costa Rica	353.1	184.6	168.5
Dominican Republic	345.8	206.2	139.6
Ecuador	944.9	327.4	617.5
El Salvador	326.1	161.9	164.2
Guatemala	607.3	253.8	353.5
Haiti	103.6	86.7	16.9
Honduras	271.3	151.1	120.2
Jamaica	140.9	71.6	69.3
Mexico	3,796.6	1,201.2	2,595.3
Nicaragua	265.2	143.1	122.0
Panama	371.4	155.3	216.1
Paraguay	327.7	194.0	133.7
Peru	775.0	348.4	426.7
Trinidad and Tobago	68.9	33.8	35.1
Uruguay	343.7	154.3	189.5
Venezuela	991.6	324.9	666.8
Regional	1,214.8	297.5	917.3
TOTAL	$33,422.8	$ 8,684.8	$24,738.1

Total Cost of Projects

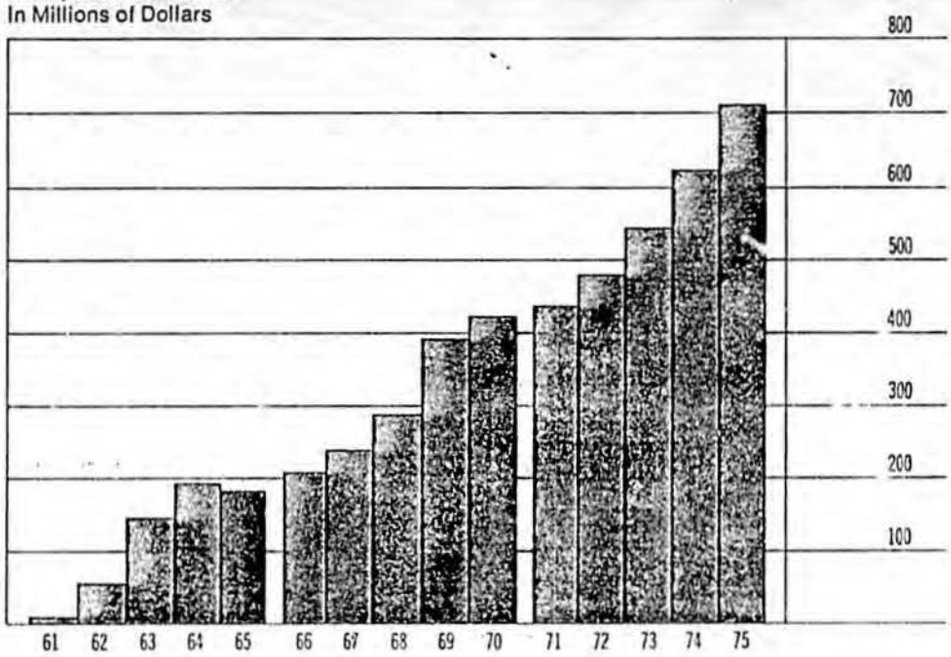
Overall, the Bank finances only a minority share of the cost involved in the execution of the development projects it helps to carry out, although in the case of the less developed countries the Bank can provide larger proportions of the total cost of a project. The majority share is provided primarily by the borrowing member countries. Thus the $1,375 million in loans approved by the Bank in 1975 is helping to finance projects whose total cost is estimated at $4,077 million.

At the end of 1975, the Bank's share in the cost of the projects it has helped carry out represented 26 per cent of the total, the remaining 74 per cent was provided primarily by the borrowers.

Put another way, the Bank's cumulative lending of $8,685 million is being matched by Latin American counterpart funds and other sources of financing which amount to $24,738 million in financing projects whose total cost is $33,423 million.

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

Yearly Disbursements
In Millions of Dollars



Disbursements

The Bank's disbursements on authorized loans, excluding adjustments to the U.S. dollar equivalents of borrowed currencies, amounted to $712 million in 1975 and exceeded those of the previous year of $628 million, which up to then had been the previous record total.

As of Dec. 31, 1975, total disbursements had risen to $5,024 million, an amount which represents 58 per cent of the loans authorized by the Bank up to that date. The disbursements for 1975, as well as cumulative totals, are shown below by sources of funds.

Ordinary Capital Resources: $328 million, bringing the cumulative total to $2,167 million, as of Dec. 31, 1975.

Fund for Special Operations: $371 million, bringing the cumulative total to $2,285 million, as of Dec. 31, 1975.

Other Funds: $13 million, bringing the cumulative total from funds administered by the Bank to $571 million, as of Dec. 31, 1975.

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

Repayments

Repayments on loans are playing an important role in providing funds for the Bank's future lending program. Repayments in 1975 were greater than in any previous year, amounting to $199 million, compared with $179 million in 1974. This brought cumulative repayments as of Dec. 31, 1975, to $1,175 million.

A substantial number of the loans authorized by the Bank in its early years have now been completely repaid. During 1975 borrowers completed repaying 53 loans originally amounting to $549 million. These brought the total number completely repaid as of Dec. 31, 1975, to 548 loans totaling $3,085 million, net of cancellations.

The repayments received by the Bank during the year are given below by funds:

Ordinary Capital Resources: $102 million, bringing total repayments as of Dec. 31, 1975, to $655 million.

Fund for Special Operations: $72 million, bringing total repayments as of the end of the year to $330 million.

Other Funds: $25 million, bringing total repayments as of Dec. 31, 1975, to $190 million.

Lending Trends

In recent years, concern for the least advantaged segments of Latin America's society has increasingly marked the lending of the Inter-American Bank. During 1975 this concern was particularly evident in the increasing support given by the Bank to its least developed member countries and in the continuing stress placed on loans for rural development and agriculture.

As a result of instructions received from the Board of Governors at the Twelfth Annual Meeting in Lima, Peru, in 1971, the Bank has more and more stressed support for its economically less developed countries and those which, while enjoying a higher per capita income than the lesser developed nations, suffer from limited markets.

In 1975 those two groups of countries —nine classified as less developed and six classified as having limited markets— received a total of $562 million in loans from the Bank. That figure was 44 per cent higher than the $390 million [1] approved in 1974 and amounted to nearly 41 per cent of the total approved by the Bank during the year.

Thus the Bank's support for those groups of countries has progressed steadily from 22 per cent in 1970 to 41 per cent in 1975. The loans for the nine countries classified as least developed rose from $286 million in 1974 to $412 million in 1975 and the support for those of limited market went from $104 million in 1974 to $150 million in 1975.

More illustrative of the Bank's special support for these countries is the amount of concessional lending which the Bank has channeled towards their development. Some 65 per cent—$412 million—of the total $634 million lent from the Bank's concessional window, the Fund for Special Operations, went to the two groups of countries: $306 million to the less developed group and $107 million to those of limited market. More importantly the two groups of countries received 80 per cent, or four-fifths, of the total foreign exchange lent from the resources of the Fund for Special Operations during the year.

[1] That sum represents $56 million less than the amount given in the 1974 Report due to the fact that a joint loan extended to Argentina and Uruguay has been reclassified into a regional category.

The Bank's Disbursements, 1961-75
In Millions of Dollars

Country	TOTAL Amount	DETAIL BY FUNDS Ordinary Capital Resources	Fund for Special Operations	Funds in Administration
Argentina	$ 584.8	$ 381.8	$ 158.7	$ 44.3
Barbados	0.4	—	0.4	—
Bolivia	139.1	30.9	86.2	22.0
Brazil	1,198.2	654.1	466.6	77.5
Chile	327.9	120.0	164.5	43.4
Colombia	436.8	198.5	171.1	67.2
Costa Rica	75.2	20.6	42.9	11.7
Dominican Republic	80.1	6.7	59.9	13.5
Ecuador	145.9	23.3	85.8	36.8
El Salvador	90.7	7.0	56.5	27.2
Guatemala	79.7	10.8	54.6	14.3
Haiti	22.8	—	22.8	—
Honduras	74.1	0.5	66.0	7.6
Jamaica	25.7	4.8	20.9	—
Mexico	790.3	443.1	312.2	35.0
Nicaragua	98.9	16.9	69.0	13.0
Panama	83.5	1.5	69.1	12.9
Paraguay	120.6	6.3	102.7	11.6
Peru	220.3	47.1	127.2	46.0
Trinidad and Tobago	10.7	0.2	10.5	—
Uruguay	76.3	38.6	26.5	11.2
Venezuela	236.8	105.8	58.1	72.9
Regional	105.2	48.8	53.3	3.1
TOTAL	**$5,024.0**	**$2,167.3**	**$2,285.5**	**$571.2**

Seven of the least developed or limited market countries received new record yearly volumes of loans from the Bank during 1975. These were Barbados with $10 million, Bolivia with $54 million, El Salvador with $43 million, Guatemala with $121 million, Haiti with $41 million, Panama with $42 million and Uruguay with $35 million.

One of the Bank's most developed member countries—Argentina—also received a higher volume of lending—$201 million—than it had received in any previous year.

During the course of 1975 the Bank greatly increased its support for the cooperative movement in Latin America which is seeking to improve the lot of disadvantaged sectors of the region's population. At least 16 loans authorized by the Bank during the year benefited—wholly or in whole—cooperatives or other types of community or users' organizations. These loans amounted to $138 million and are expected to benefit a total of 6 million persons.

Throughout its 15 years of lending operations, the Bank has given preferential attention to rural development in Latin America. On a cumulative basis, the agricultural sector has traditionally been the Bank's leading lending sector and accounts for 23 per cent of the Bank's total lending. During 1975 agriculture was the single most important sector financed by the Bank, accounting for $332 million, or 24 per cent, of the year's total lending.

In addition to the direct loans the Bank extends for agricultural development, a very large proportion of those it authorizes in other sectors are made directly to benefit Latin America's countryside. Thus, much of the lending of the Bank for the construction of hydroelectric power plants results eventually in an outflow of benefits for the rural sector, stemming from irrigation and flood control works, which increase farm output, and greater electricity for the farm to improve rural living standards and power machinery. Particularly relevant in this regard were loans extended in 1975 for the extension of power services to rural areas in Jamaica and Nicaragua.

In transportation and communications also the Bank's action with frequency improves conditions in the rural areas through farm-to-market roads, highways which open isolated farming areas to new markets and improved communications facilities. Examples of such action in 1975 included loans to finance a highway which will eventually provide good land links between La Paz and a potentially rich agricultural region in the country's Northeast, roads for isolated rural areas in Colombia and Ecuador and rural roads in Panama.

An increasing amount of the Bank's support for sanitation and health, as well as education, has also been oriented towards the rural sector. This was particularly true in 1975 with Bank loans extended to improve community health services throughout the countryside in such countries as Costa Rica, Haiti and Honduras and to provide pure drinking water in rural areas of Guatemala and Uruguay.

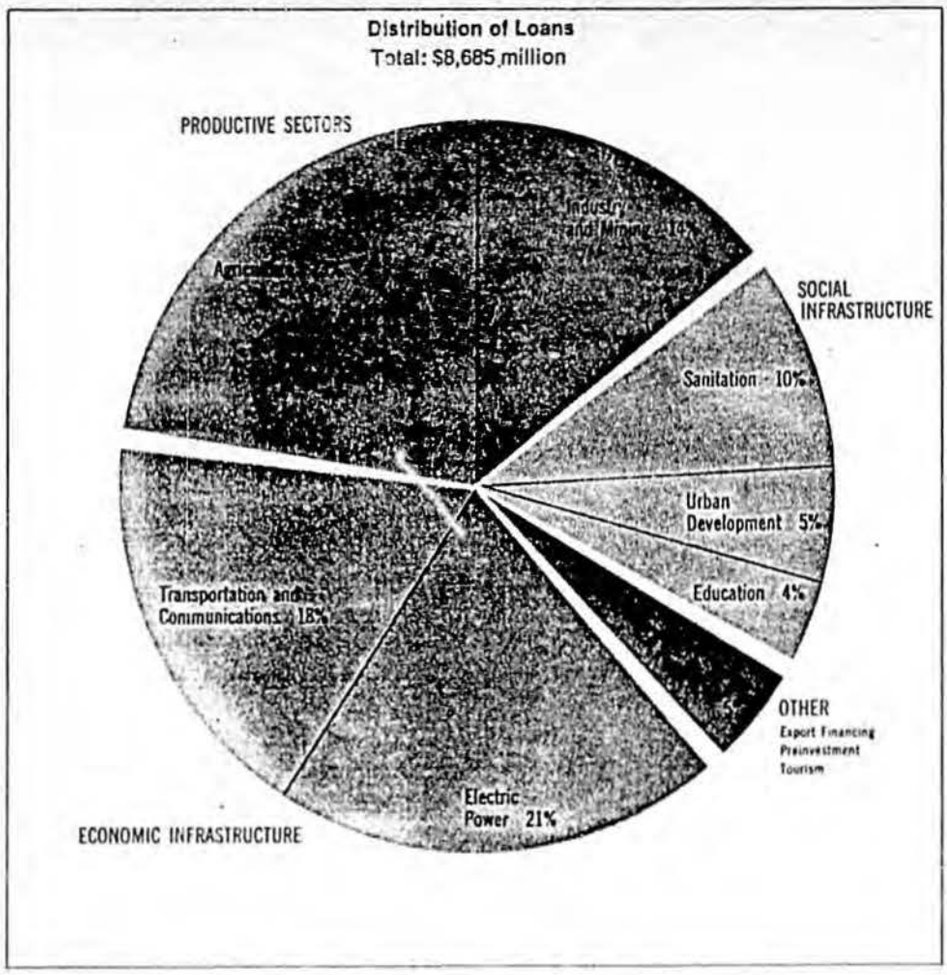
In terms of the Bank's traditional lending sectors, during 1975 agriculture (including fisheries) accounted for $332 million, or 24 per cent of the total. That sector was followed by electric power with $304 million (22 per cent), transportation and communications with $303 million (22 per cent), industry and mining with $185 million (14 per cent), sanitation with $108 million (8 per cent), education with $71 million (5 per cent), urban development with $38 million (3 per cent) and finally export financing with $26 million, preinvestment with $5 million and tourism with $3 million, sectors which altogether accounted for 2 per cent.

On a cumulative basis the directly productive sectors of agriculture and industry and mining account for 37 per cent of the Bank's total lending; the physical infrastructure sectors of electric power and transportation and communications for 39 per cent, and the social infrastructure sector of sanitation, urban development and education represent 19 per cent of the Bank's lending. The remaining 5 per cent is accounted for by tourism, preinvestment and export financing.

Sectoral Lending

By the Bank's traditional lending sectors, the year's activity included:

Agriculture: The Bank authorized 16



loans totaling $332 million in the agricultural sector in 1975. These included six loans for $160 million to finance farm credit or related programs in Argentina, Brazil and Mexico, another for $8 million to foster credit cooperative activities in several of the Bank's member countries and others to finance animal health programs and increases in forestry, fishery and pork production.

The Bank extended two loans totaling $89 million—$59 million from the ordinary capital resources and $30 million from the Fund for Special Operations—in Argentina for farm mechanization and supervised credit programs.

It provided a loan of $40 million from the Fund for Special Operations in Brazil for a credit program designed to help small- and medium-scale farmers and members of farm cooperatives.

In Mexico the Bank made credit available to farmers who have benefited from the large number of irrigation projects which the Bank has financed there since 1961 through a loan of $30 million from the ordinary capital and helped to finance the third stage of a credit program designed to benefit an estimated 26,000 low-income farmers throughout the nation through two loans amounting to $41 million—$30 million from the ordinary capital and $11 million from the Fund for Special Operations.

The loan extended directly for the Latin American credit cooperative movement amounted to $8 million and was extended from the Social Progress Trust Fund to the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, the private, non-profit federation which unites Latin American credit cooperatives, to strengthen credit programs being carried out by national credit union federations in Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru.

In other agricultural programs, the Bank provided two loans for $40 million—$20 million each from the ordinary capital and from the Fund for Special Operations—for a comprehensive rural development program designed to generate permanent sources of employment and raise the income of 1.2 million persons throughout Mexico through irrigation or irrigation-related programs.

Two loans totaling $30 million—$5 million from the ordinary capital and $25 million from the Fund for Special Operations—are helping Argentina to finance a vast reforestation program; a loan for $2.2 million from the Fund for Special Operations is enabling Bolivia to carry out a project to increase pork production; a loan of $35 million from the ordinary capital resources is aiding Mexico to carry out a campaign to rid the nation of tick infestations in cattle and $3.2 million from the Fund for Special Operations is helping Paraguay to finance the second stage of a campaign to combat foot-and-mouth disease in that country. Finally, the Bank provided two loans totaling $13.6 million—$10 million from the Fund for Special Operations and $3.6 million from the Venezuelan Trust Fund—to Costa Rica to expand its fishery production.

Industry: The bulk of the Bank's 14 loans for $185 million devoted to the industrial sector during the year provided credit for the development of small and medium industrial projects in seven member countries. Eleven loans totaling $105 million were devoted to credit facilities. They included portions of two loans—$3,857,000 from the Fund for Special Operations and $587,000 from the Swiss Fund for Latin American Development—for small and medium projects in Bolivia; $10 million from the ordinary capital to enable Chile to carry out a program to rehabilitate industrial enterprises; $30 million from the ordinary capital to support the activities of seven private financing corporations in Colombia; two loans for $8 million—$5 million from the ordinary capital and $3 million from the Fund for Special Operations—to support the growth of private small- and medium-scale industries in Costa Rica; two loans

for $3 million—$1.5 million from the ordinary capital and $1.5 million from the Fund for Special Operations—to provide similar assistance in Ecuador; $17 million from the Venezuelan Trust Fund to provide support for the expansion of manufacturing industries in Ecuador; $15 million from the ordinary capital to help finance a further stage of a credit program for small- and medium-scale industrial firms in Mexico, and $15 million from the Venezuelan Trust Fund to finance a program to develop basic manufacturing industries in Peru.

The Bank authorized three loans to finance large-scale enterprises. Two loans totaling $70 million—$55 million authorized directly from the ordinary capital and $15 million provided from the ordinary capital through a complementary loan obtained in the private capital markets—are helping to expand a private steel mill in Argentina. Another for $12.6 million extended from the Venezuelan Trust Fund will enable Ecuador to build a cement plant.

Electric Power: Among the nine loans for $304 million extended in the *electric power* field were three amounting to $173 million for additional power projects in Brazil. The three included $64 million from the ordinary capital to help build a 1,332,000-kilowatt hydroelectric power plant at Salto Santiago on the Iguazú River in Southern Brazil; $35 million from the ordinary capital which, in a further contribution to the construction of the Paulo Afonso hydroelectric power complex in Brazil's Northeast, will finance the construction of transmission lines to consuming centers, and $74 million from the ordinary capital to finance the construction of a 1,125,000-kilowatt hydroelectric power plant at Foz do Areia on the Iguazú River in southeast Brazil.

The largest single loan package ever extended by the Bank—four loans totaling $105 million—was made to help Guatemala finance the construction of a 300,000-kilowatt hydroelectric plant on the Chixoy River, situated 50 miles northwest of Guatemala City. The loans included $45 million from the Fund for Special Operations, $35 million from the Venezuelan Trust Fund, $10 million from the ordinary capital and $15 million from the ordinary capital in complementary financing raised in the world's private capital markets.

Distribution of Loans
In Millions of Dollars

Sector	1975	%	1961-75	%
Directly Productive				
Agriculture	$ 332	24	$1,975	23
Industry and Mining	185	14	1,254	14
Economic Infrastructure				
Electric Power	304	22	1,856	21
Transportation and Communications	303	22	1,592	18
Social Infrastructure				
Sanitation	108	8	838	10
Urban Development	38	3	454	5
Education	71	5	375	4
Other				
Preinvestment	5	—	138	2
Export Financing	26	2	132	2
Tourism	3	—	71	1
TOTAL	$1,375	100	$8,685	100

In Jamaica, the Bank provided $9.2 million from the Fund for Special Operations to finance a program to install 640 miles of transmission lines designed to provide electric power to rural areas of the country and in Nicaragua a similar loan for $16.5 million from the Fund for Special Operations is enabling the Government to provide electric power to 21,000 consumers in rural areas near the capital city.

Transportation and Communications: The Bank's 12 loans amounting to $303 million in the transportation and communications field were extended primarily to build highways, to improve port facilities and to broaden telecommunications facilities.

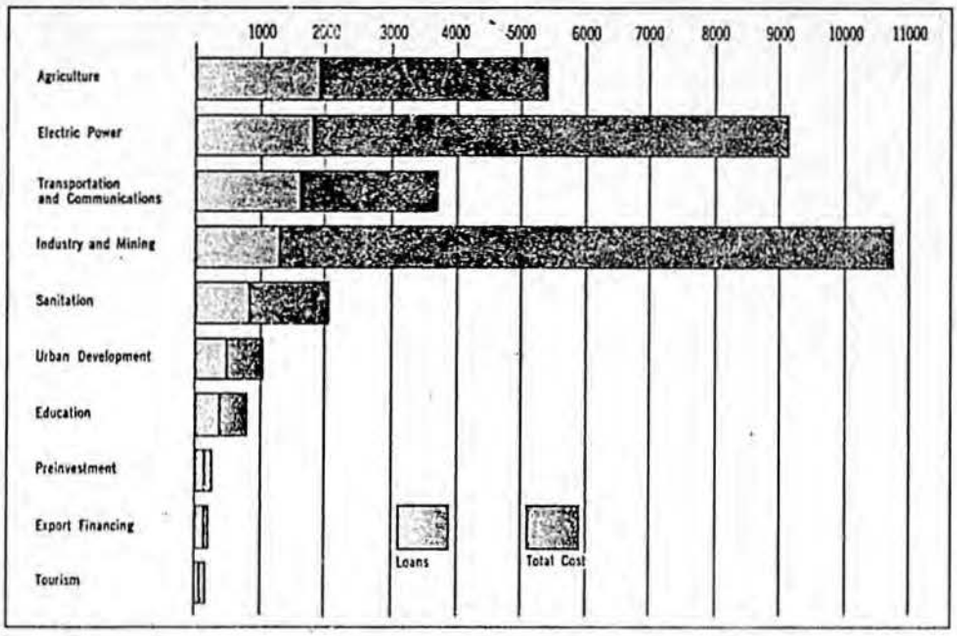
In the highway field, the Bank extended some $182 million for six individual projects, including $45 million from the Fund for Special Operations to Bolivia to finance the key initial section of a highway which eventually will open up the northeastern Department of Beni to rapid communications with the capital; two loans totaling $45.8 million—$11 million from the ordinary capital and $34.8 million from the Fund for Special Operations—to finance vital sections of Colombia's primary road network; an $11.1 million loan from the ordinary capital to help Ecuador build a road section which will open up the southern provinces of Loja and Zamora-Chinchipe to better communications with the rest of the country.

The Bank approved $25 million from the Fund for Special Operations to help Haiti complete the southern highway which links Port-au-Prince with Les Cayes; $30 million from the Fund for Special Operations to enable Panama to build access roads in sections of the country which lack such facilities and are populated by low-income families, and $25 million, also from the Fund for Special Operations, to enable the Central American Bank for Economic Integration to finance seven priority highway projects in its five member countries.

For port facilities, the Bank provided a loan of $35.5 million from the Fund for Special Operations to expand and modernize the Port of Haina, 9 miles west of Santo Domingo, the Dominican Republic, and provided another $7.5 million from the Fund for Special Operations to finance the second stage of a program to expand and improve the port facilities of Port-au-Prince, Haiti.

In the telecommunications field, the Bank provided $35.5 million from the ordinary capital to enable Chile to carry out the second stage of a plan to meet the long distance telephone needs of an estimated 600,000 subscribers throughout Chile; another for $14.7 million from the Fund for Special Operations to enable Honduras to improve its telephone

Distribution of Loans, 1961–75
In Millions of Dollars



communications system, particularly in the Tegucigalpa and San Pedro Sula areas, and one for $28.4 million from the ordinary capital resources to help Uruguay improve its telephone communications throughout the country.

Sanitation: In the sanitation sector, for which the Bank extended 11 loans totaling $108 million, heavy emphasis was placed on improving health facilities and water and sewage systems for low-income persons, particularly in the Bank's less developed member countries.

For health services in rural regions the Bank extended four loans totaling $40.3 million. These included $20 million from the Fund for Special Operations to build hospitals and clinics to help care for the needs of low-income residents throughout Costa Rica; $6.3 million from the Fund for Special Operations for the construction of health centers and dispensaries for rural residents in Haiti, and two loans for $14 million—$11.5 million from the Fund for Special Operations and $2.5 million from the Norwegian Fund for Latin American Development—to build hospitals, hospital centers and rural health centers in Honduras.

In the field of water and sewage systems, the Bank lent $7 million from the Fund for Special Operations to finance the third stage of a program designed to provide water systems to some 105 rural communities in Guatemala and $7 million from the Fund also to help provide water service to towns of more than 5,000 inhabitants in Uruguay.

It extended $9.7 million from the Fund for Special Operations for the construction of a sewage system in a congested section of Bridgetown, Barbados; $30 million from the same Fund to improve the water system of San Salvador, the capital of El Salvador; $2.3 million, also from the Fund for Special Operations, to cover the increased cost of a project to improve and expand the water supply system of Port-au-Prince, Haiti, and two loans totaling $12 million—$5.9 million from the ordinary capital resources and $6.1 million from the Fund for Special Operations—to provide improved water services for Montego Bay and Falmouth on the north coast of Jamaica.

Urban Development: The two loans for $38.2 million extended by the Bank in the urban development field included one for $13 million from the Fund for Special Operations to help solve congestion in the downtown section of San Salvador, the capital of El Salvador, through the construction of key city streets, and another for $25.2 million from the Fund also to help Chile improve the lot of some 16,000 families in 17 low-income communities in Santiago and Concepción through the construction of social infrastructure facilities.

Education: In the education field, the Bank extended four loans amounting to $70.8 million. These included two for $50 million—$20 million from the ordinary capital and $30 million from the Fund for Special Operations—to support the second stage in a broad program to reform and improve all of Brazil's national universities; one for $8.6 million from the Fund for Special Operations to enable a Guatemalan technical institute to improve technical and vocational instruction for some 27,000 workers each year in the industrial, agricultural and service sectors, and finally one for $12.2 million from the Fund for Special Operations to help Panama build 19 basic cycle schools and four vocational and technical institutes to help that nation meet its increasing needs for skilled manpower, particularly of middle-level technical personnel.

Tourism: In the tourism sector, portions of two loans amounting to $2.5 million—$2,143,000 from the Fund for Special Operations and $326,000 from the Swiss Fund for Latin American Development—were devoted to the development of tourism projects in Bolivia.

Export Financing: The Bank provided a total of $25.8 million for export financing during the year. This amount included a line of credit of $1 million for Peru and increases of $13 million in previous specific lines of credit, including $8 million in Argentina and $5 million in Mexico. In addition, previous revolving lines of credit were augmented through repayments by $4 million in Argentina, $6.5 million in Brazil and $1.3 million in Mexico.

Preinvestment: In the preinvestment field, the Bank authorized one loan for $5.2 million from the Fund for Special Operations for a joint project under which Ecuador and Peru will draw up an agricultural development program for the irrigation of the Puyango-Tumbes watershed between the two countries.

PROGRESS ACHIEVED

During 1975 the Bank completed its share in the execution of 53 additional loan projects. The Bank's lending investment in these projects amounted to a net total of $549 million and their total cost to $2,942 million. Projects completed during the year brought the number totally carried out with the assistance of Bank loans as of Dec. 31, 1975, to 548 representing total Bank lending of $3,085 million and a total cost of $11,265 million. This compares with the overall total of 889 loans for $8,685 million in projects financed by the Bank which are being carried out at a total cost of $33,423 million.

Some of the projects completed during 1975 included:

- The completion of a program in Argentina to build or improve 431 miles of highway connecting the cities of Buenos Aires and Mendoza with the Bolivian and Chilean borders, respectively, and the construction of a bridge over the Paraná River and related works linking the cities of Corrientes and Barranqueras in the northern part of the country. Financed in part by a $12,850,000 Bank loan extended in 1967, the completion of the program has given a broad boost to the physical integration of Latin America.

- The completion of a project to improve and expand the water supply systems in Cochabamba and Potosí and both the water and sewage systems of Santa Cruz, three of the principal cities of Bolivia. Financed in part by an $11 million Bank loan extended in 1967, the project was designed to provide adequate potable water service to the present population of the three cities as well as to meet the needs of an additional 200,000 people through 1990.

- The completion in the construction of the Ilha Solteira hydroelectric power plant in Brazil of an installed capacity of 2,240,000 kilowatts, of an ultimate capacity of 3.2 million kilowatts. Located at the Urubupungá Falls on the Paraná River in southwestern Brazil, Ilha Solteira — on completion in 1980—will be one of the 10 largest hydroelectric plants in the world. Together with the Jupiá 1.4 million-kilowatt power plant located 32 miles downstream on the Paraná, which was also financed by the Bank, Ilha Solteira is supplying electric power to São Paulo, the industrial center of modern Brazil, located 360 miles to the east. The Ilha Solteira project's total cost is estimated at $1,060 million. Bank financing included a $34 million loan extended in 1967 and two subsequent loans totaling $120.7 million approved in 1970 and 1973 for construction of the transmission system from Ilha Solteira to São Paulo. In addition, work was completed during the year on the construction of the Paulo Afonso III hydroelectric plant with an initial installed capacity of 824,000 kilowatts on the São Francisco River in northeast Brazil. The project, whose total cost is estimated at $151.2 million, was financed in part by two Bank loans totaling $28.5 million extended in 1966.

- The execution of a program to improve Colombia's grain-marketing infrastructure by the construction of six concrete elevators in four interior cities—Espinal, Cereté, Neiva and Medellín—and in the ports of Buenaventura and Santa Marta, the construction of six metal silos in rural areas, and the equipping of 11 existing facilities to improve bulk handling. The project was carried out at a total cost of more than $12.5 million and was partially financed by a Bank loan for $9.5 million extended in 1969. It is expected to be of particular benefit to small-scale grain farmers who currently work 78 per cent of the land under grain cultivation in Colombia.

- The execution of a broad rural electrification program which is benefiting nearly 20,000 of the estimated 470,000 farms and ranches scattered throughout Argentina. The program, which was financed partially by a $15 million Bank loan extended in 1968, is contributing to the mechanization of farm and livestock activities throughout Argentina and to the improvement of living conditions in rural areas. Completion of the program at an estimated total cost of $46.5 million expands the proportion of farms supplied with electric power to 5 per cent of the nation's total and benefits more than 120,000 persons.

- The completion of a program for the construction of 860 miles of federal highways and 1,500 miles of rural access roads throughout Mexico which is benefiting an estimated 880,000 persons in areas covering some 3.6 per cent of Mexico's usable cropland. Carried out with the help of two Bank loans totaling $44.5 million approved in 1969, this program forms part of the Mexican Government plan to build about 1,800 miles of Federal and State roads yearly.

- The execution of a program for the construction and improvement of seven new roads in Panama with a combined length of 136 miles which are benefiting an estimated 80,000 persons, or 12 per cent of the country's rural population. The project includes the construction of 61 miles of new roads in the Province of Veraguas, 59 miles in the Province of Chiriquí and 16 miles in the Province of Coclé. Completion of the project, which was carried out at a total estimated cost of $23,264,000 and was partially financed by a $16 million Bank loan extended in 1971, forms part of the Panamanian Government's development strategy of building all-weather roads, particularly in isolated rural areas, to stimulate the shipment of agriculture and livestock production to market centers.

- The execution of a nationwide farm research and extension program in Costa Rica which is helping to raise the production of meat, beans, rice, corn and fruits on some 206,000 acres of land in an effort to relieve the country's dependence on the production of coffee and bananas which together account for the bulk of Costa Rica's foreign exchange earnings. Financed in part by a $2.5 million Bank loan extended in 1969, the program provided for the construction or expansion of experimental farms, extension and research centers and weather stations at a total estimated cost of $7,839,000. The program benefited some 40,000 rural families throughout Costa Rica.

- The completion of the first stage of a Self-Supporting Farmers Development Program which has provided financial, marketing, research and extension assistance to some 3,600 existing and 320 new farms in the 5-to-25-acre class in Jamaica in an effort to increase the production

and productivity of these units, to diversify the island's farm sector and to reduce farm imports. The program, which was carried out at a total estimated cost of $11.8 million, was partially financed by a $6.2 million loan extended by the Bank in 1970.

Each year end the Bank carries out a survey to quantify the physical accomplishments brought about or to be brought about through the execution of its projects. To capsule this information, a summary estimate of some of the highlights of what the Bank's total lending has brought about or is expected to bring about is given below:

Agriculture: A total of 202 loans amounting to $1,975 million is helping to finance agricultural projects whose total cost is $5,384 million. As of Dec. 31, 1975, these projects had improved or brought into production 11.3 million acres of land, including 3.3 million acres through irrigation. With financing channeled through development financing institutions, the Bank had provided more than 1.1 million farm credits totaling $1.6 billion to individual farmers. In addition, more than 100 farm cooperatives had benefited from Bank loans.

Industry and Mining: Some 155 loans amounting to $1,255 million are helping to finance industrial and mining projects at a total cost of $10,728 million. These loans are helping to build, improve or expand 77 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, projects at 50 industrial plants have been put into operation, another 26 are under construction and 6,353 additional small- and medium-scale firms have been able to build or expand their facilities with credit channeled through the development banks.

Electric Power: Some 81 loans for $1,856 million are helping to finance projects in the electric power sector being carried out at a total cost of $9,083 million. These loans are helping to increase Latin America's generating capacity by 16 million kilowatts, to add 95,562 miles of transmission and distribution lines to the region's network and are improving distribution systems in 2,637 communities. As of Dec. 31, 1975, generating units with a total of 6.4 million kilowatts were in operation, 34,594 miles of transmission and distribution lines had been laid and improved power services had been brought to 883 communities.

Transportation and Communications: A total of 102 loans for $1,592 million is helping to finance transportation and communications projects whose total cost is $3,716 million. This lending is helping to build or improve 28,962 miles of roads, including 9,021 miles of main highways and 19,941 miles of secondary or farm-to-market roads. As of Dec. 31, 1975, some 19,302 miles had been completed, including 4,858 miles of main highways and 14,444 miles of secondary or farm-to-market roads. Bank financing is helping to build four major highway bridges and 508 lesser ones, of which two large ones and 263 small ones have been completed. Bank financing is assisting in the construction of 1,623 miles of main gas lines and 318 miles of gas distribution lines, of which 1,366 miles of main lines and 298 miles of distribution lines have been completed. Bank loans are helping to finance the improvement of 14 ports in Latin America, are building seven grain elevator facilities, are improving one ship canal, are bringing about street improvements in two cities, are building a port petroleum terminal, financing five road maintenance programs, and are helping to build nine major telecommunications systems in the region. Three port projects and five grain elevators have been completed.

Sanitation: Some 122 loans amounting to $833 million are contributing to the execution of water supply and sanitation projects whose total cost amounts to $2,048 million. These loans are helping to build or improve 4,730 pure water systems and 317 sewage systems which are benefiting a total population of about 58 million persons. As of Dec. 31, 1975, some 3,976 water systems and 265 sewage systems had been completed.

Urban Development: A total of 53 loans amounting to $454 million is helping to finance urban development projects whose total cost is $1,019 million. These loans are helping to build 361,123 housing units along with community facilities and 10 municipal markets. As of Dec. 31, 1975, some 353,848 units and four municipal markets had been completed.

Education: The Bank has made 74 loans amounting to $375 million for education projects whose total cost is $816 million. These loans are helping to modernize, expand or improve 694 learning centers, of which 70 are universities, 80 are schools or faculties of universities, 19 are research centers, 504 are vocational or technical schools, 3 are educational credit institutions and 18 are primary or secondary schools.

Preinvestment: A total of 76 loans amounting to $138 million is helping to finance preinvestment programs whose total cost is $254 million. As of Dec. 31, 1975, some 1,281 preinvestment studies had been completed—373 carried out with direct loans and 908 with credit extended through various preinvestment funds to which the Bank contributes.

Export Financing: A total of 28 lines of credit amounting to $132 million are helping to finance capital goods exports with an invoice value of $190 million from the Latin American member countries of the Bank.

Tourism: A total of six loans, as well as portions of others, amounting to $71 million is helping to finance tourism projects whose total cost is $185 million. One of these loan projects—the development of the resort of Cancún and related archeological sites in Mexico's Yucatan—is already virtually complete. In addition some 212 credits for small-scale tourist projects have been channeled by the Bank through loans extended to development banks in Latin America.

TECHNICAL COOPERATION

The technical cooperation extended by the Inter-American Bank on a nonreimbursable or a contingent repayment basis in 1975 once more exceeded that of any prior year in its 15 years of operations. The Bank's total cooperation of both types amounted to $24.6 million in 1975, compared with $22.4 million approved

in 1974 which until then had been the Bank's highest total.

As was the case with its loans, the Bank approved more technical cooperation in the 1971-75 five-year period than it had in all of its first ten years of operations. The substantial increase in the last five-year period took place between 1973 and 1974 when such assistance went from $6.4 million to $22.4 million.

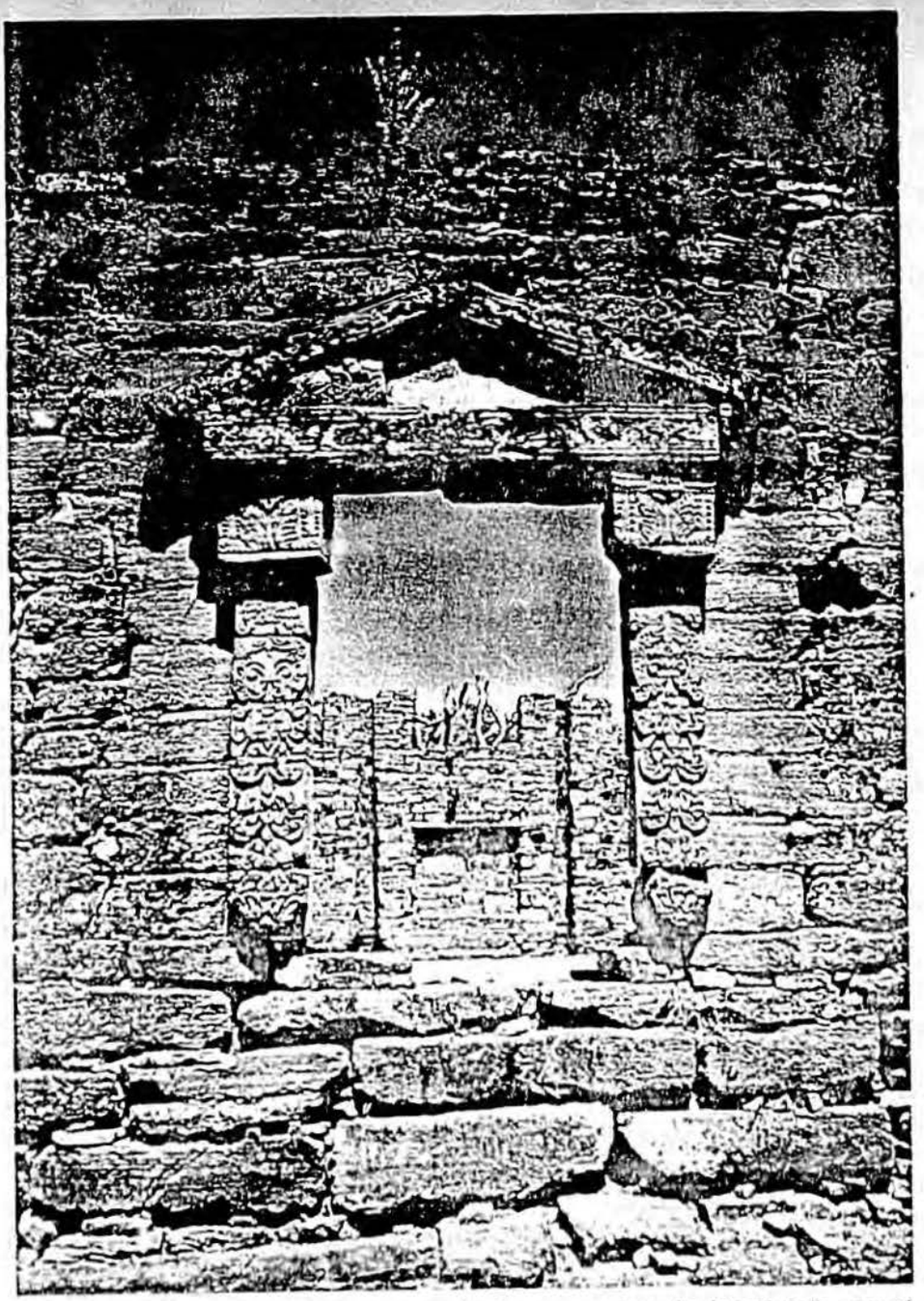
The increments in the three five-year periods of the Bank is indicated by these figures. In its first (1961-65) the Bank authorized a total of $12.9 million, or an average of about $2.6 million a year; during its second (1966-70) the Bank approved $22.2 million, or some $4.4 million a year; finally, during its third (1971-75) the Bank authorized $65.1 million, or about $13 million a year. Thus the $65.1 million approved in the last five-year period of the Bank's life was nearly double the $35.1 million approved in the previous ten years.

The year's nonreimbursable and contingent recovery cooperation brought the cumulative total as of Dec. 31, 1975, to $96.4 million, net of cancellations. A total of $83.2 million of that cooperation was extended on a nonreimbursable basis and $13.2 million on a contingent repayment basis. Contingent repayment cooperation is subject to repayment only if, as a result of the cooperation, a loan is extended subsequently by the Bank or another external financial institution for the execution of a project or program.

A total of $10.8 million of the year's technical cooperation was authorized chargeable to the net income of the Bank's Fund for Special Operations, $13.1 million from the resources of the Social Progress Trust Fund which the Bank administers for the United States Government (of which $10.1 million came from that Fund's Special Program for Project Preparation) and $700,000 from the Project Preparation Fund which the Bank began to administer for Canada in 1974.

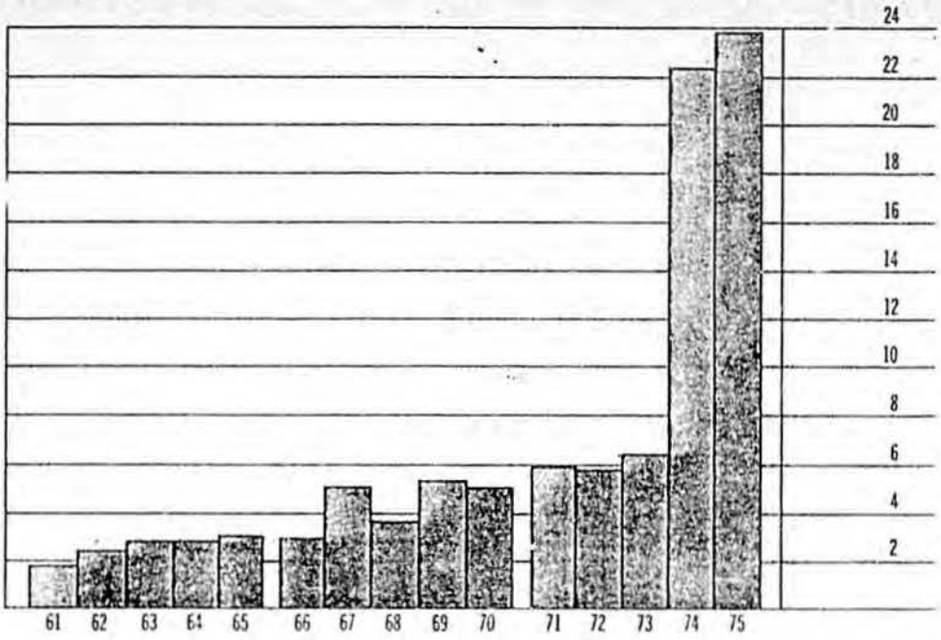
In addition to its grant and contingent repayment cooperation, the Bank also extends loans for technical cooperation purposes primarily for preinvestment funds or studies, and devotes portions of loans to technical cooperation designed to ensure the optimum execution of a project or to improve the operations of its borrowing entities. During 1975 a total of $1.6 million was extended in loans or portions of loans for technical cooperation. That figure brought the cumulative net total of such lending to $201.7 million as of Dec. 31, 1975, including $142.4 million representing complete loans and $59.3 million consisting of portions of loans.

The Bank's technical cooperation during the year was heavily oriented towards activities designed to bring about the study of new loan projects, strengthen institutions fostering Latin America's development, and support activities exerting a large impact on Latin America's future economic and social goals.



JESUIT INDIAN MISSIONS built three hundred years ago near the Iguazú Falls area of Argentina, Paraguay and Brazil are major tourist attractions. Technical cooperation provided to the three countries by the Bank is helping prepare a study to enhance tourist potential of the missions and the falls.

Technical Cooperation
In Millions of Dollars



On a sectoral basis the Bank placed heavy emphasis in its technical cooperation on agriculture, particularly on support for the activities of international and national research centers in Latin America. Some 48 per cent of the Bank's total technical cooperation during the year was directed towards the agriculture sector. Increasing stress was also laid on regional technical cooperation—activities which embrace more than one country.

In its individual country operations, the Bank, as it did with its loans, emphasized support for its least developed members and those of limited market. The nine least developed and the six limited market member countries received a total of $11.7 million in such cooperation in 1975. That amounted to about 48 per cent of the total. That figure is even more significant in view of the fact that another 48 per cent of the technical cooperation was regional in nature and that a substantial amount of that cooperation in large measure benefited the same group of countries.

Detailed information on the purpose, category and destination of each of the Bank's 1975 technical cooperation operations is contained in the chapter on Loans and Technical Cooperation. To give an overall view of the scope of that activity, however, each is briefly summarized in the following paragraphs by sector or general purpose.

Agriculture: One of the basic aims of the Bank is to lay the groundwork for future development of agriculture in Latin America through technical cooperation support provided now for research, the transfer of technology and training in that sector.

A highlight of the Bank's activity in that regard in 1975 was the $4 million provided to support the three Latin American-based agricultural centers which are playing a leading role in improving food output in the region and the world. The three are the International Center for the Improvement of Maize and Wheat in Mexico City, the International Center for Tropical Agriculture in Cali, Colombia, and the International Potato Center in Lima, Peru.

In addition to supporting the international centers, the Bank authorized $1.7 million in technical cooperation to support the activity of national research institutes and extension agencies in El Salvador, Guatemala and Honduras.

Of particularly great impact for the future of the farm and food sector in the region was the decision taken by the Bank in 1975 to establish the International Group for Agricultural Development and Food Production in Latin America. The group will promote cooperation with member nations and with other international agricultural agencies to increase food production, speed agricultural development and boost exports of foodstuffs in the region. The Bank authorized $740,000 for the group's activities over a three-year period.

The Bank provided $510,000 to finance a program of staff training in the preparation and evaluation of agricultural development projects to be carried out by the Inter-American Institute of Agricultural Sciences in San. José, Costa Rica, and made available $400,000 to help train experts in Central America in the prevention and control of animal diseases.

A number of the technical cooperation transactions approved by the Bank in 1975 in the field of agriculture were made to help draft specific development projects susceptible to being financed in the future by the Inter-American Bank or some other international financial agency.

These included $400,000 to enable Costa Rica to carry out studies for three irrigation projects in Guanacaste Province; $760,000 to help Ecuador draft feasibility studies for the multiple resource development of the Jubones River; $370,000 to enable Honduras to carry out a study for the intensive farm development through irrigation of the Quimistán Valley in Honduras; $47,000 for a study of a program to eradicate a variety of diseases in cattle in Nicaragua; $49,000 for a similar program in Panama, and $75,000 to initiate studies for the second stage of a program to reduce the incidence of foot-and-mouth disease in Paraguay.

In more general preinvestment activities, the Bank provided $75,000 to Ecuador for a study to strengthen farm marketing machanisms; $321,600 to provide advisory services to improve the utilization of land under irrigation in northeastern Guatemala; $335,000 to help prepare feasibility and final design studies for a rice production project in the Black River area of Jamaica; $493,000 to help Paraguay carry out a regional study of the development prospects of the Chaco Re-

gion, and $34,000 to enable Uruguay to prepare marketing and agroindustrial studies for some of its key agricultural products.

In support of the effective execution of specific Bank-financed projects, the Bank provided $284,000 in technical cooperation for a fishery project which it is financing with two loans totaling $13.6 million in Costa Rica and made available $310,000 in institutional support to strengthen the agency carrying out Paraguay's campaign to combat foot-and-mouth disease in cattle with the assistance of Bank loans.

Electric Power: In the electric power sector, the Bank provided $500,000 to help Costa Rica's national electric power agency elaborate a study of possible geothermal sources of energy.

Transportation and Communications: In the transportation sector, the Bank made available $280,000 (in addition to $500,000 approved in 1973) for a study of the development of an integrated transportation system for Central America; $177,500 for the execution of a master transportation plan in the Dominican Republic; $160,000 to strengthen the technical capacity of the agency in charge of a project to improve key streets in San Salvador with the help of a $13 million Bank loan, and $48,000 for a feasibility study to build a by-pass street on the outskirts of Asunción, Paraguay.

Industry: In the industrial sector, the Bank provided $200,000 to help finance a project for the industrial processing of African oil palm in Honduras; $[illegible]00 to enable El Salvador to prepare a development program for small-scale industry and provide institutional support for the agency which provides assistance to such industry; $100,000 for a study of the utilization of sugar cane in the production of intermediate chemicals in Nicaragua; $100,000 for an industrial study in Paraguay; $131,000 for a project to discover the best ways of drying and preserving Central American lumber and $40,000 for a study concerning the development of the chemical and pharmachemical fields in the Andean group nations.

In sanitation and health, the Bank provided $100,000 to help Barbados carry out a study of existing health services and identify new health projects; $450,000 to assist Barbados in finding and identifying potable water resources in the nation, and $100,000, extended in connection with a $9.7 million loan which is improving sanitation facilities in Bridgetown, to help Barbados establish an authority to administer the nation's water and sewage services.

The Bank approved $284,610, in connection with a $20 million loan authorized to improve Costa Rica's health services, to strengthen the administrative and accounting procedures of the executing agency; $220,000, extended along with a $7 million loan for rural water systems in Guatemala, to strengthen the executing agency, and $500,000 to enable Honduras to carry out studies to rebuild a Bank-financed water system in San Pedro Sula which was damaged by Hurricane Fifi in 1974.

Also, in Honduras, the Bank extended $465,000 in technical cooperation to strengthen the agency executing the health project financed with $14 million in loans; $65,000 for a study on the appropriate agency to administer the water systems of the Montego Bay and Falmouth areas in Jamaica, being financed with loans of $12 million from the Bank; $153,000 to enable Paraguay to carry out feasibility studies for the construction of water supply systems in Villarica and Coronel Oviedo, and $48,000, extended in conjunction with a loan of $8.3 million to improve the water system of Asunción, to carry out a feasibility study of the second stage of the project.

Urban Development: In urban development the Bank extended technical cooperation amounting to $460,000 for the execution of an urban development program designed to improve the *suburbio* area of Guayaquil.

Education: In the education sector, the Bank laid the groundwork for the execution of a number of new educational projects by extending technical cooperation amounting to $111,000 to help Bolivia's Planning Ministry to prepare a project to expand the nation's technical education and professional training system; $60,000 to enable Chile to draft a program to expand and improve its technical education and professional training, and $92,000 to enable Ecuador to carry out a feasibility study of a vocational-educational investment project.

Also, the Bank extended $150,000 to help Haiti carry out an integrated rural education project; $97,000 to help pave the way for the financing of a second stage in the expansion of the National University of Asunción, and $560,000 to help Peru carry out studies for the location or re-location of its national agricultural university which was seriously damaged in an earthquake which struck the nation in 1974.

In other support activities in the education field, the Bank approved $375,000 to provide institutional support for the institute which is carrying out a technical education project in Guatemala with the assistance of an $8.6 million loan from the Bank; $442,000 to strengthen Haiti's Department of Public Health, in connection with the $6.3 million loan extended by the Bank to improve rural health services; $338,000 to help strengthen Panama's Ministry of Education, in connection with a loan of $12.2 million authorized to improve the nation's technical and vocational education, and $45,000 extended to enable a higher education foundation in Cali, Colombia, to carry out a study of the development role of Latin American universities.

Tourism: In the tourism sector, the Bank provided $140,000 to enable Guatemala to carry out a study of the tourist development potential of the Amatique Bay-Lake Izabal region in Northeast Guatemala; $64,600 for the execution of a tourism development project in Peru providing for the display of cultural attractions of the Inca civilization; $235,000 for the creation of a Central American-Panama tourism circuit, and $440,000 for the creation of a similar circuit involving Argentina, Bolivia and Peru.

Planning: In support of the planning activities of various member countries, the Bank provided $300,000 to create a unit within the Ministry of Finance and Planning of Barbados to draft investment projects and programs and train officers;

$170,000 in nonreimbursable cooperation to enable Chile's National Planning Office to develop a training program in project preparation and evaluation; $240,000 to help Guatemala establish a project preparation unit to assist in carrying out its national development plan, and $235,000 to help Guatemala's planning agency to carry out the first stage of a program to formulate a development plan for the nation's western region.

Some $175,000 was authorized to help improve the organizational structure required to carry out the investment goals of the 1975-79 national development plan of Honduras; $89,500 to enable the Ministry of Finance of Honduras to improve its tax administration and fiscal accounting procedures; $80,000 to help Jamaica reorganize its National Planning Office and strengthen its procedures for the preparation of investment projects, and $529,000 to help Nicaragua set up a national system to train professionals in the identification, preparation, evaluation and execution of investment projects.

Training: The Bank provided substantial cooperation for the training efforts of its member countries, including $113,500 to enable the *Universidad de los Andes* of Colombia to initiate a training program for university administrators from Colombia, Chile, Ecuador and Venezuela and $179,000 to carry out a program to train technicians required to execute Peru's national development goals.

At the regional level the Bank provided $645,000 for a three-year period of training programs for senior and middle-level government officials in Central America and Panama being carried out by the *Instituto Centroamericano de Administración Pública* in San José, Costa Rica; $95,397 for a program carried out jointly by the Inter-American Bank and the World Bank in Lima, Peru, on the analysis of agricultural projects, and in Washington, D.C., on the analysis of industrial projects; $45,500 for the Sixth Training Program carried out by the Bank on its organization, policies, programs and procedures, and $44,000 to strengthen the operations, through training, of some of the major preinvestment funds which have obtained project preparation loans from the Bank.

Support for Economic Integration, 1960-75
In Millions of Dollars

	Bank Support	Total Cost of Projects
EXPORT FINANCING	$ 132.1	$ 190.4
REGIONAL PROJECTS		
Transportation	502.9	994.5
Electric Power	238.1	704.3
Telecommunications	83.7	158.3
Industry	92.0	168.7
Agriculture	72.1	218.8
Education	4.9	18.9
STUDIES AND PREINVESTMENT		
Sectoral	11.8	16.5
General	0.9	1.0
Transportation	5.6	8.7
Electric Power	3.5	6.1
Telecommunications	1.3	4.6
Industry	3.5	5.2
Agriculture	18.0	37.2
Border and Multinational Areas	1.1	3.8
TRAINING AND RESEARCH	13.2	29.1
INSTITUTIONAL SUPPORT	3.1	15.6
TOTAL	$1,187.8	$2,581.7

Support for Regional Integration: Regionally the Bank provided $1 million in technical cooperation to the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito*, the private, non-profit organization which unites Latin America credit cooperatives, to hire consultants to assist in strengthening its financial, administrative and operational capabilities; $710,000 to furnish budget support for the 1975 activities of the Institute for Latin American Integration, and $100,000 to enable the Latin American Free Trade Association to carry out the second stage of a project to market Latin American bankers' acceptances in the United States.

The Bank also approved $150,000 to help the Permanent Secretariat of the General Treaty for Central American Integration to develop a macro-economic model and establish a data bank for the five Central American countries; $186,000 to provide technical support for the execution of basic studies related to the creation of the Central American economic and social community, and $200,000 for a broad range of short-term missions to its member countries to provide advice on problems related to economic planning, the formulation of development strategies, investment planning and the preparation of loan requests.

The Bank also gave support of $20,000 to help finance a meeting in Mexico City designed to enable development consultants and consulting firms in Latin America to establish closer liaison among each other; $20,800 to support the Fifth Round Table on Private Foreign Investment which took place in Punta del Este, Uruguay, and $41,800 for a handicrafts seminar carried out in Ottawa, Canada, for officials of Bank member countries.

ECONOMIC INTEGRATION

During 1975 the Bank continued giving strong support for the physical integration of Latin America in both its lending and technical cooperation activities. Total Bank lending for integration amounted to $164 million. This brought the cumulative lending which has had an impact on the economic integration of the region to $1,188 million.

Among the loans extended in 1975 in support of integration was one for $25 million to the Central American Bank for Economic Integration for seven priority highways in Central America. Another for $5.2 million to carry out studies for the development of the Puyango-Tumbes water shed will exert large influence on future development between Ecuador and Peru.

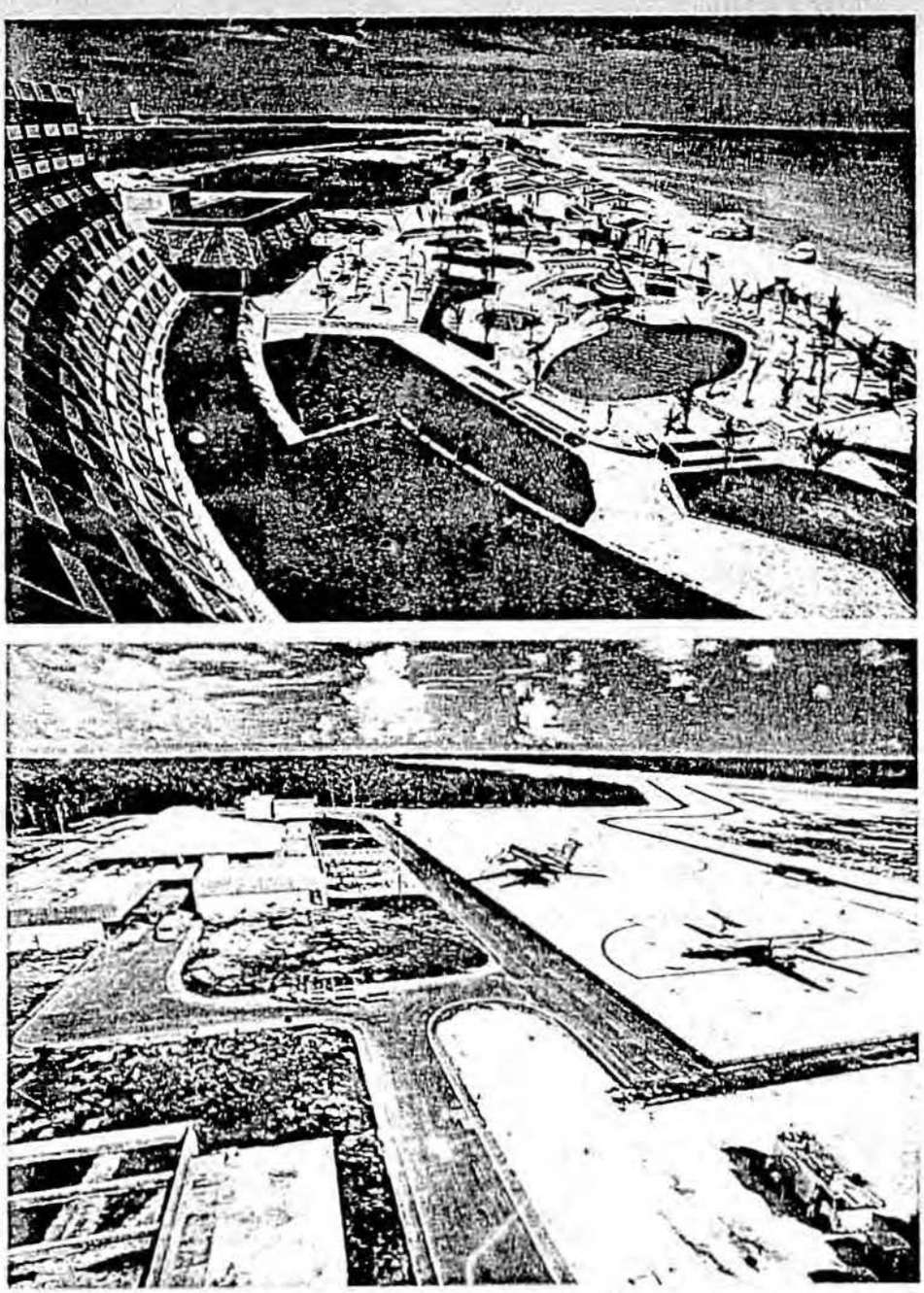
In telecommunications two loans will have an impact not only on domestic communications but will improve such communications to neighboring countries. They were $28.4 million in Uruguay and $35.5 million in Chile. The Bank lent $3.2 million to carry out the second stage of a project to combat foot-and-mouth disease in Paraguay. It is another in a program which the Bank is supporting to combat the disease throughout South America.

A loan for $30 million extended to improve industrial production in Colombia will have an integration impact since a substantial amount of the increased production of those industries will be devoted to exports to neighboring countries.

Another loan of major significance for the integration movement was an $8 million credit extended to the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, the private, non-profit federation which unites Latin American credit cooperatives. The financing will help strengthen programs being carried out by national credit unions in Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru.

Finally, within its export financing activities, the Bank authorized credits totaling $25.8 million. These are helping Argentina, Brazil, Peru and Mexico to finance exports of capital goods to other Latin American member countries of the Bank.

As indicated previously in the analysis of the Bank's technical cooperation, a very substantial part of that assistance during 1975 was also devoted to projects which will have a broad impact on the economic integration of the region.



BLUE SKIES AND WHITE SANDS are hallmarks of Cancún, Mexico's flourishing new resort in the Caribbean on the Yucatán Peninsula. Inter-American Bank loan helped develop infrastructure facilities, including airport for the resort, which is bringing new sources of income to the sparsely developed region.

BOARD OF GOVERNORS

The Board of Governors of the Inter-American Bank carried out extensive negotiating activities during 1975 in its ongoing efforts to assure a replenishment of the Bank's resources so that it can continue uninterrupted support for Latin America's development.

The Board's broad-based activity was carried out not only at its Sixteenth Annual Meeting which took place in Santo Domingo, Dominican Republic, May 19-21, 1975, but also in two special meetings held at the Bank's headquarters, one July 9, 1975, to consider a working group proposal for increasing the Bank's resources, and the other held Dec. 12, 1975, to elect the President of the Bank for a second five-year term.

At its Santo Domingo meeting, the Board took steps paving the way for the recommendations for an increase in resources which were approved at the July 9, 1975, meeting and to facilitate the entry of nonregional countries into the Bank.

As a result, the Board agreed to the establishment of a working group which met subsequently and recommended the $6.3 billion increase in the Bank's resources which has previously been described in this Report.

Regarding the entry of nonregional countries, the Board of Governors took

note at Santo Domingo of the fact that negotiations for the entry of nonregional countries into the Bank had been successfully concluded "with the signing of the Declaration of Madrid on Dec. 17, 1974, and the proposal for amendments to the Agreement Establishing the Bank submitted to the Board of Governors on March 18, 1975," by the President of the Bank following action of the Board of Executive Directors.

In other resolutions the Board of Governors:

- Approved the financial statements of the ordinary capital and Fund for Special Operations for 1974.
- Recommended that member countries take the necessary measures to approve and ratify amendments to the Agreement Establishing the Bank, to enable it to extend loans to the Caribbean Development Bank so that institution might relend in the territories of its members, whether or not they are members of the Inter-American Bank.
- Recommended that the Board of Executive Directors examine and adopt criteria for differentiating among borrowing countries for the use of the resources of the Fund for Special Operations, including an examination of the Bank's present system.
- Expressed its satisfaction with the initiative of the President of the Bank in encouraging the establishment of an International Cooperation Group for Agricultural Development and Food Production in Latin American and instructed the Bank to participate actively in the group and continue its leadership in this field.
- Resolved that the program for the financing of exports should be expanded to include not only capital goods but also manufactures, semi-manufactures and other exports of a non-traditional character that contribute directly to production increases in the exporting as well as in the importing countries, thereby contributing to the economic and social betterment of the developing member countries. On Oct. 23, 1975, the Board of Executive Directors approved resolutions broadening the export financing program to include intraregional exports of manufactured and semi-manufactured goods normally traded on medium-term credits and a complementary short-term program for the financing of exports, including a selected list of manufactures and semi-manufactures. Pending at the end of the year was a study on the means of further broadening the program.
- Selected San Salvador as the site of its annual meeting in 1976. Subsequently, the Government of El Salvador requested that the meeting be postponed until 1977 and the Bank accepted the offer of Mexico to have the meeting held at Cancún, Mexico.

Election of the President

On Nov. 29, 1975, the Board of Executive Directors convoked a special meeting of the Board of Governors to elect the President of the Bank for the five-year period beginning March 1, 1976. Within the period established by the regulations for the election of the President, all the Governors of the member countries had submitted, or supported, the nomination of President Antonio Ortiz Mena.

Thus at the special meeting, in Washington, D.C., Dec. 12, 1975, the Board of Governors of the Bank unanimously re-elected Mr. Ortiz Mena for a second five-year term beginning March 1, 1976, thus reaffirming the confidence of the Bank's 24 member countries in his leadership. In re-electing Mr. Ortiz Mena, the Board of Governors approved a resolution which said in part: "During his outstanding leadership of the Bank, Mr. Ortiz Mena has offered continuing evidence of his acknowledged ability, efficiency and creative imagination and has at the same time demonstrated his complete dedication to the service of the Bank in pursuit of the full development of the peoples of America."

Mr. Ortiz Mena joined the Bank after having had a wealth of experience in financial and developmental positions in the Government of Mexico. From 1958 to 1970 he served as Mexico's Secretary of Finance and Public Credit. Prior to that from 1952 to 1958, he was Director General of the Mexican Social Security Institute. He had previously served as Assistant Director General and Trust Representative of the National Urban Mortgage and Public Works Bank from 1947 to 1952.

Mr. Ortiz Mena was born in Parral, Chihuahua, Mexico. A graduate of the School of Law at the University of Mexico, he has carried out studies at the University's Faculties of Fine Arts and Philosophy and its School of Economics.

As Secretary of Finance and Public Credit he served as Governor for Mexico on the Board of Governors of the International Monetary Fund and the World Bank and its affiliates and served as Governor of Mexico on the Inter-American Bank's Board of Governors from 1960 to 1970.

BOARD OF EXECUTIVE DIRECTORS

At the Bank's Sixteenth Annual Meeting in Santo Domingo, the Board of Governors conducted its sixth general election of Executive Directors. As a result the following persons were elected by the respective member countries for a three-year term of office beginning July 1, 1975, and ending June 30, 1978:

- David B. Laughton of Canada, re-elected by Canada.
- Hernán Aldabe of Argentina, elected by Argentina and Chile.
- Raul Barbosa of Brazil, re-elected by Brazil and Ecuador.
- Jesús Rodríguez y Rodríguez of Mexico, re-elected by the Dominican Republic, Jamaica, Mexico and Panama.
- Juan Pablo Pérez Castillo of Venezuela, elected by Barbados, Trinidad and Tobago, and Venezuela.
- Armando Prugue of Peru, elected by Colombia and Peru.
- Rodolfo Martínez Ferraté of Guatemala, elected by Costa Rica, El Salvador, Guatemala, Haiti, Honduras and Nicaragua.
- Julio César Gutiérrez of Paraguay, re-elected by Bolivia, Paraguay and Uruguay.

In addition to these elected directors, John M. Porges continued to represent the United States, which appoints its director.

As alternates, Mr. Laughton re-appointed Charles T. Greenwood of Canada; Mr. Aldabe re-appointed Benjamín

Mira of Chile; Mr. Barbosa appointed Pedro Aguayo Cubillo of Ecuador; Mr. Rodríguez y Rodríguez re-appointed Mrs. Dorel M. Callender of Jamaica; Mr. Pérez Castillo appointed Charles A. T. Skeete of Barbados; Mr. Prague appointed Augusto Ramírez Ocampo of Colombia; Mr. Martínez Ferraté appointed Neftalí Alvarenga Peña of Honduras and Mr. Gutiérrez re-appointed Edmundo Valencia Ibáñez of Bolivia.

On Aug. 16, 1975, in a profoundly-felt loss for the Bank, Mr. Barbosa died. Subsequently José Carlos Fonseca of Brazil was elected to the position of Executive Director by Brazil and Ecuador, effective Jan. 19, 1976. In another change which occurred in the Board during the year, Mr. Alvarenga Peña resigned his position in September 1975 and was replaced by Mario Rietti Matheu, also of Honduras, on Oct. 16, 1975.

During 1975 the Board of Executive Directors considered a number of evaluation studies submitted to it by its Group of Controllers. This Group, a staff arm of the Board, was established in 1968 to conduct selected reviews of Bank operations as directed by the Board.

These studies included one on the administrative budget system of the Bank and another on aspects involved in processing modifications of Bank contracts.

In addition, the Group made suggestions designed to overcome certain loan implementation problems and recommendations for revised financing policies on global loans to developing financing institutions.

Based on recommendations made by the Group, the Board during 1975 directed the adoption of improved policies and practices in matters connected with planning and programming, local contributions and loans to intermediate credit institutions.

During the year, the Group of Controllers developed a new basic document and new governing regulations for the Bank's Review and Evaluation System. The documents, which updated the Group's original charter, were based on working experiences over the past several years and decisions made by the present Board of Executive Directors.

Consolidated Administrative Expenses *
In Thousands of Dollars

	Actual 1974	Actual 1975	Budgeted 1976
BOARD OF GOVERNORS			
Annual Meeting	$ 395.9	$ 344.4	$ 509.0
Other Expenses	103.1	50.0	61.0
BOARD OF EXECUTIVE DIRECTORS			
Personnel Costs	1,198.7	1,535.3	1,705.5
Other	155.7	163.1	206.5
Review and Evaluation Group	448.1	473.0	582.6
STAFF			
Personnel Costs	24,664.2	28,330.7	30,538.7
Other	2,353.3	2,625.5	3,561.8
GENERAL ADMINISTRATIVE COSTS	6,336.5	6,951.3	7,637.7
FIELD OFFICES			
Personnel Costs	7,060.8	8,542.3	9,786.4
Other	2,651.8	2,728.2	3,436.9
CONTINGENCIES	—	—	586.1
TOTAL	$45,368.1	$51,743.8	$58,612.2

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

ADMINISTRATION

In the face of constantly rising costs at headquarters and in its field offices, due in large measure to inflationary pressures, the Bank succeeded in 1975 in keeping a tight rein on its administrative expenses.

It did so by strictly controlling expenditures, adopting a variety of measures to achieve economies and constantly striving to attain the maximum and most effective utilization of its personnel.

During 1975 the Bank completed the first full year of operations of its in-house computer. In the course of the year, systems were designed and put into practice to improve automated loan accounting and the administration of loans and technical cooperation projects, disbursements, and management and accounting of the Bank's investment portfolio.

Also, the implementation of a socio-economic data bank was continued and analytical applications were developed for the technical evaluation of projects. As a means of better utilizing its manpower resources, the Bank during 1975 began implementing a manpower resources planning program designed to enable it to determine the manning needs of its various departments better. To codify its policies and procedures, the Bank completed the preparation of a variety of manuals in 1975 covering such aspects of its activities as Operational Policies, Organization, Technical Cooperation, Field Offices and General Administration.

At the request of the Board of Executive Directors, the Bank's management during the year began studying various additional measures it might take to strengthen its field offices as well as to rotate its personnel.

The total administrative expenses of the Bank in 1975 were $51.7 million, compared with $45.4 million in 1974. The 1975 amount represented an increase of 14.1 per cent over the previous year. The increase would represent only 4.5 per cent if the inflationary factor of approximately 9.1 per cent that prevailed during the year is taken into account.

Moreover, the Bank's lending volume during the year increased approximately 14 per cent in real value over the total approved in 1974. The administrative budget approved by the Bank's Board of Executive Directors for 1976 is $58.6 million, which represents an increase in constant terms of 4.9 per cent over total expenditures in 1975. To carry out its program within this budget, the Bank's management will continue to strictly adhere to the policy of fiscal austerity which it has followed in recent years.

As of Dec. 31, 1975, there were 1,105 permanent staff members at Bank head-

quarters, of whom 592 were executive and professional personnel and 513 were administrative personnel. A total of 445 employees were assigned as staff in the offices of the member countries, of whom 128 were permanent international employees, 53 were temporary international staff and 264 were local professional and administrative personnel.

A comparison of the Bank's administrative expenses is contained in the table on the previous page.

COOPERATION WITH OTHER ENTITIES

A broad range of international and inter-American organizations work on programs to foster Latin American development projects in a variety of arenas. Since it began operations, the Bank has associated itself with these endeavors.

Noteworthy in this connection in 1975 was the leadership which the Inter-American Bank exerted in seeking to enlist various international and bilateral organizations in improving Latin America's agricultural development and food production.

The Bank's action stemmed from its position at the World Food Conference held in Rome in 1974. At the meeting the President of the Bank announced the decision of the institution to expand its assistance in that field and indicated the Bank's interest in strengthening its cooperation with other international organizations in order to exert a concerted impact at the regional level on those urgent problems. The Bank President took the initiative of calling for the organization of an independent group comprising the several private, government and inter-government organizations furnishing technical and financial cooperation to the agricultural sector in the Latin American countries.

As a result of this initiative, which was approved by the Governors of the Bank at their Sixteenth Annual Meeting held in Santo Domingo, representatives of the World Bank, the U.S. Agency for International Development (AID), the Canadian International Development Association, the Inter-American Institute of Agricultural Sciences, the Organization of American States, the Economic Commission for Latin America and the United Nations Development Programme met with representatives of the Inter-American Bank Oct. 28 and 29, 1975, and expressed a readiness to set up the International Group for Agricultural Development in Latin America (*GIDA-AL*).

At the same time it was proposed that the first formal meeting of the Group with the Agricultural Ministers of the respective member countries be held in conjunction with the Bank's Seventeenth Annual Meeting scheduled to take place in Cancún, Mexico, May 17-19, 1976.

The basic aims of *GIDA-AL* based on priorities of the member countries, will be to coordinate action by the participating agencies to consider agricultural problems common to the region and its subregional areas and to channel the flow of external financial and technical cooperation resources for food production and rural development in Latin America.

For that aim, *GIDA-AL* whose coordinator is Julián Rodríguez Adame, former Agriculture Minister of Mexico, is seeking to harmonize common action in the financial and technical cooperation projects of the various organizations toward:

- The acceleration of domestic food production and the increase in the supply and reserves of basic food commodities in the region.
- The expansion of farm exports both within the region and to the outside world.
- The improvement in the employment income and living standards of the rural sector.

In other cooperative endeavors on joint financing of development projects in Latin America, the Bank collaborated in 1975 with the World Bank in two projects, one involving financing for the Chixoy hydroelectric project in Guatemala for which the Inter-American Bank provided $105 million in financing and the World Bank put up $65 million and the other involving a credit program channeled through private development banks in Colombia, in which the Bank put up $50 million and the World Bank provided $80 million.

The Inter-American Bank maintained close liasion throughout 1975 with the Joint Ministerial Committee of the World Bank and the International Monetary Fund on the Transfer of Real Resources to the Developing Countries. The Committee met on at least three separate occasions during 1975. The President of the Bank participated in each of the meetings, first in Washington, Jan. 17, 1975, and later in Paris, June 12 and 13, and then again in Washington, Sept. 3 and 4. At the Paris meeting the President of the Bank proposed a variety of techniques designed to enhance the access of the less developed member countries to the world's capital markets.

Throughout 1975 the Bank maintained close relations with its sister institutions—the Asian Development Bank and the African Development Bank—in joint endeavors to augment the flow of capital towards their developing regions. The Presidents of the three institutions met on at least three separate ocassions—at the times described above for the meeting of the Development Committee— during the course of the year.

With the Organization of American States, the Bank entered into a new cooperative agreement in 1975 and continued its close relations with its other sister hemispheric organizations—the Pan American Health Organization and *CEPCIES*. It also worked closely with such United Nations agencies as the United Nations Development Programme, for which the Bank acts frequently as executing agency in development studies in Latin America, with the United Nations Economic Commission for Latin America and with the United Nations Food and Agriculture Organization.

OTHER FUNDS

While the Inter-American Bank began lending operations 15 years ago as a wholly regional organization with membership restricted exclusively to the hemisphere, the Bank from its earliest days sought to expand its lending base by searching out financial resources over and above its own ordinary capital and Fund for Special Operations.

In this regard, it pioneered when it

accepted the administration of the Social Progress Trust Fund from the United States Government in 1961. The United States contributed a total of $525 million through 1963 to that fund, which was designed to provide resources for Latin America's social development.

Subsequently, the Bank began accepting funds in administration from countries which were not then members of the institution, beginning with Canada in 1964.

The most recent development in this regard was the Bank's acceptance in 1975 of a $500 million fund in administration provided by the Government of Venezuela.

As of Dec. 31, 1975, the Bank had accepted the administration of nine other funds. These amounted to a total of $120.4 million, excluding $14 million under agency agreements.

The Bank has also borrowed substantial resources in the private and official markets, not only from its own member countries but also from a wide group of countries which are presently not members of the institution. The borrowings effected in 1975 are detailed in the chapter on Mobilization of Resources. However, in order to give an overall view of the extent of the resources mobilized by the Bank outside its own ordinary capital resources and its Fund for Special Operations, this section briefly summarizes the various arrangements through which the Bank has raised capital in the private and official capital markets.

The arrangements include borrowings, which are made up of bond sales, direct loans totaling a gross amount of $2,129 million; funds administered by the Bank totaling $1,145 million (excluding $14 million under agency agreements); participations in loans amounting to $139 million (including $30 million in complementary financing arranged in 1975), and parallel or independent financing arrangements totaling $62 million.

Funds in Administration

The funds administered by the Bank for member countries include:

Argentina—On Nov. 25, 1970, the Government of Argentina entered into an agreement with the Bank to make available special funds in its own currency to provide counterpart resources for Bank-financed development projects being carried out in its sister republics of Bolivia, Paraguay and Uruguay. As of Dec. 31, 1975, total loans approved under the arrangement amounted to $1.8 million.

Canada—In 1964 the Bank entered into an agreement with the Government of Canada prior to that nation's entry into the Bank, under which the Canadian International Development Agency provided resources in administration to help finance projects on highly concessional terms in Latin America. By the time Canada joined the Bank on May 3, 1972, it had contributed a total of 74 million Canadian dollars to the Fund, of which $72 million has been committed in loans. In joining the Bank, Canada pledged to provide all monies received with respect to principal, interest and service charges on loans to the Fund for Special Operations as a Canadian contribution to that fund. As of Dec. 31, 1975, such contributions amounted to $2,043,000. On March 22, 1974, in a further cooperative measure with the Bank, the Government of Canada established a special fund of 1.5 million Canadian dollars to finance the preparation of development projects in Latin America. As detailed in a previous section of the Report, during 1975 the Canadian Government provided an additional 7.5 million Canadian dollars to this fund. Through Dec. 31, 1975, the Bank had committed a total of 858,000 Canadian dollars of the fund.

United States—In 1961 the United States entrusted the Bank with the administration of the Social Progress Trust Fund, intended to finance development projects in the fields of agriculture, sanitation, housing and to improve higher education. Through 1963, the United States had contributed $525 million to the Fund. All of these resources had virtually been committed by the end of 1965. However, the Bank was utilizing repayments on Trust Fund loans to purchase participations in Fund for Special Operations loans made for the same purposes and was devoting another substantial portion for technical cooperation programs. Through Dec. 31, 1975, the outstanding participations totaled $200.8 million. Finally, under an agreement between the United States Government and the Bank, the Bank had made available up to $30 million of the resources of the Social Progress Trust Fund for channeling through the Inter-American Foundation, a U.S. Government agency, to make grants and loans to Latin American institutions and organizations fostering economic and social development.

Venezuela—As outlined in detail previously in this Report, the Bank in February 1975 agreed to administer a $500 million fund provided for the development of its sister republics in Latin America by the Government of Venezuela from the earnings which it is currently deriving from petroleum exports.

In addition to the resources administered for member countries, the Bank also administered funds for the following nonmember countries:

Germany—Since 1961 the Bank has acted as agent for the administration of $12.6 million for the Government of Germany, devoted to a tripartite program of the Bank, Germany and the United States to rehabilitate Bolivia's tin mines.

Norway—In 1970 the Bank signed an agreement with the Government of Norway to administer a $2 million Norwegian Development Fund for Latin America, which was extended in a loan for a health project in Honduras in 1975.

Sweden—Under an agreement entered into in 1966 the Bank has administered a $5 million Swedish Development Fund for Latin America, entirely lent in 1968.

Switzerland—An agreement between the Bank and Switzerland, signed in 1973, authorized the Bank to administer a Swiss Development Fund for Latin America totaling 30 million Swiss francs ($11,320,907). A total of $913,207 of these funds were committed in a loan in 1975 for an industrial project in Bolivia.

United Kingdom—Under the terms of agreements signed in 1966 and 1972, the Bank has administered cumulative resources for the United Kingdom totaling 8,035,000 pounds sterling ($16,285,182), all of which have been committed in loan projects.

The Vatican—In 1969 the Bank agreed to administer $1 million provided by the Vatican. It was devoted to an agrarian reform project in Colombia.

Inter-Governmental Committee for European Migration (ICEM)—In 1961 the Bank agreed to act as financial agent for a $1.25 million loan granted by this organization for a colonization project in Brazil.

Financial Arrangements with Member and Nonmember Countries and Other Sources
In Thousands of Dollars

	Amount	Detail by Arrangements			
		Bond Issues and Loans	Funds in Administration	Participations and Others	Parallel and Independent Financing
Member Countries					
Argentina	$ 1,770		$ 1,770		
Canada	105,526		83,000	$ 7,526	$15,000
Trinidad and Tobago	9,167	$ 9,167			
United States	1,336,500	727,500	525,000	84,000	
Venezuela	523,256	23,256	500,000		
Latin America *	413,050	413,050			
Total	$2,389,269	$1,172,973	$1,109,770	$ 91,526	$15,000
Nonmember Countries					
Austria	$ 35,115	$ 35,115			
Belgium	18,983	18,087		$ 896	
Finland	11,100	1,100		10,000	
France	45,249	45,249			
Germany	302,746	290,076	$ 12,565	105	
Israel	5,000	5,000			
Italy	103,659	102,789		870	
Japan	178,842	160,667		18,175	
Netherlands	71,742	24,627		100	$47,015
Norway	6,000	4,000	2,000		
South Africa	2,500	2,500			
Spain	38,949	31,449		7,500	
Sweden	29,306	24,306	5,000		
Switzerland	200,408	188,679	11,321	408	
United Kingdom	40,078	22,538	16,265	1,275	
Vatican	1,007		1,007		
ICEM	1,250		1,250		
UN Agencies	8,197			8,197	
Total	$1,100,131	$ 956,182	$ 49,408	$ 47,526	$47,015
GRAND TOTAL	$3,489,400	$2,129,155	$1,159,178	$139,052	$62,015

* Ten short-term dollar-denominated bond issues sold to Latin American Central Banks and other official institutions. As of Dec. 31, 1975, $93.3 million was outstanding in Latin America.

Bond Issues and Loans

Borrowings in the Bank's member countries have included:

Latin America—Ten short-term (one, two and five years) bond issues for a gross total of $413 million sold in each of the years from 1966 through 1975.

Trinidad and Tobago—Two bond issues totaling $9.2 million.

United States—Nine issues for a gross total of $727.5 million through 1975.

Venezuela—One bond issue amounting to $23.2 million.

The borrowings made by the Bank in nonmember countries have included:

Austria—Three bond issues totaling 450 million schillings ($24,590,163) and one government loan for $10,525,000 (equivalent to 200 million schillings).

Belgium—Two bond issues for a total of 700 million Belgian francs ($18,087,855).

Finland—A direct loan of $1.1 million obtained from the Bank of Finland.

France—Two bond issues totaling 200 million French francs ($45,248,868).

Germany—Six bond issues and two private loans totaling 760 million Deutsche marks ($290,076,335).

Israel—The purchase of short-term bonds of up to $5 million in an issue sold primarily in Latin America.

Italy—Three bond issues totaling 45 billion Italian lire ($65,789,475) and two direct loans amounting to $37 million.

Japan—Nine borrowings totaling 48.2 billion yen ($160,666,666).

The Netherlands—Two bond issues totaling 65 million guilders ($24,626,866).

Norway—One bond issue for $4 million.

South Africa—The purchase of $2.5 million in a 1968 bond issue sold in the United States.

Spain—Two direct loans and a purchase of short-term bonds totaling the equivalent of $31,449,433.

Sweden—Four loans totaling 105 million kronor ($24,305,555).

Switzerland—Eight bond issues and loans totaling 500 million Swiss francs ($188,679,245).

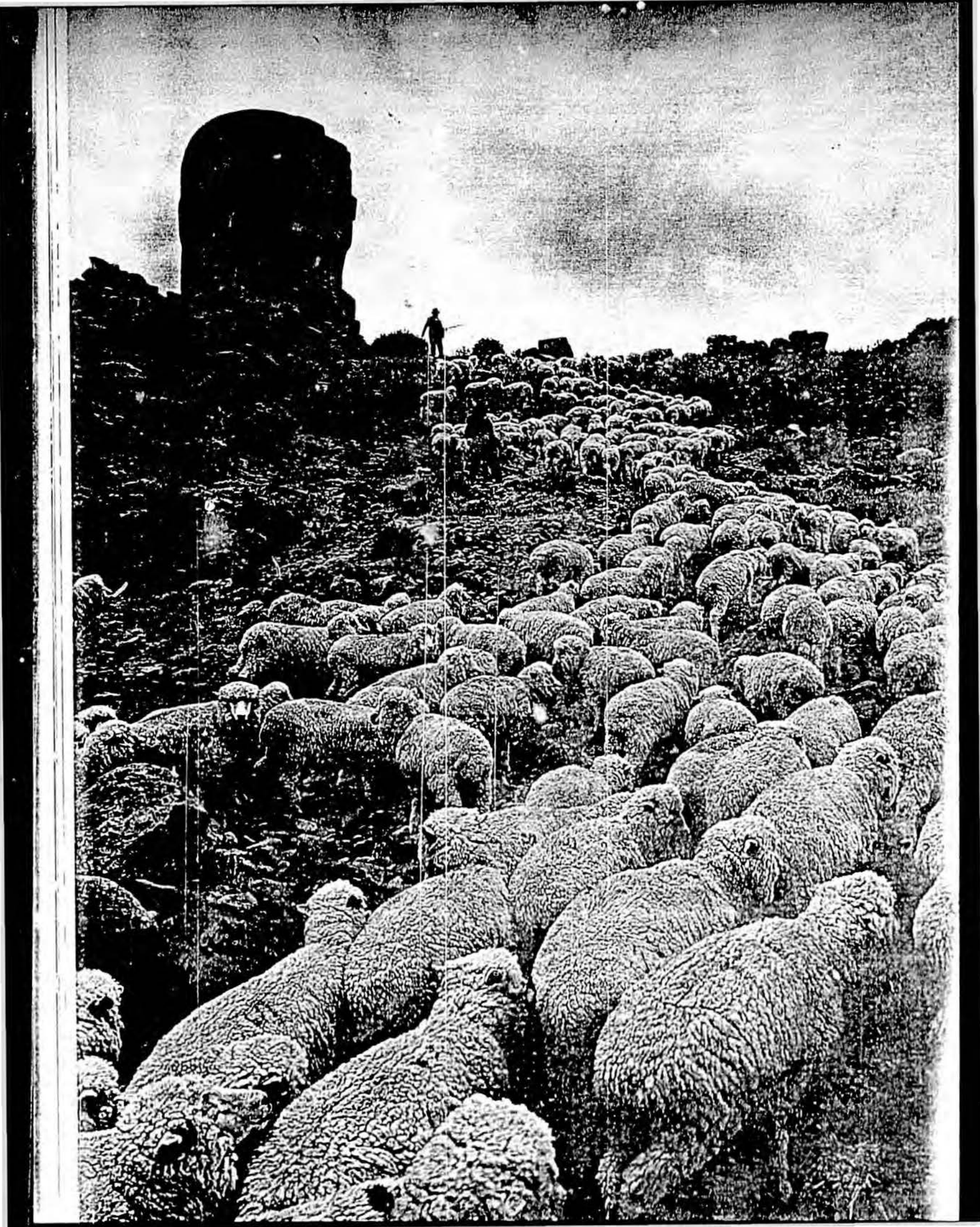
United Kingdom—Bond issues and direct loans totaling the equivalent of $22,538,041.

Participations and Other Arrangements

Through participations in its loans and other arrangements the Bank has mobilized $139 million. Such participations include $84 million by a variety of private banks, including $30 million under the Bank's complementary financing program, $18 million by the Bank of Tokyo, $7.5 million by the *Instituto Español de Moneda Extranjera* of Spain and $6.3 million in participations from other countries. In addition, Finland pledged $10 million to be disbursed in proportion to purchases made in Finland in connection with Bank loans through June 1976. Finally, the United Nations Special Fund and the United Nations Development Programme purchased $8,197,000 in participations in loans from the Bank.

In arrangements with Canada and the Netherlands the Bank is cooperating in channeling $62.5 million in funds provided for parallel financing arrangements in Bank loans to its member countries. The arrangement with Canada, which has already been concluded, was entered into in 1965 with the Canadian Export De-

velopment Corporation, which set aside 15 million Canadian dollars for economic development projects in Latin America in cooperation with the Bank. Through Dec. 31, 1975, loans totaling 14 million Canadian dollars had been approved under the agreement. The Canadian Export Development Corporation has been discussing with the Bank an additional arrangement for parallel financing projects in the future. The Netherlands agreement dates from 1965. Under the arrangement the Bank has cooperated in channeling 126 million guilders ($47,014,925) toward the development of Latin America.



LOANS AND TECHNICAL COOPERATION

The following section of the Annual Report contains a description of all the loans and technical cooperation authorized by the Bank in 1975 from its various sources of funds. Loans and technical cooperation are grouped on a country-by-country basis, then on a regional basis.

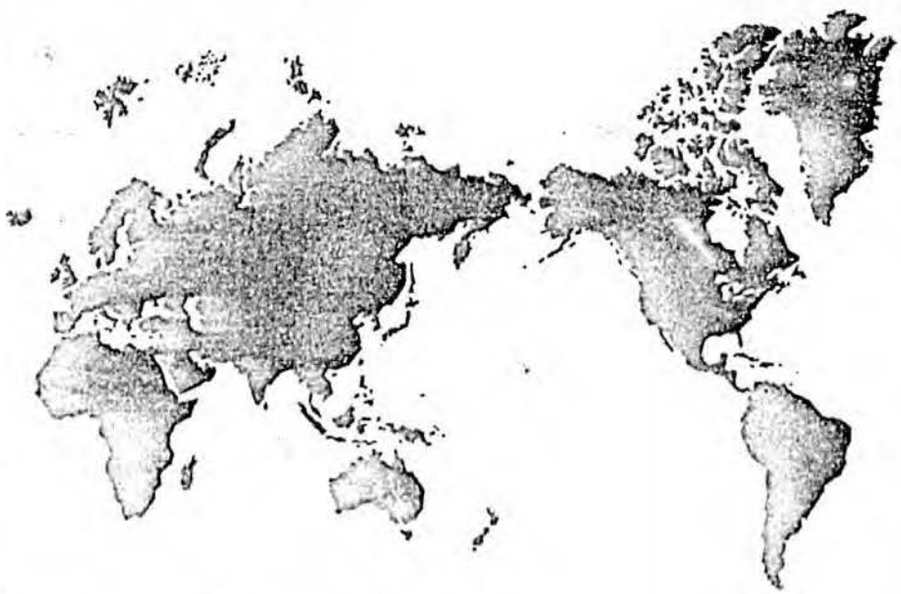
On ordinary capital loans the Bank's basic interest rate in 1975 continued to be 8 per cent a year. Interest rates included the 1 per cent commission allocated to the Bank's special reserve. Loans extended from the ordinary capital resources during 1974 were made for terms ranging from 15 to 30 years.

The basic rates of interest charged on loans extended from the Fund for Special Operations varied from 2 to 4 per cent, depending 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 Fund for Special Operations loans varied from 20 to 40 years.

Loans extended from the Venezuelan Trust Fund carried rates of interest of 8 per cent—the same as those of the ordinary capital resources—and were made for periods ranging from 15 to 25 years.

Loans not extended directly to the Governments of the member countries concerned carried guarantees of the Government or a Governmental Agency.

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

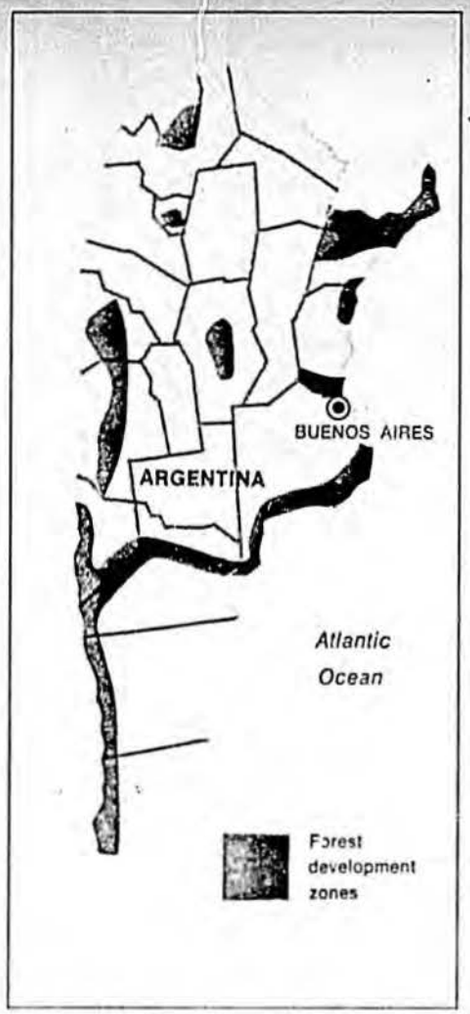


Comparative Yearly Lending, 1972-75
In Thousands of Dollars

Country	1972	1973	1974	1975
Argentina	$ 82,661	$ 12,454	$ 89,100	$ 201,000
Barbados	2,800	—	9,100	9,700
Bolivia	42,082	46,528	46,200	54,100
Brazil	213,156	274,115	187,000	269,500
Chile	—	—	97,300	70,700
Colombia	49,900	105,900	—	75,800
Costa Rica	8,300	16,000	53,800	41,600
Dominican Republic	33,700	39,000	36,700	35,500
Ecuador	39,700	55,700	55,500	43,700
El Salvador	39,600	8,000	33,400	43,000
Guatemala	—	36,800	19,400	120,600
Haiti	10,000	22,200	—	41,100
Honduras	9,200	1,200	35,600	28,700
Jamaica	—	30,800	—	21,200
Mexico	115,689	113,467	186,400	167,300
Nicaragua	12,500	29,200	10,500	16,500
Panama	15,700	18,000	14,500	42,200
Paraguay	—	—	49,000	3,200
Peru	785	19,280	65,500	16,000
Trinidad and Tobago	13,100	2,400	5,300	—
Uruguay	10,000	3,100	21,400	35,400
Venezuela	18,900	43,100	—	—
Regional	89,400	6,800	95,000	38,200
TOTAL	$807,173	$884,044	$1,110,700	$1,375,000

Note: Of the $807 million in loans approved in 1972, a total of $5.4 million in regional loans and a loan of $325,000 to Peru were subsequently canceled. Similarly, of the $884 million in loans approved in 1973, a loan of $10.6 million for Venezuela was canceled and of the $1,111 million approved in 1974, one for $18.4 million to El Salvador was also canceled. A $1 million loan approved in 1975 for Peru replaced a similar amount voided in 1974. In addition, partial cancellations of loans approved from 1972 to 1975, inclusive, amounting to $1.2 million in 1972, $980,000 in 1973 and $900,000 in 1974 had been made as of Dec. 31, 1975.

AGELESS TASK OF HERDING SHEEP goes on amid Inca ruins at Sillustani near Puno, Peru. Purebred sheep imported from Argentina with Bank financing enables cooperative of Indian farmers to improve flocks. Another Bank loan helps develop tourist potential of such ruins, including Machu Picchu, in the Departments of Puno and Cuzco.



NEW FORESTS WILL GROW in various zones of Argentina thanks to program being carried out with help of $30 million in loans extended by the Bank in 1975. Under the program 247,000 acres of land will be reforested as the nation strives to achieve self-sufficiency in lumber products.

ARGENTINA

LOANS

Rural Credit and Mechanization

Ordinary Capital Resources
$59 million 20-year 8% loan of May 13, 1975
($24.9 million and $34.1 million in Argentine pesos)

Fund for Special Operations
$30 million 25-year 4% loan of May 13, 1975
($10 million and $20 million in Argentine pesos)

Borrower: REPUBLIC OF ARGENTINA

The agricultural and livestock sector accounts for about 85 per cent of Argentina's export income and provides the Argentine people with one of the world's highest nutritional levels. In addition, agricultural and livestock processing enterprises account for nearly half of the country's gross industrial product.

Since that sector has grown at a slow pace—only 2.3 per cent a year—over the last decade, the Government of Argentina proposed to accelerate that rate in a series of programs outlined in its 1974-77 three-year plan.

These two loans, totaling $89 million, will help achieve that objective. The resources will be used by the *Banco de la Nación Argentina* to maintain and expand the Agricultural and Livestock Technification Improvement Program being carried out with the aid of previous Inter-American Bank loans.

The program consists of the following two subprograms:

- An agricultural and livestock mechanization subprogram designed to provide credit for the purchase of farm implements. This subprogram, financed with the ordinary capital loan, will benefit approximately 30,000 producers engaged in the production of grains, industrial oil seeds and fodder.
- A supervised credit subprogram designed to accelerate the mechanization of agricultural and livestock enterprises through the financing and diffusion of modern production systems. Under this subprogram, financed by the Fund for Special Operations loan, credits will be provided for investments in farm enterprises of some 3,400 small- and medium-scale producers, including cooperatives, located in areas of lesser agricultural potential.

The total cost of the program is estimated at $178 million, of which the two loans will finance 50 per cent and local sources the remaining 50 per cent.

Forestry Development

Ordinary Capital Resources
$5 million 20-year 8% loan of Dec. 4, 1975

Fund for Special Operations
$25 million 25-year 4% loan of Dec. 4, 1975
($5 million and $20 million in Argentine pesos)

Borrower: REPUBLIC OF ARGENTINA

While the output of forestry products in Argentina has surpassed 11 million cubic meters a year since 1968, the nation's imports of such products have also increased, reaching $200 million annually, making it one of Latin America's largest importers of wood and forest products. Because of this, Argentina through its three-year reconstruction plan is promoting reforestation.

These loans will help the *Banco de la Nación Argentina*, a national development bank, to finance the planting of selected species of trees on 247,000 acres of land throughout the country in order to achieve self-sufficiency in domestic production of timber and other forest products. Under the program, which will have the technical support of the nation's forestry agency, the *Instituto Forestal Nacional*, producers will plant such species as salicaceae, conifers, eucalyptus and others.

The program, which will benefit about 3,000 forest enterprises, is designed for small- and medium-scale producers and cooperatives, as well as large producers. A total of 86 per cent of the loans will go to small producers who farm up to 124 acres, each, and who will account for 41 per cent of the reforestation, while the remaining 14 per cent will go to medium- and large-scale producers who will plant the remaining 59 per cent.

The total cost of the program is estimated at $60 million of which the Bank's loans will finance 50 per cent and local sources the remaining 50 per cent.

Steel Mill Expansion

Ordinary Capital Resources
$55 million 15-year 8% loan of Oct. 9, 1975
$15 million 7-year line of credit of Oct. 9, 1975

Borrower: ACINDAR, INDUSTRIA ARGENTINA DE ACEROS, S.A.

The steel industry in Argentina has developed satisfactorily in recent years. In 19[illegible] consumption of steel was 2.1 million tons of which 73 per cent was accounted for by imports of finished products. By 197[illegible] consumption had risen to 4.7 million tons of which only 54 per cent was imported. Nonetheless, Argentina has a structural deficit in steel due mainly to a lack of integral steel plants and a shortage of known reserves of iron ore and coking coal.

To lessen this deficit, *ACINDAR, Industria Argentina de Aceros, S.A.*, has initiated a program to expand its production of steel billets from 300,000 to 600,000 tons per year at its Villa Constitución plant. To accomplish this, it will install a new technological process—the MIDREX system—which will allow the use of basic

CENTRAL PORT AREA OF BRIDGETOWN, Barbados, will be expanded and improved with the help of a $9.1 million loan extended by the Inter-American Bank in 1974. The expansion program will permit consolidation of all cruise liner and cargo handling facilities. Barbados is highly dependent on a good port since it imports much of its essential goods.

raw material (mineral bulk or steel billets) without increasing the present consumption levels of scrap metal.

This loan will help reach the project's goal through the construction and improvement of *ACINDAR's* port facilities on the Paraná River; of installations for unloading, conveying and storing iron ore in bulk or pellets; installation and mounting of a reduction plant with a 462,000-ton annual capacity; three electric arc furnaces with a capacity of 220,000 tons annually each, and two continuous casting machines. Similarly, *ACINDAR* will execute auxiliary services, which consist of an electrical system, oxygen plant, water system, laboratory and offices, as well as a railroad system to connect the new plant to the present plant.

The $15 million supplementary renewable line of credit, channeled through the Bank's ordinary capital resources, was made available under the Bank's new compensatory financing technique. Participations were sold for the full amount of the line of credit to two commercial banks: Bank of America NT&SA and Chemical Bank, which will obtain the funds in the Eurocurrency market. Accordingly, interest on the line of credit is to be adjusted semiannually based on the London Inter-Bank Offered Rate (LIBOR).

The total cost of the project is estimated at approximately $180 million, of which the Bank will finance 38.9 per cent. Additionally, the U.S. Export-Import Bank and private U.S. banks will provide 11.3 per cent; the *Banco Nacional de Desarrollo* of Argentina 23.8 per cent, and suppliers' credit 7.8 per cent. *ACINDAR* will provide 18.2 per cent.

EXPORT FINANCING

During 1975 previous lines of credit to Argentina to finance exports of capital goods were augmented by an expansion of $8 million and by nearly $4 million through repayments. This activity is described further on in the Report under the heading "Export Financing."

BARBADOS

LOAN

Bridgetown Sewer System

Fund for Special Operations
$9.7 million 35 year 2% loan of Oct. 9, 1975
($9.5 million and $200,000 in Barbadian dollars)
Borrower: BARBADOS

The need for a sewer system in Bridgetown, the capital of Barbados, is largely the result of high population density and intensive land use. It is now clear that a sewer service is required if sewage flows arising from further intensive development of the area are not to exceed the capacity of a properly designed subsurface disposal system.

For these reasons, the Government of Barbados has given high priority to improving Bridgetown's sanitation conditions by carrying out a project which will benefit 37,000 persons.

This loan will enable the Ministry of Health and Welfare to construct a sanitary sewage system which will include:

- A collector system which will serve a port, commercial and residential area of about 494 acres and will include 3,000 house connections.
- A sewage treatment plant with an initial capacity of 2.4 million gallons a day.
- An underwater effluent discharge extending some 984 feet from the shoreline placed at a 39-foot depth.

The total cost of the project is estimated at $13,622,000, of which the Bank will cover 71.2 per cent and local sources the remaining 28.8 per cent.

TECHNICAL COOPERATION

Study of Health Services

Fund for Special Operations
$100,000 nonreimbursable cooperation of Sept. 11, 1975
Beneficiary: MINISTRY OF HEALTH AND WELFARE

Compared with other countries in the Caribbean and Central American area, health conditions in Barbados are relatively satisfactory. However, improving the cost effectiveness of expenditures on health services, as well as the services themselves, is one of the chief objectives of the 1973-77 Development Plan of the Government.

This technical cooperation will enable the Ministry of Health and Welfare to achieve that aim by carrying out studies of existing services and identifying new health projects.

Specifically, the Ministry will contract a consulting firm to study the institutional, functional and administrative aspects of present facilities, to identify service de-

ficiences and prepare a plan to improve the efficiency of the systems and to establish the basis for the expansion or construction of new hospitals and other health facilities and identify specific future projects.

Institutional Improvements

Fund for Special Operations
$100,000 nonreimbursable cooperation of Oct. 9, 1975

Beneficiary: MINISTRY OF HEALTH AND WELFARE

This technical cooperation will provide the Government of Barbados with advisory services needed to establish an authority which will be responsible for administering the water and sewage systems of the nation and preparing rate studies.

It was extended to the Ministry of Health and Welfare in connection with the previously described loan of $9.7 million which is helping Barbados to improve sanitation facilities in downtown Bridgetown.

Water Resources Study

Fund for Special Operations
$450,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: BARBADOS

If present trends continue, by the year 2000 available ground water resources in Barbados will be required solely for potable water purposes. Thus, lack of water resources threatens to constrain the growth of industry, as well as agriculture, in the futur

As a preliminary step to alleviate the problem, this technical cooperation will be used by the Ministry of Finance and Planning, in collaboration with the Barbados Waterworks Department, the Ministry of Agriculture, Science and Technology, and the Ministry of Health and Welfare, to prepare a comprehensive survey of water resources on the island.

The project will include the identification and evaluation of alternative sources of water supply, including desalinization of sea water and the use of brackish water, as well as the possibilities of augmenting ground water supplies through recycling sewage, conservation, flood control and other measures.

Public Investment Project

Fund for Special Operations
$300,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: MINISTRY OF FINANCE AND PLANNING

The 1973-77 Barbados Economic Development Plan has established as its goals the reduction of unemployment, the raising of per capita income and the improvement of the country's balance of payments.

To help achieve these goals, this technical cooperation will be used to hire consultants to advise the Ministry of Finance and Planning on the establishment of a unit designed to promote, identify, prepare and follow up public investment projects and programs, and train officials. The cooperation replaces and augments a previous technical cooperation approved by the Bank for the same purpose in 1974.

BOLIVIA

LOANS

Pork Production

Fund for Special Operations
$2.2 million 40-year loan of March 6, 1975
($1,650,000 and $550,000 in Bolivian pesos)
Interest: 1% for 10 years, 2% thereafter

Borrower: REPUBLIC OF BOLIVIA

The farm and livestock sector, which employs about two-thirds of the labor force of Bolivia, generated 11.8 per cent of the nation's export earnings and 14.8 per cent of its gross domestic product in 1974—a percentage which has steadily decreased since 1960 when it was 31 per cent. In order to increase pork output for domestic consumption and thus release beef production for export, the Government of Bolivia is seeking to increase the production and productivity of farms in the Department of Chuquisaca and expand the production of corn and alfalfa which constitute the basic feed for hogs.

This loan will be used by the Development and Public Works Committee of the Department of Chuquisaca to carry out two interrelated subprograms:

- An infrastructure subprogram consisting of the construction and installation of two breeding pens in Huacareta and Muyupampa and expansion of the existing pens at Monteagudo each with a capacity of 120 breeding stock; of two balanced feeding plants with a 1.8-ton-per-hour capacity, also at Huacareta and Muyupampa, and of a zone market at Monteagudo.
- A farm credit subprogram for agricultural producers to finance the installations, equipment, machinery, animals and tools needed to adapt 150 pork farms and 150 corn and alfalfa farms to expanded production.

The total cost of the program is estimated at $3.3 million, of which the Bank loan will cover 66.7 per cent and local sources the remaining 33.3 per cent. Up to $310,000 of the loan will be devoted to technical cooperation designed to strengthen the operational efficiency of the Development and Public Works Committee of Chuquisaca, train committee personnel and advise breeders on herd management, feeding sanitation and marketing procedures.

Industrial and Tourism Projects

Fund for Special Operations
$6 million 25-year loan of July 10, 1975
($3.76 million and $2.24 million in Bolivian pesos)
Interest: 1% for five years, 2% thereafter

Swiss Fund for Latin American Development
$1 million 25-year loan of July 10, 1975
Interest: 1% for five years, 2% thereafter

Borrower: BANCO INDUSTRIAL, S.A.

Bolivia's industrial sector—which generated 14 per cent of the nation's gross domestic product in 1974—is still in an incipient stage of development. The investment level is low, the market size is insufficient to accommodate economies of scale and production techniques are not advanced.

Production in the industrial sector is oriented toward import substitution and is heavily dependent on imported inputs. It is also concentrated mainly in La Paz, Cochabamba and Santa Cruz. Industrial employment grows more rapidly than employment in other economic sectors.

The tourism sector is marked by a high concentration of visitors to La Paz. In 1974 it is estimated that foreign tourists who entered Bolivia numbered 125,000. Important aspects observed in the sector are the lack of adequate accommodations, high average daily spending per tourist and short stays, averaging five days.

To foster increased development in both sectors, the *Banco Industrial, S.A., (BISA)* is carrying out a program to finance the establishment, expansion and improvement of small- and medium-sized industrial and tourism firms, and to provide the necessary technical cooperation to implement the projects. These two loans will help *BISA* provide credits to carry out the program.

The total cost of the project is estimated at $9.5 million, of which the Bank will cover 73.6 per cent and local sources the remaining 26.4 per cent.

Up to $280,000 of the total cost will be devoted to providing technical cooperation in accounting and administrative services to the beneficiaries. Another $30,000 will provide technical cooperation to *BISA* in financial administration.

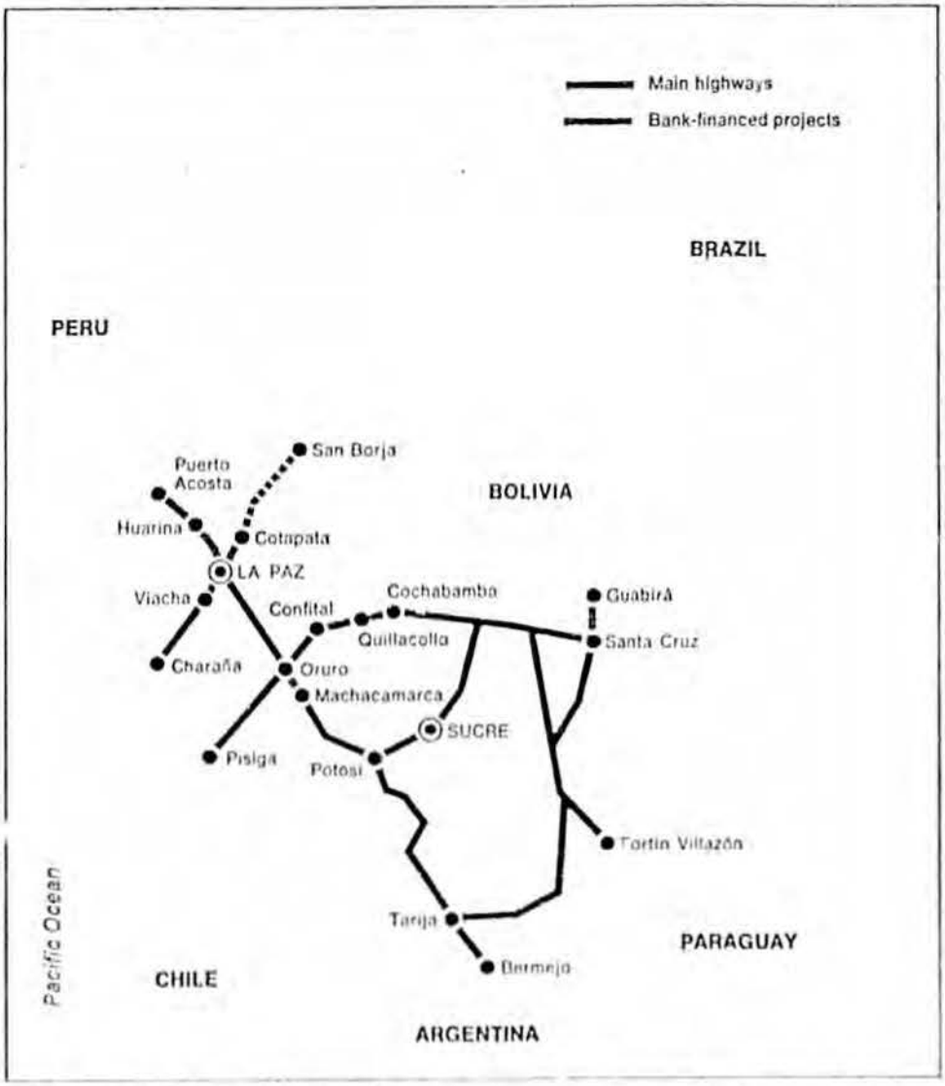
La Paz-San Borja Highway

Fund for Special Operations
$45 million 40-year loan of Nov. 6, 1975
($35 million and $10 million in Bolivian pesos)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF BOLIVIA

The present road link between La Paz and San Borja in the Alto Beni region of Bolivia is a narrow dirt road 110 miles long, with steep inclines and blind curves which make it dangerous to use. The section with the heaviest traffic is the first 27 miles between La Paz and Cotapata. The Government of Bolivia is contemplating the construction of the entire road in two stages.

This loan will help the *Servicio Nacional de Caminos (SNC)*, the nation's highway agency, to finance the first stage which consists of the construction of a paved, two-lane road, between La Paz and Cotapata. The project also includes the construction of major bridges over the Yolosa, Yara and Alto Beni Rivers and 16 minor bridges.

The construction of the road to San Borja will open up to development an extensive area in the Beni Department, a potentially rich agricultural and cattle-raising zone in Northeast Bolivia. In addition it will reduce transportation costs for users of the road and increase the flow of farm produce to La Paz as well as the flow of manufactured goods from the capital to the country's interior. Traffic along



LIKE SIDEWALK SUPERINTENDENTS, a Bolivian mother and daughter gaze at construction of express highway between La Paz, Bolivia, and its airport, located two and a half miles above sea level on the Altiplano. A Bank loan is helping to improve the highway, as well as other major roads shown in red on the map.

FOURTEEN 100,000-KILOWATT GENERATORS housed in this plant at Juplá Falls on the Paraná River help power farm, industry and home in the Greater São Paulo area of Brazil. Jupiá and the Ilha Solteira plant will form 4.6-million-kilowatt complex. Both have received Bank financing.

the road, which now averages 430 vehicles per day, is expected to increase to 610 vehicles by 1978 and to 3,200 by 1998.

The total cost of the project is estimated at $56 million, of which the Bank loan will cover 80.4 per cent and the *SNC* the remaining 19.6 per cent.

TECHNICAL COOPERATION

Technical and Professional Training

Social Progress Trust Fund (Special Program for Project Preparation)
$111,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: MINISTERIO DE PLANEAMIENTO Y COORDINACION DE LA PRESIDENCIA DE LA REPUBLICA

The possibilities of industrial-technical training in Bolivia are restricted, with the result that only 16 per cent of the staff employed by industry is properly trained and only 3 per cent of middle level technicians have any technical training.

In order to improve this situation, this technical cooperation will enable Bolivia's planning ministry, the *Ministerio de Planeamiento y Coordinación de la Presidencia de la República* to prepare a project to expand and improve the nation's middle-level technical education and professional training systems, as well as its labor training, in order to meet the needs of the industrial, agricultural and service sectors.

BRAZIL

LOANS

Agricultural Credit

Fund for Special Operations
$40 million 20-year 4% loan of Sept. 18, 1975
($15 million and $25 million in cruzeiros)

Borrower: FEDERAL REPUBLIC OF BRAZIL

This loan will enable the Central Bank of Brazil to carry out a program of supervised credit designed to increase the productivity and income of about 6,800 small- and medium-scale rural farmers. Another 14,000 will benefit from the reinvestment of loan repayments.

In addition, existing rural cooperatives will be strengthened and the formation of new ones will be encouraged, thereby benefiting about 180,000 cooperative members.

The program will also provide coordination of rural extension services, stimulate the use of fertilizers and modern production techniques and help create new employment opportunities in rural areas.

The total cost of the project is estimated at $80 million, of which the Bank will cover 50 per cent, the Central Bank 40 per cent and financial agents the remaining 10 per cent.

Salto Santiago Power Plant

Ordinary Capital Resources
$64 million 20-year 8% loan of Sept. 25, 1975

Borrower: CENTRAIS ELETRICAS DO SUL DO BRASIL S.A.

To sustain its high economic growth rate and relieve its dependence on imported petroleum, Brazil is accelerating the construction of hydroelectric power plants.

Among major projects currently under construction are the joint Brazilian-Paraguayan 10.7-million-kilowatt Itaipú complex on the Paraná River which will be the world's largest hydroelectric plant and will meet the power needs of the Southeast of Brazil for the rest of the decade and the Ilha Solteira project on the Paraná River which began operations in 1974 but is still being expanded to a total capacity of 3.2 million kilowatts. Altogether, Brazil has tripled its electric power capacity over a 12-year period, having gone from 5,729,000 kilowatts in 1962 to 17,199,000 kilowatts in 1974.

To expand Brazil's electric power capacity even further, *Centrais Elétricas do Sul do Brasil S.A. (ELETROSUL)*, a regional subsidiary of *Centrais Elétricas Brasileiras S.A. (ELETROBRAS)*, Brazil's national electric power agency, will build a hydroelectric plant with an initial installed capacity of 1,332,000 kilowatts at Salto Santiago on the Iguazú River in Southern Brazil.

This loan will help *ELETROSUL* build the project which includes the construction of a rock-filled dam and an auxiliary compacted-earth dam; a concrete structure spillway; four 220-meter diversion tunnels, and a hydroelectric plant with four 333,000-kilowatt turbogenerators.

Completion of the plant in 1980 will provide additional power to Brazil's southern and west central regions until the Itaipú hydroelectric plant is completed in 1983. Once the latter plant enters into operations, the Salto Santiago

plant's production will be used to meet electric power demand in Southern Brazil.

The total cost of the project is estimated at $684.5 million, of which the Bank will cover 9 per cent, local sources 77 per cent and bilateral financing the remaining 14 per cent.

Paulo Afonso-Camaçari Transmission Lines

Ordinary Capital Resources
$35 million 15-year 8% loan of Nov. 25, 1975
Borrower: COMPANHIA HIDRO ELÉTRICA DO SÃO FRANCISCO

In 1972 the Inter-American Bank extended three loans totaling $57.2 million to the *Companhia Hidro Elétrica do São Francisco (CHESF)* to help finance the fourth expansion program of the Paulo Afonso hydroelectric power plant on the São Francisco River in Brazil's Northeast.

That program called for the construction of the Moxotó dam and plant with four 110,000-kilowatt units, other physical works and a transmission system of 1,397 miles of 400 KV and 230 KV lines. The lines included a 400 KV line between Paulo Afonso and the Catú substation located near Salvador, 6 miles from Camaçari.

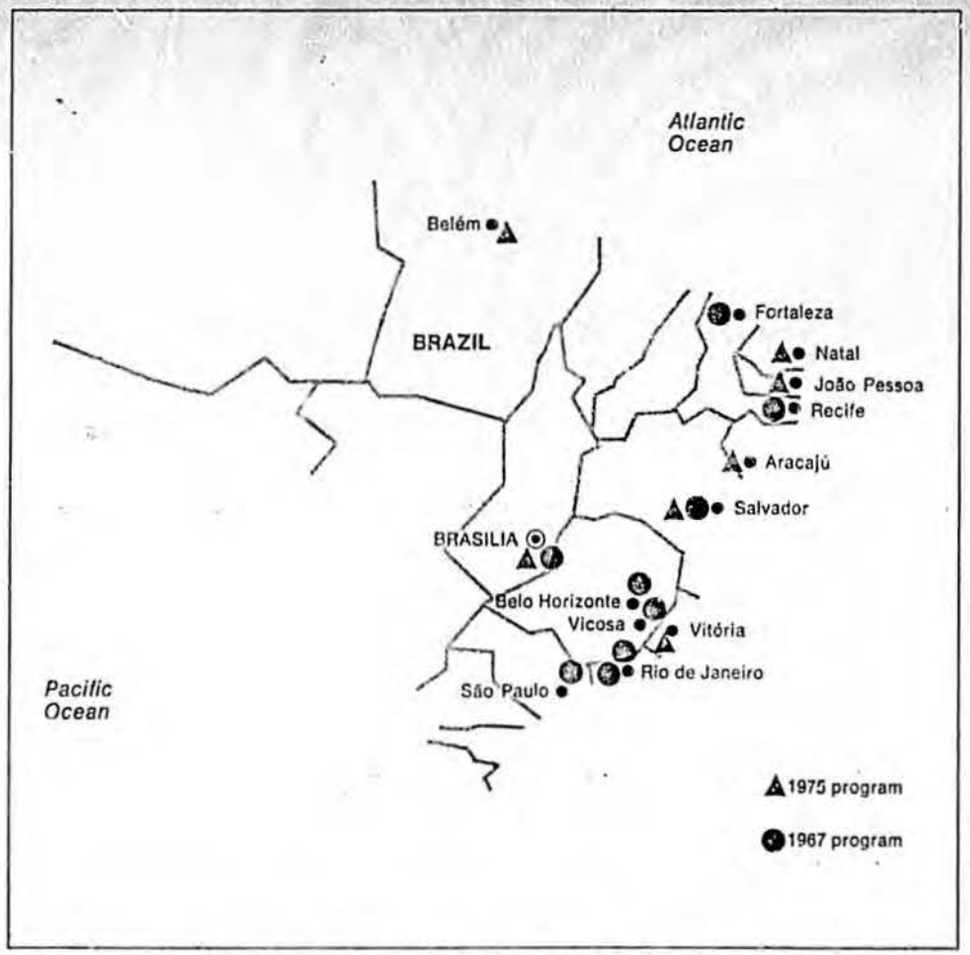
Subsequently, Brazil's national power agency, *ELETROBRAS*, adopted a line tension of 500 KV for its extra-high voltage transmission system. As a result, *CHESF*, reformulated its transmission system, including the Paulo Afonso-Camaçari line.

This loan will help *CHESF* to construct the new 500 KV single-circuit 234-mile line between the plant and the Camaçari substation. The total cost of the project is estimated at $67.9 million, of which the Bank loan will cover 51.5 per cent and *CHESF* the remaining 48.5 per cent.

Foz do Areia Power Plant

Ordinary Capital Resources
$74 million 20-year 8% loan of Dec. 11, 1975
Borrower: COMPANHIA PARANAENSE DE ENERGIA ELETRICA

This loan will help the *Companhia Paranaense de Energia Elétrica (COPEL)*, the electric power company of the State of Paraná, to finance the construction of a 1,125,000-kilowatt hydroelectric power plant at Foz do Areia on the Iguazú River in Southeastern Brazil 150 miles from Curitiba.



TRIANGLES AND CIRCLES mark location of universities undergoing major reforms as Government of Brazil improves the quality and effectiveness of higher education throughout the country. Bank loans approved in 1967 and 1975 are helping to carry out the reform program which was made compulsory throughout the country in 1968.

The project entails the construction of a dam, three tunnels and a spillway; a hydroelectric plant, including an intake channel, intake structure, six power tunnels, a powerhouse and a tailrace channel; installation of three 375,000-kilowatt turbogenerator sets, and construction of a 500 KV step-up substation.

Execution of the project will increase the installed hydroelectric production capacity in Paraná about four times—from 431,700 kilowatts to an estimated 1,556,700.

The total cost of the project is estimated at $666.5 million, of which the Bank loan will cover 11.1 per cent; *Centrais Elétricas Brasileiras S.A. (ELETROBRAS)*, Brazil's national power company, 42.6 per cent; *COPEL*, 9.5 per cent; the State of Paraná, 25.6 per cent; bilateral credits, 3.3 per cent, and other local sources the remaining 7.9 per cent.

University Expansion

Ordinary Capital Resources
$20 million 30-year 8% loan of Dec. 10, 1975
Fund for Special Operations
$30 million 30-year 3% loan of Dec. 18, 1975
($30 million in cruzeiros)
Borrower: FEDERAL REPUBLIC OF BRAZIL

In 1968 the Government of Brazil embarked on a program to reform all federal universities. Measures to implement the reform are already under way at the seven universities—Bahia, Brasilia, Espirito Santo, Pará, Paraiba, Rio Grande do Norte and Sergipe—which are the beneficiaries of these two loans. In 1974, these universities had a student body of about 53,000, a figure which is expected to grow at a rate of 12 per cent annually, reaching 92,000 by 1979.

The loans will be used by the *Programa*

de Expansäo e Melhoramento das Instalações do Ensino Superior (PREMESU), an agency of the Ministry of Education and Culture, to impro e the quality and effectiveness of higher education in the seven universities.

The program includes the expansion of university faculties; the training of faculty members through fellowships to help raise the universities' technical instruction and research, and the contracting of consultants to improve teaching and research methods and financial administration, control and planning practices. Similarly, the program entails the acquisition of specialized teaching and research instruments and equipment, office furnishings, supplies, books and publications, as well as the construction of buildings for classrooms, laboratories, administration and general services.

The total cost of the program is estimated at $150 million, of which the Bank will cover 33.3 per cent and local sources the remaining 66.7 per cent.

EXPORT FINANCING

During 1975 previous lines of credit extended to Brazil to finance exports of capital goods were increased through repayments by $6.5 million. This activity is described further on in the Report under the heading "Export Financing."

CHILE

LOANS

Industrial Development

Ordinary Capital Resources
$10 million 20-year 8% loan of March 13, 1975
Borrower: CORPORACION DE FOMENTO DE LA PRODUCCION

During the 1971-73 period, industrial production in Chile fell, partly as a result of a curtailment of investments for normal maintenance of equipment due to the shortage of foreign exchange and partly to the difficult financial position in which many of the companies found themselves. As a result, industrial plants deteriorated seriously, with intermediate industry being more seriously affected than small industry.

In order to improve the situation, the *Corporación de Fomento de la Producción (CORFO)*, Chile's economic development agency, is carrying out an industrial development and rehabilitation program through credits to medium- and large-scale industrial enterprises.

This loan will help *CORFO* carry out the program. It will be relent for the expansion, modernization and diversification of existing plants or the installation of new ones. The project's implementation will aim at streamlining Chile's manufacturing industry and at fostering full utilization of installed capacity for industrial production.

The total cost of the project is estimated at $18 million, of which the Bank will cover 55.6 per cent and *CORFO* the remaining 44.4 per cent.

Expansion of Telecommunications

Ordinary Capital Resources
$35.5 million 20-year 8% loan of June 19, 1975
Borrower: EMPRESA NACIONAL DE TELECOMUNICACIONES, S.A.

In 1967 the Inter-American Bank extended two loans totaling $7.3 million to the *Empresa Nacional de Telecomunicaciones, S.A. (ENTEL)*, Chile's telecommunications agency, to carry out the first stage of a National Telecommunications Plan.

This loan will enable *ENTEL* to carry out the second stage of the plan and thereby meet the long distance telephone needs of an estimated 690,000 subscribers throughout Chile by 1981. The total cost of this stage is estimated at $67.3 million, of which the Bank loan will cover 52.7 per cent and *ENTEL* the remaining 47.3 per cent.

The project will include the following works:

- The construction and installation of approximately 6,100 voice channels to increase the carrying capacity among 58 cities and to establish international traffic with Peru and Bolivia and other countries; radio channels to increase the capacity of the microwave systems between Santiago and Arica and between Santiago and Concepción; radio switching equipment for the Temuco and Puerto Montt microwave system, and the expansion of microwave radio channel capacity between Santiago and Rancagua from 300 to 960.
- The improvement of the quality of transmission of the Santiago-Arica route through the installation of new equipment.
- The extension of the microwave trunk system from Castro on the island of Chiloé to the Aysén region in southern Chile and from Puntarenas northward to Puerto Natales.
- The interconnection of the Magallanes and Tierra del Fuego region with the rest of the country by means of the Puntarenas-Santiago Satellite System, including the construction of an earth satellite station in Puntarenas and another in Longovilo, site of the central satellite station for Chile's international service.

Urban Development

Fund for Special Operations
$25.2 million 30-year 2% loan of Dec. 11, 1975
($15.2 million and $10 million in Chilean pesos)
Borrower: REPUBLIC OF CHILE

According to a study of Chile's National Planning Office, some 432,000 houses in Chile can be considered inadequate for family living. Of that number 61.8 per cent are located in urban areas—nearly half in slums in the cities of Santiago and Concepción—and the remaining 38.2 per cent in rural areas.

Housing conditions suffer from an inadequate urban infrastructure resulting from accelerated growth of urban centers, urban decay in downtown areas, slums which ring the cities and inadequate social services and community facilities.

This loan will help the nation's housing ministry, the *Ministerio de la Vivienda y Urbanismo (MINVU)*, to improve the living conditions of about 16,300 low-income families in 17 marginal urban communities in Santiago and Concepción. In so doing, *MINVU* will ameliorate the urban infrastructure and social and community services for existing housing and units to be built in the future.

Specifically, the program entails the installation of water, sewage and storm sewer facilities for 12,000 lots; the installation of public lighting for 9,700 lots; the paving of streets serving 14,500 lots; and the construction of schools for 10,900 families, of kindergartens for 15,500 families, of shopping centers serving

14,800 families and food-supply centers for 10,000 families.

The total cost of the program is estimated at $45.8 million, of which the Bank loan will cover 55 per cent and local sources the remaining 45 per cent.

TECHNICAL COOPERATION

Improvement of Technical Education

Social Progress Trust Fund (Special Program for Project Preparation)
$60,000 contingent repayment cooperation of Oct. 16, 1975

Beneficiary: OFICINA DE PLANIFICACION NACIONAL

This technical cooperation will help the *Oficina de Planificación Nacional (ODEPLAN)*, Chile's planning agency, to create a nationwide program to expand and improve its technical education and professional training.

ODEPLAN will contract consultants to identify the nation's requirements for trained manpower and to draft the program, including the elaboration of the necessary technical, economic and financial feasibility studies, so that it will meet the financing standards of international agencies.

The program will be designed to help train youths and adults, now outside the labor market due to a lack of qualifications for agricultural, industrial and service jobs. It would also improve the teaching and training systems needed to supply technical manpower for Chile's development plans.

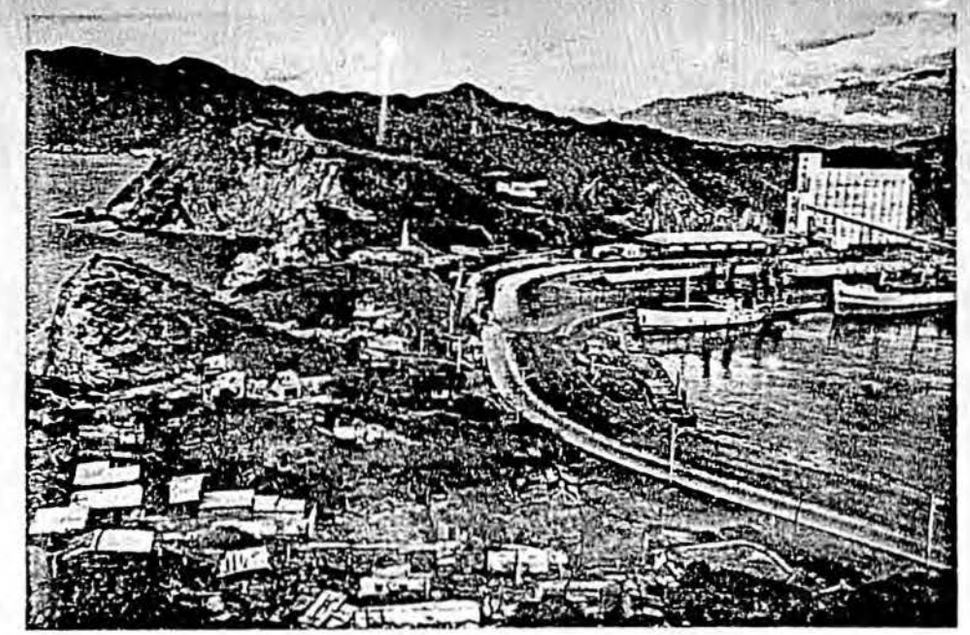
Project Training Program

Social Progress Trust Fund
$[illegible] nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: OFICINA DE PLANIFICACION NACIONAL

[illegible] the main objectives of the Government of Chile is the preparation of technical personnel to improve the [illegible] system and the generation of [illegible] projects designed to stimulate the economic and social develop-

[illegible] technical cooperation will help the planning office, the *Oficina de [illegible] Nacional (ODEPLAN)*, to [illegible] planning program for its technical [illegible] those of other national agencies [illegible] project preparation and evaluation



LAND AND MARITIME TRANSPORTATION have been among important concerns of Inter-American Bank's lending to Colombia. A number of key highway sections in the principal north-south highways are being improved with help of loans approved in 1975 and previously. Other loans helped expand Port of Santa Marta (photo) and build grain elevators.

COLOMBIA

LOANS

Industrial Credit

Ordinary Capital Resources
$30 million 17-year 8% loan of Dec. 18, 1975
Borrower: BANCO DE LA REPUBLICA

Manufacturing, which contributes about one-fifth of Colombia's gross domestic product, is undergoing rapid growth. Between 1967 and 1974, industrial output grew by 9 to 10 per cent annually and exports of manufactured goods rose from an insignificant level in 1967 to $380 million in 1974—an expansion characterized by a broad diversification of goods and geographical destination.

Over the years, industry in Colombia has relied increasingly on domestic development banks for credit resources needed for expansion. These banks, in turn, have obtained financial support from abroad, particularly from the World Bank, which since 1966 has provided $162.5 million in loans channeled through the *Banco de la República*, to take care of long-term financing for industrial development through private financial corporations.

This loan supplements another for $80 million being provided by the World Bank in giving renewed support for the *Banco de la República* to channel additional financing to industry. Special treatment will be given under the program to projects which expand and diversify exports, bring about greater industrial efficiency or help decentralize industry.

The *Banco de la República* will channel the resources through the private finance corporations, located in different parts of the country, which will relend the proceeds to import machinery, equipment and materials for projects in industry, mining, construction and tourism.

Priority will be given under the program to projects fostering exports and to those located outside the traditional industrial centers of Bogotá, Medellín and Cali.

The total cost is estimated at $60 million, of which the Bank will cover 50 per cent and local sources the remaining 50 per cent.

National Highways

Ordinary Capital Resources
$11 million 20-year 8% loan of Dec. 18, 1975
($7.9 million and $3.1 million in Colombian pesos)

Fund for Special Operations
$34.8 million 30-year 2% loan of Dec. 18, 1975
($23.55 million and $11.25 million in Colombian pesos)

Borrower: REPUBLIC OF COLOMBIA

Mountainous topography, the location of its principal economic centers and the distribution of its population have led to the development of two major transportation corriders in Colombia. Both run roughly north-south and follow the Magdalena and Cauca Valleys.

To strengthen this transportation network, the *Ministerio de Obras Públicas (MOP)*, the nation's public works ministry, has been carrying out a broad road construction and improvement program.

These two loans will help *MOP* carry out the program, which includes a 12.5-mile interconnection of the Caribbean Trunk Highway and the Barranquilla Bridge; a 14-mile second lane in the Cali-Palmira Highway; improvements along 142 miles of the San Roque-Bosconia-Fundación Road, on the 40-mile Villavicencio-Puerto López Road, the 55-mile Guadalupe-Florencia Road and the 43-mile Puerto Rico-San Vicente del Caguán Highway.

Execution of the project will open up several isolated areas which have a good agricultural potential, will improve road transportation conditions in important sectors of the network and will ease traffic congestion in suburban areas.

The total cost of the project is estimated at $91.6 million, of which the Bank will cover 50 per cent and local sources the remaining 50 per cent.

COSTA RICA

LOANS

Cooperative and Industrial Fisheries

Fund for Special Operations
$10 million 30-year 2% loan of April 30, 1975

Venezuelan Trust Fund
$3.6 million 20-year 8% loan of April 30, 1975
($2,880,000 and 3,096,000 bolivars)

Borrower: BANCO ANGLO COSTARRICENSE

Costa Rica is engaged in a program to improve and develop fisheries in its northwest Pacific region in order to increase domestic consumption of fish and expand its exports.

These two loans will help the *Banco Anglo-Costarricense (BAC)*, through its Fisheries Program Executing Unit, and with the participation of a fishery cooperative and two public agencies, to accomplish this objective by carrying out two subprograms which provide for:

- The acquisition by the Fishermen's Cooperative of Puntarenas of 50 small boats and a support ship for coastal water fishing to catch fish for domestic consumption, the construction of port facilities at Puntarenas by the *Instituto Costarricense del Pacífico*, the construction of a terminal building and installation of equipment, and the acquisition of sales vehicles, freezers and related marketing equipment by the *Consejo Nacional de Producción*. This subprogram, which will benefit members of fishery cooperatives and other fishermen of modest means, as well as poor consumer groups, is being financed from the Fund for Special Operations loan.
- The provision of credits for the purchase of five *langostino* trawlers, for replacement shrimp boats and five coastal fishery vessels; freezing and other equipment for a processing plant, and freezers and related equipment for supermarkets, retail stores and wholesalers. This program is being financed with the Venezuelan Trust Fund loan—the very first one granted from that Fund.

The total cost of the project is estimated at $19.4 million, of which the two Bank loans will cover 70 per cent and local sources the remaining 30 per cent.

Industrial Development

Ordinary Capital Resources
$5 million 20-year 8% loan of Dec. 11, 1975

Fund for Special Operations
$3 million 20-year 2% loan of Dec. 11, 1975

Borrower: BANCO DE COSTA RICA

Costa Rican industry is characterized by a preponderance of small-scale manufacturing companies with low investment levels. Industry is also heavily dependent on imported inputs, which exert pressure on the nation's balance of payments. In 197[illegible] there were 3,366 manufacturing firms in the nation, of which 82 per cent were

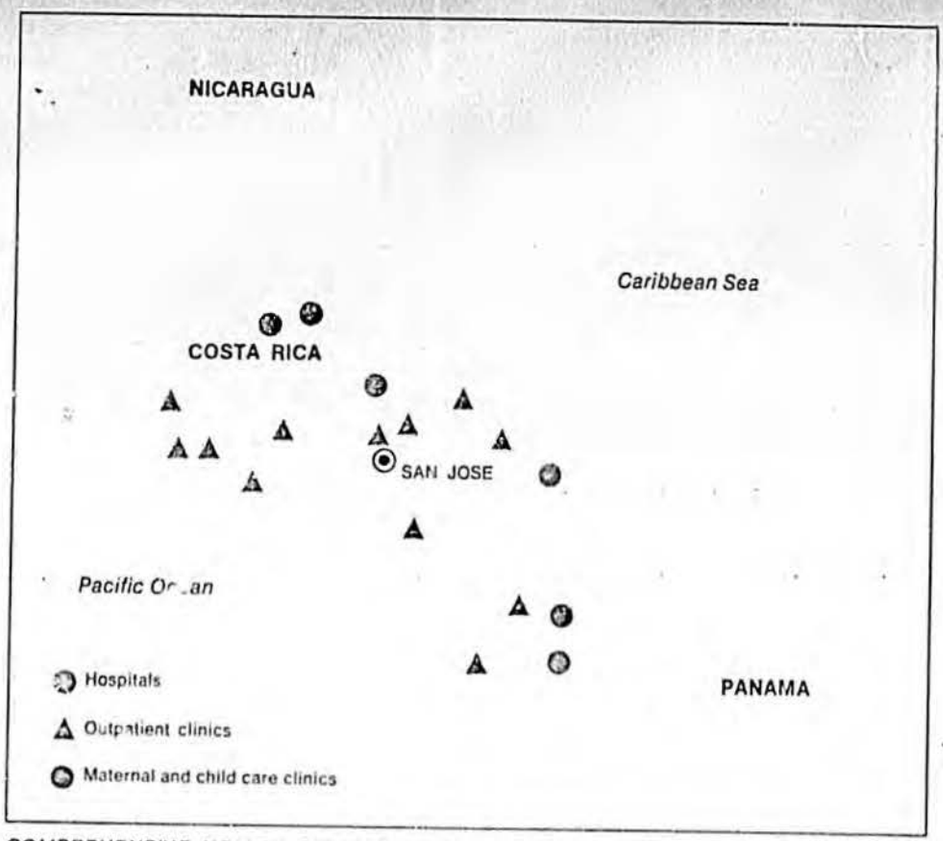
craft and small industries, each employing fewer than 20 workers.

Within its National Development Plan, the Government of Costa Rica has assigned high priority to measures designed to support the further growth of private small- and medium-scale industries.

This loan will help the *Banco de Costa Rica (BCR)* to carry out that objective. *BCR* will use the loan resources to grant credits to small and medium manufacturers for projects which will ensure the maximum utilization of natural resources, increase employment through the development of labor-intensive industries and improve the productive structure of industries with a view to replacing imports and increasing exports of industrial goods.

The proceeds of the loans will be used to finance external costs involved in the acquisition of machinery, equipment and tools and the installation of industrial plants. The program is expected to provide credits for about 100 projects, create about 2,000 jobs and generate production of goods valued at about $24 million.

The total cost of the program is estimated at $12 million, of which the two Bank loans will cover 66.7 per cent and the *BCR* the remaining 33.3 per cent.



COMPREHENSIVE HEALTH SERVICES will be provided in key communities of Costa Rica with the help of a program partially financed with a $20 million loan extended to that nation by the Bank in 1975. The program calls for the construction of three hospitals, three maternal and child clinics and 12 out-patient clinics.

National Health Services

Fund for Special Operations
$20 million 35-year 2% loan of Sept. 18, 1975
($15 million and $5 million in Costa Rican colons)
Borrower: REPUBLIC OF COSTA RICA

Costa Rican law provides for the extension of comprehensive health services throughout the country. However, health facilities have tended to be concentrated in rural urban areas and there is a shortage of outpatient services in rural zones. To improve this situation, the *Caja Costarricense de Seguro Social (CCSS)*, the nation's social security agency, has embarked on a program to establish a regional system of medical care, preventive and curative, and of maternal and child health.

The loan will help *CCSS* to build three hospitals, three maternal and child care clinics, 12 new outpatient clinics in rural areas and provide medical and surgical equipment to the new facilities.

The three hospitals, with a total capacity of 460 beds, will be located at Quezada in Alajuela Province, Puerto Limón in Limón Province and Villa Neily in Southern Puntarenas Province. The maternal and child care clinics, which would have a total of 49 beds, would be located in Upala and Los Chiles, Alajuela Province, and in San Vito de Java in Puntarenas Province. The outpatient clinics would be located in various regions outside the central zone, primarily in Guanacaste and Puntarenas Provinces.

The total cost of the project is estimated at $28 million, of which the Bank will cover 71.4 per cent and the Costa Rican Government the remaining 28.6 per cent.

TECHNICAL COOPERATION

Institutional Support

Fund for Special Operations
$284,000 nonreimbursable cooperation of April 30, 1975

Beneficiaries: COOPERATIVA PESQUERA DE PUNTARENAS, CONSEJO NACIONAL DE PRODUCCION and INSTITUTO NACIONAL DE APRENDIZAJE

Three institutions, in addition to the borrower, the *Banco Anglo-Costarricense (BAC)*, are cooperating in carrying out the fisheries expansion program which the Inter-American Bank is helping to finance with the aid of the two previously described loans totaling $13.6 million.

This technical cooperation will provide institutional support for the following agencies: the *Cooperativa Pesquera de Puntarenas*, a fishermen's cooperative; the *Instituto Nacional de Aprendizaje*, which is in charge of the port construction, the *Consejo Nacional de Producción*, which is in charge of providing marketing facilities for the project, and *BAC*'s Fishing Program Executing Unit.

The cooperation will be used to help organize the fleet operations and the organization and administration of the cooperative, as well as establish an administrative framework for the Fishery Terminal in Puntarenas, to provide advice in promoting fish consumption and marketing fish products and to prepare technical specifications for the fishing boats to be financed within the program.

Support for Health Services

Fund for Special Operations
$284,610 nonreimbursable cooperation of Sept. 18, 1975

Beneficiary: CAJA COSTARRICENSE DE SEGURO SOCIAL

This technical cooperation, extended in conjunction with the $20 million loan authorized from the Fund for Special Operations for the improvement of Costa Rica's national health services, will provide consulting services to the executing agency, the *Caja Costarricense de Seguro Social (CCSS)*.

The social security agency will utilize the cooperation to improve its administrative and accounting procedures, to institute modern hospital administration systems and to train staff members in modern financial management techniques.

Geothermal Energy Studies

Fund for Special Operations
$500,000 contingent repayment cooperation of Nov. 13, 1975

Beneficiary: INSTITUTO COSTARRICENSE DE ELECTRICIDAD

Costa Rica has a hydroelectric potential estimated at 4 million kilowatts but a lack of suitable sites for reservoirs and a scarcity of fossil fuels are leading the nation to seek alternative sources of energy, including those based on its natural steam resources.

This technical cooperation will help the *Instituto Costarricense de Electricidad (ICE)*, the nation's power agency, to finance a study of possible geothermal sources of energy. *ICE* will contract a consulting firm to evaluate such possibilities at Las Pailas and Las Hormillas in Guanacaste Province.

Exploitation of that resource for electric energy is expected to reduce Costa Rica's dependence on imported petroleum-based fuels, thus exerting a favorable effect on its balance of payments.

Irrigation Project Designs

Social Progress Trust Fund (Special Program for Project Preparation)
$400,000 contingent repayment cooperation of Dec. 11, 1975

Beneficiary: REPUBLIC OF COSTA RICA

Guanacaste Province is one of Costa Rica's most important agricultural regions and has great potential for future farm development. Within the Province, the Tempisque River basin and watershed shows the most promise for intensive cultivation, particularly through the use of irrigation.

Irrigation programs in the region are now becoming feasible, thanks to the construction of the Arenal Hydroelectric Project being built with the help of an Inter-American Bank loan for $50.5 million extended to Costa Rica in 1974.

This technical cooperation will enable the *Servicio Nacional de Electricidad*, the executing entity and the nation's power agency, to contract a consulting firm to prepare the final designs, technical specifications and execution budgets for three irrigation projects in the Guanacaste region. In addition, the consultants will provide all the technical and economic documentation required to submit an application to an international lending agency for the construction of the irrigation projects.

DOMINICAN REPUBLIC

LOANS

Haina Port Expansion

Fund for Special Operations
$35.5 million 40-year loan of May 14, 1975
($32.47 million and $3.03 million in Dominican pesos)
Interest: 1% for 10 years, 2% thereafter
Borrower: DOMINICAN REPUBLIC

The metropolitan area of Santo Domingo, capital of the Dominican Republic, is served by the three ports of Andrés, Santo Domingo and Haina, which together handle approximately 50 per cent of the value of the country's imports and nearly 45 per cent of its exports. Santo Domingo is the nation's leading port for imports and Haina is the main port for bulk cargo and exports.

Under current plans the Dominican Republic hopes to make Puerto Haina the nation's most important port, retain Santo Domingo as the main tourist port and maintain the limited operations now handled by Andrés.

This loan will help the *Secretaría de Estado de Obras Públicas y Comunicaciones (SEOPC)* to accomplish this end by carrying out a project to expand and modernize the port of Haina, located nine miles west of Santo Domingo. The expansion program will enable the port to handle 1,350,000 metric tons of general cargo per year by 1980, compared to an estimated 460,000 tons in 1973.

The project will include the repair of two existing breakwaters and the removal of the eastern part of the existing breakwater to enlarge the harbor entrance channel; the construction of a new slip and the dredging of ship channels to a depth of 35 feet; the construction of five wharves with a total length of approximately 4,330 feet and the improvement of an existing pier; the construction of works to protect the channel and river banks; the installation of navigation aids; the construction of building facilities and a bridge across the Haina River, and the installation of utility and other services.

The total cost of the project is estimated at $47,780,000, of which the Bank loan will cover 74.3 per cent and the Dominican Republic the remaining 25.7 per cent.

TECHNICAL COOPERATION

Transportation Study

Canadian Project Preparation Fund
Can$477,500 nonreimbursable cooperation of July 3, 1975

Beneficiary: SECRETARIA DE ESTADO DE OBRAS PUBLICAS Y COMUNICACIONES

The Dominican Republic relies for its transportation mainly on an extensive road network, several ports, an international airport and one public and several private railways. The highway network has rapidly deteriorated due to a lack of maintenance and port-handling productivity has declined. In addition, the nation lacks an overall transport sector policy.

This technical cooperation will be used by the *Secretaría de Estado de Obras Públicas y Comunicaciones (SEOPC)*, the nation's public works and transportation agency, to seek to remedy the situation. It will be used to prepare a study to strengthen the organization and administrative structure of the planning system and of the fiscal policy for the sector and to design a mechanism for the subsequent

preparation of a master transportation plan for the nation.

ECUADOR

LOANS

Industrial and Crafts Development

Ordinary Capital Resources
$1.5 million 15-year 8% loan of June 26, 1975

Fund for Special Operations
$1.5 million 40-year loan of June 26, 1975
Interest: 1% for 10 years, 2% thereafter

Borrower: BANCO NACIONAL DE FOMENTO

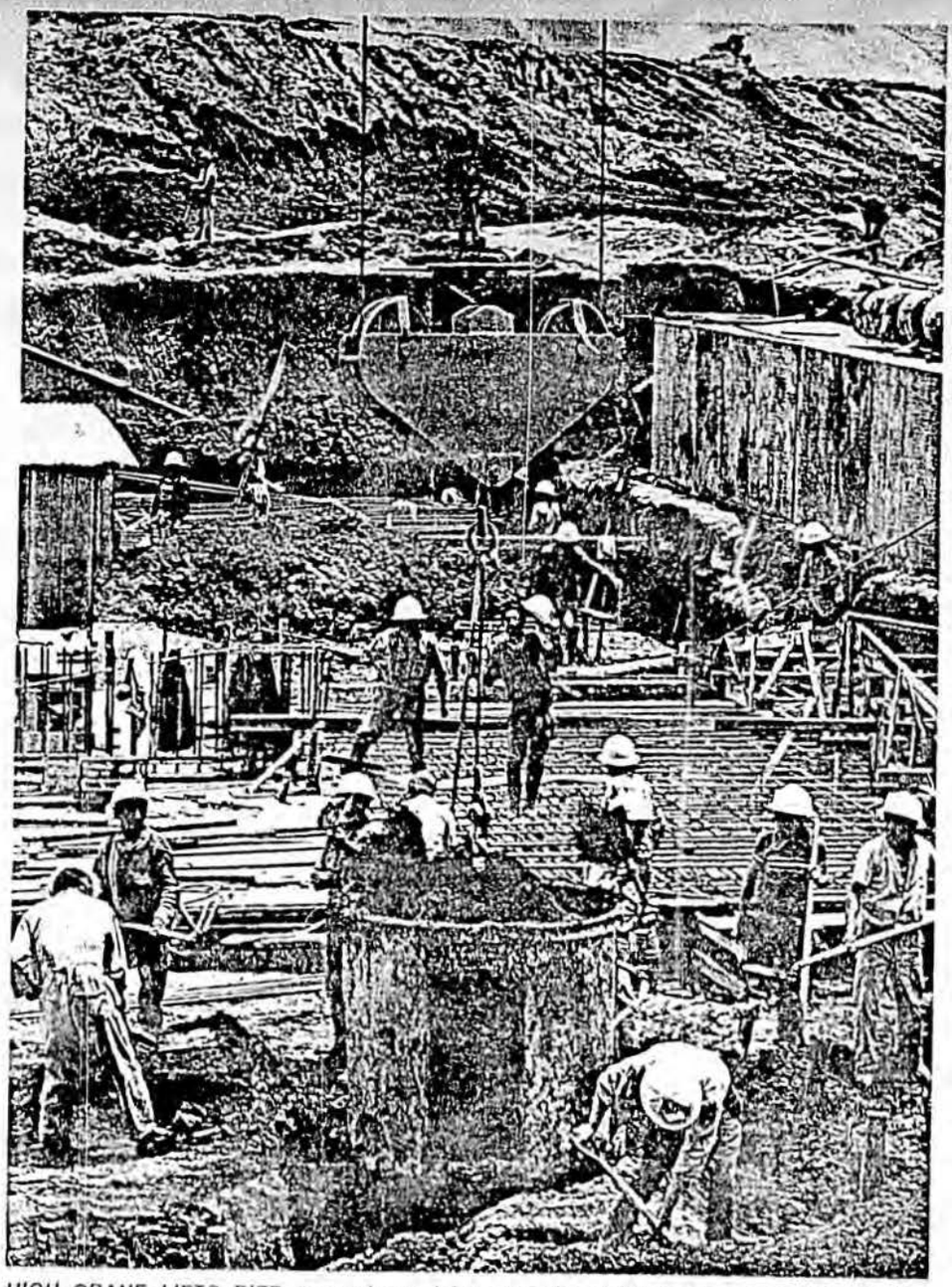
The manufacturing industry has been the most dynamic sector in Ecuador's economy over the past nine years. The factory sector dominates manufacturing output. Small industry and crafts use less machinery but generate a significant portion of the value of manufacturing and provide significant employment, particularly on a seasonal or occasional basis.

The Government has attached high priority to a program being carried out by the *Banco Nacional de Fomento (BNF)*, the nation's development bank, to increase the contribution of these manufacturing subsectors to the national product by providing credits for establishing, expanding and improving projects in crafts and small industry.

BNF's program is divided into two parts: Subprogram A, under which some 800 loans will be granted to craftsmen or cooperatives of craftsmen whose net fixed assets do not exceed $20,000 and $80,000 respectively, and Subprogram B, under which about 200 loans will be extended to small industrial entrepreneurs or cooperatives whose net fixed assets are less than $60,000 and $200,000 respectively.

Execution of the program is expected to increase the value of Ecuadoran production by $42.3 million at the end of five years and to create employment for about 2,500 persons. It will also promote development of the nation's less-developed regions since about 40 per cent of program funds will be earmarked for such areas.

The total cost of the project is estimated at $[illegible] million, of which the Bank will finance 40 per cent and *BNF* the remaining [illegible] per cent.



HIGH CRANE LIFTS DIRT as workmen labor to build water treatment plant for Quito, Ecuador. The Inter-American Bank provided financing to improve the city's water system to supply its needs through 1994. An earlier loan authorized by the Bank improved the city's sewage system.

Industrial Credit

Venezuelan Trust Fund
$17 million 15-year 8% loan of Sept. 18, 1975

Borrower: COMISION DE VALORES-CORPORACION FINANCIERA NACIONAL

Although in an initial stage of development, industry in Ecuador grew dynamically during the last decade, accounting for 14 per cent of the gross domestic product in 1974. Exports of industrial goods rose from 14 to 17 per cent of total shipments—excluding petroleum—during the 1971-73 period, compared to 6.8 per cent in 1961.

To maintain and expand this growth, the *Comisión de Valores-Corporación Financiera Nacional (CV-CFN)*, Ecuador's national development agency, will use this loan for a credit program designed to foster the establishment, expansion and improvement of manufacturing companies having fixed assets in machinery and equipment valued at more than $60,000 each.

A minimum of 30 per cent of the pro-

gram's resources will finance agro-industrial projects designed to increase food production and help establish new markets for primary products. A total of 40 per cent will finance projects located outside Quito and Guayaquil, the nation's main urban areas, thus encouraging decentralization of industry, and at least 15 per cent will help finance new enterprises.

Execution of the project will help meet the industrial sector's growing demand for credit, estimated at more than $65 million during the 1976-80 period. The program should also increase the gross value of the industrial production by $45 million, generate $12 million in value added, create 2,300 new jobs and utilize annually $14 million of the nation's raw materials in production.

The total cost of the program is estimated at $30 million, of which the Bank will cover 56.7 per cent and *CV-CFN* the remaining 43.3 per cent.

Selva Alegre Cement Plant

Venezuelan Trust Fund
$12.6 million 20-year 8% loan of Nov. 20, 1975
($10,080,000 and 10,836,000 bolivars)
Borrower: REPUBLIC OF ECUADOR

Spurred by recent rapid economic expansion Ecuador's demand for cement has outstripped local output. As a consequence, 191,000 of the 755,000 tons of cement consumed in 1974 were imported.

Accordingly, the Government of Ecuador places high priority on developing the cement industry. This loan will enable the *Compañia de Economia Mixta Cementos Selva Alegre*, a mixed economy enterprise, to help meet demand by installing a cement plant with an annual capacity of 340,000 metric tons in Otavalo, 60 miles from Quito. Execution of the project will generate about 265 new jobs, stimulate the region's industrialization and help reduce cement imports substantially.

Specifically, the project includes preparation of the plant site; construction of the plant; preparation of the quarry site; purchase of equipment needed for production, and provision of the technical cooperation required to strengthen the company's administrative and accounting procedures and train technical and professional personnel.

The total cost of the project is estimated at $56 million, of which the Bank loan will cover 22.5 per cent, the Export Development Corporation of Canada and Canadian commercial banks 48.2 per cent, and local sources the remaining 29.3 per cent.

Highway Construction

Ordinary Capital Resources
$11.1 million 20-year 8% loan of July 31, 1975
Borrower: REPUBLIC OF ECUADOR

Highway transportation in Ecuador has achieved a significant level of development. The country has some 14,000 miles of highways and roads. However, the southern provinces of Laja and Zamora-Chinchipe have not shared in this development and have poor communications with the rest of the country.

The provinces—which comprise 12 per cent of the nation's territory and contain some 600,000 inhabitants—are predominantly agricultural but because of their isolation have a low level of economic development. To improve this situation, the Ministry of Public Works and Communications has drafted a plan to provide the two provinces with improved roads to Ecuador's principal markets.

This loan will aid the Ministry to carry out its objective by helping to finance the construction of an alternate 21-mile route between Loja and La Toma, the improvement of about 25 miles of the La Toma-Las Chinchas-Velacruz road, and the paving of 71 miles of the Velacruz-Saracay highway. Completion of the project will cut travel time between Loja and Guayaquil in half.

The total cost of the project is estimated at $20 million, of which the Bank will cover 55.5 per cent and the Republic of Ecuador the remaining 44.5 per cent.

TECHNICAL COOPERATION

Jubones River Study

Social Progress Trust Fund (Special Program for Project Preparation)
$760,000 contingent repayment cooperation of Jan. 9, 1975
Beneficiary: INSTITUTO ECUATORIANO DE ELECTRIFICACION

Ecuador's El Oro Province contains a rich agricultural area which is subject to periodic flooding. Its 106,210 acres of cultivated land produce 44 per cent of Ecuador's banana exports. In addition, there are 44,460 acres of uncultivated land in the Province. If the Jubones River were to be regulated such flooding would be controlled, erosion would be prevented and water for irrigation in dry spells would be available.

This technical cooperation will enable the *Instituto Ecuatoriano de Electrificación (INECEL)* to carry out a feasibility study for the multiple resource development of the Jubones River. It will be used to contract consultants to compile, review, analyze and update all existing studies prepared on the water resources project.

An analysis will also be made of the technical, financial and economic alternatives for building flood control, irrigation and hydroelectric generating facilities on the river, and the corresponding preliminary designs will be carried out.

Urban Development

Social Progress Trust Fund (Special Program for Project Preparation)
$460,000 contingent repayment cooperation of Feb. 28, 1975
Beneficiary: MUNICIPALITY OF GUAYAQUIL

The *Suburbio* area of Guayaquil, Ecuador's principal port and largest city, consists of an agglomeration of spontaneous settlements—detached from the economic and social structure of the city—which account for 40 per cent of the city's population. This slum area lacks adequate urban infrastructure services and is burdened by social problems.

To remedy this situation, the Municipality of Guayaquil has embarked on a program to prepare feasibility studies and final designs, as well as institutional support, for an urban investment program in the area. This technical cooperation will support that program. It will be used to help determine the magnitude and priorities of an infrastructure program in the region. In addition, an evaluation of the capabilities of several agencies which will be responsible for the project's implementation will be made.

Technical-Vocational Education

Social Progress Trust Fund
$92,000 contingent repayment cooperation of Dec. 18, 1975
Beneficiary: MINISTRY OF EDUCATION

Within its 1973-77 National Economic

and Social Development Plan, the Government of Ecuador has assigned high priority to efforts to improve its technical-vocational education in order to ensure that young people entering the labor force do so with marketable skills.

This technical cooperation will enable the nation's Ministry of Education to hire a consulting firm to undertake a feasibility study of a vocational-education investment project.

Improvement of Farm Marketing

Fund for Special Operations
$75,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: EMPRESA NACIONAL DE ALMACENAMIENTO Y COMERCIALIZACION DE PRODUCTOS AGROPECUARIOS

An inadequate marketing system adversely affects Ecuador's agricultural sector and its economy. The nation's 1973-77 national development plan stresses the urgency of taking measures to change this and strengthen marketing systems. This technical cooperation will help the *Empresa Nacional de Almacenamiento y Comercialización de Productos Agropecuarios (ENAC)*, an agency of the nation's Ministry of Agriculture charged with fostering farm marketing, to achieve these aims.

It will be used to examine Ecuador's agricultural marketing mechanisms with a view to making recommendations on how to improve them, as well as to draft training programs for *ENAC* specialists. Similarly, the assistance will enable *ENAC* to assess its administrative and organizational efficiency and to evaluate the medium- and long-term technical cooperation needs of the nation's agricultural marketing system.

EL SALVADOR

LOANS

San Salvador Water System

Fund for Special Operations
$15 million 40-year loan of Feb. 13, 1975
($10.6 million and $4.4 million in Salvadoran colons)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF EL SALVADOR

A shortage of water in San Salvador has adversely affected the city's residents, hampered industrial development and curbed efforts to improve sanitary conditions in marginal areas. Currently, only half the city's homes have in-house water and in some parts water is being rationed.

To improve this situation, the *Administración Nacional de Acueductos y Alcantarillados (ANDA)*, the nation's water and sewage agency, is carrying out a project designed to meet the water requirements of metropolitan San Salvador through 1980. This loan supplements and replaces an $18.4 million loan approved in 1974 to help carry out the project. The higher amount is required because of escalating costs.

The project will enable *ANDA* to double the water supply of San Salvador and eliminate leaks in the distribution network which has reduced service capacity by about 30 per cent. It includes the construction of a treatment plant and repumping station; the installation of a 16-mile pressure line; the construction of storage tanks; the expansion or improvement of the distribution network; the installation of meters and house connections, and the carrying out of hydrogeological studies.

The total cost of the project is estimated at $50.4 million, of which the Bank will cover 59.5 per cent and the Government of El Salvador the remaining 40.5 per cent.

WOMEN AND CHILDREN PATIENTLY WAIT their turn at this health clinic located at Coatepeque in El Salvador. A Bank loan of $15 million helped the nation's Ministry of Public Health and Social Welfare to improve health services, including this facility, throughout the nation. Similar loans were made in 1975 in Costa Rica, Haiti and Honduras.

Expansion of Urban Streets

Fund for Special Operations
$13 million 40-year loan of Feb. 28, 1975
($10 million and $3 million in Salvadoran colons)
Interest: 1% for 10 years, 2% thereafter

Borrower: REPUBLIC OF EL SALVADOR

The city of San Salvador, the capital of El Salvador, plus ten surrounding suburbs, has a population of 700,000 and is the main business and industrial center of the country. A heavy inflow to the city from rural areas has placed an increasing burden on such urban services as transportation, water and housing.

Under its current five-year plan the nation hopes to improve the metropolitan area in two key aspects—the rehabilitation of marginal areas through programs in housing, water and public works and the solution of the acute traffic congestion in the central business district to check its deterioration and promote its renewal

To accomplish the latter objective, the *Dirección General de Urbanismo y Arquitectura (DUA)*, an agency of the Ministry of Public Works, has initiated a project to expand some of the city's key streets. Specifically, this loan will help *DUA* lengthen and widen approximately 9.8 miles of the city's streets, and acquire 97 pieces of equipment to maintain the streets and other major routes throughout the country.

The total cost of the project is estimated at $22.9 million, of which the Bank will cover 56.8 per cent and the Government of El Salvador the remaining 43.2 per cent.

TECHNICAL COOPERATION

Development of Small Industry

Fund for Special Operations
$310,000 nonreimbursable cooperation of Nov. 20, 1975

Beneficiary: CONSEJO NACIONAL DE PLANIFICACION Y COORDINACION ECONOMICA

Small industry plays an important role in El Salvador's economy and is about 20 per cent of its industrial production. Efficient development of such industry has been handicapped, however, by inadequate training of small businessmen; weak marketing mechanisms; raw material supply problems; lack of technical and managerial support services, and a scarcity of funds for machinery, equipment and working capital.

To overcome these problems, the *Consejo Nacional de Planificación y Coordinación Económica (CONAPLAN)*, the national planning and economic coordination council, will use this technical cooperation to contract consulting firms to prepare a development program for small industry, as well as to strengthen the institutional structure of the *Fondo de Financiamiento y Garantía para la Pequeña Empresa (FIGAPE)*, which provides financing for small-scale industry.

The program's purpose will be to examine the prospects for the medium-term development of El Salvador's small industry, set development policies and identify investment opportunities. Also, *FIGAPE*'s administrative, financial and accounting systems will be reviewed, a technical unit to handle credit applications will be established and an evaluation of the organization's policies and guidelines will be undertaken.

Highway Studies

Fund for Special Operations
$160,000 nonreimbursable cooperation of Feb. 28, 1975

Beneficiary: DIRECCION GENERAL DE URBANISMO Y ARQUITECTURA

This technical cooperation was extended to improve the technical capacity of the *Dirección General de Urbanismo y Arquitectura (DUA)* of the Ministry of Public Works in conjunction with the previously described $13 million loan extended to El Salvador to carry out a program to broaden the streets of San Salvador and improve the nation's road maintenance services.

The cooperation will provide advisory services to *DUA* for the preparation of a medium-term streets' plan for the city, the continuation of an urban transportation study, the evaluation of the most urgent transportation needs of other urban centers and the training of staff members to carry out traffic studies and economic analyses.

GUATEMALA

LOANS

Chixoy Hydroelectric Project

Ordinary Capital Resources
$10 million 25-year 8% loan of Dec. 18, 1975
Ordinary Capital Resources
$15 million 8-year line of credit of Dec. 18, 1975
Fund for Special Operations
$45 million 40-year loan of Dec. 18, 1975
Interest: 1% for 10 years, 2% thereafter
Venezuelan Trust Fund
$35 million 25-year 8% loan of Dec. 18, 1975
($30 million and 21.5 million bolivars)

Borrower: REPUBLIC OF GUATEMALA

In 1974 total installed electric power capacity in Guatemala was 225,000 kilowatts, of which hydroelectric facilities made up 45 per cent and steam, gas and diesel facilities the remaining 55 per cent.

To satisfy a maximum national demand projected at 514,000 kilowatts by 1985, the Government of Guatemala has drawn up a plan for the development of almost 500,000 kilowatts of installed electric power capacity over the next decade. The plan includes the construction of a 300,000-kilowatt hydroelectric plant on the Chixoy River, situated 50 miles northwest of Guatemala City.

These three loans and the line of credit —totaling $105 million and representing the largest single financing ever authorized by the Bank—will help finance the project. The resources will be used by the *Instituto Nacional de Electrificación (INDE)*, Guatemala's power agency, in carrying out the project which will not only help satisfy the country's growing demand for electric power, but will also provide surplus power to interchange with other Central American republics and will relieve the country's dependence on petroleum for the generation of electricity.

The project consists of the construction at Pueblo Viejo, located on the Chixoy River, of a rockfill dam, a spillway, and a power tunnel (or headrace) approximately 16 miles in length; a plant at Quixal with a powerhouse of 300,000 kilowatts capacity, and a transmission line approximately 75 miles in length from the power plant to Guatemala City.

The proceeds of the Bank's three loans and the line of credit will help finance the procurement of goods and services for construction of the power tunnel, as well as construction of the works.

The total cost of the project, which represents the first stage of the coordinated development of the Chixoy River Basin, is estimated at $340,874,000, of which the Bank loans will cover 30.8 per cent, local sources 38.2 per cent, the World Bank 19.1 per cent, parallel financing 10.4 per cent, and the Central American Bank for Economic Integration (CABEI) 1.5 per cent.

The $15 million supplementary renewable line of credit, channeled through the Bank's ordinary capital resources, was extended under the Bank's complementary financing technique. Participations were sold for the full amount of the line of credit to three commercial banks—the Bank of America NT&SA, the Bank of Nova Scotia and the National Bank of North America. The commercial banks will obtain the funds through the Eurocurrency market, and, accordingly, interest on the line of credit is to be adjusted

semi-annually based on rates in the London Inter-Bank Offered Rate (LIBOR).

Rural Water Systems

Fund for Special Operations
$7 million 40-year loan of Nov. 6, 1975
($6 million and $1 million in quetzals)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF GUATEMALA

One of the primary development objectives of Guatemala is to improve living conditions in rural areas. In this connection the Government has placed high priority on the provision of water to the countryside where only 14 per cent of the people presently have access to public potable water.

The Inter-American Bank has cooperated with this objective with two loans totaling $3.9 million authorized in 1966 and 1972 which have helped to provide water for 223 rural communities throughout the nation. This new loan will help carry out the program's third stage, which includes the construction of 105 additional water systems.

The project entails the construction of catchment and treatment works and the installation of conduction lines, distribution tanks and house connections, all of which are designed to provide between 60 and 80 liters of potable water per inhabitant per day. Execution of this stage will provide potable water to 93,000 inhabitants by 1979 and to 134,000 persons by 1994.

The total cost of the project is estimated at $9.6 million, of which the Bank loan will cover 72.9 per cent and local sources the remaining 27.1 per cent.

Expansion of Technical Education

Fund for Special Operations
$8.6 million 40-year loan of Oct. 16, 1975
($7.6 million and $1 million in quetzals)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF GUATEMALA

In order to achieve the nation's development goals, Guatemala's National Economic Planning Council has targeted a [illegible] per cent or more increase in the number of the nation's skilled workers during the 1975-80 period. The Council's aim is to provide secondary education or extension-school training to skilled workers as well as to offer additional instruction—including in-plant training—to the

URBAN AND RURAL WATER SERVICES are prime concern of Bank's lending in Guatemala. Map shows rural systems being built with help of three Bank loans. Photo shows water conduit leading from the Xayá River to Guatemala City's treatment plant. Conduit escaped unscathed from earthquake which devastated Guatemala early in 1976.

RED PEPPERS AND BLACK BEANS are cleaned by this farmer in the Department of Sololá in Guatemala. He received farm credit to improve his output from Inter-American Bank loan extended through farm cooperatives. Strengthening rural cooperative movement in Latin America is one of main objectives of Bank's lending.

existing labor force.

To this end, the *Instituto Técnico de Capacitación y Productividad (INTECAP)* will provide the educational infrastructure required to train 27,000 workers each year for the industrial, agricultural and service sectors. *INTECAP* is the key Guatemalan institution providing job training, in conjunction with private enterprises, for semi-skilled and skilled workers and middle-level and executive management personnel.

Specifically, this loan will enable *INTECAP* to build and equip an administrative headquarters for training middle- and executive-level staff and a Guatemala City regional office, six regional training centers—two in Guatemala City and one each in Santo Tomás de Castilla and the Departments of Quetzaltenango, Escuintla and Chiquimula—and to increase the number of full-time professors. Completion of the project will result in an increase in the number of skilled workers in Guatemala from an estimated 305,000 to about 385,000 by 1980.

The total cost of the project is estimated at $10.7 million, of which the Bank will cover 80 per cent and local sources the remaining 20 per cent.

TECHNICAL COOPERATION

Agricultural Development Study

Fund for Special Operations
$321,600 nonreimbursable cooperation of March 20, 1975

Beneficiary: CONSEJO NACIONAL DE PLANIFICACION ECONOMICA

Agriculture employs 65 per cent of Guatemala's working-age population, accounts for 68 per cent of the nation's exports and generates 30 per cent of its gross domestic product. Still, the sector is characterized by low output and productivity as well as inefficient use of human resources.

To improve this situation, the *Consejo Nacional de Planificación Económica (CNPE)*, the nation's planning board, working through six public agricultural agencies, will contract consultants from Israel to provide advisory services to improve the utilization of land under irrigation in northeastern Guatemala.

The assistance, which will be carried out under the Joint Cooperative Program of the Bank and Israel, will enable *CNPE* to carry out a pilot production and market subproject designed to improve fruit and vegetable production, streamline marketing procedures, diversify production for both domestic consumption and exports, and expand the area and number of farmers served by the irrigation systems.

It will also enable *CNPE* to prepare a project for investment in agro-industrial development, including the institutional structure required to foster such development and the marketing of processed farm products from the Zacapa irrigation area.

Tourism Development Study

Fund for Special Operations
$140,000 nonreimbursable cooperation of Aug. 28, 1975

Beneficiary: INSTITUTO GUATEMALTECO DE TURISMO

The increasing importance of tourism to Guatemala's development can be judged by the fact that the number of tourists visiting the country doubled from 196 to 1973 and earnings rose from 9.8 to 13.6 per cent of gross domestic product.

Due to its contribution to the balance of payments, employment, construction, cottage industries and other activities, tourism is expected to play an even more important role in the nation's 1975-79 Development Plan.

This technical cooperation will help achieve that aim by enabling the *Instituto Guatemalteco de Turismo*, the nation's tourism agency, to prepare a master plan for the tourist development of the Amatique Bay-Lake Izabal region in northeastern Guatemala. The region is considered one of the zones of greatest tourism potential in the nation. In a subsequent phase of the program, feasibility studies of priority projects will be drafted.

Technical Education Services

Fund for Special Operations
$375,000 nonreimbursable cooperation of Oct. 16, 1975

Beneficiary: INSTITUTO TECNICO DE CAPACITACION Y PRODUCTIVIDAD

This technical cooperation, authorized in conjunction with the previously described $8.6 million loan from the Fund for Special Operations for a program of technical education in Guatemala, will provide institutional support for the executing agency—the *Instituto Técnico de Capacitación y Productividad (INTECAP)*.

INTECAP will use the assistance to

contract personnel to provide advisory services on matters related to the planning and administration of teaching activities and the organization of methods of administrative and financial control, as well as for a fellowship program to train its own personnel.

Institutional Strengthening

Fund for Special Operations
$220,000 nonreimbursable cooperation of Nov. 6, 1975

Beneficiary: UNIDAD EJECUTORA DEL PROGRAMA DE ACUEDUCTOS RURALES

This technical cooperation was extended in coordination with the previously described loan for $7 million made to finance the third stage of a rural water supply program in Guatemala.

The cooperation will be used to strengthen the administrative, accounting and financial system of the loan executing agency, the *Unidad Ejecutora del Programa de Acueductos Rurales.*

Establishment of Project Unit

Social Progress Trust Fund
$240,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiary: SECRETARIA GENERAL DEL CONSEJO NACIONAL DE PLANIFICACION ECONOMICA

The *Secretaría General del Consejo Nacional de Planificación Económica (SGCNPE)* of Guatemala is the government's central planning agency, being responsible for formulating medium- and long-term development plans and participating in the preparation of short-range plans. The Government of Guatemala has assigned high priority to the establishment of a project unit within *SGCNPE* to assist in carrying out its national development plan.

This technical cooperation will help *SGCNPE* to contract consultants to provide advice on the formation and organization of such a unit to serve as an advisory mechanism for the official institutions charged with preparing and executing the investment programs contained in the 1975-79 National Development Plan. In addition, the consultants will give advice on the preparation of operating manuals and methodological guides for the identification, preparation, evaluation and control of specific investment projects.

Regional Development Studies

Social Progress Trust Fund
$235,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiary: SECRETARIA GENERAL DEL CONSEJO NACIONAL DE PLANIFICACION ECONOMICA

Guatemala's western region is characterized by high population density, a small farm system producing crops primarily for domestic use and an inadequate physical and social infrastructure. Approximately 38 per cent of the nation's population resides in the region whose central city is Quetzaltenango, the country's second largest.

Within its National Development Plan for 1975-79, the Government has assigned high priority to the formulation of a development plan for the region, with special emphasis on the Western High Plateau Subregion.

This technical cooperation will help the *Secretaría General del Consejo Nacional de Planificación Económica,* Guatemala's planning agency, to undertake the plan's first stage, which includes its preparation, the identification of priority projects, the establishment of institutional and technical support mechanisms for Western Guatemala's regional development center, and the drafting of terms of reference for the priority projects which might be identified.

HAITI

LOANS

Port-au-Prince Port Improvement

Fund for Special Operations
$7.5 million 40-year loan of Sept. 11, 1975
Interest: 1% for 10 years, 2% thereafter

Borrower: BANQUE NATIONALE DE LA REPUBLIQUE d'HAITI

In 1972 the Bank approved a $10 million loan from the Fund for Special Operations to help finance the second stage of a program to expand and improve the port facilities of Port-au-Prince, Haiti's capital and major port.

This supplementary loan will be used by the *Administration Portuaire de Port-au-Prince (APP),* the nation's port authority, to complete the financing of that stage, which includes the construction of a reinforced concrete wharf, two cargo warehouses, a port administration building and a gravel-fill dike to be used later as a cargo-storage area.

The program also includes the dredging of an access channel to the new wharf for vessels with a capacity of up to 52,000 tons, the installation of an electric power system and the purchase of cargo-handling equipment.

Completion of the project will permit Port-au-Prince to handle 510,000 tons of cargo by 1980 compared with 192,263 tons in 1971, and to receive about 1,100 vessels a year. Moreover, it will expedite the handling of passenger traffic from Caribbean cruise ships which is expected to increase from 24,100 in 1971 to 125,000 in 1980.

The total cost of the project is estimated at $20.8 million, of which the Bank will cover 84.3 per cent with the resources of the loan approved in 1972 and this supplementary loan and the borrower will provide the remaining 15.7 per cent from local sources.

Southern Highway

Fund for Special Operations
$25 million 40-year loan of Oct. 16, 1975
($20.5 million and $4.5 million in gourdes)
Interest: 1% for 10 years, 2% thereafter

Borrower: BANQUE NATIONALE DE LA REPUBLIQUE d'HAITI

To spur agricultural and tourism development in Southern Haiti, the *Secrétairie d'Etat des Travaux Publics, des Transports et Communications* is carrying out a project to complete the Southern Highway linking Port-au-Prince, Haiti's capital, with Les Cayes.

This loan will be used to help construct the Aquin-Les Cayes section of the road. It complements a $22.2 million loan made by the Bank in 1973 for the construction of the Leogâne-Aquin section. In addition to the construction of the two-lane, 37-mile road section, the resources of the loan will be used to build a bridge over the Momance River.

The Les Cayes plain through which the highway runs has considerable agricultural potential and the area of influence of the project has good tourism prospects due to natural beauty and fine beaches. Completion of the highway is

NEW PORT FACILITIES in Port-au-Prince, Haiti, financed with loans of the Inter-American Bank, will modernize cargo-handling facilities as well as expedite passenger traffic from Caribbean cruise ships. By 1980 some 1,100 vessels yearly are expected to dock at improved facilities and cargo-handling ability will rise to 510,000 tons a year.

expected to facilitate the construction of hotels and other tourist facilities in the region.

The total cost of the project is estimated at $29 million, of which the Bank will cover 86.2 per cent with this supplementary loan and the borrower will provide the remaining 13.8 per cent from local sources.

Port-au-Prince Water System

Fund for Special Operations
$2.3 million 40-year loan of Feb. 28, 1975
($2 million and $300,000 in gourdes)
Interest: 1% for 10 years, 2% thereafter
Borrower: BANQUE NATIONALE DE LA REPUBLIQUE d'HAITI

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

In 1970 the Bank authorized a second loan for $5.1 million to help finance the second stage of the project. However, bids to execute the project substantially exceeded that figure. This loan will supplement the program, through which the *Centrale Autogome Metropolitaine d'Eau Potable*, Port-au-Prince's water service agency, is expanding distribution lines, constructing reservoirs and installing pumping stations, hydrants, household connections and meters.

The total cost of the second stage of the project is estimated at $9.2 million, of which the resources of the 1970 Bank loan and those of this supplementary loan will cover 80.4 per cent and the borrower will provide the remaining 19.6 per cent from local sources.

Rural Health Services

Fund for Special Operations
$6.3 million 40-year loan of Nov. 13, 1975
($5 million and $1.3 million in gourdes)
Interest: 1% for 10 years, 2% thereafter
Borrower: BANQUE NATIONALE DE LA REPUBLIQUE d'HAITI

An inadequate diet and insufficient health services are principally responsible for the low health standards and high infant mortality rates of Haiti's rural areas.

To help change these conditions, the nation's health ministry, the *Département de La Santé Publique et de la Population (DSPP)*, is carrying out a program to improve and expand rural health services throughout the country.

The Government is currently carrying out a regionalization plan under which six health regions will be established to replace the present 11 sanitation districts. The plan is being initiated with the help of this loan in the northern and southern region. The program is expected to increase outpatient care from 521,000 in 1973 to 810,000 in 1980.

The loan will help finance the program which provides for the construction of 36 dispensaries, 23 health centers and a new health and training center, which will benefit a rural population of 1.9 million.

The total cost of the project is estimated at $7.3 million, of which the Bank loan will cover 86.3 per cent and the borrower will provide the remaining 13.7 per cent from local sources.

TECHNICAL COOPERATION

Institutional Strengthening

Fund for Special Operations
$442,000 nonreimbursable cooperation of Nov. 13, 1975
Beneficiary: DEPARTEMENT DE LA SANTE PUBLIQUE ET DE LA POPULATION

This technical cooperation was extended in conjunction with the previously described $6.3 million loan for rural health services in Haiti, to strengthen the executing agency—the *Département de la Santé Publique et de la Population (DSPP)*.

The technical cooperation resources will provide advice to the *DSPP* on the improvement of its administrative and financial systems and will help train the technical and professional staff in charge of the health services.

Rural Education Project

Social Progress Trust Fund (Special Program for Project Preparation)
$150,000 nonreimbursable cooperation of Dec. 11, 1975
Beneficiary: REPUBLIC OF HAITI

About 80 per cent of Haiti's 4.4 million inhabitants live in rural areas and engage in subsistence farming. The country's agricultural production over the last decade grew by only 1 per cent a year. The lack of technical education in rural areas was one of the factors contributing to the low growth rate.

This technical cooperation will enable the *Comité de Coordination de l'Enseignement Agricole (COCEA)*, an autono-

mous government agency, to prepare an integrated rural-education project which will serve to support a loan application to an international financing agency. The project, whose purpose will be to improve rural communities, will include the installation of 10 Comprehensive Rural Development Centers distributed throughout the nation on a regional basis.

HONDURAS

LOANS

Telecommunications System

Fund for Special Operations
$14.7 million 40-year loan of Dec. 18, 1975
($12.7 million and $2 million in lempiras)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF HONDURAS

Honduras has one of the lowest telephone densities in the Western Hemisphere, with only 5.3 instruments for every thousand people. Despite efforts made to solve the problem, the improvement and expansion of the telecommunications system in Honduras has generally lagged behind other sectors. There is great disparity between supply and demand, to the point that the waiting list for service is nearly as long as the number of phones already installed.

To improve this situation, the borrower will use this loan to expand and modernize telephone service in San Pedro Sula, Tegucigalpa and other Honduran cities.

Specifically, the Ministry's Telecommunications Bureau will install a new telephone exchange in San Pedro Sula, with a capacity of 20,000 lines and expand the telephone exchange in Tegucigalpa with 26,000 lines and the ones in Olanchito and Juticalpa with 400 lines. In addition service throughout the country will be improved by strengthening the Bureau's administrative, accounting and operating capabilities and providing improved training for its staff.

The total cost of the project is estimated at $34.2 million, of which the Bank loan will cover 43 per cent, the Government of Honduras 9.4 per cent and other sources the remaining 47.6 per cent.

Rural Health Services

Fund for Special Operations
$11.5 million 40-year 2% loan of Oct. 16, 1975
($7 million and $4.5 million in lempiras)
Norwegian Fund for Latin American Development
$2.5 million 30-year 2% loan of Oct. 16, 1975
Borrower: REPUBLIC OF HONDURAS

About half of the rural population of Honduras receives no medical care and most of the other half receives only minimum care. As a result, health levels among thousands of people are low, their ability to work is reduced and their participation in the nation's economic growth process is limited. To improve this situation, the nation's health ministry, the *Ministerio de Salud Pública y Asistencia Social (MSPAS)*, has created a program to provide health coverage to areas and groups suffering the most serious deficiencies.

These two loans will enable *MSPAS* to construct and equip 243 rural health centers, 8 emergency hospital centers and 2 regional hospitals. The execution of the program is expected to provide health services to about 85 per cent of the rural population, benefiting 1.5 million inhabitants by 1980.

The rural centers, basically three-room units, will provide diagnostic services and will concentrate on the care of mothers and children. The emergency hospital centers will have a total of 50 beds each. One of the regional hospitals, with an initial capacity of 50 beds, will be located in Comayagua and the other, with an initial 245 beds, will be located in San Pedro Sula.

The total cost of the project is estimated at $16.3 million, of which the two Bank loans will cover 85.9 per cent and local sources the remaining 14.1 per cent.

TECHNICAL COOPERATION

Tax Administration Support

Social Progress Trust Fund
$89,500 nonreimbursable cooperation of Jan. 15, 1975
Beneficiary: SECRETARIA DE HACIENDA Y CREDITO PUBLICO

Within its 1974-78 National Development Plan, the Government of Honduras is seeking to improve its tax administration and fiscal accounting procedures in order to increase the flow of revenues to the nation.

This technical cooperation will help the nation's Ministry of Finance, *the Secretaría de Hacienda y Crédito Público*, to achieve that objective. The cooperation will provide support for the nation's General Accounting Office in modernizing the accounting system for the nation's financial assets and will help the nation's General Revenue Office to modernize the registry of its tax rolls.

Irrigation Studies

Social Progress Trust Fund (Special Program for Project Preparation)
$370,000 nonreimbursable cooperation of April 10, 1975
Beneficiary: DIRECCION DE PLANIFICACION SECTORIAL

The Quimistán Valley of Honduras, whose current farm production is limited due to insufficient rainfall, has excellent prospects for intensive agricultural development if its river resources—the Chamalecón River and its tributaries—are harnessed for irrigation.

This technical cooperation will help realize these prospects by enabling Honduras to undertake an agricultural development study for the irrigation of 7,607 acres of land in the Valley. The cooperation will also be used to help Honduras evolve an analysis of irrigation in the country and draft measures to organize and strengthen the nation's sectoral planning agency, the *Dirección de Planificación Sectorial*.

Sanitation Service Studies

Fund for Special Operations
$500,000 contingent repayment cooperation of July 10, 1975
Beneficiary: CORPORACION MUNICIPAL DE SAN PEDRO SULA

In 1973 the Bank approved a $1.2 million loan to expand and modernize the water system of San Pedro Sula, the second largest city in Honduras. The expansion program was being carried out on schedule when a disastrous flood hit the city in September 1974 in the wake of Hurricane Fifi, destroying the impoundment and diversion works and part of the supply lines of the Zapata River water system.

This technical cooperation will be used by the *Corporación Municipal de San Pedro Sula*, the municipal agency in charge of the city's water and sewage

services, to finance engineering studies and final designs for the reconstruction of the works along the Santa Ana and Zapotal Rivers and the replacement of the damaged water supply systems. It will also help tap underground water reservoirs as an alternative source of water.

Institutional Improvement

Fund for Special Operations
$175,000 nonreimbursable cooperation of Aug. 28, 1975

Beneficiary: CORPORACION NACIONAL DE INVERSIONES

The *Corporación Nacional de Inversiones (CONADI)* is the principal institution of Honduras in fostering investments for the execution of the nation's development plan. Newly created, the Government is seeking to strengthen *CONADI*'s organization and administration.

This technical cooperation will enable *CONADI* to hire a consulting firm to revamp its organizational structure, establish regulations and procedures needed to carry out the investment goals of Honduras' 1975-79 National Development Plan and train its professional personnel.

Improvement of Health Services

Fund for Special Operations
$465,000 nonreimbursable cooperation of Oct. 16, 1975

Beneficiary: MINISTERIO DE SALUD PUBLICA Y ASISTENCIA SOCIAL

This technical cooperation was extended to the *Ministerio de Salud Pública y Asistencia Social (MSPAS)*, in conjunction with the previously mentioned loans totaling $14 million which are enabling Honduras to establish basic health services in rural areas throughout the country.

The cooperation will help ensure the success of the program by providing *MSPAS* with advisory services designed to improve its administrative and accounting services, institute modern methods of hospital administration and train staff in technical and administrative matters.

Industrial Processing Study

Fund for Special Operations
$200,000 contingent repayment cooperation of Dec. 11, 1975

Beneficiary: BANCO NACIONAL DE FOMENTO

In 1969 the Inter-American Bank provided the Government of Honduras with a $7.7 million loan to help carry out the Aguán Valley Colonization and Settlement Program. Subsequently, the Lower Aguán African Palm Project was initiated to generate agricultural exports. Now, with nearly, 7,400 acres of land having been planted with African palm, the Government is seeking technical support for a project to process the palm oil.

This technical cooperation will enable the *Banco Nacional de Fomento*, the nation's development bank, to contract a consulting firm to prepare feasibility studies to determine the optimum form for the industrial processing of some 24,700 acres of African palm. Similarly, the firm will prepare engineering designs for the industrial plant or plants recommended in the first stage of the feasibility study.

JAMAICA

LOANS

Rural Electrification

Fund for Special Operations
$9.2 million 35-year 2% loan of Oct. 30, 1975
($7.2 million and $2 million in Jamaican dollars)

Borrower: JAMAICA

About 54 per cent of Jamaica's 2 million inhabitants live in rural areas, half of that number within access of electric service. However, only 11 per cent have power connections.

To increase service to more people, Jamaica Public Service Ltd. (JPS), the nation's electric power agency, will use this loan to help finance a nationwide rural electrification program.

The program includes the installation of 160 primary branch lines totaling 640 miles and the installation of low voltage transformer stations to provide service to users through a 220/110 volt secondary distribution system 480 miles long.

In addition, a revolving fund will be set up to help finance the installation of 5,000 house connections over the next four years. Execution of the program will increase the number of rural dwellers with house connections to 17 per cent.

The program complements others now being undertaken by the Government of Jamaica to improve rural living conditions and stem migration to the cities. The rural electrification program was developed with the help of $192,000 in contingent recovery technical cooperation extended to Jamaica by the Bank in 1973.

The total cost of the program is estimated at $13.7 million, of which the Bank loan will cover 67.2 per cent and local contributions the remaining 32.8 per cent.

Urban Water Systems

Ordinary Capital Resources
$5.9 million 20-year 8% loan of Dec. 4, 1975

Fund for Special Operations
$6.1 million 35-year 2% loan of Dec. 4, 1975
($5.1 million and $1 million in Jamaican dollars)

Borrower: JAMAICA

According to the 1970 census, public water services are provided to about 90 per cent of Jamaica's urban population and 77 per cent of rural dwellers have access to either public or private water services. However, water service is quite inadequate in some urban areas which have experienced rapid growth in recent years.

For that reason the expansion of the water systems of the area is at the top of the list of four priority sanitation projects of the Government of Jamaica. The Montego Bay and Falmouth urban areas represent a first stage in the water expansion program.

These two loans will be used by Jamaica's National Water Authority to build a new water supply system for the two cities, to install 2,000 house connections and meters, to buy chlorination and other chemical-substance equipment, to acquire vehicles for the project's execution and supervision and to carry out investigations to protect water sources and control leaks.

The area of influence of the project is a strip of land 35 miles long and about two miles wide. On completion the new system will supply the needs of the region up to 1990 when the estimated population will be 118,000.

The total cost of the project is estimated at $20 million, of which the Bank will cover 60 per cent and the Government of Jamaica the remaining 40 per cent.

TECHNICAL COOPERATION

Rice Production Study

Fund for Special Operations
$335,000 nonreimbursable cooperation of March 6, 1975

Beneficiary: MINISTRY OF FINANCE

At present about 9,000 acres of potential

agricultural land lie fallow in the Upper Morass region of the Black River of Jamaica because floods in the rainy season convert them into large swamps. As a result, their rich peat soil cannot be fully utilized for agriculture.

To improve this situation, the Ministry of Finance, assisted by a Joint Technical Advisory Group from the Ministry of Agriculture and the Ministry of Mines and Natural Resources, will use this asasistance to help Jamaica prepare feasibility and final design studies for a rice production project in the region.

Specifically, the technical cooperation will include studies involving a review of existing agricultural studies; drainage of the Upper Morass area of the Black River by the best alternative; programming land distribution and agricultural production, with emphasis on transfer of technology as well as identification of basic services such as credit, extension, research and marketing, and creating an institutional and operational mechanism to implement the project.

Support for Economic Planning

Fund for Special Operations
$80,000 nonreimbursable cooperation of Oct. 9, 1975

Beneficiary: MINISTRY OF FINANCE

The Government of Jamaica has embarked on a program to reorganize its national planning and project formulation system to make it more responsive to the country's development plans.

This technical cooperation will help the Projects' Division of the Ministry of Finance to strengthen its procedures for the preparation of priority investment projects. The assistance will be used to contract consultants to design a system for the identification and preparation of investment projects in the public sector and to collaborate in evaluating and controlling the implementation of projects, including on-the-job training of local personnel.

Water Systems Studies

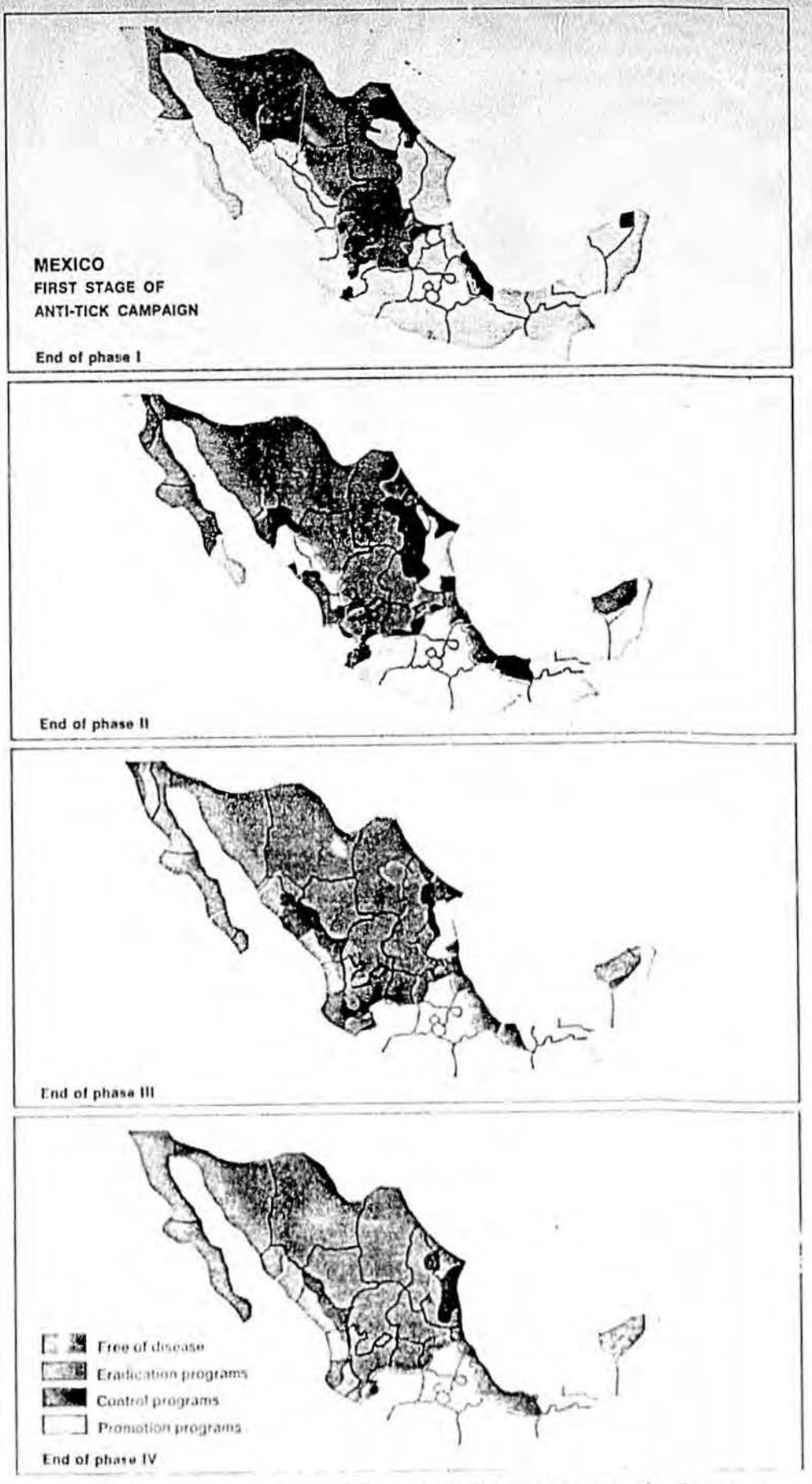
Fund for Special Operations
$65,000 nonreimbursable cooperation of Dec. 4, 1975

Beneficiary: MINISTRY OF FINANCE

This technical cooperation was extended in conjunction with the previously described loans for $12 million which are financing the expansion of the water systems of Montego Bay and Falmouth in Jamaica.

The cooperation will be used by the Ministry of Finance to secure advisory services to make a study leading to the selection of an appropriate entity to administer, operate and maintain the water systems. In addition, an analysis of water rate structures will be made.

SURE HANDS ASSEMBLE RADIO COMPONENTS at this electrical appliances plant in Jamaica. Bank loan of $10 million, extended to Jamaica's Development Bank in 1973, is helping a broad range of small private enterprises, such as this one, to expand their output. The loan is also fostering tourism by financing small hotels and motels.



ANTI-TICK CAMPAIGN is being stepped up in Mexico with the help of a Bank loan approved in 1975 under an intensified effort to broaden the sections of the country which are free of the infestation. Mexico initiated anti-tick campaign in State of Sonora. Two states are free of ticks and nine others are partially rid of them.

MEXICO

LOANS

Anti-Tick Campaign

Ordinary Capital Resources
$35 million 20-year 8% loan of Oct. 2, 1975
($30 million and $5 million in Mexican pesos)
Borrower: NACIONAL FINANCIERA, S.A.

Tick infestations are a major obstacle to livestock development in Mexico. The infestations are concentrated in Central Mexico, the coastal plains and the southeast areas, which at present account for more than three-fourths of the nation's herds estimated at 28 million head in 1972.

In 1960, the nation began an anti-tick campaign in the State of Sonora with the result that ticks have presently been cleared in a number of states. Still, about 17 million head of cattle are plagued with ticks.

This loan will enable the *Banco Nacional de Crédito Rural, S.A. (BANRURAL)*, through the Trust for the National Campaign Against Cattle Ticks, to carry out a campaign to free about 163 million acres and 11.7 million head of livestock from ticks.

The program will be divided into the following two projects:

- A direct-investment subprogram, including the construction of a National Animal Parasitology Center in Jalisco State, 32 state and 80 zone offices, 90 quarantine stations, 30 line baths, one central workshop and 16 state workshops; the procurement of technical inputs and laboratory equipment, and the purchase of machinery, equipment and vehicles.
- A subprogram under which 4,200 credits will be granted to small-scale farmers to finance required anti-tick expenditures.

The loan will also help *BANRURAL* to hire 3,361 new personnel—principally zone chiefs, supervisors and inspectors—to work full-time on the campaign. This represents a substantial increase over the staff's current professional number of about 450.

The total cost of the program is estimated at $178,049,000, of which the Bank loan will cover 12.7 per cent and

local sources the remaining 80.3 per cent.

Rural Development Program

Ordinary Capital Resources
$20 million 25-year 8% loan of Oct. 30, 1975
($18 million and $2 million in Mexican pesos)
Fund for Special Operations
$20 million 25-year 3% loan of Oct. 30, 1975
($15 million and $5 million in Mexican pesos)
Borrower: NACIONAL FINANCIERA, S.A.

Despite increasing construction of irrigation works, the majority of Mexico's rural inhabitants—about 41 per cent of the total population—live in dry-farming areas of low productivity, high rates of unemployment and inferior standards of health, housing, nutrition and literacy.

These two loans will be used by the Government of Mexico, through 14 government agencies, to carry out a comprehensive rural development program designed to generate permanent sources of employment and raise the income and standards of living of 1.3 million persons scattered throughout Mexico. The project forms part of the nation's Program of Public Investments for Rural Development and calls for:

- The execution of directly productive investments, including construction of facilities to irrigate 86,450 acres and improve irrigation on another 37,000 acres; the development of *ejidos* and rural communities; the protection and conservation of soil and water resources; the establishment of orchards, rural industries and handicrafts, and the extension of medium- and long-term working capital loans for small-scale farmers.

Investments in support of farm output, including the construction of access roads, the upgrading of agriculture and livestock research, the provision of electric power, help in organizing and training farmers, and the construction of rural stores and warehouse.

- Investments in social infrastructure, including construction of water supply systems, schools and health centers, as well as improvement of housing and recreation facilities.

Completion of the program is expected to raise annual family income of the beneficiaries in the 15 targeted regions and increase the total value of farm production by about $35 million per year. In the case of beneficiaries of small-scale irrigation works, income would grow by five times. The total cost of the project is estimated at $221.5 million, of which the two Bank loans will cover 18 per cent and the local sources the remaining 82 per cent.

Farm and Livestock Credit

Ordinary Capital Resources
$30 million 25-year 8% loan of Nov. 20, 1975
Borrower: NACIONAL FINANCIERA, S.A.

Since 1961 the Bank has extended 31 loans amounting to $489 million for irrigation projects in Mexico. Some 21 of these for $276 million went to large projects, 9 for $191 million helped finance 3,200 small projects and one for $22 million was made to improve the use of water and soil resources.

In addition to financing basic irrigation works, the Bank since 1971 also has sought increasingly to provide support for such supplementary activities as farm credit, extension services and research, and storage, marketing and distribution facilities.

This loan will help the Government of Mexico carry out a program to provide credit and technical support to all irrigation projects which the Bank has partially financed throughout the nation, similar to that being supplied in the irrigated area of the Lerma-Chapala-Santiago Basin.

The resources will be used by the *Banco Nacional de Crédito Rural, S.A. (BANRURAL),* acting for the Trust Fund for the Development of Irrigation Districts and Units, to promote and consolidate farm production in areas now served by irrigation facilities partly financed by the Bank. The program will benefit about 18,000 farm families.

The program includes the procurement of machinery and equipment, as well as the provision of credits for land preparation work—clearing, leveling and drainage—for farmers in order to enable them to properly develop their land. Extension services will also be provided.

The total cost of the program is estimated at $80.7 million, of which the Bank loan will cover 37.2 per cent and local sources the remaining 62.8 per cent.

Agricultural Credit

Ordinary Capital Resources
$30 million 25-year 8% loan of Nov. 20, 1975
Fund for Special Operations
$11 million 25-year 3% loan of Nov. 20, 1975
Borrower: NACIONAL FINANCIERA, S.A.

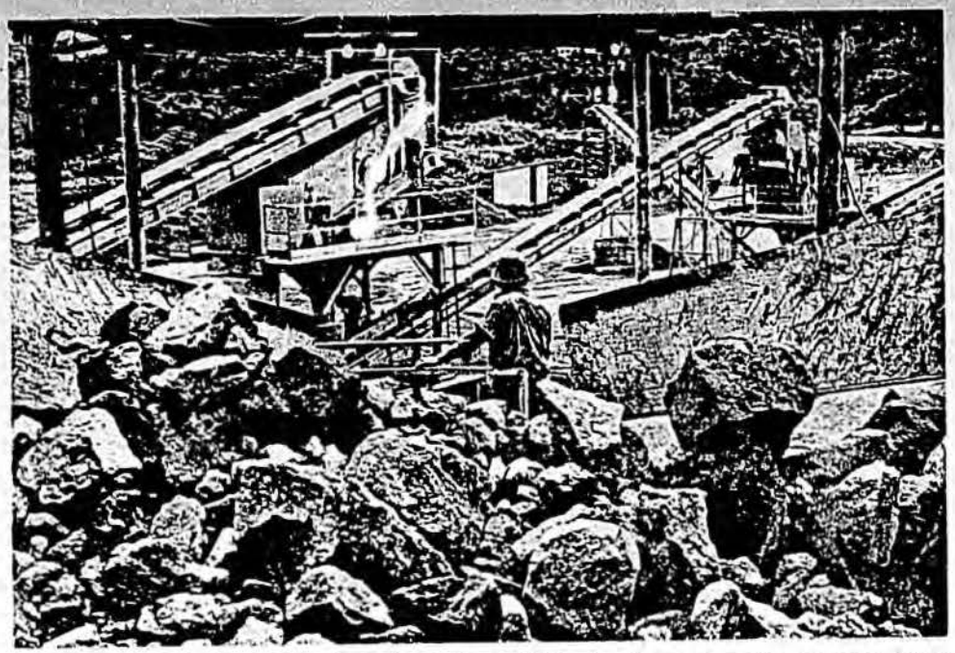
Up to 1965 agricultural output in Mexico expanded at a faster rate than the population increased. However, since then it has failed to keep pace with the 3.4 per cent population growth. Farm output amounted to 2.8 per cent per year in 1965-70 and to only 1.1 per cent in 1970-73. Hence Mexico has had to import a sizable volume of basic food commodities, while exports of farm commodities have dropped.

Unfavorable trends in the sector have stemmed largely from insufficient use of irrigation, low productivity in traditional farming and a shortage of fixed capital credit, particularly for *ejidatarios* (community farmers) and other farmers.

A few years ago Mexico launched a nationwide program aimed at providing fixed and working capital loans and technical cooperation to such farmers. The Inter-American Bank has cooperated in the execution of the program with loans amounting to $20 million in 1968 and $32 million in 1971. In the first stage, 8,817 families were benefitted; in the second, 24,500.

These stages of the program have been completed. These two new loans will contribute to the execution of a third. The funds, which will be channeled through the *Banco de México, S.A.*, acting as administrator of a Special Fund for Agricultural Financing, will help finance a program which will benefit an estimated 26,000 low-income farmers throughout Mexico, mainly *ejidatarios,* common-land occupants, settlers and small-land holders. About 59 per cent of the program's credits will be funneled into production of cereals and oil bearing seeds, 16 per cent into dairy farming, 10 per cent into beef farming, 10 per cent into sugar cane and 5 per cent into perennial fruits.

The total cost of the program is estimated at $97,370,000 of which the two Bank loans will cover 42.1 per cent and local sources the remaining 57.9 per cent.



RAW ROCK MATERIAL SLIDES DOWN chute of this bulldozer-scoop to concrete mixer producing materials for rebuilding Managua largely destroyed by 1972 earthquake. The enterprise expanded operations with credit from the Inter-American Bank provided to the Banco Nacional de Nicaragua following the disaster.

Industrial Credit Program

Ordinary Capital Resources
$15 million 20-year 8% loan of March 20, 1975
($12.5 million and 6,825,000 Swiss francs)
Borrower: NACIONAL FINANCIERA, S.A.

The Inter-American Bank has made six loans totaling $36 million to *Nacional Financiera, S.A.*, which—through the *Fondo de Garantia y Fomento a la Industria Mediana y Pequeña (FOGAIN)*—has helped finance a credit program to benefit small- and medium-scale private industrial firms.

This loan will help *FOGAIN*, a trust fund managed by *Nacional Financiera*, to expand and extend its financial support to such enterprises, stimulate the decentralization of Mexican industry, create new small and medium industrial enterprises, strengthen *FOGAIN*'s operating capacity and improve the socioeconomic analysis of its projects.

As a continuation of *FOGAIN*'s program, funds will be channeled through 216 financial institutions to finance fixed-asset investments, procurement of machinery and equipment and working capital requirements.

Since its establishment in 1954 through 1973, *FOGAIN* had authorized 14,260 credits totaling $310 million to 7,406 small and medium industrial enterprises. Of this amount, 51 per cent was earmarked for working capital credit, 42 per cent for equipment credit and 7 per cent for mortgage credit.

The total cost of the program is estimated at $30 million, of which the Bank will cover 50 per cent and local sources the remaining 50 per cent.

EXPORT FINANCING

On March 20, 1975, the Bank authorized a $5 million increase in the revolving line of credit originally extended to *Nacional Financiera, S.A.*, to finance exports of Mexican capital goods. In addition, the revolving credit was increased by $1.3 million through repayments. These activities are described further on under the heading "Export Financing."

NICARAGUA

LOAN

Rural Electrification

Fund for Special Operations
$16.5 million 40-year loan of Sept. 11, 1975
($14.5 million and $2 million in cordobas)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF NICARAGUA

In 1972 an earthquake struck Managua, the capital of Nicaragua, destroying five square miles of the downtown area, causing some 6,000 deaths and 20,000 injuries and leaving 250,000 homeless, thus forcing many of its inhabitants to seek shelter in nearby regions. This brought a sharp increase in the demand for power services in those areas.

To meet the demand, the *Empresa Nacional de Luz y Fuerza (ENALUF)*, the nation's power company, initiated a program to expand its services. With the support of $172,000 in technical cooperation approved by the Bank in 1973, *ENALUF* drafted a Second National Plan for Rural Electrification designed to expand electric service to eight priority areas in Nicaragua.

This loan will help *ENALUF* to carry out the first stage of the second plan which will supply electric power to an estimated 21,600 consumers in a 1,776-square-mile area with a population of about 70,000 inhabitants in the Departments of Matagalpa and Zelaya.

The project includes the installation of two output modules; construction of 13- and 69-kilovolt transmission lines; construction of transformer stations and installation of transformers; construction of primary distribution lines; installation of secondary distribution lines to consumers and street lights in rural towns; construction of buildings, depots and repair facilities, and procurement of maintenance vehicles and equipment.

The total cost of the project is estimated at $20,850,000, of which the Bank loan will cover 79.1 per cent and the Government of Nicaragua the remaining 20.9 per cent.

TECHNICAL COOPERATION

Chemical Intermediaries Study

Canadian Project Preparation Fund
Can$100,000 nonreimbursable cooperation of March 6, 1975
Beneficiary: INSTITUTO DE FOMENTO NACIONAL

This technical cooperation will help the *Instituto de Fomento Nacional (INFONAC)*, Nicaragua's national development agency, to carry out a study to determine the feasibility of establishing an industry utilizing renewable natural resources such as wood pyrolisis and alcohol derived from sugar cane—instead of petroleum—

in manufacturing such intermediate chemicals as vinyl chloride, vinyl acetate and formaldehyde.

The study will also look into the demand within the Central American Common Market for these products and will survey plants producing similar products in other countries. In carrying out the study, *INFONAC* will be assisted by the *Instituto Centroamericano de Investigación y Tecnología Industrial*, a regional advisory agency which conducts technological research on the use of raw materials and natural resources for novel industrial applications.

Cattle Disease Study

Social Progress Trust Fund (Special Program for Project Preparation)
$47,000 contingent repayment cooperation of Oct. 20, 1975

Beneficiary: MINISTERIO DE AGRICULTURA Y GANADERIA

Beef accounted for 17.6 per cent of Nicaragua's total exports in 1973 and generated $50.5 million of its foreign exchange earnings. For this reason, the Government places special emphasis on this sector in its economic development plans. However, the country's cattle are subject to a variety of diseases, including brucellosis and tuberculosis.

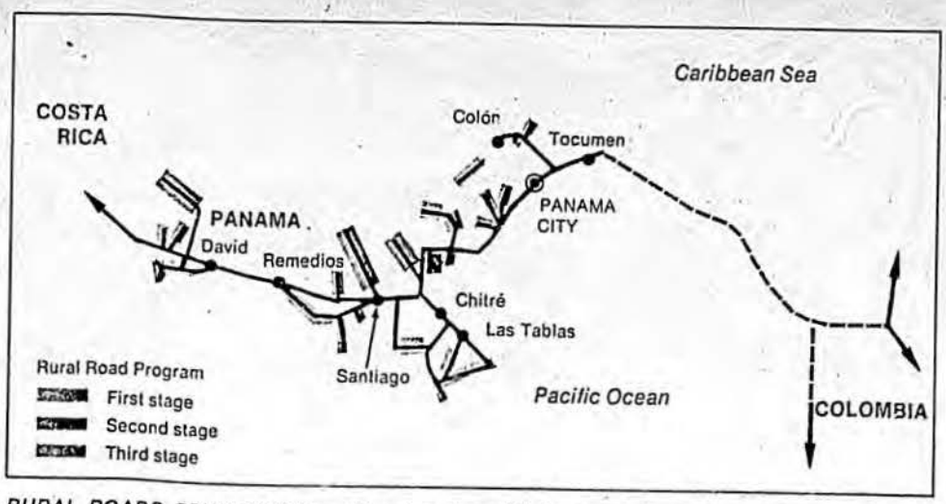
This technical cooperation will help Nicaragua overcome such diseases by enabling the *Ministerio de Agricultura y Ganadería*, the nation's agricultural ministry, to initiate a study of the technical, economic and financial feasibility of establishing a nationwide program to control or eradicate diseases affecting cattle. The project also contemplates the preparation of a loan application to finance a program to carry out the campaign.

Institution-Building and Project Training

Social Progress Trust Fund
$529,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiary: DIRECCION DE PLANIFICACION NACIONAL and MINISTERIO DE ECONOMIA, INDUSTRIA Y COMERCIO

In its 1975-79 Development Plan, the Government of Nicaragua has assigned high priority to training professional staffs in the identification, preparation, evaluation and execution of investment projects.



RURAL ROADS SPUR OUT from Pan American Highway running through Panama. A principal concern of Bank's lending in that country has been the construction of such roads. Loan of $30 million approved in 1975 is financing additional roads. Program is helping integrate isolated farming communities into the country's economic mainstream.

This technical cooperation will help the Government, in conjunction with its planning and economic ministry offices, the *Dirección de Planificación Nacional* and the *Ministerio de Economía, Industria y Comercio*, to set up a national system designed to identify, evaluate and control investment projects and to train such professionals in the preparation and evaluation of projects.

PANAMA

LOANS

Rural Highways

Fund for Special Operations
$30 million 30-year 2% loan of Sept. 11, 1975
($23.7 million and $6.3 million in balboas)

Borrower: REPUBLIC OF PANAMA

Since 1969 the Government of Panama has undertaken concerted action to solve farm problems by organizing and supporting cooperatives farming their own or state-owned land in order to improve living conditions in the rural sector, achieve better use of natural resources and increase the farm sector's contribution to the economy.

To achieve these goals, the *Dirección Nacional de Construcción (DNC)*, an agency of the Ministry of Public Works, has embarked on a program to improve the country's rural road system so that isolated farm areas can be integrated into the nation's economy.

This loan, complementing three previous Inter-American Bank road loans totaling $34.5 million, will enable the *DNC* to carry out the third stage of the program, which calls for the construction of eight roads with a combined length of 134 miles. The roads will be built in areas which lack highways and are populated with low-income families.

The program, concentrated in the Provinces of Coclé, Los Santos, Herrera, Chiriquí, Colón and Veraguas, is designed to increase agricultural production, improve marketing prospects, encourage new agro-industrial activities, reduce transportation costs, and facilitate the use by rural residents of farm credit, technical cooperation, health and education programs.

The total cost of the project is estimated at $43 million, of which the Bank loan will cover 69.8 per cent and the Government of Panama the remaining 30.2 per cent.

Technical and Vocational Education

Fund for Special Operations
$12.2 million 30-year 2% loan of Dec. 4, 1975

Borrower: REPUBLIC OF PANAMA

Outlays for education have accounted for about 25 per cent of Panama's public expenditures since the 1950s. As a result, Panama has a university-trained professional staff comparable to that of any other country in the region.

Due to the dynamic 8 per cent annual growth of the economy in the 1960-72 period, however, Panama now has a short-

age of skilled manpower, particularly of middle-level technical personnel, since the education system has concentrated on general education courses rather than technical and vocational training. As a result, industry's demand for skilled workers has not always been met.

To improve this situation, Panama's Ministry of Education has embarked on an educational reform program in basic cycle schools (the last three years of Panama's nine-year, compulsory education program) and in professional and technical institutes

The program provides for the construction of 19 basic cycle schools and four vocational and technical institutes, and for equipping those schools with machinery, tools, teaching materials, furniture, laboratory equipment and textbooks.

The 19 basic cycle schools, which will have an estimated enrollment of 6,840 students, will be located primarily in rural areas inhabited by low-income families. Of these, 17 will provide training in agriculture and 2 in industry. The enrollment of the vocational and technical institutes is expected to be 2,040. Three of these will provide agricultural training and one will provide industrial instruction.

The total cost of the project is estimated at $18 million, of which the Bank will cover 67.8 per cent and the Ministry of Education the remaining 32.2 per cent.

TECHNICAL COOPERATION

Educational Improvements

Fund for Special Operations
$338,000 nonreimbursable cooperation of Dec. 4, 1975
Beneficiary: MINISTRY OF EDUCATION

This technical cooperation was extended to Panama's Ministry of Education in conjunction with the previously described loan for $12.2 million extended to the Republic of Panama for the improvement and expansion of technical and vocational education.

The assistance will be used to help the Ministry strengthen technical education and carry out educational reforms designed to set up basic cycle study courses in the nation's poorest regions. In addition, the cooperation will be used to improve the quality of teaching in the agricultural, livestock and industrial sectors through the granting of 41 scholarships for study abroad.

Animal Health Study

Social Progress Trust Fund (Special Program for Project Preparation)
$49,000 contingent repayment cooperation of Dec. 15, 1975
Beneficiary: MINISTERIO DE DESARROLLO AGROPECUARIO

Since 1950 the Government of Panama has carried out an active campaign to prevent foot-and-mouth disease in cattle from infiltrating its borders. In this endeavor it has had the support of Colombia, Mexico and the Central American nations.

While South America suffers from the ravages of the disease, North America and Central America are free of it. Panama is also working on programs to eradicate brucellosis, rabies and cattle tuberculosis which affect its herds.

This cooperation will help the *Ministerio de Desarrollo Agropecuario*, the nation's agricultural ministry, to undertake a feasibility study for a nationwide animal-health program designed to accomplish these ends. In addition, the assistance will lend support to existing cattle-development programs geared to increase production and productivity of beef and dairy products.

PARAGUAY

LOAN

Foot-and-Mouth Disease Campaign

Fund for Special Operations
$3.2 million 40-year loan of Dec. 18, 1975
($2.3 million and $900,000 in guaranis)
Interest: 1% for 10 years, 2% thereafter
Borrower: REPUBLIC OF PARAGUAY

Paraguay has the seventh largest cattle population in Latin America and livestock and animal products accounted for some 9 per cent of the country's gross domestic product in 1974. However, growth of cattle herds in the 1968-74 period was severely curtailed by constraints on genetic improvement caused, to a large degree, by illnesses such as foot-and-mouth disease.

With the help of a $2.8 million Inter-American Bank loan approved in 1968, Paraguay was able to reduce the incidence of the disease from 30 per cent to less than 5 per cent. By helping to further reduce incidence of the disease in the second stage of the program, this new loan is expected to increase the rate of natural growth of cattle herds to 1.6 per cent a year compared to 1 per cent in 1968-74.

Specifically, the second stage will provide for regular and compulsory vaccination of 90 per cent of the cattle population in the Western part of the nation and 95 per cent in the Eastern portion, institution of a system of preventive inoculation at four-month intervals of not less than 85 per cent of all cattle in border areas, revaccination at three-month intervals of 90 per cent of cattle in areas where the disease occurs, control of animals susceptible of contracting the disease, training of personnel and related measures.

The execution of the Second Stage of the National Plan to Combat Foot-and-Mouth Disease will be the responsibility of the *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)*, with the cooperation of the Ministry of Agriculture, the Ministry of Public Health, the School of Veterinary Medicine, cooperatives of producers and the Association of Breeders.

The total cost of the program is estimated at $5.3 million, of which the Bank loan will cover 60.4 per cent and local sources the remaining 39.6 per cent.

TECHNICAL COOPERATION

City Water System Studies

Social Progress Trust Fund (Special Program for Project Preparation)
$153,000 nonreimbursable cooperation of Jan. 9, 1975
Beneficiary: CORPORACION DE OBRAS SANITARIAS

This technical cooperation will help Paraguay carry out feasibility studies for the construction of water supply projects in Villarrica and Coronel Oviedo. Located in a rich farming and cattle region, the cities are expected to undergo considerable growth now that the construction of the nearby Itaipú hydroelectric complex is underway by Brazil and Paraguay.

The cooperation will be used by the *Corporación de Obras Sanitarias*, the na

tion's water and sewage agency, to hire a consulting firm to analyze the results of the exploration carried out by companies in charge of locating water resources in both cities; to prepare projections of population growth and residential, industrial and commercial development of the cities over the next 10 years; to analyze possible water sources in terms of construction and operating costs, and to prepare preliminary designs and plans, including an estimate of project costs and a calculation of rates, for the proposed water services.

Asunción-San Lorenzo Road Study

Social Progress Trust Fund (Special Program for Project Preparation)
$48,000 contingent repayment cooperation of Aug. 1, 1975

Beneficiary: MINISTERIO DE OBRAS PUBLICAS Y COMUNICACIONES

The present road between the capital of Paraguay, Asunción, and San Lorenzo has reached capacity limits to handle traffic and to be expanded. To remedy this situation, the Government has drafted a plan to build a second highway which will be used for medium- and long-distance travel. In turn, the current road, which is a city street, will be utilized only for city traffic.

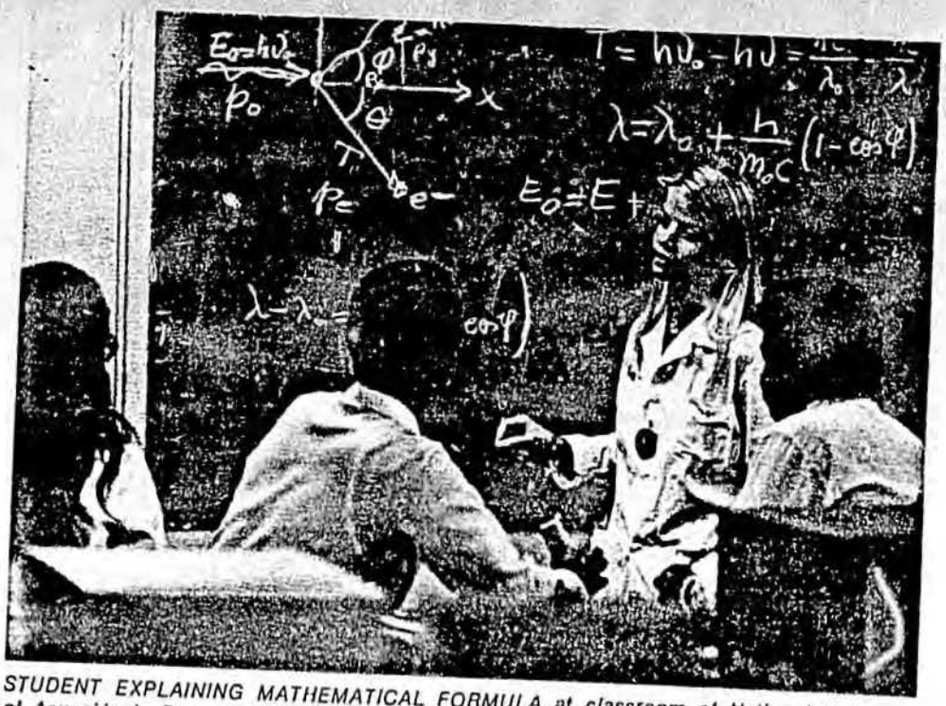
This technical cooperation will help the *Dirección General de Vialidad* of the *Ministerio de Obras Públicas y Comunicaciones (MOPC)*, the agency in charge of public works and transportation, to carry out a feasibility study for the construction of the new highway.

University Expansion

Social Progress Trust Fund (Special Program for Project Preparation)
$97,000 nonreimbursable cooperation of Aug. 7, 1975

Beneficiary: UNIVERSIDAD NACIONAL DE ASUNCION

In 1965 the Bank extended a $1.5 million loan to the *Universidad Nacional de Asunción* to help finance the first stage of an expansion program. The project included the construction of facilities, the purchase of equipment and the contracting of teaching staff. Completion of this phase contributed significantly to the University's development with the result that enrollment rose by 45.3 per cent and the number of graduates increased by 52.6 per cent.



STUDENT EXPLAINING MATHEMATICAL FORMULA at classroom of National University of Asunción in Paraguay. University acquired new teaching and bibliographic material and built additional classroom facilities with Bank loan extended in 1965. Loan helped nation to train personnel needed to foster its development programs.

This technical cooperation will pave the way for the second stage of the expansion program. The cooperation will enable the University to continue a study of its academic requirements, with special emphasis on disciplines required for the development process, and to specify and design physical facilities that will complement and promote the fullest use of existing ones.

Animal Health Studies

Social Progress Trust Fund (Special Program for Project Preparation)
$75,000 contingent repayment cooperation of Aug. 7, 1975

Beneficiary: SERVICIO NACIONAL DE LUCHA CONTRA LA FIEBRE AFTOSA

In 1968 the Bank extended a $2.8 million loan to Paraguay's *Ministerio de Agricultura y Ganadería* for the first stage of an animal health program. That phase covered 72 per cent of the country and reduced the incidence of foot-and-mouth disease from 30 per cent in 1969 to less than 5 per cent in 1974.

This technical cooperation was used by the *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)* to initiate studies for the program's second stage. *SENALFA* utilized the Pan American Health Organization to prepare technical, economic and financial feasibility studies for a continuation of the campaign to combat foot-and-mouth disease and the opportune control of brucellosis, rabies and cattle tuberculosis throughout the entire country.

Late in 1975 the Bank approved the previously described loan for $3.2 million for the execution of the second stage of the National Plan to Combat Foot-and-Mouth Disease.

Storm Sewer Study

Social Progress Trust Fund (Special Program for Project Preparation)
$48,000 contingent repayment cooperation of Sept. 5, 1975

Beneficiary: CORPORACION DE OBRAS SANITARIAS

In 1968 the Inter-American Bank extended a loan of $8.3 million to the Republic of Paraguay to expand the water supply and sewage systems and install the first stage of a system of storm sewers in Asunción. This stage is now near completion.

This technical cooperation will enable the *Corporación de Obras Sanitarias (CORPOSANA)*, Paraguay's water and sewage agency, to carry out an economic

feasibility study for the second stage. *CORPOSANA* will contract a consulting firm to conduct the study, which will include a revised estimate of the construction and maintenance costs, an analysis of the project's benefits and profitability, a technical evaluation of designs and a revision of the plan to strengthen the administration of *CORPOSANA*.

Regional Development Plan

Fund for Special Operations
$493,000 nonreimbursable cooperation of Nov. 13, 1975

Beneficiary: OFICINA NACIONAL DE PROYECTOS

Paraguay's Chaco is a region of scarce resources. If properly developed, however, these would support the settlement of people, increase agricultural and industrial production and income in the region and lead to a greater use of such infrastructure facilities as the Trans-Chaco Highway.

This technical cooperation will help carry out such development by enabling the *Oficina Nacional de Proyectos (ONP)*, an agency of Paraguay's Technical Planning Secretariat of the Office of the Presidency, to contract consultants to carry out a development study of a regional plan to take advantage of the zone of influence of the Trans-Chaco Highway and to evaluate the most appropriate public and private investment alternatives.

The program's first phase will include a survey of the economic and social possibilities of the Chaco and a review of available studies on local production activities. In addition, a determination will be made of what further studies will be required and what priority areas should be identified. Finally, a regional development plan will be drawn up and recommendations will be made on the appropriate institutional framework to carry it out.

Industrial Survey

Fund for Special Operations
$100,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiary: MINISTERIO DE INDUSTRIA Y COMERCIO

In 1970 the Government of Paraguay promulgated a new investment law to stimulate exports of manufactured products and it plans to adopt additional measures in the future to encourage industrial development. The nation's last industrial census was conducted in 1963 and for that reason it lacks an up-to-date statistical base upon which to plan such development.

This technical cooperation will enable the *Ministerio de Industria y Comercio* to undertake a nationwide industrial survey, thus helping it to plan properly the nation's industrial development.

Institutional Strengthening

Fund for Special Operations
$310,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: SERVICIO NACIONAL DE LUCHA CONTRA LA FIEBRE AFTOSA

This technical cooperation was extended in coordination with the previously described loan of $3.2 million for the second stage of the foot-and-mouth disease campaign in Paraguay. It will be used to strengthen the executing agency—the *Servicio Nacional de Lucha Contra la Fiebre Aftosa*.

The cooperation will be made available through the Pan American Health Organization and will be used to make a survey of the health of cattle herds, particularly in areas free of the disease; to help carry out the campaign; to provide fellowship for training abroad; to establish a program of continuous field training, and to evaluate the capacity of the present staff.

PERU

LOAN

Industrial Credit

Venezuelan Trust Fund
$15 million 15-year 8% loan of Oct. 30, 1975 ($11,250,000 and 16,125,000 bolivars)

Borrower: REPUBLIC OF PERU

In 1973 the manufacturing sector in Peru accounted for 27 per cent of the nation's gross domestic product. The 7,746 firms, which make up the sector, produced $4.9 billion in goods and employed some 256,000 persons, or 5.7 per cent of the nation's total labor force. The sector is highly concentrated in the Lima-Callao area, which accounts for 72 per cent of industrial employment.

Peru's National Development Plan for 1975-78 foresees a continued dynamic role for the sector, which is expected to grow at an average annual rate of 13.8 per cent and account for 30 per cent of GDP by 1978.

This loan will contribute to the achievement of these targets. It will be used by the *Banco Industrial del Perú (BIP)* to provide subloans to manufacturing enterprises throughout the country. The program's purpose is to develop basic manufacturing industries and those which produce goods essential and complementary to productive activities or the daily requirements of Peruvians.

Subloans will be granted solely to industries characterized as first, second and third priority under the National Economic Development Plan's General Industry Law. To help decentralize industry, 35 per cent of the subloans will finance enterprises outside the Lima-Callao area, while 20 per cent will finance the development of new enterprises.

The total cost of the project is estimated at $27 million, of which the Bank will cover 55.6 per cent and *BIP* the remaining 44.4 per cent.

TECHNICAL COOPERATION

Tourism Development

Fund for Special Operations
$64,600 contingent repayment cooperation of June 12, 1975

Beneficiary: INSTITUTO NACIONAL DE CULTURA

Peru's 1971-75 Tourism Development Plan and the Andean Pact's Tourism Integration Program both give high priority to protecting the area's cultural heritage in order to attract tourists.

To this end, the *Instituto Nacional de Cultura (INC)*, a public agency which conserves and fosters Peru's cultural heritage, has initiated a program to build a new National Museum of Archeology and Anthropology to replace the present museum, which is inadequate for mounting large archeological displays.

This technical cooperation will be used by *INC* for a tourism development project in which cultural attractions of the Inca civilization will be displayed. The funds will be used to contract consultants to carry out studies in museum

science, lighting techniques and general museum installation, as well as to train *INC*'s technical personnel by means of study trips to specialized museums overseas.

University Support

Social Progress Trust Fund (Special Program for Project Preparation)
$560,000 contingent repayment cooperation of Sept. 18, 1975
Beneficiary: UNIVERSIDAD NACIONAL AGRARIA

The earthquake which struck Peru Oct. 3, 1974, caused considerable damage to the buildings of the *Universidad Nacional Agraria (UNA)*, the national agricultural college located near Lima in the District of La Molina. Suffering the most damage were the rector's building and that of the physical planning department, parts of which had to be demolished. In addition, the university student center and several department and classroom buildings were severely damaged.

As a consequence of the damage the university is seeking to determine whether its campus can continue to be kept at the present site without future danger.

This technical cooperation will help *UNA* to prepare a technical-economic study of alternative locations for the university, final designs for the new buildings and *UNA*'s institutional development program, which envisions the creation of various university institutions which will be located in the coastal, mountain and jungle areas of Peru.

Project Training Program

Social Progress Trust Fund
$179,000 nonreimbursable coo tion of Dec. 18, 1975
Beneficiary: INSTITUTO NACION DE PLANIFICACION

Peru's planning agency, the *Instituto Nacional de Planificación (INP)*, estimates that approximately 2,000 technicians will be required over the next three years to prepare, evaluate and administer economic and social development projects, of which 600 would be high-level personnel and 1,400 would be middle-level technicians. This personnel will be needed to prepare and evaluate some 1,300 investment projects in mining, industry, hydrocarbons, transportation, agriculture and related fields which represent about $5.8 billion during the three-year period.

At present the country has 1,120 technicians available in the public sector. This technical cooperation will help train an additional 410 through a two-phase program. The first consists of a course on the preparation and evaluation of investment projects, to be carried out in Lima, and the other involves eight seminars on the same subject to be held in Lima and in the principal cities of the major geographic zones of the country.

CATTLE EGRETS FORAGE FOR FOOD as this small farmer in the Dominican Republic plows land with hand-held tractor. Under integrated agricultural development program, being carried out by government with help of Bank loan, farmer obtained credit to purchase the tractor. The project will benefit about 300,000 persons in six farm zones.

EXPORT FINANCING

During 1975 Peru received a revolving line of credit for $1 million to finance exports of capital goods. It replaced a 1974 credit for the same amount which had been voided. In addition, the revolving line was increased during the year by $20,000 through repayments. This activity is described further on under the heading "Export Financing."

TELEPHONE SERVICE IN URUGUAY is being improved with support of a $28.4 million loan approved by the Bank in 1975. Execution of the program will create an integrated national telecommunications system and strengthen Uruguay's communications links with Argentina and Brazil, thus contributing to the economic integration of the region.

URUGUAY

LOANS

Telecommunications System Improvements

Ordinary Capital Resources
$28.4 million 20-year 8% loan of Feb. 28, 1975
Borrower: REPUBLIC OF URUGUAY

A large portion of Uruguay's current telecommunications equipment and installations is obsolete and unable to satisfy the nation's growing demand. Some 20,000 subscribers in 290 interior towns in 1974, for example, had manual telephone service only and, although 180,000 subscribers in Montevideo, the nation's capital, had automatic service that year, much of the system's equipment was outdated. Uruguay's telecommunications network is also fragmented rather than being integrated.

This loan will be used by the *Administración Nacional de Telecomunicaciones (ANTEL)*, the nation's telecommunications agency, in helping to finance works:

- To build and equip two telephone exchanges in Montevideo with a total capacity of 10,000 pairs of cables for the subscriber lines.
- To install new microwave systems extending 694 miles, including reconstruction of the existing network between Montevideo and Colonia. The new equipment will have an ultimate capacity of 960 voice channels per radio channel and the Montevideo-Colonia route will have three radio channels.
- To modernize the present coastal radio network. This would involve the relocation of existing equipment of low, medium and high frequency, the construction of three buildings, the installation of new equipment and the construction of 11 telecommunication stations along the Atlantic seaboard and the shores of the River Plate and the Uruguay River.

Execution of this project will integrate the national telecommunications system, linking it to the Inter-American Telecommunications Network, and will improve communications with Argentina and Brazil.

The total cost of the project is estimated at $48.8 million, of which the Bank will cover 58.2 per cent and *ANTEL* the remaining 41.8 per cent.

City Water Systems

Fund for Special Operations
$7 million 35-year 2% loan of June 5, 1975
($5.17 million and $1.83 million in Uruguayan pesos)
Borrower: REPUBLIC OF URUGUAY

More than 90 per cent of the residents of Montevideo had water connections in their homes in 1972. In contrast, only 38 per cent of Uruguayans living outside the capital had water piped to their homes, while another 7.8 per cent obtained water from public sources.

To improve this situation, the *Administración de las Obras Sanitarias del Estado (OSE)*, the nation's water and sewage agency, will carry out a project, partially financed by this loan, to provide 225 liters of water per person per day for 70 per cent of the estimated population living in towns of more than 5,000 inhabitants by 1980.

Completion of the project will help solve the sanitary problems of Uruguay's larger interior towns by providing water services to about 145,000 new users, as well as improving services for a total of 633,000 persons.

Specifically, the project entails the construction of catchment works, the installation of water lines, the expansion of treatment plants, and the enlargement of distribution systems through the construction of storage tanks, with capacities of from 40 to 600 cubic meters and the extension of networks.

The total cost of the project is estimated at $10,220,000, of which the Bank loan will cover 68.5 per cent and local sources the remaining 31.5 per cent.

TECHNICAL COOPERATION

Agricultural Studies

Fund for Special Operations
$34,000 nonreimbursable cooperation of Feb. 27, 1975
Beneficiary: MINISTERIO DE AGRICULTURA Y PESCA

To augment farm exports and rural em

ployment, the Government of Uruguay has given high priority to implementing its national farm plan. The plan entails a number of projects, involving the cultivation of fruits, vegetables, potatoes, soy beans, poultry, hogs and the production of shipping crates, for which external financing will be sought.

This technical cooperation will enable the *Ministerio de Agricultura y Pesca* to hire Israeli experts, under the Inter-American Bank-Israeli Cooperative Program, to conduct marketing and agroindustrial studies.

The studies will seek to identify marketable varieties and marketing conditions and make recommendations on investment needs and the modernization of processing plants.

REGIONAL

LOANS

Highways in Central America

Fund for Special Operations
$25 milion 30-year loan of July 3, 1975
Interest: 1% for 10 years, 2% thereafter
Borrower: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

The rapid expansion of the Central America highway network in recent years has been instrumental in the increasing growth of trade among the region's five countries. Regional trade increased from $33 million in 1960 to $500 million in 1974 and the volume of intraregional cargo moving by highway jumped from 476,000 tons in 1964 to 1,050,000 tons in 1974.

The Inter-American Bank has supported this expansion not only through loans extended to individual countries but also through two loans totaling $31.5 million channeled through the Central American Bank for Economic Integration (CABEI).

This new loan, which will be relent by CABEI to its member countries, will help finance seven additional priority highways projects (two each in El Salvador and Honduras and one each in Costa Rica, Guatemala and Nicaragua) with a total length of 159 miles. The projects include the construction of earth works, drainage structures, gravel and bituminous pavement on existing regional highways, as well as improving and paving other key roads.

Completion of these projects will provide additional impetus to the economic integration and balanced development of the region within the framework of the Central American Common Market.

The cost of the project is estimated at $31,250,000, of which the Bank will cover 80 per cent and CABEI the remaining 20 per cent.

Puyango-Tumbes Irrigation Studies

Fund for Special Operations
$5.2 million 30-year 2% loan of Dec. 18, 1975
($2.8 million, $1.2 million in soles and $1.2 million in sucres)
Borrower: COMISION MIXTA PERUANO-ECUATORIANA PUYANGO-TUMBES Y CATAMAYO-CHIRA

The Puyango-Tumbes watershed, which begins in Ecuador and extends into Peru, has a total area of 2,123 square miles, of which 1,428 are in Ecuador and 695 are in Peru. The region presently has little vegetation and insufficient water for farming.

To develop the area, a joint commission, the *Comisión Mixta Peruano-Ecuatoriana Puyango-Tumbes y Catamayo-Chira* has drawn up an agricultural development project for the irrigation of the Puyango-Tumbes watershed.

This loan will help the commission to contract a consulting firm to undertake a technical-economic study prior to the selection of the most feasible alternative for the construction of the irrigation works, a study of the technical, economic and financial feasibility of the selected alternative; geotechnical studies required for the final engineering designs, and the preparation of an investment project for presentation to an international lending agency.

Execution of the project will benefit two economically depressed areas in Peru and Ecuador, whose combined population totals some 80,000 inhabitants, mostly settlers, small-scale farmers and members of agricultural cooperatives.

The total cost of the project is estimated at $9.1 million, of which the Bank loan will cover 57.2 per cent and the commission the remaining 42.8 per cent.

Support for Credit Unions

Social Progress Trust Fund
$8 million financing of Oct. 9, 1975
Borrower: CONFEDERACION LATINOAMERICANA DE COOPERATIVAS DE AHORRO Y CREDITO

Latin America is seriously affected by a scarcity of credit for farmers. This holds particularly true for small-scale farmers who account for 80 per cent of the region's agricultural resources. Moreover, while commercial banks supply about 75 per cent of the credit needs of the farm sector, small farmers generally cannot capitalize on this source of finance because interest rates are too high or because they have no collateral. As a result, they are largely dependent upon public institutions for finance.

This financing will enable the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, a private, non-profit federation which unites Latin American credit cooperatives, to strengthen programs being carried out by national credit union federations in Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru. The programs are designed to improve Latin America's credit union movement in order to assist the beneficiaries in obtaining credit.

Specifically, it will help *COLAC* to grant lines of credit to national federations, which in turn will provide credit to small- and medium-scale farmers, craftsmen and industrialists, preferably in rural areas. These credits, which will be extended at reasonable interest rates and terms, will be granted to eligible credit union members for crop and livestock production and for handicraft industries.

Completion of the program will help increase the real income, production and productivity of Latin America's credit union membership. In addition, it will assist *COLAC* in establishing an effective regional credit system capable of meeting development needs in rural areas.

The total cost of the program is estimated at $17 million, of which the Bank's financing will cover 47 per cent. *COLAC* and other financing sources will contribute the remaining 53 per cent.

EXPORT FINANCING

In September 1963 the Inter-American Bank adopted a program to help finance exports of capital goods and certain technical services among its Latin American member countries as a means of stimulating the growth of capital goods industries in Latin America and fostering its economic integration by increasing 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 corresponding to a proportion of the credits which they extend at medium terms, varying in general from more than 180 days to five years. Up to 85 per cent of the eligible credits granted by the national agency may be refinanced with the Inter-American Bank.

Goods and services 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 another developing member country of the Bank 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. The services must be provided by persons or firms of the exporting country.

Through 1975 the program had benefited the capital goods exports systems of Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela. Brazil, Mexico and Argentina were the chief exporting nations. Virtually all of the Bank's Latin American member countries have been importers under the program, the chief among them being Argentina, Colombia, and Venezuela.

Due to the revolving nature of the lines of credit, the Bank's total disbursements under the program as of Dec. 31, 1975, amounted to $122 million, a sum which helped finance exports with a total invoice value of $193 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; seamless steel pipe; fishing boats; goods and services for the construction of a pier, sugar mills, an oil pipeline and a gas line; automotive vehicles and parts; tractors and other agricultural machinery; breeding livestock; railway equipment; machine tools, and equipment to generate and distribute electricity.

During 1975, the following increments in the program took place:

Argentina—On Jan. 9, 1975, the Bank authorized an $8 million increase in the revolving line of credit originally extended to the *Banco Central de la República Argentina* in 1964. In addition, the previous line of credit was augmented through repayments by $4 million in 1975.

Brazil—A revolving line of credit opened in favor of the *Banco do Brasil* in 1964 was increased through repayments by a further $6.5 million in 1975.

Mexico—On March 20, 1975, the Bank authorized a $5 million increase in the revolving line of credit originally extended to *Nacional Financiera, S.A.* In addition the revolving line of credit was augmented through repayments in 1975 by a total of $1.3 million.

Peru—On Feb. 1, 1975, the Bank approved a $1 million line of credit to the *Banco Industrial del Perú*. The credit replaced one for a similar amount approved in 1974 which had been voided. In addition the revolving line was increased during the year by $20,000 through repayments.

TECHNICAL COOPERATION

Management Training

Fund for Special Operations
$645,000 nonreimbursable cooperation of March 6, 1975
Beneficiary: INSTITUTO CENTROAMERICANO DE ADMINISTRACION PUBLICA

The *Instituto Centroamericano de Administración Pública (ICAP)*, was established in 1967 by Panama and the five Central American nations—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—as a regional training, research and technical cooperation organization to strengthen public administration for economic and social development and integration in the region.

The Institute, which is located in San José, Costa Rica, has carried out a number of activities in designing and executing training systems, including research, preparation of instructional material, and the extension of consulting services to its member nations.

The Bank has previously collaborated with *ICAP* in a two-year pilot program of national and regional training courses on project management systems for economic and social development projects financed with loans from the Inter-American Bank and the Central American Bank for Economic Integration.

This additional technical cooperation will partially finance a three-year training program for senior and intermediate level government officials in the member countries on project management systems, administration of public enterprises and management of regional integration programs. The program will also include research activities and the preparation of teaching materials.

Lumber Research

Canadian Project Preparation Fund
Can$131,000 nonreimbursable cooperation of July 10, 1975
Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS and NICARAGUA

Lumber is one of Central America's most important natural resources and represents a potentially important contributor to the region's economic welfare, even though regional exports of wood, mostly unfinished products, accounted for a relatively modest $20 million in 1970.

In order to help realize this potential the Central American Institute of Industrial Research and Technology *(ICAITI)* will use this technical cooperation to determine—through laboratory research and pilot plant experiments—optimum drying times and preservation procedures for Central American woods. At the

time very little is known in Central America about the best techniques and methods to preserve and dry woods, and that information and technology is basic for the production of high quality lumber for export.

Animal Disease Control Training

Social Progress Trust Fund
$400,000 nonreimbursable cooperation of July 31, 1975

Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, NICARAGUA and PANAMA

The Central American countries and Panama had an estimated 10 million head of cattle in 1972 and herds were increasing at the rate of 3.5 per cent yearly. However, the livestock is affected by a variety of diseases, the chief ones being brucellosis and tuberculosis.

In order to control and eventually eradicate such diseases and prevent the outbreak of foot-and-mouth disease in the area, the Inter-American Bank is cooperating with the Pan American Health Organization *(PAHO)* in a project to train professionals from the region in communications programs designed to contribute to the prevention and control of animal diseases.

The project will last three years and will include a regional course, two three-country courses and six national courses. Similarly, it will include in-service staff training to carry out an "experimental plan" in Panama and six educational social communication campaigns in individual countries, as well as the training of personnel for six Animal Health Information Technical Units which will either be strengthened or set up in each of the countries.

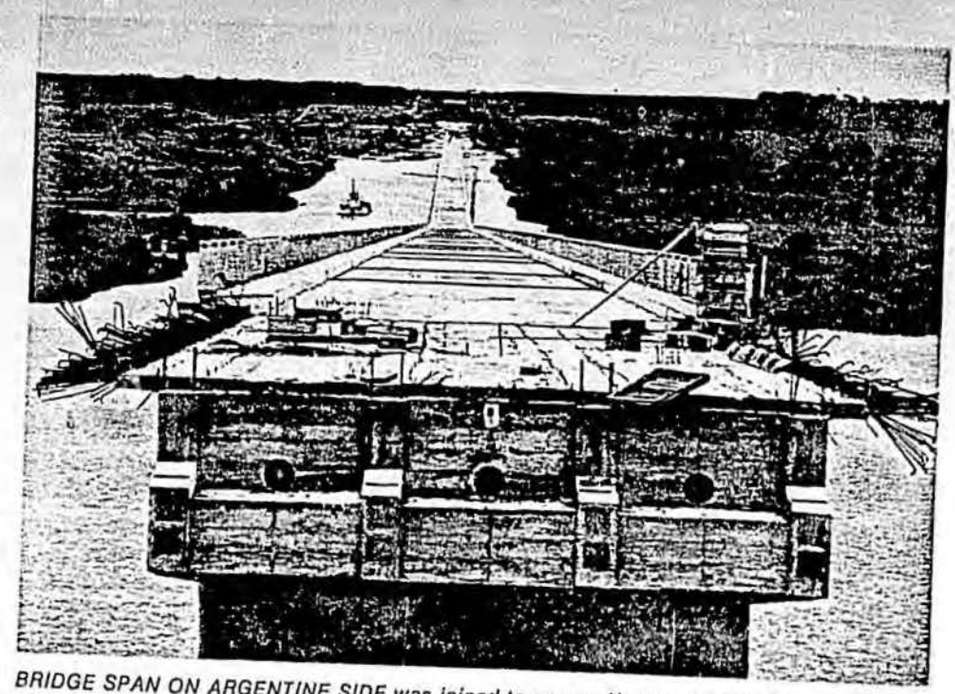
Regional Tourism Study

Fund for Special Operations
$[illegible] nonreimbursable cooperation of [illegible] 11, 1975

Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, NICARAGUA and PANAMA

In order to promote tourism, the *Secretaría de Integración Turística Centroamericana (SITCA)* has embarked on a project to create a Central American tourism circuit and to strengthen the Bureau of Central American Tourism Integration and the Tourist Departments of Costa Rica, El Salvador, Guatemala Honduras and Panama.

SITCA will use this technical cooperation to contract a consulting firm to prepare a study to establish such a circuit, which would connect the main tourist development centers of the region. Similarly, *SITCA* will hire a consultant to propose methods of strengthening the operations of the tourist bureau and the government tourist departments of the six countries.



BRIDGE SPAN ON ARGENTINE SIDE was joined to one on Uruguayan side shortly after this photograph was taken. The bridge, partly financed with loans made by the Bank to the two countries in 1970, will provide first road link between the two. Uruguayan side was partially financed from Argentine fund administered by Bank.

Central American Data Bank

Social Progress Trust Fund
$150,000 nonreimbursable cooperation of Nov. 25, 1975

Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS and NICARAGUA

In December 1972 Cabinet Ministers of the five Central American countries requested the Permanent Secretariat of the General Treaty for Central American Economic Integration *(SIECA)* to prepare documentation to re-structure the Central American Common Market.

In order to implement this request, *SIECA* decided that the region should have an instrument to undertake macroeconomic analyses. This technical cooperation will help *SIECA* to develop a macroeconomic model for the economies of the five countries, as well as establish a data bank.

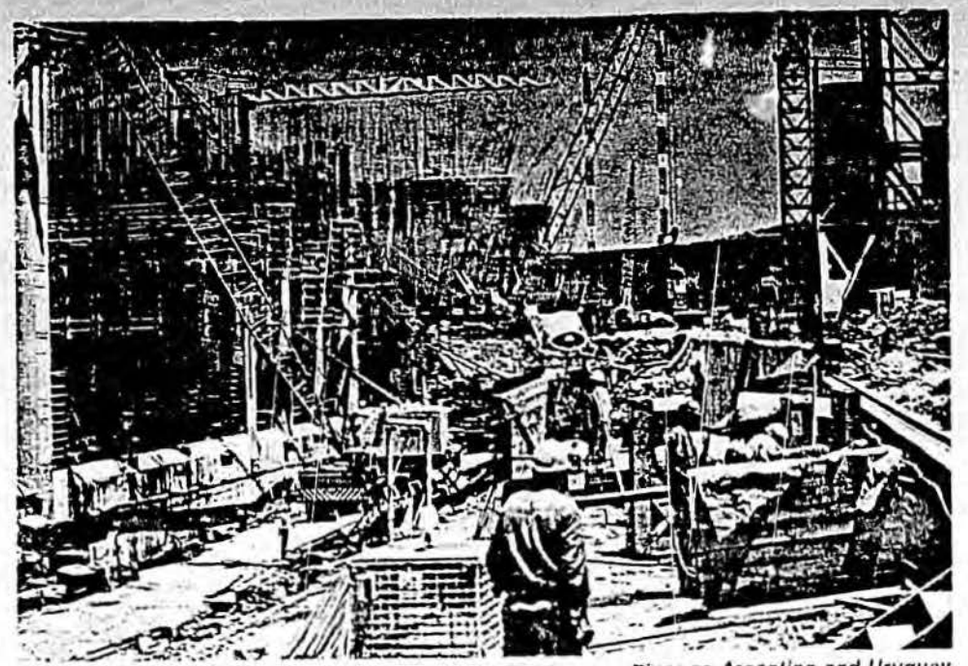
The model will seek to estimate the benefits that would accrue to each nation and to the region as a whole as a result of the socioeconomic integration of Central America. In addition the work done by each national planning agency's staff in managing the model and keeping it up-to date would be coordinated.

Central American Transportation Study

Fund for Special Operations
$280,000 nonreimbursable cooperation of March 6, 1975

Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS and NICARAGUA

In 1972 the Bank authorized $300,000 in nonreimbursable technical cooperation to help the five Central American countries—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—to inititiate a study of the development and complementation of transportation systems in the region. The study is being carried out in cooperation with the United Nations Development Programme (UNDP), the Central American Bank for Economic Integration (CABEI), as the executing agency, the Permanent Secretariat of the General Treaty for Central American



JUMBLE OF STEEL RISES at Salto Grande on the Uruguay River as Argentina and Uruguay join forces in building 1,620,000-kilowatt hydroelectric power plant. Inter-American Bank has lent $175 million to help build the plant which is fostering economic integration between the two countries, as well as lessening region's reliance on imported fuels.

Economic Integration *(SIECA)* and the five countries.

This technical cooperation will help finance added costs of the project caused by inflationary factors, expansion of the terms of the study and the need for a longer time period for the execution of the project.

Central American Integration Studies

Fund for Special Operations
$186,000 nonreimbursable cooperation of June 5, 1975
Beneficiary: PERMANENT SECRETARIAT OF THE GENERAL TREATY FOR CENTRAL AMERICAN ECONOMIC INTEGRATION

This technical cooperation will help the Permanent Secretariat of the General Treaty for Central American Economic Integration *(SIECA)* to carry out basic studies related to the preliminary draft of the Treaty to Establish the Central American Economic and Social Community *(CESCA)*.

It will provide technical support to the High-Level Committe for Improvement and Reorganization of the Central American Common Market, which was established in 1972 to examine the proposal of reorganizing *SIECA*.

The Bank's funds will be used to help contract consultants to analyze the juridical-institutional aspects of agricultural policy and rural development, industrial programming and development and social and employment policy, all of which are related to *CESCA's* creation.

Farm Research and Extension Services

Social Progress Trust Fund
$1.7 million nonreimbursable cooperation of Dec. 11, 1975
Beneficiaries: EL SALVADOR, GUATEMALA and HONDURAS

One of the primary concerns of the Bank's policy is that of fostering the development of improved varieties of farm crops in order to help meet the world's increasing food needs. For that reason it has supported the programs of the international research centers in Latin America which have contributed to the green revolution. The Bank also supports programs of national agricultural research organizations so that they might take advantage of the techniques of the world centers and extend them to small-scale farmers.

This technical cooperation will enable farm research and extension agencies in El Salvador, Guatemala and Honduras to strengthen their activities in this regard. The funds would be apportioned in the following manner: $615,000 to the *Centro Nacional de Tecnología Agropecuaria (CENTA)* in El Salvador; $560,000 to the *Instituto de Ciencia y Tecnología Agrícolas (ICTA)* in Guatemala, and $525,000 to the *Secretaría de Recursos Naturales (SRN)*, in Honduras.

Specifically, the technical cooperation will help expand the production and productivity of small farmers' basic grain crops, particularly corn and beans; establish mechanisms to test and transfer agricultural technology throughout Central America; strengthen national agricultural institutes through personnel-training programs, and set up mechanisms to take advantage of the support that the international centers can provide through their outreach programs thus enabling these countries to benefit more from the "green revolution."

Higher Education Training Program

Social Progress Trust Fund
$113,500 nonreimbursable cooperation of Sept. 11, 1975
Beneficiaries: UNIVERSITIES IN ANDEAN COUNTRIES

Enrollment in institutions of higher education in Latin America increased from 520,159 in 1960 to 2,029,221 in 1972, an average annual growth rate of 12 per cent. At this rate, enrollment will reach an estimated 5 million by 1980. Meantime, the unit cost of higher education is tending to increase, straining the education budgets of the Bank's member countries.

Thus, the development of improved planning and management capabilities would be a significant contribution to a better utilization of resources earmarked for education. This technical cooperation will contribute to that end by enabling the *Universidad de los Andes* of Colombia to organize a seminar for university administrators from Bolivia, Colombia, Chile, Ecuador and Venezuela.

In addition to holding an initial regional seminar and preparing appropriate manuals, the university will establish a group of technically qualified specialists, a documentation center, and a specialized library as a means of providing technical cooperation in the field to other universities in the region. The program also contemplates a number of national seminars on university administration which will be carried out by universities

located in the countries of the Andean Region.

Andean Pact Pharmachemical Studies
Fund for Special Operations
$40,000 nonreimbursable cooperation of April 30, 1975
Beneficiary: JUNTA DEL ACUERDO DE CARTAGENA

The Andean Group, composed of Bolivia, Chile, Colombia, Peru and Venezuela, has assigned high priority to the development of the industrial sector in its economic integration plans.

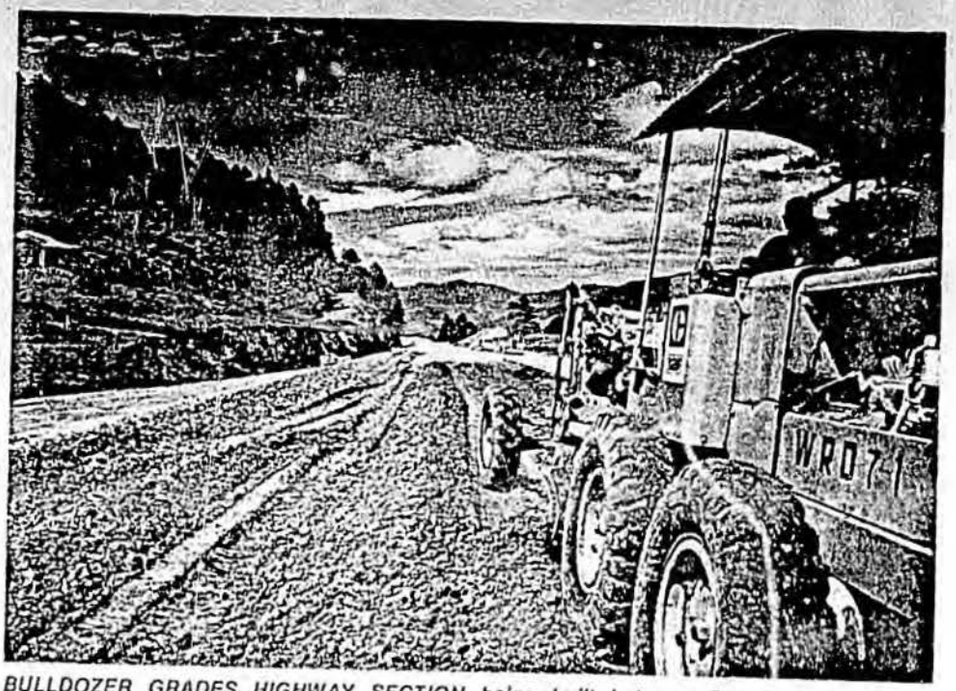
This technical cooperation will help the Group's secretariat, the *Junta del Acuerdo de Cartagena (JUNAC)*, to hire consulting services to analyze and determine priorities for the establishment of industries in the chemical and pharmachemical fields, with industrial profiles being drafted for at least 12 products.

Completion of the studies will enable *JUNAC* to present to the *Comisión del Acuerdo de Cartagena*, the Group's governing board, a proposal regarding products it believes should be reserved for exclusive production under the Sectoral Plan for Pharmachemical Industrial Development.

Meeting on Consulting Services
Fund for Special Operations
$20,000 nonreimbursable cooperation of Aug. 7, 1975
Beneficiaries: MEMBER NATIONS

With the support of preinvestment loans extended to various member countries by the Bank, Latin American development consulting services have experienced notable progress in recent years. At a Bank-sponsored appraisal of the results achieved through the preinvestment funds held in Rio de Janeiro in early 1974, a concensus emerged on the need to strengthen national consulting services.

Responding to this concensus the Government of Mexico decided, in collaboration with the Bank and the UN Development Programme, to sponsor a meeting in Mexico City Aug. 25-28, 1975, with the objective of establishing relations among individual consultants and consulting firms, and with making their fields of specialization widely known throughout the region. This technical cooperation helped finance that meeting.



BULLDOZER GRADES HIGHWAY SECTION being built between San Pedro Sula and Progreso in Honduras. The project is being constructed with the help of a loan from the Inter-American Bank extended to the nation's highway agency. The road is part of the Northern Coastal Highway which runs from the border of Guatemala to Puerto Castilla.

Agricultural Project Training Programs
Social Progress Trust Fund
$510,000 nonreimbursable cooperation of May 8, 1975
Beneficiary: INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCES

Latin America's agricultural growth rate is failing to keep pace with its overall economic progress and is only slightly above its population increase, which is the world's highest. As a means of boosting Latin America's agricultural production so that it can keep pace with food demand, the Bank places high importance on the training of agricultural technicians, the strengthening of technical units for the preparation of agricultural projects and the formation of training teams in national education institutes.

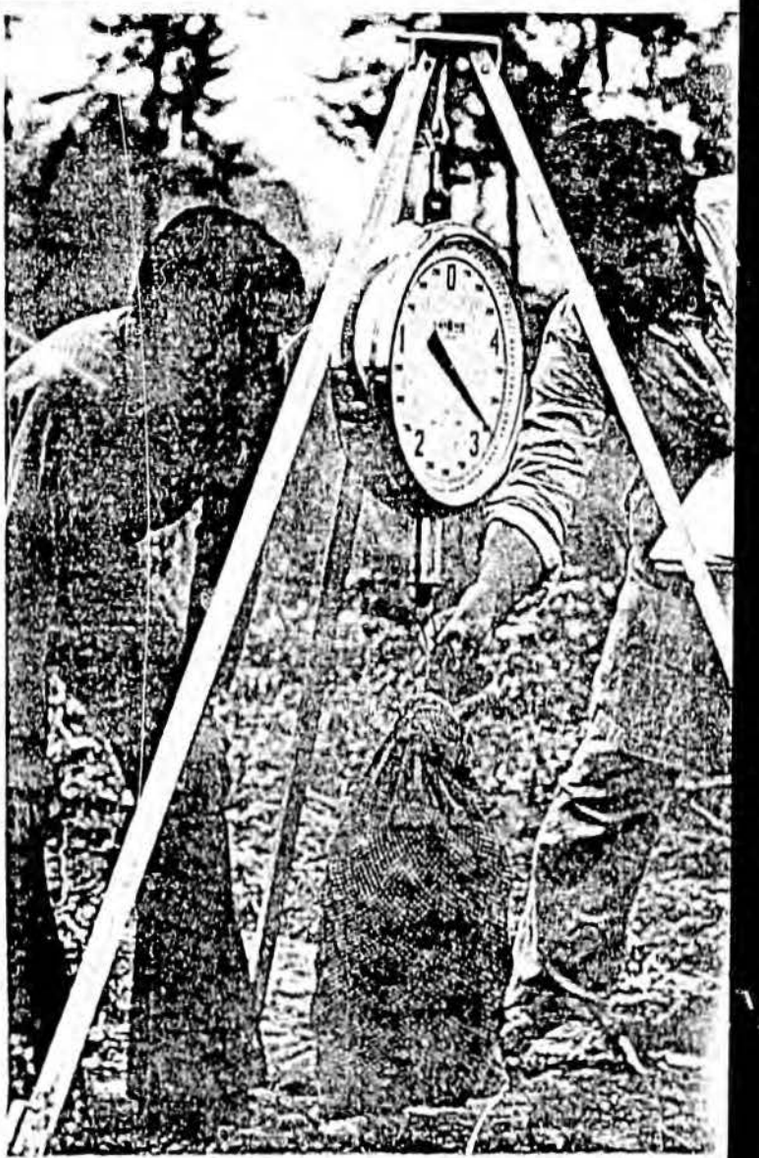
This cooperation will be used by the Costa Rican-based Inter-American Institute of Agricultural Sciences, in conjunction with the Bank, to finance a program of staff training in the preparation and evaluation of agricultural development projects. The program which will last for two years, will include courses and in-service training of varying lengths for 200 professionals and seminars for another 60.

The program will be carried out in four cities: Montevideo for participants from Argentina, Brazil, Chile, Paraguay and Uruguay; Lima for Bolivia, Colombia, Ecuador, Peru and Venezuela; Guatemala City for Central America, Mexico and Panama, and Kingston for Jamaica and the Caribbean area.

Report on LAFTA Bankers' Acceptances
Fund for Special Operations
$100,000 nonreimbursable cooperation of June 26, 1975
Beneficiary: LATIN AMERICAN FREE TRADE ASSOCIATION

Following the signing of the Agreement of Uniform Guarantees of Availability and Transferability for LAFTA-Latin American Bankers' Acceptances by 11 central banks in 1973, the Latin American Free Trade Association (LAFTA) requested cooperation from the Bank for the execution of a legal study covering the sale of such instruments in the world markets. The Bank provided a total of $100,000 for the study, which was later reviewed by LAFTA.

As a result of that review, LAFTA requested the Bank to finance the first stage of a project—a presentation to the Securities and Exchange Commission (SEC) of the United States—to provide for the sale of such acceptances in the



New York market. The cooperation, which amounted to $28,000, was completed, and the SEC subsequently granted approval for the acceptances to be sold in the United States.

This assistance will help LAFTA to carry out the second stage of the project which includes preparation of an expanded legal report necessary to gain the consideration of New York dealers to market the acceptances.

Seminar on Handicraft Industries

Fund for Special Operations
$41,800 nonreimbursable cooperation of May 15, 1975
Beneficiaries: MEMBER COUNTRIES

This technical cooperation enabled the Bank to finance with the Canadian International Development Agency (CIDA) a jointly-sponsored training seminar on Handicraft Development held in Ottawa, Canada, June 16-20, 1975.

Some 30 officials from Bank member countries who have direct responsibility for giving financial, technical and managerial assistance to handicraft units in Latin American countries attended the seminar, which acquainted them with the Canadian experience in promoting such industry and permitted them to examine features of the Canadian experience that would be applicable in Latin America.

Short-Term Missions

Fund for Special Operations
$100,000 nonreimbursable cooperation of Feb. 28, 1975
$100,000 nonreimbursable cooperation of Sept. 11, 1975
Beneficiaries: MEMBER NATIONS

This technical cooperation, amounting to $200,000, enabled the Bank to send short-term missions to its member countries during 1975 to provide advice on problems related to economic planning, the formulation of development strategies, investment planning and the preparation of loan requests.

Such missions also helped analyze technical cooperation needs and provided advice on Bank credits, including the mobilization of resources and the formulation of policies.

Higher Education Study

Fund for Special Operations
$45,000 nonreimbursable cooperation of May 13, 1975
Beneficiary: FUNDACION PARA LA EDUCACION SUPERIOR

In November 1973 a conference on Education and Development was held in Bellagio, Italy. Participating were the heads of some of the leading international and bilateral aid agencies as well as private foundations. At the meeting participants decided to establish a Working Group on Higher Education for Development with the objective of identifying means of reorienting higher education in developing countries in order to carry out modern national and regional development objectives better.

This technical cooperation will help achieve this objective by enabling the *Fundación para la Educación Superior (FES)* of Cali, Colombia, assisted by the International Council on the Development of Education and with financial assistance from other international organizations such as the Ford and Rockefeller Foundations, to undertake a study on higher education in Latin America.

The study, which will concentrate on two universities in Colombia and one each in Brazil, Mexico and Peru, will look at the universities' activities oriented toward development and what their attitudes are toward playing a more important developmental role, the possibility that international agencies might provide accelerated support for especially promising university development projects, and the establishment of mechanisms for providing multi-agency assistance to productive higher education programs in the less-developed countries.

Foreign Investment Round Table

Fund for Special Operations
$20,800 nonreimbursable cooperation of June 19, 1975
Beneficiaries: MEMBER NATIONS

The Fifth Round Table on Private Foreign Investment in Latin America took place in Punta del Este, Uruguay, Nov. 17-20, 1975, under the sponsorship of the Government of Uruguay, the Organization of American States and the Inter-American Bank.

The meeting brought together representatives of the Latin American public sector, the region's private sector and multinational corporations in an exchange of views on methods of increasing the flow of such investments and of increasing their effectiveness in fostering the development of the region. This technical cooperation represented the Bank's share of the cost of the Round Table.

Agricultural Research

Social Progress Trust Fund
$4 million nonreimbursable cooperation of July 24, 1975
Beneficiaries: INTERNATIONAL CENTER FOR THE IMPROVEMENT OF MAIZE AND WHEAT, INTERNATIONAL CENTER FOR TROPICAL AGRICULTURE and INTERNATIONAL POTATO CENTER

The International Center for the Improvement of Maize and Wheat *(CIMMYT)* in Mexico, the International Center for Tropical Agriculture *(CIAT)* in Colombia and the International Potato Center *(CIP)* in Peru are the three international agricultural research centers located in Latin America which have played a major role in the "green revolution" which has helped to revolutionize the yields of such basic world food crops as corn, wheat, rice and potatoes.

The centers, along with six others elsewhere in the world, are dedicated to solving the problems of malnutrition and insufficient agricultural production, particularly in developing countries, through modern technology.

The Inter-American Bank is currently the main provider of funds to the three research centers in Latin America. This technical cooperation accounted for 25 per cent of the total $16 million cost of their core and capital programs in 1975. The next largest contributors were the United States, Canada, the Ford and Rockefeller Foundations and the UN Development Programme. Also contributing were Denmark, Germany, the Netherlands, Sweden, Switzerland, the United Kingdom, Canada's International Development Research Centre, the Kellogg Foundation and the UN Environmental Programme. The World Bank provides sizable contributions to the agricultural centers in other parts of the world.

Up to $1,785,000 in Mexican pesos was extended to *CIMMYT*, which works

GREEN REVOLUTION GROWS in Latin America with Bank support for three international research centers. Dwarf wheat is pollinated at Maize and Wheat Center in Mexico, tubers are weighed at Potato Center in Peru and bean growth is measured at Tropical Agriculture Center in Colombia. Bank provided $4 million for the three centers in 1975.

primarily in increasing corn and wheat production; $1,745,000 in Colombian pesos went to *CIAT*, which seeks to increase the yield of basic foodstuffs in lowland tropical areas, and $470,000 in soles to *CIP*, which seeks to improve potato output throughout the world. In 1974, the Bank provided $2 million to support the centers' core and capital programs, and another $2 million for training and outreach programs.

Special Fellowship Program

Fund for Special Operations
$45,500 nonreimbursable cooperation of Aug. 5, 1975

Beneficiaries: MEMBER NATIONS

Since 1964, the Inter-American Bank has sponsored five special programs in which officials from Bank member countries have received individual instruction and training in the Bank's organization, policies, programs and procedures. Granted for brief in-service training at Bank headquarters, these fellowships are open to officials of institutions which are actual or potential borrowers of the Bank or which carry out programs closely related to those of the Bank.

This technical cooperation will provide funds for a sixth program which will finance fellowships for some 30 officials, with preference being given to candidates from English-speaking member countries or prospective members from the Caribbean.

Tourism Development

Fund for Special Operations
$440,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiaries: ARGENTINA, BOLIVIA and PERU

The Andean Group nations have developed an overall tourism-development strategy designed to attract tourists to the region and to avoid competition. As part of this strategy, tourist attractions have been selected which complement one another. The centers selected embrace four types of attractions—historical, cultural, jungle, waterways and beaches—which will serve to create tourist circuits.

This technical cooperation will enable the *Instituto Boliviano de Turismo* of Bolivia, the *Secretaría de Turismo y Deportes* of Argentina and the *Comisión Especial del Plan COPESCO* of Peru to undertake a prefeasibility study of a tourism-development project consisting of one or more multinational tourist circuits embracing Peru's Southeast, Bolivia's West-Central area and Argentina's Northeast. The cooperation will also be used to strengthen the Bolivian Tourist Institute.

Support for Integration

Fund for Special Operations
$500,000 nonreimbursable cooperation of March 13, 1975

Social Progress Trust Fund
$210,000 nonreimbursable cooperation of March 13, 1975

Beneficiary: INSTITUTE FOR LATIN AMERICAN INTEGRATION

This technical cooperation represents the Bank's share of the financing provided during 1975 for the activities of the Institute for Latin American Integration *(INTAL)*, which was established by the Bank in 1964 with headquarters in Buenos Aires to foster the region's integration. The resources are provided from the Bank's own Fund for Special Operations as well as the Social Progress Trust Fund which the Bank administers for the United States.

Another $500,000 of *INTAL*'s budget was to be provided by the host country, Argentina, and $605,000 proportionately by the Bank's other 22 member countries, including Canada. A review of the Institute's 1975 activities is contained in an appendix at the end of this report.

Project Training Program

Social Progress Trust Fund
$95,397 nonreimbursable cooperation of Nov. 20, 1975

Beneficiaries: MEMBER COUNTRIES

In 1974 the Inter-American Bank and the World Bank examined their individual training programs with a view to identifying projects which could be carried out jointly. As a result, the two Banks carried out a pilot training program in Quito, Ecuador, and Washington, D.C., on agricultural and industrial projects.

This new cooperation between the two banks will be used to carry out a similar training program in Lima, Peru, and in Washington, D.C., for the countries of the Andean Group—Bolivia, Chile, Ecuador, Colombia, Peru and Venezuela.

Specifically, the cooperation will enable the two banks to carry out a training program which will include two courses: Analysis of Industrial Projects, to be held in Lima, Peru, in conjunction with the *Escuela Superior de Administración de Negocios* and Analysis of Agricultural Projects to be held in Washington, D.C. The first course will be offered to professionals of the six member countries engaged in regional industrial planning.

Project Training Program

Social Progress Trust Fund
$44,000 nonreimbursable cooperation of Dec. 9, 1975

Beneficiaries: MEMBER COUNTRIES

Since 1973 the Bank has sought to accelerate the execution of loans which it extends to national funds to draft investment and preinvestment projects. As one part of this effort the Bank held a meeting with representatives of the national preinvestment funds in 1974 in Rio de Janeiro to discuss mutual problems. At the meeting the representatives requested that the Bank provide technical cooperation to strengthen the operations of some of the funds.

This technical cooperation will enable the Bank to implement a program which will provide officials of national funds and other Latin American preinvestment entities with increased knowledge on methods for the evaluation of study requests, analysis of terms of reference, methods for the selection and contracting of consultants, ways to identify investment opportunities, and analysis of the methodology for carrying out studies among others.

International Agricultural Group

Fund for Special Operations
$740,000 nonreimbursable cooperation of Nov. 6, 1975

Beneficiaries: MEMBER COUNTRIES

The shortage in recent years of basic foods in various parts of the world has sparked an urgent need to increase food production. The United Nations-sponsored World Food Conference held in Rome in 1974 underscored this problem and drew attention to the key role that Latin America as a net exporter of food could play at the present juncture in producing food to cover not only its own needs but those of other countries as well. Nonetheless, despite advances over the

past few years, farm output in the region is far from satisfactory.

To help improve this situation, the President of the Bank announced at the World Food Conference the decision of the Bank to help expand food production in Latin America by all means possible. Subsequently, the Bank organized a group to promote cooperation with member nations and with other international agricultural agencies to increase food production, expedite agricultural development and boost exports of foodstuffs in the region.

This technical cooperation will finance the group's coordinating mechanism—the International Group for Agricultural Development and Food Production in Latin America. The group's basic aim will be to coordinate interagency action in order to solve Latin America's agricultural problems, and to promote and channel to the region a greater flow of external financial and technical cooperation resources for both food production and rural development.

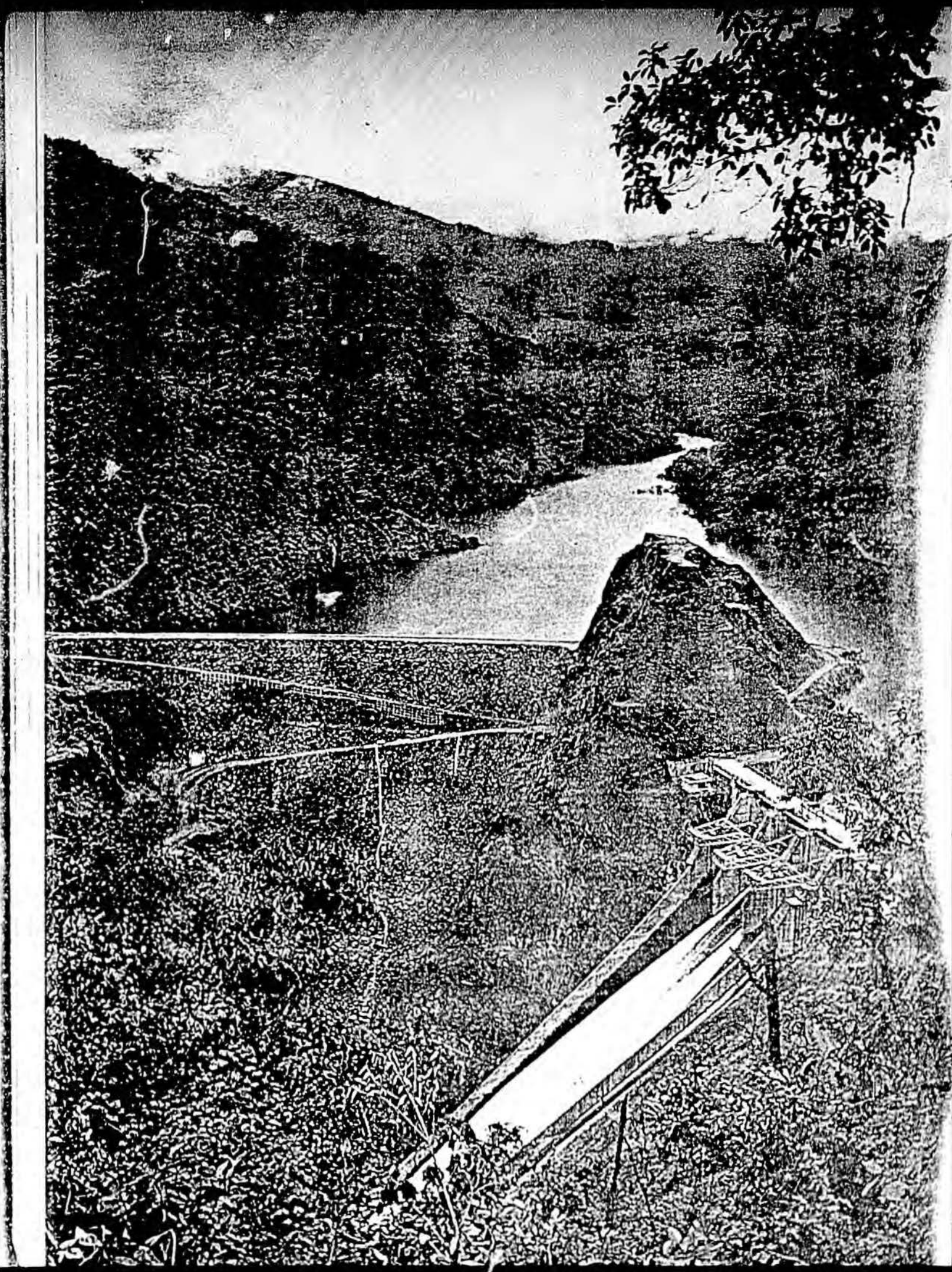
Support for Credit Unions

Social Progress Trust Fund
$1 million nonreimbursable cooperation of Oct. 9, 1975

Beneficiary: CONFEDERACION LATINOAMERICANA DE COOPERATIVAS DE AHORRO Y CREDITO

This technical cooperation, extended in connection with the previously described $8 million loan for improvement of credit unions, will be used by the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, the private, non-profit federation which unites Latin American credit cooperatives, to contract consultants to assist in strengthening its financial, administrative and operational capabilities.

In addition, *COLAC* will hire consultants in agricultural credit, handicraft industries and financial management to advise its member federations and credit unions in their activities. The consultants, in conjunction with *COLAC*, will conduct three regional seminars for member credit unions.



ORDINARY CAPITAL RESOURCES

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 98 through 108 present fairly the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 13, 1976

FINANCIAL STATEMENTS

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ALTO ANCHICAYA DAM NESTLES snugly in the Andean mountains near Cali, Colombia. Built with help of Inter-American Bank and Canadian Fund loans, the hydroelectric project is providing electric power for Colombia's Central Region, the nation's most populated section. The area accounts for some three-quarters of the nation's population and industry.

BALANCE SHEET

Expressed in thousands of United States dollars—Note A

ASSETS	December 31, 1975		December 31, 1974	
Cash				
Unrestricted				
Member currencies	$ 106,936		$ 105,588	
Non-member currencies	2,553		2,533	
Restricted (Note C)				
Member currencies	17,367	$ 126,856	20,130	$ 128,251
Investments				
Obligations issued or guaranteed by governments or issued by United States Agencies, at amortized cost (face amount $69,763; 1974—$82,609)	69,563		82,034	
Time deposits				
Member currencies	689,631		503,438	
Non-member currencies	78,774	837,968	103,139	688,611
Loans outstanding held by Bank (Note D) (Appendix I-1)				
Total loans approved by Bank since inception, less cancellations	3,923,518		3,325,494	
Less undisbursed balance of approved loans held by Bank	(1,726,267)		(1,458,164)	
Less principal collected by Bank and loans sold or agreed to be sold	(701,084)	1,496,167	(579,235)	1,288,095
Accrued interest and other charges				
On investments	26,181		33,773	
On loans	30,896	57,077	27,177	60,950
Due from members in member currencies (Note H)				
Capital subscriptions (Appendix I-3)	167		167	
Non-negotiable, non-interest bearing demand obligations (Appendix I-3)	331,478		306,091	
Amounts required to maintain value of currency holdings (Note B)	13,628	345,273	82,347	388,605
Other assets				
Land, building and improvements, at cost less accumulated depreciation $2,194; 1974—$1,715	11,840		12,152	
Unamortized funded debt issue costs	11,613		10,370	
Miscellaneous, including interfund receivables (Note E)	10,532	33,985	11,462	33,984
Special Reserve assets (Note F)		83,466		69,719
Total assets		$2,980,792		$2,658,215

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET
Expressed in thousands of United States dollars—Note A

LIABILITIES, SPECIAL RESERVE AND CAPITAL	December 31, 1975		1974	
Liabilities				
Funded debt, less unamortized debt discount (Note G) (Appendix I-2)		$1,573,097		$1,340,207
Other liabilities and credits				
Accrued interest on borrowings	$ 32,596		$ 24,442	
Accounts payable and accrued expenses	4,865		4,924	
Mortgage payable	2,902		3,110	
Deferred credits (Note E)	4,776	45,139	5,648	38,124
Special Reserve (Note F)		83,466		69,719
Capital				
Capital Stock (Note H) (Appendix I-3)				
Authorized 515,000 shares of $10,000 par value in terms of 1959 U.S. dollars				
Subscribed 494,466 shares; 1974—493,582.4	5,964,957		5,954,298	
Less callable portion	(4,981,920)		(4,981,920)	
	983,037		972,378	
General Reserve (Note J)	296,053	1,279,090	237,787	1,210,165
Commitments (Note K)				
Total liabilities, Special Reserve and Capital		$2,980,792		$2,658,215

STATEMENT OF INCOME AND GENERAL RESERVE

Expressed in thousands of United States dollars—Note A

	Years ended December 31,			
	1975		1974	
Income				
From loans				
Interest	$ 91,545		$ 71,428	
Credit commissions	15,002		11,144	
Special commissions	13,747		11,242	
Supervision and inspection fees	3,227	$123,521	2,367	$ 96,181
From investments		78,781		73,690
From other sources, including gains on purchases of funded debt (Notes E and G)		5,671		4,142
Gross income		207,973		174,013
Less—Commissions allocated to Special Reserve (Note F)		(13,747)		(11,242)
Gross income less allocation to reserve		194,226		162,771
Expenses				
Funded debt expenses		108,926		86,573
Administrative expenses				
Salaries	11,923		10,198	
Other compensation and benefits (Note I)	5,118		3,574	
Office occupancy (Note K)	2,022		1,709	
Other	5,495		4,636	
	24,558		20,117	
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator	(436)		(221)	
Total administrative expenses		24,122		19,896
Exchange adjustments		2,912		1,206
Total expenses		135,960		107,675
Net income		58.266		55,096
General Reserve beginning of year		237,787		182,691
General Reserve end of year		$296,053		$237,787

STATEMENT OF CHANGES IN FINANCIAL POSITION

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
Source of funds		
Provided from operations		
Net income	$ 58,266	$ 55,096
Items not requiring (providing) cash funds	14,976	(7,545)
Cash funds provided from operations	73,242	47,551
Loan principal collections	102,190	89,890
Sales of loans to participants	503	11,550
Borrowings	369,874	106,315
Increase (decrease) in funded debt resulting from exchange rate fluctuations	(26,052)	51,292
Subscriptions to "paid-in" capital	8,836	33,836
Increase in "paid-in" capital resulting from maintenance of value adjustments	1,823	6,982
Collection of amounts due from members	53,991	51,941
Other	312	4,954
Total source of funds	$584,719	$404,311
Application of funds		
Loan disbursements	$327,719	$291,206
Payment of loan principal collections to participants	5,631	3,355
Increase (decrease) in loans outstanding resulting from exchange rate fluctuations	(22,585)	41,443
Retirement of funded debt	110,131	70,589
Subscriptions to "paid-in" capital and maintenance of value adjustments billed to members	10,659	40,818
Increase (decrease) in cash and investments, including $(6,130) in 1975 and $8,750 in 1974 resulting from exchange rate fluctuations	147,962	(46,555)
Other	5,202	3,455
Total application of funds	$584,719	$404,311

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975 AND 1974

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 and the financial statements are expressed in United States dollars. Assets and liabilities denominated in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital subscriptions do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note B. Gains or losses relating to fluctuations in market rates of exchange of borrowed currencies are recorded as exchange adjustments when incurred. Although such fluctuations in borrowed currencies result in significant adjustments to the Bank's assets and liabilities, their effect on net income is significantly less because of the Bank's policy of lending borrowed currencies under loan contracts denominated in such currencies and making temporary investments in the same currencies prior to their disbursement under loans.
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 issued or guaranteed by governments or issued by United States Agencies 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 straight-line 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 each issue in proportion to principal amounts outstanding.

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 1975 such expenses were charged 47% to the Ordinary Capital and 53% to the Fund for Special Operations (1974—44% and 56% 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 expenses 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. 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.
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 make the corresponding payments to maintain the value of their respective currencies held by the Bank, except for currencies held which were derived from borrowings; the Bank's capital was adjusted by the same percentages and individual members capital was increased on a proportional basis, in order to reflect the value of the capital in terms of current United States dollars. Amounts still due from members are shown in the accompanying Balance Sheet as "amounts required to maintain value of currency holdings".

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974
(continued)

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

NOTE D—LOANS OUTSTANDING HELD BY BANK

The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territories of its members. For loans to borrowers other than members and central banks, the Bank in almost all 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 $36,262,000 at December 31, 1975 and $45,092,000 at December 31, 1974.

NOTE E—MISCELLANEOUS ASSETS AND DEFERRED CREDITS

Miscellaneous assets include the amount of $4,776,000 (1974—$8,166,000) representing the balance of principal, accrued interest and reimbursable expenses due from a private enterprise in Brazil which in 1966 defaulted in the payment of two loans. Part of the borrower's properties were sold in 1973 by the Bank to recover the amount of the indebtedness, under a contract providing for the payment of the proceeds in monthly installments through 1977. Interest accrued since November 1966 and reimbursable expenses incurred in years prior to 1973 have been recorded as Deferred Credits and are being taken into income starting in 1975; $1,370,000 representing such income is included under income from other sources. The Bank expects to fully recover the total indebtedness.

NOTE F—SPECIAL RESERVE

Under a provision of the Agreement, the amount of special commissions earned by the Bank on loans made out of the Ordinary Capital resources is required to be segregated as a special reserve for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum.

The Special Reserve assets consist of the following:

	December 31, 1975	December 31, 1974
	(in thousands)	
Cash	$ 601	$ 502
Investments		
United States Government and Agencies obligations, at amortized cost (face amount $13,000; 1974—$40,520)	12,876	39,943
Time deposits in U.S. dollars	57,600	17,500
Accrued loan commissions	4,201	3,586
Due from member countries		
Non-negotiable, non-interest bearing demand obligations	8,188	2,824
Amounts required to maintain value of currency holdings	—	5,364
	$ 83,466	$ 69,719

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, in Venezuelan bolivars, Trinidad and Tobago dollars and in non-member currencies, at interest rates ranging from 4% to 8⅞%.

Sinking fund requirements and funded debt maturities subsequent to December 31, 1975 are approximately equivalent to the following:

Year	Amount (in thousands)
1976	$ 92,773
1977	128,767
1978	91,040
1979	93,134
1980	91,312
1981/85	778,842
1986/90	193,298
1991/95	111,214
	$1,580,380

The Bank has entered into an agreement with the Export-Import Bank of Japan which provides that the Bank may borrow up to an additional $10,000,000 in Japanese Yen, not included above. Subsequent to December 31, 1975 the Bank entered into agreements providing for the borrowing of the equivalent of approximately $51,000,000 in Europe and on February 10, 1976 the Bank issued in the U.S. capital market $75,000,000 of 8⅜% ten year notes and $75,000,000 of 9% twenty-five year bonds

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974
(continued)

The weighted average face value interest rates on the outstanding principal of the Bank's funded debt at December 31, 1975 and 1974 approximate 6.89% and 6.58% respectively. The weighted average effective interest rates on the outstanding principal of the funded debt, after deducting discount, approximate 7.00% and 6.67% at December 31, 1975 and 1974 respectively. The amortization of discount amounted to $1,112,000 in 1975 and $884,000 in 1974.

Gains of $3,943,000 in 1975 (1974—$3,957,000) on purchases of funded debt pursuant to sinking fund requirements are included under income from other sources.

NOTE H—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. Because of the devaluations of the United States dollar mentioned in Note B, the $10,000 par value of each share in terms of the 1959 United States dollar has increased to $12,063 in terms of the current United States dollar. In these terms, the authorized Ordinary Capital at December 31, 1975 and 1974 was $6,212,668,000 (515,000 shares of $12,063 each), comprised of $1,055,550,000 (87,500 shares) of "paid-in" capital and $5,157,118,000 (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 has been paid 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 borrowings of funds for inclusion in the Bank's Ordinary Capital resources or guarantees chargeable to such resources and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Final installments under a "paid-in" capital increase approved in 1971 were subscribed by members in 1975.

On July 9, 1975, the Board of Governors approved a resolution recommending an increase in the authorized capital stock in the amount of $4,000,000,000, to become effective only upon agreement of at least 16 members to subscribe to at least $3,015,000,000 of the increase. Such increase would consist of $344,000,000 of authorized "paid-in" capital and $3,656,000,000 of authorized "callable" capital. Subscriptions to the increase would be made in three equal annual installments beginning in 1976. Part of the increase may be subscribed by certain members in the stock of a new fund, the Inter-Regional Capital, which would be created by the approval of certain amendments to the Agreement Establishing the Bank which have been submitted to the Board of Governors for its consideration.

The following table summarizes the changes in the subscribed capital for the two years ended December 31, 1975:

	Subscribed Capital			
		Amount (Thousands of United States dollars)		
	Shares	"Paid-in"	"Callable"	Total
Balance at December 31, 1973	473,360.8	$931,560	$4,778,796	$5,710,356
Capital subscribed by members during 1974 (in 1959 U.S. dollars)	20,221.6	33,836	168,380	202,216
Increase of 1974 capital subscription as a result of 1973 and 1972 maintenance of value adjustments	—	6,982	34,744	41,726
Balance at December 31, 1974	493,582.4	972,378	4,981,920	5,954,298
Capital subscribed by members during 1975 (in 1959 U.S. dollars)	883.6	8,836	—	8,836
Increase of 1975 capital subscription as a result of 1973 and 1972 maintenance of value adjustments	—	1,823	—	1,823
Balance at December 31, 1975	494,466.0	$983,037	$4,981,920	$5,964,957

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974
(continued)

NOTE I—STAFF RETIREMENT PLAN

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 62 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the Plan during 1975 and 1974 were $4,693,000 and $3,049,000, respectively, which were charged to administrative expenses and allocated between funds as indicated in Note A. The 1975 contributions increased by approximately $1,000,000 as a result of amendments to the Plan, including certain amendments that created an unfunded liability which is being amortized over a ten year period.

NOTE J—GENERAL RESERVE

Pursuant to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year is to be allocated automatically to such reserve.

NOTE K—LEASES

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1980. The estimated annual rentals through 1980, under leases in effect at December 31, 1975 (net of amounts under sublease agreements), are as follows:

1976	$2,107,000
1977	1,889,000
1978	602,000
1979	150,000
1980	102,000

The Bank has an option to renew for three additional five-year periods its principal lease which expires in 1978.

Office rental expense (net of amounts received under subleases) was $2,199,000 in 1975 and $2,023,000 in 1974. Such amounts were allocated between funds as set forth in Note A.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

SUMMARY STATEMENT OF LOANS—Note D

DECEMBER 31, 1975 AND 1974

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	Other "paid-in" currencies	Other borrowed currencies
Argentina	$ 580,913	$116,655	$ 21,640	$ 442,618	$ 184,088	$ 258,530	$ 88,206	$ 21,811	$148,513
Barbados	9,100	—	—	9,100	9,100	—	—	—	—
Bolivia	68,360	762	—	67,598	37,496	30,102	19,847	300	9,955
Brazil	1,245,808	155,222	15,879	1,074,707	591,713	482,994	270,585	40,374	172,035
Chile	229,160	59,151	6,312	163,697	109,133	54,564	31,111	3,734	19,719
Colombia	354,187	55,606	4,257	294,324	155,717	138,607	44,407	8,044	86,156
Costa Rica	71,040	9,501	1,520	60,019	50,438	9,581	4,613	74	4,894
Dominican Republic	6,713	6,513	200	—	—	—	—	—	—
Ecuador	70,409	4,424	257	65,728	47,056	18,672	12,209	386	6,077
El Salvador	7,029	4,573	251	2,205	—	2,205	1,881	104	220
Guatemala	35,819	6,928	15,725	13,166	10,000	3,166	3,022	—	144
Honduras	460	400	60	—	—	—	—	—	—
Jamaica	13,308	69	—	13,239	8,458	4,781	3,177	105	1,499
Mexico	722,011	93,283	12,637	616,091	278,986	337,105	132,318	27,572	177,215
Nicaragua	16,900	6,973	1,794	8,133	—	8,133	5,355	652	2,126
Panama	1,536	542	—	994	—	994	604	324	66
Paraguay	6,332	3,612	429	2,291	—	2,291	1,558	375	358
Peru	80,550	18,681	7,834	54,035	33,469	20,566	10,197	2,715	7,654
Trinidad and Tobago	710	—	—	710	557	153	13	—	140
Uruguay	81,692	15,360	952	65,380	43,098	22,282	15,034	2,014	5,234
Venezuela	129,403	40,276	5,768	83,359	23,635	59,724	15,125	9,062	35,537
Regional	192,078	6,038	1,000	185,040	143,323	41,717	31,436	—	10,281
Total 1975	$3,923,518	$604,569	$ 96,515	$3,222,434	$1,726,267	$1,496,167	$690,698	$117,646	$687,823
Total 1974	$3,325,494	$509,815	$ 69,420	$2,746,259	$1,458,164	$1,288,095	$524,829	$107,381	$655,885

The following table summarizes the borrowed currencies other than United States dollars, in which the outstanding portion of approved loans held by the Bank is collectible:

Currencies	1975	1974
Austrian Schilling	$ 21,459	$ 22,083
Belgian Franc	6,004	6,926
Pound Sterling	2,609	3,075
French Franc	29,554	22,235
Deutsche Mark	215,244	210,778
Italian Lira	54,122	58,875
Japanese Yen	121,650	118,560
Netherlands Guilder	19,966	21,406
Spanish Peseta	13,591	13,643
Swedish Kronor	25,165	24,664
Swiss Franc	155,474	132,459
Trinidad and Tobago dollar	1,875	—
Venezuelan bolivar	21,110	21,181
	$687,823	$655,885

STATEMENT OF FUNDED DEBT—Note G

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Payable in	Face value interest rate range	Due Dates	Principal outstanding 1975	Principal outstanding 1974
Austrian Schillings	6¾%–7%	1980–1983	$ 18,535	$ 21,782
Belgian Francs	7%–7½%	1982–1986	15,762	17,528
Deutsche Marks	5½%–8½%	1976–1987	253,007	291,980
French Francs	8%–8½%	1989–1992	43,509	43,403
Italian Lire	5%–6%	1982–1989	58,538	63,902
Japanese Yen	5%–8%	1978–1990	135,267	118,492
Netherlands Guilders	7%–8%	1986–1988	24,627	25,984
Pounds Sterling	5½%–8⅞%	1984–1989	4,822	6,979
Spanish Pesetas	6%	1985	13,949	13,950
Swiss Francs	5½%–8%	1981–1988	162,264	144,961
Swedish Kronor	7½%–8¼%	1979–1984	22,824	25,301
Trinidad and Tobago dollars	8%	1984	4,167	—
United States dollars	4%–8⅝%	1976–1995	799,853	549,171
Venezuelan Bolivars	7%	1987	23,256	23,256
			1,580,380	1,346,689
Less—Unamortized debt discount			(7,283)	(6,482)
Total			$1,573,097	$1,340,207

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER—Note H

DECEMBER 31, 1975 AND 1974

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	Other member currencies				Paid-in capital subscriptions	Non-negotiable, non-interest bearing demand obligations
Argentina	58,850	11.90	$ 709,933	$ 62,211	$ 62,211	$ 585,511	58,985	11.85		$ 41,568
Barbados	704	.14	8,493	1,249	1,249	5,995	839	.17		1,204
Bolivia	4,724	.95	56,989	4,995	4,994	47,000	4,859	.98		5,142
Brazil	58,850	11.90	709,933	62,211	62,211	585,511	58,985	11.85		—
Canada	24,268	4.91	292,755	—	48,254	244,501	24,403	4.91		20,857
Chile	16,160	3.27	194,945	17,082	17,082	160,781	16,295	3.28		13,396
Colombia	16,146	3.26	194,776	17,070	17,070	160,636	16,281	3.27		4,852
Costa Rica	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		920
Dominican Republic	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Ecuador	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		—
El Salvador	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,076
Guatemala	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Haiti	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		2,348
Honduras	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		998
Jamaica	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		2,766
Mexico	37,830	7.65	456,359	39,990	39,990	376,379	37,965	7.63		—
Nicaragua	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		—
Panama	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,334
Paraguay	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,291
Peru	7,886	1.59	95,132	8,336	8,336	78,460	8,021	1.61	$ 167	5,709
Trinidad and Tobago	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,797
United States	199,704	40.39	2,409,116	361,903	—	2,047,213	199,839	40.15		189,024
Uruguay	6,310	1.27	76,120	6,671	6,671	62,778	6,445	1.30		2,450
Venezuela	31,530	6.37	380,360	33,331	33,332	313,697	31,665	6.36		30,746
Total 1975	494,466	100.00	$5,964,957	$648,343	$334,694	$4,981,920	497,706	100.00	$ 167	$331,478
Total 1974	493,582	100.00	$5,954,298	$643,014	$329,364	$4,981,920	496,822	100.00	$ 167	$306,091

FUND FOR SPECIAL OPERATIONS

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 110 through 117 present fairly the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 13, 1976

FINANCIAL STATEMENTS

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FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET
Expressed in thousands of United States dollars—Note A

	December 31, 1975		December 31, 1974	
ASSETS				
Cash				
Unrestricted member currencies	$ 464,452		$ 454,562	
Restricted member currencies (Note C)	58,249	$ 522,701	79,808	$ 534,370
Investments				
Obligations of governments and United States Agencies, at ortized cost (face amount $2,440; 1974—$8,761)	2,387		8,653	
Time deposits in United States and Canadian dollars	111,655	114,042	90,700	99,353
Loans outstanding held by Bank (Note D) (Appendix II-1)				
Total loans approved by Bank since inception, less cancellations	4,076,499		3,497,259	
Less undisbursed balance of approved loans held by Bank	(1,767,577)		(1,582,875)	
Less principal collected by Bank and loans sold or agreed to be sold	(554,013)	1,754,909	(443,585)	1,470,799
Accrued interest and other charges				
On investments	3,211		4,000	
On loans	18,688	21,899	16,028	20,028
Due from members in member currencies				
Contribution quotas (Note F) (Appendix II-2)	325,000		500,000	
Non-negotiable, non-interest bearing demand obligations including $1,219,903 restricted (1974-$1,172,469) (Notes C and F) (Appendix II-2)	1,653,093		1,593,365	
Amounts required to maintain value of currency holdings (Note B)	199,277	2,177,370	325,312	2,418,677
Other assets		488		356
Total assets		$4,591,409		$4,543,583
LIABILITIES, SPECIAL FUNDS AND FUND BALANCE				
Liabilities				
Accounts payable, accrued expenses and interfund payable		$ 6,953		$ 2,150
Special letters of credit		12,057		13,188
Special funds				
Funds held in trust (Note E)		743		767
Fund balance				
Contribution quotas authorized and subscribed (Notes B, C and F) (Appendix II-2)	$4,394,674		$4,393,898	
General reserve (Note G)	176,982	4,571,656	133,580	4,527,478
Commitments (Note H)				
Total liabilities, special funds and fund balance		$4,591,409		$4,543,583

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE
Expressed in thousands of United States dollars—Note A

	Years ended December 31,			
	1975		1974	
Income				
From loans				
Interest	$ 44,754		$ 39,702	
Credit commissions	6,868		7,012	
Service charges	9,571		8,357	
Supervision and inspection fees	3,397	$ 64,590	3,308	$ 58,379
From investments		9,101		7,494
From other sources		263		254
Gross income		73,954		66,127
Expenses				
Administrative expenses				
Salaries	13,445		12,979	
Other compensation and benefits	5,771		4,549	
Office occupancy	2,281		2,175	
Other	5,735		5,611	
	27,232		25,314	
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator	(492)		(281)	
Total administrative expenses		26,740		25,033
Technical cooperation expense (Note H)		3,812		2,601
Total expenses		30,552		27,634
Net income		43,402		38,493
General Reserve beginning of year		133,580		95,087
General Reserve end of year		$176,982		$133,580

STATEMENT OF CHANGES IN FINANCIAL POSITION

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
Source of funds		
Provided from operations		
Net income	$ 43,402	$ 38,493
Items not requiring (providing) cash funds	2,932	(3,678)
Cash funds provided from operations	46,334	34,815
Loan principal collections	71,537	64,774
Sales of loans to Social Progress Trust Fund	21,368	23,996
Subscriptions to contribution quotas	776	562
Collection of amounts due from members	242,083	246,126
Other	—	1,679
Total source of funds	$ 382,098	$ 371,952
Application of funds		
Loan disbursements	$ 371,069	$ 318,373
Payment of loan principal collections to Social Progress Trust Fund	5,946	4,46[illegible]
Subscriptions to contribution quotas billed to members	776	[illegible]62
Increase in cash and investments	3,020	[illegible],358
Other	1,287	196
Total application of funds	$ 382,098	$ 371,952

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974

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 and the financial statements are expressed in United States dollars. Assets and liabilities denominated in member currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at approximate market rates of exchange prevailing during each month. Fluctuations of such rates of exchange do not have any effect on the United States dollar equivalents of member currencies because of the maintenance of value provisions described in Note B. 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 and United States Agencies 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 1975 such expenses were charged 53% to the Fund for Special Operations and 47% to the Ordinary Capital (1974—56% and 44% 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 is 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.

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.

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 $504,623,000 representing the corresponding maintenance of value adjustments. The members have been requested to pay a total of $380,754,000 which has been credited to their respective authorized and subscribed contribution quotas. The difference of $123,869,000 represents 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.

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 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 $2,870,000,000 (in terms of current United States dollars) of the contributions of the United States and the full contributions of Canada to the Fund for Special Operations have been or are restricted to making payments for the acquisition of goods or services from the respective contributing country, 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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974
(continued)

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 territories of its members. For loans to borrowers other than members or central banks, the Bank in almost all instances has received either the member's guarantee or other security deemed appropriate 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. At December 31, 1975 loans sold or agreed to be sold includes the equivalent of $23,470,000 of participation commitments by the Social Progress Trust Fund not yet allocated to individual 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 $31,038,000 at December 31, 1975 and $31,272,000 at December 31, 1974.

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 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—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. The Canadian contribution quota is being increased by collections of principal, interest and service charges after May 3, 1972 on loans extended from the Canadian Trust Fund (CAN $74,000,000) which is administered by the Bank.

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, and on which payments amounted to $1,175,000,000 at December 31, 1975 (1974—$1,000,000,000). The United States has agreed to contribute $1,000,000,000 of the increase subject to appropriation by the U.S. Congress and has paid $675,000,000 at December 31, 1975.

The following table summarizes the changes in contribution quotas subscribed for the two years ended December 31, 1975:

	Contribution quotas subscribed
Balance at December 31, 1973	$4,393,336,000
Subscription to contribution quotas by Canada	562,000
Balance at December 31, 1974	4,393,898,000
Subscription to contribution quotas by Canada	776,000
Balance at December 31, 1975	$4,394,674,000

On July 9, 1975, the Board of Governors approved a resolution recommending an increase of the contribution quotas in the amount of $1,045,300,000, to become effective only if before December 31, 1976 at least 16 members agree to make contributions amounting to at least $900,000,000. The increase in contribution quotas would be paid in three equal annual installments beginning December 31, 1976. The United States share of the increase is $600,000,000.

NOTE G—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 H—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, 1975 the amount approved by the Bank for non-reimbursable technical cooperation projects which had not yet been disbursed at that date was $19,082,000.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975 AND 1974
(continued)

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.

The accumulated technical cooperation expenditures made by the Fund as of December 31, 1975 include $1,791,000 which may be reimbursable to the Fund if loans are granted as a result of the respective technical cooperation projects.

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

SUMMARY STATEMENT OF LOANS—Note D
DECEMBER 31, 1975 AND 1974
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	Other member currencies
Argentina	$ 311,727	$ 19,739	$ 19,606	$ 272,382	$ 153,030	$ 119,352	$ 5,392	$ 113,960
Barbados	13,413	—	—	13,413	12,997	416	—	416
Bolivia	201,256	30,489	4,225	166,542	115,081	51,461	3,685	47,776
Brazil	643,495	77,018	43,124	523,353	176,938	346,415	33,041	313,374
Chile	201,857	32,266	22,733	146,858	37,360	109,498	6,962	102,536
Colombia	265,985	20,293	24,237	221,455	94,886	126,569	7,109	119,460
Costa Rica	98,259	3,792	4,990	89,477	55,310	34,167	4,042	30,125
Dominican Republic	183,615	6,523	3,637	173,455	123,765	49,690	4,263	45,427
Ecuador	186,967	9,755	5,075	172,137	101,147	70,990	10,062	60,928
El Salvador	127,663	721	4,116	122,826	71,128	51,698	4,000	47,698
Guatemala	168,677	4,731	4,370	159,576	114,136	45,440	1,374	44,066
Haiti	86,737	2,469	—	84,268	63,908	20,360	6,122	14,238
Honduras	140,551	12,037	3,582	124,932	74,546	50,386	9,970	40,416
Jamaica	58,327	318	—	58,009	37,462	20,547	3,701	16,846
Mexico	444,231	30,046	10,987	403,198	132,018	271,180	180,090	91,090
Nicaragua	113,231	8,223	10,622	94,386	44,170	50,216	26,526	23,690
Panama	140,880	8,765	9,768	122,347	71,773	50,574	8,059	42,515
Paraguay	174,458	11,007	1,627	161,824	71,720	90,104	17,599	72,505
Peru	206,793	15,467	28,395	162,931	79,609	83,322	158	83,164
Trinidad and Tobago	33,099	775	—	32,324	22,639	9,685	552	9,133
Uruguay	60,989	3,198	1,295	56,496	34,472	22,024	2,354	19,670
Venezuela	122,585	4,799	17,649	100,137	64,537	35,600	25,784	9,816
Regional	91,704	8,074	—	83,630	38,415	45,215	15,485	29,730
Unallocated (Note D)	—	—	23,470	(23,470)	(23,470)	—	—	—
Total 1975	$4,076,499	$310,505	$243,508	$3,522,486	$1,767,577	$1,754,909	$376,330	$1,378,579
Total 1974	$3,497,259	$244,915	$198,670	$3,053,674	$1,582,875	$1,470,799	$286,628	$1,184,171

STATEMENT OF CONTRIBUTION QUOTAS—Notes B, C and F

DECEMBER 31, 1975 AND 1974

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
Argentina	$ 224,067	$ 22,252	$ 246,319	—	$ 156,233
Barbados	806	31	837	—	368
Bolivia	17,990	4,694	22,684	—	19,849
Brazil	224,067	29,906	253,973	—	—
Canada	62,043	12,577	74,620	—	—
Chile	61,522	9,546	71,068	—	29,923
Colombia	61,481	8,241	69,722	—	—
Costa Rica	8,994	1,230	10,224	—	—
Dominican Republic	11,993	1,750	13,743	—	—
Ecuador	11,993	1,379	13,372	—	—
El Salvador	8,994	917	9,911	—	—
Guatemala	11,993	1,604	13,597	—	—
Haiti	8,994	2,165	11,159	—	10,538
Honduras	8,994	2,001	10,995	—	—
Jamaica	11,993	1,200	13,193	—	8,129
Mexico	144,053	15,041	159,094	—	—
Nicaragua	8,994	1,776	10,770	—	—
Panama	8,994	1,386	10,380	—	5,759
Paraguay	8,994	2,980	11,974	—	9,617
Peru	30,010	4,213	34,223	—	22,586
Trinidad and Tobago	8,994	896	9,890	—	4,989
United States	2,800,000	240,350	3,040,350	$325,000	1,271,735
Uruguay	24,028	2,510	26,538	—	—
Venezuela	120,060	12,109	132,169	—	113,367
Total, before unallocated amount	3,890,051	380,754	4,270,805	$325,000	$1,653,093
Unallocated (Note B)	—	123,869	123,869		
Total 1975	$3,890,051	$504,623	$4,394,674		
Total 1974	$3,889,275	$504,623	$4,393,898	$500,000	$1,593,365

SOCIAL PROGRESS TRUST FUND

REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 120 through 124 present fairly the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 13, 1976

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SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET
Expressed in thousands of United States dollars—Note A

	December 31, 1975		December 31, 1974	
ASSETS				
Cash				
United States dollars	$ 17		$ 37	
Other currencies	34,447	$ 34,464	30,387	$ 30,424
Investments				
United States Government and Agencies obligations, at amortized cost (face amount $9,755; 1974—$8,200)		9,683		7,994
Loans outstanding (Note C) (Appendix III-1)				
Total loans approved since inception, less cancellations	502,191		494,191	
Less principal collections	(189,303)		(164,603)	
Less undisbursed balance	(8,000)	304,888	—	329,588
Participations in loans made from Fund for Special Operations (Note D) (Appendix III-1)		200,780		185,358
Accrued interest and other charges				
On loans and participations	3,149		3,119	
On investments	225	3,374	—	3,119
Available from the United States Government		18,130		18,130
Other assets		25		—
Total assets		$571,344		$574,613
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses		$ 3,152		$ 1,427
Fund balance				
Fund established by United States Government (Note B)	$525,000		$525,000	
Accumulated earnings	43,192	568,192	48,186	573,186
Commitments (Notes D and E)				
Total liabilities and fund balance		$571,344		$574,613

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND ACCUMULATED EARNINGS
Expressed in thousands of United States dollars—Note A

	Years ended December 31,			
	1975		1974	
Income				
From loans				
Interest	$ 5,546		$ 5,954	
Service charges	2,381	7,927	2,564	$ 8,518
From participations (Note D)		4,893		4,389
From investments		612		616
Gross income		13,432		13,523
Administrative expenses (Note B)				
Staff salaries	308		223	
Other	11		19	
Indirect and overhead expenses charged by Administrator	694		502	
Total administrative expenses		1,013		744
Excess of income over administrative expenses		12,419		12,779
Less technical cooperation and other				
Technical cooperation expenses (Note E)				
Inter-American Foundation projects	6,289		3,891	
Other projects	9,805		5,716	
	16,094		9,607	
Exchange adjustments	1,319	17,413	1,214	10,821
Net income (loss)		(4,994)		1,958
Accumulated earnings beginning of year		48,186		46,228
Accumulated earnings end of year		$ 43,192		$ 48,186

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN FINANCIAL POSITION
Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
Source of funds		
Provided from (used in) operations	$(4,994)	$ 1,958
Net income (loss)	1,470	842
Items not requiring cash funds	(3,524)	2,800
Cash funds provided from (used in) operations	24,700	24,128
Loan principal collections	5,946	4,463
Collections of participations in loans of the Fund for Special Operations	—	193
Other	$27,122	$31,584
Total source of funds		
Application of funds		
Purchases of participations in loans of the Fund for Special Operations	$21,368	$23,996
Increase in cash and investments	5,729	7,588
Other	25	—
Total application of funds	$27,122	$31,584

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975 AND 1974

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 and the financial statements are expressed in United States dollars. Assets and liabilities in currencies other than United States dollars are translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Exchange gains or losses in the United States dollar equivalents of Latin American currencies held by the Trust Fund are recorded as exchange adjustments when 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 United States Government and Agencies obligations are stated at cost adjusted for the amortization of discount.

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 expenses. At December 31, 1975, the Government of the United States and the Bank have agreed on final overhead rates for all years through 1974 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 1975 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 almost all 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 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. At December 31, 1975 commitments have been made to purchase additional participations in the equivalent of $23,470,000.

NOTE E—TECHNICAL COOPERATION

Under the provisions of the Agreement, the Bank as Administrator may provide technical advice and cooperation to Latin American member countries and their nationals. At December 31, 1975 the amount approved by the Bank as Administrator for technical cooperation projects which had not yet been disbursed at that date was $15,957,000. The accumulated technical cooperation expenditures made by the Bank as Administrator as of December 31, 1975 include $3,872,000 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 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 $31,000,000 for financing social development projects of the Foundation through 1976 and on February 12, 1976, the Board of Executive Directors authorized the amendment of the agreement in order to provide additional resources of the Trust Fund in the equivalent of $48,000,000 for the years 1977, 1978 and 1979 for the same purposes. Cumulative disbursements through December 31, 1975 amounted to $10,180,000 and commitments had been made at that date to disburse $6,920,000.

SUMMARY STATEMENT OF LOANS AND PARTICIPATIONS—Notes C and D

DECEMBER 31, 1975 AND 1974

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 Trust Fund	Participations in loans of the Fund for Special Operations
Argentina	$ 43,500	$ 26,542	$ 16,778
Bolivia	14,548	9,841	3,889
Brazil	61,510	42,980	40,457
Chile	34,352	20,542	20,271
Colombia	49,008	29,503	21,915
Costa Rica	11,700	7,835	4,476
Dominican Republic	8,407	5,408	3,348
Ecuador	27,448	19,184	4,816
El Salvador	21,952	16,275	4,072
Guatemala	14,320	10,090	3,986
Honduras	7,602	4,739	2,375
Mexico	34,927	22,172	10,032
Nicaragua	13,035	8,173	9,083
Panama	12,862	8,736	9,548
Paraguay	7,799	5,454	1,544
Peru	45,108	26,581	27,549
Uruguay	10,350	7,661	1,202
Venezuela	72,861	32,154	15,439
Regional	10,902	1,018	—
Total 1975	$502,191	$304,888	$200,780
Total 1974	$494,191	$329,588	$185,358

VENEZUELAN TRUST FUND

REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank
Administrator of the Venezuelan Trust Fund

In our opinion, the financial statements appearing on pages 126 through 129 present fairly the financial position of the Venezuelan Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1975, and the results of its operations and the changes in its financial position for the period from inception (February 27, 1975) to December 31, 1975, in conformity with generally accepted accounting principles. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D. C.
February 13, 1976

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VENEZUELAN TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET
DECEMBER 31, 1975
Expressed in thousands of United States dollars—Note A

ASSETS		
Cash		
United States dollars	$ 5	
Venezuelan bolivars	10,000	$ 10,005
Temporary investments		
United States Government obligations, at amortized cost (face amount $200)	197	
Time deposits in United States dollars	80,000	80,197
Loans outstanding (Note C) (Appendix IV-1)		
Total loans approved since inception, less cancellations	83,200	
Less undisbursed balance	(83,200)	—
Accrued income		
On temporary investments		1,520
Total assets		$ 91,722
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable to Administrator		$ 111
Fund balance		
Fund established by Venezuelan Investment Fund (Note B)	$500,000	
Less amounts not yet received (Note B)	(410,000)	
	90,000	
Net income	1,611	91,611
Total liabilities and fund balance		$ 91,722

VENEZUELAN TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME
FEBRUARY 27 TO DECEMBER 31, 1975—Note B
Expressed in thousands of United States dollars—Note A

Income		
From temporary investments		$1,958
Administrative expenses reimbursable to Inter-American Development Bank		
Salaries	$105	
Travel expenses	9	
Commission on short-term placements	15	
Indirect and overhead expenses	218	
Total administrative expenses		347
Net income		$1,611

STATEMENT OF CHANGES IN FINANCIAL POSITION
FEBRUARY 27 TO DECEMBER 31, 1975—Note B
Expressed in thousands of United States dollars—Note A

Source of funds	
Provided from operations	
Net income	$ 1,611
Items not providing cash funds	(1,409)
Cash funds provided from operations	202
Fund principal provided by Venezuelan Investment Fund	90,000
Total source of funds	$90,202
Application of funds	
Cash and investments	$90,202
Total application of funds	$90,202

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975

NOTE A—SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accounting records of the Venezuelan Trust Fund are maintained on the accrual basis of accounting.

Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. The Venezuelan bolivar, which is the only other currency of the Fund, is recorded at the market rate of exchange (Bs. 4.30 to $1) which remained unchanged during 1975.

Investments

Investments in United States Government obligations are stated at cost adjusted for the amortization of discount.

NOTE B—VENEZUELAN TRUST FUND

On February 27, 1975 the Venezuelan Investment Fund and the Inter-American Development Bank (Bank) entered into a Trust Agreement whereby the Bank became the Administrator of the Venezuelan Trust Fund. Total resources of the Trust Fund are the equivalent of $500,000,000 comprised of $400,000,000 and 430,000,000 Venezuelan bolivars (Bs.) to be made available in ten semi-annual quotas of $40,000,000 and Bs. 43,000,000 each beginning May 20 and August 20, 1975 respectively.

The purpose of the Fund is to contribute to the financing of projects and programs having a significant effect on the development of member countries of the Bank which are relatively less developed or of limited market, or of intermediate size, through better utilization of their natural resources and the promotion of their industry and agroindustry and to expand the Bank's export financing program.

In accordance with provisions of the Trust Agreement, the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and indirect and overhead expenses. During 1975 a provisional rate, subject to final approval by the Venezuelan Investment Fund, of $2.08 per $1.00 of salary cost was used for charging indirect and overhead expenses to the Trust Fund.

The Venezuelan Investment Fund has the right to the return of all sums received in repayment of loans made from the Trust Fund as well as all collections of income derived from Trust Fund resources.

NOTE C—LOANS OUTSTANDING

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank.

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1975

Expressed in thousands of United States dollars—Note A

Countries in which loans have been made	Total loans approved since inception, less cancellations
Costa Rica	$ 3,600
Ecuador	29,600
Guatemala	35,000
Peru	15,000
Total	$83,200

INSTITUTE FOR LATIN AMERICAN INTEGRATION

Through the Institute for Latin American Integration (*INTAL*), which is based in Buenos Aires, the Bank carried out during 1975 a wide variety of programs in training, research, advisory and information activities related to the region's economic integration movement.

Advisory

Through technical cooperation advisory programs that it provides for various regional integration programs, *INTAL* in 1975 carried out the following activities:

Inventory of Physical Integration Projects in Latin America. At the request of the Government of Bolivia, *INTAL* prepared a transportation study of the River Plate countries for submission to the Seventh Meeting of Ministers of Foreign Relations of those countries. It completed and published the final report on international land transportation in the Lima-Buenos Aires and Lima-São Paulo land corridors, prepared jointly with the Economic Commission for Latin America (ECLA). It concluded a tourism study of the Lakes' Region in Chile and Argentina which had been requested and financed by the Chilean Tourism Office and the Tourism Undersecretariat of Argentina. In addition, at the request of the Salto Grande Mixed Technical Commission, *INTAL* is participating in a study of the area of influence of the Salto Grande hydroelectric project.

Conference on Development Financing in Latin America (COFINDE). *INTAL* prepared the terms of reference for a study of the investment opportunities in Latin American multinational projects in the industrial and service sectors. It is collaborating in the development of the Iguazú Falls-Jesuit Ruins project and is helping to identify and analyze the integration of tourist facilities in Uruguay, Paraguay and Bolivia.

The Cartagena Group Agreement (JUNAC). *INTAL* cooperated with the *Universidad Gabriel Moreno de Santa Cruz de la Sierra* and with the Technical Integration Secretariat of the Bolivian Foreign Relations Ministry in the execution of a seminar on juridical aspects of integration and the establishment of a jurisdictional order, and with the Ministry of Industry, Commerce and Integration of Ecuador in the organization of a seminar for public officials on integration and the transfer of technology.

Central American Economic Integration Secretariat (SIECA). *INTAL* cooperated with *SIECA* and other regional authorities in talks on re-structuring the Central American Common Market and in a seminar on social aspects of integration, and submitted to *SIECA* a study of the structure of inter-Central American trade.

Caribbean Community: *INTAL* helped standardize legislation governing the roles of corporation and multinational enterprises for the Caribbean Community.

INTAL's collaboration with Latin American universities included the organization of seminars on integration themes at the *Universidad Católica de Asunción* and the *Universidad Nacional de Asunción*, both in Paraguay, continued support for the Department of International Studies of the *Universidad de Chile*, and participation in a seminar in Viña del Mar, Chile, organized by the Corporation for University Promotion to discuss *"The Latin American University in 1980."*

Research

Among research activities, *INTAL* undertook the following projects:

Analysis and Evaluation of Latin American Integration. During the year, *INTAL* completed and issued its annual report on *The Process of Integration in Latin America in 1974* and prepared a report on Latin American Integration for the United Nations Conference on Trade and Development (UNCTAD).

Joint Enterprises in Latin American Economic Integration. *INTAL* cooperated in a study of the promotion systems employed by such enterprises at a meeting in Buenos Aires sponsored by the Latin American Federation of Banks *(FELABAN)*.

Legal Basis for the International Role of Public Enterprises. During the year *INTAL* issued 11 national reports for consultants in Latin American Free Trade Association (LAFTA) countries.

Juridical-Economic Aspects of Integration. *INTAL* completed studies on ways to improve safeguard clauses and on the status and outlook for Latin American legislation on patents, and has initiated studies on current legislation in the technological development field.

Transfer of Technology in Central America. During the year *INTAL* cooperated with the *Instituto Centroamericano de Investigación y Tecnología Industrial (ICAITI)* and the *Federación de Cámaras y Asociación de Industrias Centroamericanas (FECAICA)* on the creation of advisory services in the region based on an analysis of contracts for the purchase of technology.

Structure of Central American Foreign Trade. INTAL in 1975 completed the preliminary draft of a study of the composition, characteristics and evolution of regional trade in the years 1958, 1968 and 1972.

New Forms of Latin American Regional Cooperation. A study entitled *Looking to the Future: The Constituent Pact of the Latin American Community* was delivered by *INTAL* in the Latin American Forum conducted in Caracas.

Significance of the Public Sector in Latin American Integration. During the year *INTAL* initiated a study of the relevance of the public sector as a factor in commercial and industrial integration and as an area for the application of joint economic policies.

Training

As in previous years, *INTAL* participated directly in a series of training courses and offered technical and financial aid for courses carried out by other research institutions, including the following:

Graduate-level Studies in Integration Management. In conjunction with the Institute of Graduate Studies in Administration *(IESA)* and with the support of the Government of Venezuela, *INTAL* presented in Caracas the Second Master's Course in Integration Management.

Seminar on Transportation Policies of Integration. Conducted in March at *INTAL* headquarters and organized jointly with the Latin American Institute of Social Research *(ILDIS)*, this seminar examined transportation policies within the integration movement, with particular attention to highway transportation.

Seminar on the Transfer of Technology. Organized and directed by *INTAL*, this seminar was conducted in Quito in November at the request of the Ministry of Industries of Ecuador. Participants included government representatives from Argentina, Brazil and Mexico, as well as officials of UNCTAD and JUNAC.

Symposium on Institutional Organization for Integration. Meeting in Costa Rica at the headquarters of the Central American Institute of Public Administration *(ICAP)*, this seminar discussed aspects of institutional organization for integration in nations forming part of regional economic blocs. More than 25 government officials and representatives of regional economic groups attended the symposium which was sponsored by *INTAL*, *ICAP* and UNCTAD.

Meeting on Promotion of Joint Investments by Latin American Companies. Organized by *INTAL* in conjunction with the Latin American Federation of Banks *(FELABAN)*, this meeting analyzed the advantages of intra-Latin American investments and the promotion and stimulation of joint enterprises and projects. It was attended by more than 100 Latin American government officials and private businessmen and representatives of various inter-American and international organizations.

Customs Policy and Administration and Tax Policy and Administration. A series of courses on both themes were conducted by INTAL and the Inter-American School of Public Administration *(EIAP)* in Rio de Janeiro in the months of August, September and October.

Social Effects of Integration. Sponsored by *INTAL* and *SIECA*, this seminar was held in Guatemala in June and was attended by 60 government officials, university professors and representatives of international organizations.

Publications

The INTAL publication program for 1975 included the following works in Spanish: "Legislation Regarding Foreign Investment in LAFTA Countries: Legal Texts and Administrative Practices," and "Comparison of Legislation Governing Foreign Investment in LAFTA Countries."

In addition, *INTAL* continued the monthly publication of *Boletín de la Integración*, as well as publication of *Derecho de la Integración* and *Revista de la Integración*.

GOVERNORS AND ALTERNATE GOVERNORS

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	José Alfredo Martínez de Hoz	Adolfo César Diz
BARBADOS	P. M. Greaves	Steve Emtage
BOLIVIA	Carlos Calvo	Manuel Mercado Montero
BRAZIL	Mario Henrique Simonsen	Paulo Hortensio Pereira Lira
CANADA	Donald S. Macdonald	Paul Gérin-Lajoie
CHILE	Sergio de Castro S.	Sergio Undurraga Saavedra
COLOMBIA	Rodrigo Botero Montoya	Germán Botero de los Ríos
COSTA RICA	Porfirio Morera Bolres	Bernal Jiménez Monge
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	César Robalino Gonzaga	Alfonso Arcos
EL SALVADOR	Manuel Antonio Robles	Atilio Vieytez
GUATEMALA	Jorge Lamport Rodil	Manuel Méndez Escobar
HAITI	Emmanuel Bros	François Murat
HONDURAS	J. Vincente Díaz R.	Guillermo Bueso
JAMAICA	David H. Coore	G. Arthur Brown
MEXICO	Mario Ramón Beteta	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	Nicolás Ardito Barletta	Miguel A. Sanchiz
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Luis Barúa Castañeda	Roberto Keil Rojas
TRINIDAD AND TOBAGO	Francis C. Prevatt	Frank Barsotti
UNITED STATES	William E. Simon	Charles W. Robinson
URUGUAY	Juan José Anichini	Jorge Seré del Campo
VENEZUELA	Héctor Hurtado	Gumersindo Rodríguez

As of April 2, 1976.

EXECUTIVE DIRECTORS AND ALTERNATES

		Number of Votes	Percentage
Hernán Aldabe ARGENTINA Benjamín Mira (Alternate) CHILE	Elected by: Argentina Chile	75,280	15.13
José Carlos P. M. da Fonseca BRAZIL Pedro Aguayo Cubillo (Alternate) ECUADOR	Elected by: Brazil Ecuador	62,272	12.51
Julio C. Gutiérrez PARAGUAY Edmundo Valencia Ibáñez (Alternate) BOLIVIA	Elected by: Bolivia Paraguay Uruguay	13,801	2.78
David B. Laughton CANADA Charles T. Greenwood (Alternate) CANADA	Elected by: Canada	24,403	4.91
Rodolfo Martínez Ferraté GUATEMALA Mario Rietti Matheu (Alternate) HONDURAS	Elected by: Costa Rica El Salvador Guatemala Haiti Honduras Nicaragua	15,772	3.16
Juan Pablo Pérez Castillo VENEZUELA Charles A. T. Skeete (Alternate) BARBADOS	Elected by: Barbados Trinidad and Tobago Venezuela	35,001	7.03
John M. Porges UNITED STATES Yan M. Ross (Alternate) UNITED STATES	Appointed by: United States	199,839	40.15
Armando Prugue PERU Augusto Ramírez Ocampo (Alternate) COLOMBIA	Elected by: Colombia Peru	24,302	4.88
Jesús Rodríguez y Rodríguez MEXICO Dorel M. Callender (Alternate) JAMAICA	Elected by: Dominican Republic Jamaica Mexico Panama	47,036	9.45
TOTAL		497,706	100.00

As of April 1, 1976.

PRINCIPAL OFFICERS OF THE BANK

President	Antonio Ortiz Mena
Executive Vice President	Reuben Sternfeld
Program Advisor	Alfred C. Wolf
Controller (Acting)	Luis Buitrago
Chief, Office of Information	Carlos D. Conde

OPERATIONS DEPARTMENT

Manager	Ewaldo Correia Lima
Senior Deputy Manager	James A. Lynn
Deputy Manager—Region I	Jorge Ferraris
Deputy Manager—Region II	Sidney Schmukler
Deputy Manager—Region III	Pedro Abelardo Delgado

FINANCE DEPARTMENT

Manager	Henry J. Costanzo
Deputy Manager-Treasurer	Pedro Irañeta

ECONOMIC AND SOCIAL DEVELOPMENT DEPARTMENT

Manager	Cecilio J. Morales
Deputy Manager for Economic and Social Studies	Jorge Ruiz Lara
Deputy Manager for Technical Cooperation	Martha Ramos
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
	Freeborn G. Jewett, Jr.

ADMINISTRATIVE DEPARTMENT

Manager	José D. Epstein
Deputy Manager	William L. Taylor

SECRETARIAT DEPARTMENT

Secretary	Jorge Hazera
Deputy Secretary	Arturo Calventi

Representative in Europe	Enrique Pérez Cisneros

As of April 1, 1976.

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 and Planning	Central Bank of Barbados
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	Ministerio de Finanzas	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Banco Central de Honduras	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	Department of the Treasury	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 April 1, 1976.

FIELD OFFICES AND REPRESENTATIVES

ARGENTINA, Alfonso Grados
Cerrito 264, 3er. Piso
(Casilla de Correo No. 181, Sucursal 1)
Buenos Aires

BARBADOS, Alberto Pereira Da Silva
Nile House, Nile Street
(P.O. Box 402)
Bridgetown

BOLIVIA, Lempira Bonilla
Calle Ayacucho 277, 2° Piso
(Casilla 5872)
La Paz

BRAZIL, William A. Ellis
Rua Melvin Jones No. 5-30 Andar
(Caixa Postal No. 728 ZC-00)
Rio de Janeiro

CHILE, Herman H. Barger
Bandera 52, 7° Piso
(Casilla de Correo 14315) Correo 21
Santiago

COLOMBIA
Edificio UGI
Avenida 40-A, No. 13-09
Bogotá

COSTA RICA, Danilo P. Poklepovic
Calle 4 entre Avenidas 3 y 5
(Apartado Postal No. 4647)
San José

DOMINICAN REPUBLIC, Alberto Ibáñez
Avenida John F. Kennedy Esquina
Avenida Lópe de Vega
Edificio Nova Scotia, 4° Piso
(Apartado Postal No. 1386)
Santo Domingo

ECUADOR, Gildo Porto Guerra
San Gregorio 120
Esquina 10 de Agosto, 5° Piso
(Apartado Postal 154-A)
Quito

EL SALVADOR, Norberto Max Neef
Edificio Montecristo 4° Piso
Plaza Las Américas
(Apartado Postal No. (01) 199)
San Salvador

GUATEMALA, Alberto P. Castillo
Edificio ETISA, 7° Piso
Plazuela España, zona 9
(Apartado Postal No. 935)
Guatemala

HAITI, Henri Scioville-Samper
Rue Des Casernes No. 1
(Boite Postale 1321)
Port-au-Prince

HONDURAS, Arturo Pino Navarro
Edificio Midence Soto, 8° Piso
(Apartado Postal No. C-73)
Tegucigalpa

JAMAICA, Weston Williams
2nd Floor, Imperial Life Bldg.
Knutsford Blvd.
(P.O. Box 429)
Kingston 10

MEXICO, Jorge A. Garayta (acting)
Paseo de la Reforma 379, Piso 7
México 5, D.F.

NICARAGUA, Gonzalo de la Pezuela
Multicentro El Camino de Oriente
Kilómetro 6 Carretera a Masaya
(Apartado Postal 2512)
Managua

PANAMA, Emilio Ortiz de Zevallos
Edificio de Diego
Avenida Balboa y Calle 40-3er. Piso
(Apartado No. 7297)
Panama 5

PARAGUAY, Eduardo Barros
Edificio City
Estrella 345-2° Piso
(Casilla 1209)
Asunción

PERU, Manuel Valderrama
Avenida República de Chile 388-7° Piso
(Apartado Postal No. 3778)
Lima

TRINIDAD AND TOBAGO, Antonio Rodriguez Mansfield
80 Independence Square N.
(P.O. Box 68)
Port of Spain

URUGUAY, Carlos Montero
Edificio del Banco de Crédito
18 de Julio 1455
Oficinas 603 y 604
Montevideo

VENEZUELA, Rafael Glower Valdivieso
Torre Phelps, 23° Piso
Plaza Venezuela
(Apartado Postal No. 4344)
Carmelitas, Caracas 101
Caracas

INSTITUTE FOR LATIN AMERICAN INTEGRATION,
Félix Peña, Director
Cerrito 264
(Casilla de Correo No. 39) Sucursal 1
Buenos Aires

As of April 1, 1976.

INTER-AMERICAN DEVELOPMENT BANK
808 17TH ST., N.W.
WASHINGTON, D. C. 20577

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Asian Development Bank
Location:	Principal office in Manila, Philippines
Size:	3/31/76
Assets:	U. S. $2,834,910
Capital:	Authorized Capital: U. S. $3.3 billion Paid-in-Capital: U. S. $1.1 billion
Purpose:	Established in 1966 as an international inter-governmental institution pursuant to an agreement initially signed by 31 countries. Purpose is to foster economic growth and cooperation in Asia and the Far East (the "region") and to contribute to the acceleration of economic development in the developing member countries in the region, collectively and individually. The Bank's principal functions include: (1) promotion of public and private investment; (2) financing economic growth; (3) assisting in coordination of members' economic growth, plans and policies; and (4) providing technical assistance for the preparation, financing and execution of development projects and plans.
Source of Funds:	Capital provided by subscriptions of member states and borrowings in member countries and elsewhere. General principle is that borrowings should be diversified as to country of borrowing. These sources supplemented by internal cash flow from lending activities.
Management Structure:	Managed by Board of Governors, Board of Directors, President, Vice Presidents, other officers and staff. All powers are vested in Board of Governors (with certain powers which may be delegated to Board of Directors), with each member selecting a Governor and an alternate Governor. The Board of Directors (12) has responsibility for the direction of the general operations of the Bank.
Management of Funds:	Internal. Bank may make, participate in or guarantee loans to the governments of its developing member countries, to any of their agencies or political subdivisions and to public or private enterprises operating within such countries, as well as to international or regional entities

Management of Funds: (cont'd.)	concerned with economic development in the region. The Bank has not suffered any loan losses in its ordinary operations to date and follows a policy of not taking part in debt rescheduling agreements.
Portfolio:	Loans made generally in conformity with the following principles: (1) the Bank's loans cover only a portion of the total costs of each project financed; (2) goods and services must be purchased in the loan country, with competitive bids to be received on such; (3) realistic economic, technical, and financial feasibility of projects involved; (4) adequate borrowing capacity; (5) beneficial effects on domestic savings and balance of payments; and (6) assistance in expansion of employment opportunities. Loans made for projects in 15 member countries, including industrial development banks (27.3%), utilities (35.7%), transportation and communications (21.8%), agriculture (14.3%) and education (0.9%).
Capital Structure:	Debt 46.5%; Capital Stock 53.5%.
Income:	Generally retained by Bank.

PROSPECTUS

$75,000,000

Asian Development Bank

8⅝% Ten Year Notes of 1976, Due August 1, 1986

Interest on the Notes is payable February 1 and August 1 in New York City.

The Notes are not redeemable prior to maturity.

Price 99.75%

Plus accrued interest from August 1, 1976

Application will be made to list the Notes on the New York Stock Exchange.

The Underwriters have agreed to purchase from the Bank, at 98.85% and accrued interest, all Notes offered hereby. Such Notes are offered subject to issuance and acceptance by the Underwriters and subject to prior sale. It is expected that delivery of the Notes in temporary form will be made at the Federal Reserve Bank of New York, 33 Liberty Street, New York, New York on or about August 12, 1976 against payment in New York funds.

The First Boston Corporation Kuhn, Loeb & Co.

The date of this Prospectus is July 29, 1976.

No person is authorized to give any information or to make any representation not contained in this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by the Bank or by any Underwriter. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The issuance of this Prospectus and the offering and sale of the Notes is not a waiver by the Bank or by any of its members, Governors, Alternate Governors, Directors, Alternate Directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Agreement Establishing the Asian Development Bank (the Agreement) or by any statute, law or regulation of any member of the Bank or any political subdivision of any member, all of which are hereby expressly reserved.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Under the Agreement, the capital stock of the Bank and the subscriptions thereto of members are expressed in terms of United States dollars of the weight and fineness in effect on January 31, 1966 (1966 dollars). However, in this Prospectus, except as otherwise indicated, all amounts are stated in current United States dollars. (See Note A of Notes to Financial Statements.)

THE BANK

The Asian Development Bank (the Bank), an international institution the members of which are governments, was established in 1966 by 31 countries which signed the Agreement Establishing the Asian Development Bank (the Agreement). The purpose of the Bank is to foster economic growth and cooperation in Asia and the Far East (the region) and to contribute to the acceleration of economic development in the developing member countries in the region, collectively and individually.

To fulfill its purpose, the Bank has the following principal functions:

— to promote investment in the region of public and private capital for development purposes;

— to utilize the resources at its disposal for financing economic growth of the developing member countries in the region;

— to meet requests to assist developing member countries in the coordination of their economic growth policies and plans; and

— to provide technical assistance for the preparation, financing and execution of development projects and programs.

As of July 29, 1976, the Bank has 42 members, which have subscribed to $3,322,299,963 of its capital stock.

The principal office of the Bank is located in metropolitan Manila, Philippines, where it has a staff of about 750 drawn from 33 countries.

Membership

The membership of the Bank reflects the intention of the founders that, while its operations should be limited to the region, it should incorporate the active participation and financial resources of developed nations outside the region. The Bank currently has 28 regional members providing 70% of its capital and 14 non-regional members, including the United States, Canada and 12 Western European countries, providing 30% of its capital. The percentage of voting power in the Bank's affairs held by the respective members is related, but is not directly proportional, to their capital subscriptions. The aggregate voting power of the developed member countries, which include all the non-regional members plus Australia, Japan and New Zealand, represents approximately 58% of the total.

The United States participated actively in the establishment of the Bank. Its subscription to the capital stock of the Bank currently amounts to $482,540,000. The United States Congress has appropriated $386,032,000 of this amount. It has also authorized a further United States subscription of $120,635,000, which, when subscribed, would result in the total capital subscription of the United States being equal to that of Japan, currently the largest subscriber to the Bank's capital stock. See "Membership and Subscription of the United States of America".

The capital stock subscription and voting power of each of the Bank's members as of July 29, 1976, and percentage of approved Bank loans from ordinary capital resources to each of the developing members as of that date, are set forth below:

	Capital Stock Subscription				Percent of Total Votes	Percent of Approved Loans from Ordinary Capital Resources
REGIONAL MEMBERS	Paid-In	%	Callable	%		
Developed						
Australia	$ 82,031,800		$ 174,317,575		6.65%	—
Japan	193,016,000		410,159,000		15.00	—
New Zealand	21,774,618		46,263,522		2.11	—
Sub-total	$ 296,822,418	27.49%	$ 630,740,097	28.13%	23.76%	—
Developing						
Afghanistan	4,608,257		9,807,625		0.82	—
Bangladesh	14,476,200		30,761,925		1.57	0.5%
Burma	7,720,640		16,406,360		1.06	0.3
Cambodia	3,377,780		7,177,783		0.73	—
China, Republic of	15,441,280		32,812,720		1.64	4.5
Cook Islands	36,191		84,444		0.48	—
Fiji	965,080		2,050,795		0.55	0.3
Gilbert Islands	60,317		120,635		0.48	—
Hong Kong	7,720,640		16,406,360		1.06	1.9
India	89,752,440		190,723,935		7.23	—
Indonesia	77,206,400		164,063,600		6.28	9.7
Korea, Republic of	71,415,920		151,758,830		5.85	22.0
Lao P.D.R.	410,159		856,509		0.51	—
Malaysia	38,603,200		82,031,800		3.38	11.3
Nepal	2,086,985		4,427,305		0.63	0.1
Pakistan	30,882,560		65,625,440		2.80	11.8
Papua New Guinea	1,326,985		2,834,922		0.58	—
Philippines	33,777,800		71,777,825		3.02	17.3
Singapore	4,825,400		10,253,975		0.84	5.7
Solomon Islands	96,509		205,079		0.48	—
South Vietnam	11,580,960		24,609,540		1.35	0.2
Sri Lanka	8,227,307		17,467,948		1.09	0.6
Thailand	19,301,600		41,015,900		1.93	13.8
Tonga	60,317		120,635		0.48	—
Western Samoa	36,190		36,191		0.48	—
Sub-total	$ 443,997,117	41.12%	$ 943,438,081	42.07%	45.32%	100.0%
NON-REGIONAL MEMBERS						
Austria	4,825,400		10,253,975		0.84	—
Belgium	4,825,400		10,253,975		0.84	—
Canada	24,127,000		51,269,875		2.29	—
Denmark	4,825,400		10,253,975		0.84	—
Finland	3,015,875		3,015,875		0.62	—
France	24,127,000		51,269,875		2.29	—
Germany, Federal Republic of	32,812,720		69,727,030		2.94	—
Italy	19,301,600		41,015,900		1.93	—
Netherlands	10,615,880		22,558,745		1.28	—
Norway	4,825,400		10,253,975		0.84	—
Sweden	3,015,875		3,015,875		0.62	—
Switzerland	4,825,400		10,253,975		0.84	—
United Kingdom	28,952,400		61,523,850		2.65	—
United States	168,889,000		313,651,000		12.10	—
Sub-total	$ 338,984,350	31.39%	$ 668,317,900	29.80%	30.92%	—
Total	$1,079,803,885	100.00%	$2,242,496,078	100.00%	100.00%	100.00%

See "Capitalization—Capital Stock and Proposed Increases" for a description of certain developments with respect to additional stock subscriptions. As a result of recent constitutional changes involving South Vietnam, the Bank has received and is examining a communication from the Socialist Republic of Vietnam to the effect that it continues membership in the Bank.

Operations

The Bank's primary activity is the making of loans to finance specific projects located within the territories of its developing members. The Bank's lending activities are divided into ordinary operations and special operations. As of March 31, 1976, the Bank had approved loans aggregating $1,981.3 million in its ordinary operations and loans aggregating $658.8 million in its special operations.

The Bank's ordinary operations are financed from its ordinary capital resources, which consist of its subscribed capital stock, the proceeds of borrowings, funds derived from ordinary operations and the sale of participations in its loans. The subscribed capital stock as of March 31, 1976 amounted to $3,201.5 million, of which 33% was paid-in and 67% was callable. Of the paid-in portion of the subscribed capital stock approximately 79% consisted of convertible currencies. The callable portion of the Bank's subscribed capital stock is callable only when required to meet obligations on borrowings and guarantees given in the course of the Bank's ordinary operations. As of March 31, 1976, the Bank had not guaranteed any loan, and its outstanding borrowings totalled $805.0 million, as compared to total callable capital of $2,145.9 million, of which $1,267.2 million was subscribed by members whose currencies are convertible.

The Bank's special operations are financed from Special Funds administered by the Bank. The Bank's Special Funds resources, most of which are contributed by members, are completely segregated from ordinary capital resources and are used to provide loans to members whose economic position requires that they be given more lenient loan terms. The Agreement requires separate financial statements for ordinary operations and special operations and provides that the ordinary capital resources shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed.

In addition to its loan operations, the Bank extends technical assistance in the form of grants or loans for project preparation and evaluation, development planning and other purposes. As of March 31, 1976, the Bank had approved technical assistance in an aggregate amount of $23.7 million, of which approximately $16.8 million had been expended, including $6.9 million from ordinary capital resources, with the remainder from Special Fund resources.

MEMBERSHIP AND SUBSCRIPTION OF UNITED STATES OF AMERICA

The United States has been a member of the Bank since the time of its establishment, having subscribed to $241,270,000 of the original authorized capital stock of $1,206,350,000. This subscription made the United States and Japan, which had subscribed to a similar amount, the two largest subscribers, and each was then entitled to cast approximately 17.1% of the votes. The United States has paid (in cash and demand obligations) the entire $120,635,000 paid-in portion of its initial subscription to the capital stock of the Bank. In addition, Congress has appropriated, without fiscal year limitation, the $120,635,000 callable portion of this initial subscription. No further appropriation is necessary to enable the Secretary of the Treasury to pay this $120,635,000 if any part of it should ever be needed to meet obligations of the Bank.

In 1972, an increase in the Bank's authorized capital stock became effective, in an amount of $1,990,477,500. Members thus became entitled to subscribe to this increased capital in proportion to their existing subscriptions, with 20% of each subscription being in the form of paid-in capital and 80% being in the form of callable capital. Most members have already subscribed to their full shares in the increase. The total amount of such increase to which the United States became entitled to subscribe was $361,905,000.

In December 1974, the United States Congress authorized the subscription by the United States to the full amount of its entitlement. At the present time the United States has subscribed to two-thirds of this amount, its subscription being equivalent to $241,270,000, of which $48,254,000 represents paid-in capital and $193,016,000 represents callable capital. The full amount of the paid-in portion of this capital subscription and $96,508,000, or one-half of the callable portion of this subscription, have been appropriated by the United States Congress. Although Congress has not yet appropriated the other one-half of the callable capital portion, the United States is legally bound to make payment with respect thereto as and when required to do so by the Bank pursuant to the Agreement.

At the present time the United States vote represents approximately 12% of the total votes of members. Upon its subscription to the remaining shares to which it is entitled, the United States would again have the same number of votes as Japan.

USE OF PROCEEDS

The net proceeds to the Bank of the sale of the Notes to the Underwriters will be $74,137,500, before deducting expenses estimated at $190,000, and when received will be included in the ordinary capital resources of the Bank and used in its ordinary operations.

UNITED STATES APPROVAL OF BORROWING

As required by the Agreement, the United States Government has approved the raising of funds by the Bank in the capital markets of the United States by the issue of the Notes and has agreed that the proceeds of the sale of the Notes may be exchanged for the currency of any member without restriction.

CAPITALIZATION

The outstanding borrowings and capital stock of the Bank as of March 31, 1976, and as adjusted to reflect (i) the issuance of the Notes, (ii) subsequent changes in debt, (iii) the additional capital stock subscription of the United States amounting to $120,635,000, (iv) the new capital stock subscription of Cook Islands amounting to $120,635 and (v) the additional special capital stock subscriptions of Canada and the Federal Republic of Germany aggregating $245,456,034 approved in April 1976 by the Board of Governors but not yet effective, are as follows:

	Outstanding	As Adjusted
Borrowings:[1]		
Payable in U.S. dollars	$315,525,734	$ 415,525,734
Payable in Japanese yen	205,086,353	224,991,208
Payable in Swiss francs	70,544,165	70,544,165
Payable in Deutsche mark	75,540,888	134,471,880
Payable in Netherlands guilder	63,961,989	82,236,843
Payable in other currencies	74,364,521	74,364,521
Totals	$805,023,650	$1,002,134,351
Capital Stock:		
Subscribed	$3,201,544,328	$3,567,755,997
Less—callable portion of subscriptions	2,145,903,634	2,409,406,664
Capital Stock Paid-in	$1,055,640,694[2]	$1,158,349,333[3]

(1) Expressed in U.S. dollar equivalents calculated as of March 31, 1976. For the currency distribution and other details of borrowings, expressed in dollar equivalents calculated as of the same date, see Appendix VI of the Financial Statements. The Bank is currently negotiating other borrowings.

(2) Includes $93,596,675 of instalments of paid-in capital subscribed but not due. Of this amount, $39,938,227 is payable in 1976, $28,807,638 in 1977 and $24,850,810 in 1978.

(3) Includes the paid-in portion of the additional special subscriptions of Canada and Germany (not yet effective) amounting to $50,027,334 and $28,518,114, respectively, and the paid-in portions of the United States and Cook Islands subscriptions amounting to $24,127,000 and $36,191, respectively.

Borrowings

The Bank has adopted a policy according to which the Bank will not enter into any new borrowing or guarantee chargeable to its ordinary capital resources if such borrowing, or guarantee, when added to the outstanding borrowings and guarantees, would exceed the amount of the callable capital stock subscribed by the members whose currencies are convertible. As of March 31, 1976, the amount of sub-

scriptions of such members to the callable capital stock was $1,267,174,166. This figure would be increased to $1,530,592,752 on completion of arrangements, now in process, in respect of the capital increase subscriptions by Canada and the Federal Republic of Germany and by the United States of America (for the portion of its entitlement already authorized and appropriated by the United States Congress).

In its public borrowings and certain other borrowings, the Bank has covenanted not to borrow funds or make guarantees which would increase the aggregate amount outstanding of its borrowings and guarantees to an amount exceeding the callable capital stock of its members whose currencies have been determined by the Bank to be convertible at the time of such borrowings. See "Description of the Notes—Limitation on Additional Borrowing" for a summary of the covenant in this respect which will be incorporated in the Notes.

Capital Stock and Proposed Increases

The authorized capital stock of the Bank currently stands at $3,676,351,625. The original authorized capital stock of $1,206,350,000 was increased by $120,635,000 effective as of November 1966, and by a further $1,990,477,500 effective as of November 1972. Since then, several additional special capital increases in a total amount of $358,889,125 have been authorized to enable three regional members (the Republic of Korea, Indonesia and Malaysia) to increase their capital subscriptions.

Of the authorized capital stock of $3,676,351,625, an amount of $3,201,544,328 had been subscribed by members as of March 31, 1976, 33% of such subscriptions being paid-in capital and 67% being callable capital. Effective as of April 20, 1976, Cook Islands became a member of the Bank with a new capital subscription of $120,635. Furthermore, in April 1976 the Board of Governors approved additional special capital increases in the total amount of $245,456,034 for Canada and the Federal Republic of Germany which, when they become effective, will increase the Bank's callable capital by $166,910,586 and paid-in capital by $78,545,448. To accommodate the special capital increase of Germany, the Board of Governors approved an increase in the Bank's authorized capital stock by $30,243,194 which shall become effective when the subscription of Germany becomes effective. An additional United States subscription of $120,653,000 became effective in late July 1976.

The Agreement provides that the authorized capital stock of the Bank may be increased by the Board of Governors by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the members. In the event of an increase in the Bank's authorized capital, each member has a right to subscribe, with certain limited exceptions, to its proportionate share (based on the number of its previously subscribed shares) of the new shares, but no member is obligated to subscribe to any portion of such increased capital. The Agreement provides, however, that no increase in the subscription of any member shall be authorized which would reduce the percentage of capital stock held by regional members below 60% of the total subscribed capital stock.

In April 1975, the Board of Governors noted with approval the preliminary review being undertaken by the Board of Directors regarding the need to increase the capital stock of the Bank. The specific amount of the general capital increase which the Board of Directors might recommend to the Governors, and the proportion of paid-in capital therein, are currently at an advanced stage of consideration. There is a recognition that the general capital increase should take effect before the end of 1977.

Paid-in Capital

As of March 31, 1976, 46.6% of the total paid-in capital of the Bank was paid or payable in gold or convertible currencies, and 53.4% in the members' own currencies, of which a substantial portion consists of currencies which have been determined by the Bank to be currently convertible.

In accordance with the Agreement, the Bank has accepted non-negotiable, non-interest-bearing demand obligations in lieu of a part of the amounts required to be paid in national currencies where such amounts have not been required by the Bank for the conduct of its operations. As of March 31, 1976,

the Bank had encashed approximately $126 million of such obligations. The amounts of such obligations held by the Bank as of March 31, 1976 are set out in Appendix IV of the Financial Statements. Under its current encashment program the Bank expects to encash by the end of 1976 all uncashed obligations given by its non-regional members and Japan in respect of their initial subscriptions.

Amounts received by the Bank in payment of the portion of each member's subscription payable in gold or convertible currencies may, under the Agreement, be freely used by the Bank in any of its ordinary operations. The balance of the paid-in capital paid in the currencies of the subscribing members may also be freely used by the Bank in its ordinary operations, subject to the right of developing members to restrict the use of such funds to making payment for goods and services produced in, and intended for use in, the respective territories of such members. In addition, one regional developed member (New Zealand) has exercised a special right accorded to it in the Agreement to restrict the use of such funds to making payment for goods and services produced in its territory. The total amount subject to this restriction is approximately $10,000,000.

The Agreement authorizes the Board of Governors to set aside to Special Funds, by a vote of two-thirds of the total number of Governors representing at least three-fourths of the total voting power of the members, an amount not to exceed 10% of the Bank's unimpaired paid-in capital paid by members. To date, a total of $57,433,902 has been set aside and transferred to Special Funds.

Callable Capital

The callable portion of subscriptions to the Bank's capital stock is subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. Callable capital consequently may not be called to make loans. In the event of a call, payment may be made at the option of the member in gold, in convertible currency or in the currency required to discharge the obligations of the Bank for the purpose of which the call is made.

Calls on the callable portion of subscriptions are required to be uniform in percentage on all shares of capital stock, but obligations of the members to make payment upon such calls are independent of each other. Failure of one or more members to make payments on any such calls would not excuse any other member from its obligation to make payment, and successive calls could be made on non-defaulting members if necessary to meet the Bank's obligations. However, no member could be required on any such call to pay more than the unpaid balance of the callable portion of its subscription to the Bank's capital stock. No calls have been made on the callable portion of the subscriptions.

The following table shows, in summary form as of March 31, 1976, the subscribed paid-in and callable capital of the Bank.

Paid-In Capital	Amount
In convertible currencies	$ 832,609,499
In other currencies	223,031,195
Total Paid-in Capital[1]	$1,055,640,694
Callable Capital	
Payable in gold, convertible currency or the currency required to meet the obligations of the Bank for the purpose of which the call is made:	
By members whose currencies are convertible[2]	$1,267,174,166
By other members	878,729,468
Total Callable Capital	$2,145,903,634

[1] Of such amount $320,514,376 was represented by demand obligations, $45,675,545 was restricted as to use and $93,596,675 was not yet due.

[2] See "Description of the Notes—Limitation on Additional Borrowing" for a list of the members whose currencies have been determined by the Bank to be currently convertible.

Maintenance of Value

Pursuant to the Agreement, as interpreted by the Board of Directors, a member is required to pay to the Bank any additional amount of its currency necessary to maintain the value of all such currency held by the Bank (with the exceptions noted below) up to the amount of the paid-in portion of such member's capital subscription whenever (a) the par value in the International Monetary Fund of the member's currency is reduced in terms of 1966 dollars or (b) the foreign exchange value of the member's currency has depreciated to a significant extent in the opinion of the Bank, after consultation with the International Monetary Fund. In the event of an increase in such par value or a significant appreciation of such foreign exchange value in the opinion of the Bank, the Bank is required, pursuant to the Agreement, to pay to the member an amount of its currency necessary similarly to adjust the value of all such currency held by the Bank (with the exceptions noted below) up to the amount of the paid-in portion of such member's capital subscription. The above-described requirements relating to maintenance of value have been and continue to be implemented by the Bank and its members. These requirements are not applicable to the Bank's holdings of currencies derived from borrowing nor (to the extent that such holdings exceed the amount of the paid-in portion of the member's capital subscription) to (i) income from investments and loans or (ii) payment of the convertible currency portions of their respective paid-in capital subscriptions by members whose currencies are non-convertible.

SUMMARY OF INCOME AND EXPENSES—ORDINARY CAPITAL RESOURCES

The following summary of income and expenses relating to the ordinary operations of the Bank for the five years ended December 31, 1975 (restated as referred to in footnote 3 below) has been examined by Haskins & Sells, independent auditors, whose opinion thereon is included elsewhere in this Prospectus. The figures for the three months ended March 31, 1975 and March 31, 1976 have not been examined by Haskins & Sells but in the opinion of the management of the Bank they reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods. The summary should be read in conjunction with the more detailed Financial Statements and related notes appearing in Appendices I through VIII of the Financial Statements:

	Years Ended December 31,					Three Months Ended March 31, (unaudited)	
	1971	1972	1973	1974	1975	1975	1976
	(Amounts in Thousands)						
GROSS INCOME	$25,851	$33,583	$46,281	$57,511	$80,913	$16,290	$25,634
EXPENSES:							
Administrative expenses[1]	2,698	5,606	7,866	8,665	12,014	1,670	2,484
Services to member countries[2]	1,159	1,164	757	171	714	123	12
Financial expenses	7,085	14,443	18,684	19,078	31,546	5,277	12,776
GROSS EXPENSES	10,942	21,213	27,307	27,914	44,274	7,070	15,272
Income before changes in value of currencies	14,909	12,370	18,974	29,597	36,639	9,220	10,362
Changes in value of currencies—net	42	(212)	(1,475)	(314)	(7,352)	1,941	1,271
NET INCOME[3]	$14,951	$12,158	$17,499	$29,283	$29,287	$11,161	$11,633

(1) An Administration Charge to Special Funds Operations was instituted in 1971 by deducting from administrative expenses an amount representing expenses allocated to special operations and charging the said amount to Special Funds resources. An amount of $4,766,000, including an amount of $2,476,000 based on loans signed prior to 1971, was deducted from administrative expenses in 1971. The Administration Charge formula was modified in 1973. The Administration Charges for the years ended December 31, 1972 through December 31, 1975 and the three months ended March 31, 1975 and 1976 were $3,945,000, $3,271,000, $4,267,000, $4,005,000, $1,616,000 and $1,469,000, respectively. (See Note I of Notes to Financial Statements.)

(2) Represents charges for technical assistance.

(3) Periods prior to 1976 have been restated to conform to the 1976 change in accounting for commissions appropriated to Special Reserve. See Note E of Notes to Financial Statements. The restatement increased net income for the years ended December 31, 1971 through December 31, 1975 and the three months ended March 31, 1975 by $375,000, $974,000, $1,842,000, $2,856,000, $4,743,000 and $1,163,000, respectively.

(4) Certain amounts have been reclassified for purposes of comparison with 1976 classifications.

The improvement in gross income in the year 1975 and in the three months ended March 31, 1976 over the previous periods was attributable both to an increase in income from loans, due to the greater amount of loans disbursed, and to an increase in income from investments, due to the greater amount of funds available for short-term investment by the Bank. Net income for the year 1975 was adversely affected by changes in value of currencies held by the Bank which were not subject to the maintenance of value provision. These adverse changes in 1975 resulted from the increased strength of the U.S. dollar relative to other convertible currencies. In addition, the results for the year 1975 and the three months ended March 31, 1976 reflect an increase in financial expenses, attributable both to larger borrowings and to higher interest rates.

ORDINARY OPERATIONS OF THE BANK

Lending Policies

The Bank is authorized under the Agreement to make, participate in or guarantee loans to the government, of its developing member countries, to any of their agencies or political subdivisions and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region. Such loans are made only for specific projects of high developmental priority. The Bank provides financing to such borrowers to cover foreign exchange expenditures incurred in a project and also, in special cases, finances local expenditures to a limited extent. The amounts of the Bank's loans are stated in U.S. dollars and are disbursed in various currencies. It has been the Bank's practice to maintain funds borrowed in the currency of the borrowing until such funds are employed in its lending operations. Borrowers are obligated to repay the particular currencies, and the amount of each such currency, disbursed to the borrower or used to purchase the currency needed by the borrower. Accordingly, the borrower assumes any exchange risks attributable to fluctuations in value of the currencies which it is obligated to repay.

Except in special circumstances, the Bank requires that the proceeds of each loan be used by the borrower only for procurement of goods and services produced in member countries and required for the project being financed. The Bank supervises the disbursement of its loans to ensure that the proceeds are applied only against project expenditures as incurred. It generally insists that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independently of the suppliers or manufacturers and, if appropriate, that independent consulting engineers be retained by borrowers. In considering an application for a loan or guarantee, the Bank pays due regard to the ability of the borrower to obtain financing elsewhere on terms and conditions that the Bank considers reasonable. In the case of loans to borrowers other than member governments, the Bank may, but is not obligated to, require that the member governments guarantee the loans. All currently outstanding loans to borrowers other than member governments are so guaranteed, with the exception of two loans to a member's central bank.

In determining its lending policies, the Bank attempts to assess international economic conditions and the specific circumstances of its developing member countries. Higher worldwide energy costs and other inflationary pressures combined with a general recession in the industrialized countries have adversely affected the economies of the Bank's borrowers or guarantors and led, for most of them, to large deficits in external accounts and considerable increases in external debt. In evaluating the projects that it proposes to finance, the Bank considers such factors as economic, technical and financial feasibility; effect on the general development activity of the country concerned; contribution to the removal of impediments to economic development; capacity of the borrowing country to service additional external debt; effect on domestic savings; balance of payments effects; impact of new technologies on productivity; and expansion of employment opportunities. In response to regional needs and the changing world situation, the Bank has increasingly emphasized loans for expanded food production, for the development of indigenous energy resources and for projects with direct income distribution and social benefits.

Under certain conditions, the Bank is empowered by the Agreement, in addition to its ordinary lending operations, to make equity investments and to extend guarantees. To date, the Bank has not made any equity investment or extended any guarantee.

Under the Agreement, the total amount outstanding of loan commitments, equity investments and guarantees made by the Bank in its ordinary operations shall not at any time exceed the total amount of its unimpaired subscribed capital, reserves and surplus included in its ordinary capital resources, exclusive of the special reserve and other reserves not available for ordinary operations.

Lending Operations

From its establishment through March 31, 1976 the Bank had approved 156 loans from its ordinary capital resources, for projects in 15 member countries, in an aggregate principal amount of approximately

$1,981.3 million of which $751 million had been disbursed. Loans from ordinary capital resources approved in 1974, 1975 and the first three months of 1976 amounted to $375 million, $494 million and $55.2 million, respectively. For the year 1976 it is expected that approximately $550 million will be approved. A summary statement, by country, of the loans approved as of March 31, 1976 is set forth in Appendix V of the Financial Statements. These loans have been approved in the following amounts for the following categories of projects: industry, including industrial development banks, $540.5 million (27.3%); public utilities $707.8 million (35.7%); transport and communications $431.1 million (21.8%); agriculture and agro-industry $284.1 million (14.3%); and education $17.8 million (0.9%).

The maturities of the loans extended by the Bank from its ordinary capital resources range between 10 and 30 years, including grace periods with respect to the repayment of principal ranging between two and seven years.

The Bank's loans cover only a portion of the total cost of each project financed. Projects directly financed by the Bank from its ordinary capital resources with loans approved through March 31, 1976 were estimated, at the time of respective approvals, to have a total aggregate cost of approximately $3,336 million, of which approximately 47.4% would be financed by the Bank. In addition, the Bank has made loans through national development banks for projects for which substantial local resources must also be made available.

Funds for disbursements under the above loans have been obtained from the Bank's paid-in capital, from the issuance of its own obligations, from income derived from its ordinary operations and from the sale of loan participations. As of March 31, 1976, participations amounting to about $14 million had been sold to banks and other institutions in France, the Federal Republic of Germany, Hong Kong, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the United States. All such participations have been without the guarantee of the Bank.

The Bank has not suffered any loan losses in its ordinary operations to date and follows a policy of not taking part in debt rescheduling agreements. Occasional delays have occurred in the payment of loan service charges but these have not been material to the Bank's operations.

Loan Charges and Special Reserve

In its ordinary operations, the Bank's policy is to set interest rates at a level which broadly reflects the cost of its borrowings. From its establishment to May 1970, the Bank's ordinary lending rate was 6⅞%; from May 1970 to September 1974 it was 7½%; and from September 1974 to February 1975, it was 8¼%. In February 1975, the Bank increased to 8¾% the interest rate charged to borrowers (other than those in Singapore and Hong Kong) on loans approved thereafter and on uncredited amounts of previously approved loans to development banks. At the same time, it approved 9½% as the interest rate which it would charge on any new loans to borrowers in Singapore and Hong Kong, which had significantly higher per capita gross national products than other developing countries within the region.

In addition to interest, a commitment charge is levied on the undisbursed portions of approved loans. At the present time, the commitment charge is ¾% per annum. For project loans approved after June 30, 1973, this charge is levied on a graduated scale, ranging from 15% of the amount of the loan (less amounts disbursed) in the first year (beginning 60 days after the signing of the loan agreement) to 100% of the loan (less amounts disbursed) in the fourth year and thereafter. The commitment charge accrues on outstanding, but undisbursed, amounts credited to loan accounts for loans to development banks from the time of crediting.

The Bank is currently giving consideration to increases in its interest rates and revision of the formula for levying commitment charges.

The interest rate charged on loans includes, in accordance with the Agreement, a commission at the rate of 1% per annum which is credited to a special reserve to be held in such liquid form as the Board of Directors may decide for meeting liabilities of the Bank on its borrowings and guarantees. As of

March 31, 1976, this special reserve amounted to $12.6 million. This commission of 1% can be reduced by a vote of two-thirds of the members representing not less than three-fourths of the total voting power of the members.

Borrowings

The Agreement authorizes the Bank to supplement its ordinary capital resources by raising funds through borrowing in member countries or elsewhere. Under the Agreement, the Bank must obtain the approval of the government of the country in which the Bank's obligations are to be sold, as well as of the country in whose currency such obligations are to be denominated. The Agreement also requires the Bank, before determining to sell its obligations in a particular country, to consider the amount of previous borrowing in that country, the amount of previous borrowing in other countries and the availability of funds in other countries, adhering to the general principle that its borrowings should be diversified as to country of borrowing.

The Bank has borrowed in the capital markets of the United States as well as in Austria, Belgium, the Federal Republic of Germany, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Saudi Arabia, Switzerland and the United Arab Emirates. In addition, the Bank has sold two-year dollar-denominated bonds to certain members and their central banks. A statement of the Bank's borrowings as of March 31, 1976 is set forth in Appendix VI of the Financial Statements.

The Bank expects to continue its program of raising funds for its ordinary operations, as conditions permit, through borrowings in national and international capital markets.

SPECIAL OPERATIONS

The Bank is authorized under the Agreement to administer Special Funds, the resources of which may be used for granting technical assistance and making loans with longer maturities, longer grace periods and lower interest rates than those established for ordinary operations. Projects financed from Special Funds are selected, appraised and administered in the same manner as projects financed from ordinary resources. As of March 31, 1976, the Bank had approved 101 loans from Special Funds for projects in 18 member countries, amounting to a total of $658.8 million.

The resources of such Special Funds include voluntary contributions made by members, income on Special Funds loans, income earned by investment of undisbursed Special Funds resources and amounts set aside to Special Funds by the Board of Governors from ordinary capital resources pursuant to the Agreement. Such set aside amounts are limited by the Agreement t 10% of the unimpaired paid-in capital paid by members.

Under the Agreement, Special Funds resources must at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from the ordinary capital resources of the Bank. The Agreement provides that separate financial statements for ordinary operations and special operations are required and that the ordinary capital resources of the Bank may in no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed. Expenses of the Bank directly pertaining to special operations are charged to Special Funds resources, and administrative expenditures of the Bank are allocated between ordinary resources and Special Funds in accordance with a formula which takes into consideration the type of administrative expenditures involved and the number and amounts of loans approved.

It is the current policy of the Bank to extend loans on concessional terms only to those developing member countries having a low per capita gross national product and limited external debt repayment capacity in comparison with other developing member countries. Such loans bear only a service charge

of 1% per annum on outstanding amounts and are repayable over a 40-year period (including 10 years of grace with respect to principal repayments).

The Bank is currently administering three Special Funds—the Asian Development Fund, the Multi-Purpose Special Fund and the Technical Assistance Special Fund. The Asian Development Fund and the Multi-Purpose Special Fund are used for making loans on concessional terms. The Technical Assistance Special Fund is used to finance technical assistance to members. The Asian Development Fund, which was established in June 1974, is intended to replace the Multi-Purpose Special Fund and become the primary source of financing for the Bank's concessional lending operations.

As of March 31, 1976, the aggregate resources of the Asian Development Fund and the Multi-Purpose Special Fund amounted to $688,031,680, consisting of $630,597,778 contributed or committed by member countries and $57,433,902 set aside by the Board of Governors from ordinary resources. Japan is the largest contributor to these Special Funds, having provided an aggregate of $314,821,553; the United States is the second largest, with an aggregate contribution to date of $100,000,000. The United States Congress has authorized an additional $50,000,000 in contributions to the Bank's Special Funds, of which $25,000,000 was appropriated at the end of June 1976 but has not yet been contributed.

TECHNICAL ASSISTANCE

The Bank is authorized to meet requests from member countries for technical assistance in such fields as the preparation and evaluation of specific development projects, the preparation and execution of development plans and the creation of new institutions and the strengthening of existing institutions serving agriculture, industry and public administration. Recipients of technical assistance may be governments or any of the other entities authorized to receive Bank loans. The technical assistance extended by the Bank may be either on a grant or a loan basis.

The Agreement limits the funds which may be drawn upon to provide technical assistance grants to the amount of the Bank's net income from ordinary operations plus any Special Funds resources (including net income from special operations) available for such purpose. As of March 31, 1976, the Bank had received from its members a total of $18,952,591 in contributions and commitments for contributions to its Technical Assistance Special Fund. Technical assistance approved by the Bank as of March 31, 1976 amounted to approximately $23.7 million. Most of the Bank's developing members have received such assistance.

RELATIONS WITH OTHER DEVELOPMENT ORGANIZATIONS

The Bank maintains close relations with other international development organizations such as the International Bank for Reconstruction and Development (the World Bank), the United Nations Development Programme (UNDP), and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and with national development organizations such as the United States Agency for International Development (USAID), the Overseas Economic Cooperation Fund of Japan (OECF) and Kreditanstalt für Wiederaufbau (KfW) of the Federal Republic of Germany.

The Bank is acting as executing agency for, or has made joint financing arrangements with, several multilateral and bilateral development agencies in connection with a number of projects in the region. For example, the Bank, in association with the World Bank and the government of Abu Dhabi, is lending funds for a fertilizer plant in Pakistan, and, through a loan from its Special Funds resources, is participating with the International Development Association (an affiliate of the World Bank), KfW, the Iranian, Swiss and United Kingdom governments and USAID in the financing of a fertilizer plant in Bangladesh. Recently, the Bank has agreed to participate with the Kuwait Fund for Arab Economic Development, the Indian government and KfW in the financing of a fertilizer plant in Sri Lanka, through a loan from its Special Funds resources.

ADMINISTRATION OF THE BANK

General

The affairs of the Bank are managed by the Board of Governors, the Board of Directors, the President, the Vice President, other officers and the staff.

All powers of the Bank are vested in the Board of Governors, but it may delegate to the Board of Directors any powers except those whose delegation is expressly prohibited by the Agreement. Each member appoints one Governor, who exercises the voting power of the member he represents, and one Alternate Governor. The Board of Governors holds annual meetings.

The responsibility for the direction of the general operations of the Bank rests with the Board of Directors, the members of which serve full time at the Bank's principal office. The Board of Directors has 12 members of whom eight are elected by the Governors representing regional members and four are elected by the Governors representing non-regional members. Directors hold office for a term of two years and may be re-elected. Each Director appoints an Alternate Director to act for him in his absence.

Matters before the Board of Governors or the Board of Directors are decided by a majority of the total voting power of the members represented at the meeting, except in certain cases provided in the Agreement in which a higher percentage is required.

The President, who must be a national of a regional member country, is elected by the Board of Governors. His term of office is five years, and he may be re-elected. The President is the Chairman of the Board of Directors but has no vote except a deciding vote in case of an equal division. Under the direction of the Board of Directors, he conducts the current business of the Bank and is its chief of staff. Since November 1972 the President of the Bank has been Mr. Shiro Inoue, who at the time of his election was Executive Director and concurrently Representative for International Affairs of The Bank of Japan. Mr. Inoue was elected for the remaining four years of a term of office to which Mr. Takeshi Watanabe, the Bank's first President, had earlier been elected.

Board of Directors

The members of the Board of Directors and their Alternates are as follows:

Directors	Alternates	Members Represented*
L. Roy Papp (United States)	Henry F. Lee (United States)	United States
Francois Dupont (France)	Paul Aenishanslin (Switzerland)	Belgium, France, Italy, Switzerland
Anthony T. Eyton (Canada)	Jan J. Wijenberg (Netherlands)	Canada, Denmark, Finland, Netherlands, Norway, Sweden
Stanley Fryer (United Kingdom)	Peter von Brevern (Federal Republic of Germany)	Austria, Federal Republic of Germany, United Kingdom
R. A. Kartadjoemena (Indonesia)	J. J. Bryant (New Zealand)	Cook Islands, Fiji, Indonesia, New Zealand, Tonga, Western Samoa
B. H. Kay (Korea)	**	Republic of China, Republic of Korea, South Vietnam
Harold G. Heinrich (Australia)	A. Agafonoff (Australia)	Australia, Gilbert Islands, Hong Kong, Papua New Guinea, Solomon Islands
A. Melchor, Jr. (Philippines)	M. R. Khan (Pakistan)	Pakistan, Philippines
A. M. A. Muhith (Bangladesh)	A. T. Bambawale (India)	Bangladesh, India
Kiatikorn Phromyothi (Thailand)	Kalyana Bikram Adhikary (Nepal)	Burma, Malaysia, Nepal, Singapore, Thailand
Sitha Sisombat (Lao P.D.R.)	C. A. Coorey (Sri Lanka)	Afghanistan, Lao P.D.R., Sri Lanka
Haruhisa Segawa (Japan)	Hidetoshi Miyamoto (Japan)	Japan

* Members within each group are arranged in alphabetical order. Cambodia is not at present represented by any member of the Board of Directors.

** Temporarily vacant.

Principal Officers

The principal officers of the Bank are as follows:

Shiro Inoue	President
C. S. Krishna Moorthi	Vice President
Douglas C. Gunesekera	Secretary
Graeme F. Rea	General Counsel
David F. Fisher	Director, Operations Department
Sam-Chung Hsieh	Director, Projects Department I
Jay B. Carter	Director, Projects Department II
Perry P. Chang	Chief Economist
Keijiro Kaizuka	Director, Administration Department
S. M. A. Kazmi	Controller
Wolf Preuss	Treasurer
Carl J. Lemvig-Fog	Internal Auditor
P. S. Hariharan	Chief Information Officer

THE AGREEMENT ESTABLISHING THE BANK

The Agreement, which constitutes the Bank's governing charter, establishes the status, immunities, exemptions and privileges of the Bank, describes its purposes, capital structure and organization, authorizes the operations in which it may engage and prescribes limitations on the carrying on of those operations. The Agreement also contains, among other things, provisions with respect to the admission of additional members, the increase of the authorized capital stock, the terms and conditions under which the Bank may make or guarantee loans, the use of currencies held by it and the withdrawal and suspension of members.

By the terms of the Agreement, membership in the Bank is open to (i) members and associate members of the United Nations Economic Commission for Asia and the Far East (now called the United Nations Economic and Social Commission for Asia and the Pacific); and (ii) other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialized agencies. Within the foregoing limitations, new members may be admitted upon the affirmative vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members. The Agreement provides that no new membership subscription shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below 60% of the total subscribed capital stock.

The Agreement may be amended only by resolution of the Board of Governors approved by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the members. The unanimous agreement of the Board of Governors is required for the approval of any amendment modifying the right to withdraw from the Bank, the pre-emptive rights to purchase capital stock or the limitation on liability of members. The Agreement provides that any question of interpretation of its provisions arising between any member and the Bank or between its members shall be submitted to the Board of Directors for decision. Such decision may then be submitted to the Board of Governors, whose decision shall be final. Although any member may withdraw from the Bank by delivering written notice, any such member remains liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of such notice. No member has withdrawn from the Bank since its establishment.

For the full text of the Agreement, reference may be made to copies available for examination at the Federal Reserve Bank of New York, the Bank's Fiscal Agent with respect to the Notes, and at the Bank's principal office in metropolitan Manila, Philippines.

LEGAL STATUS, PRIVILEGES AND IMMUNITIES

The Agreement contains provisions which accord to the Bank legal status and certain immunities and privileges in the territories of each of its members. The following is a summary of the more important of these provisions.

The Bank has full juridical personality with capacity to contract, to acquire and dispose of immovable and movable property and to institute legal proceedings. It is immune from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against it in a court of competent jurisdiction in the territory of a country in which it has its principal or a branch office, has appointed an agent for accepting service or notice of process or has issued or guaranteed securities. No actions against the Bank may be brought by its members or persons acting for or deriving claims from its members.

The Governors, Alternate Governors, Directors, Alternate Directors, officers and employees of the Bank, including experts performing missions for it, are immune from legal process for acts performed by them in their official capacities, except when the Bank waives such immunity.

The property and assets of the Bank are immune from all forms of seizure, attachment or execution before the delivery of final judgment against it. Such property and assets are also immune from search,

requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action. The archives of the Bank are inviolable.

The Bank and its assets, property, income, operations and transactions are exempt from all taxation and from all customs duties. The Bank is also exempt from any obligation for the payment, withholding or collection of any tax or duty.

DESCRIPTION OF THE NOTES

The statements under this heading are subject to the detailed provisions of the Notes and the resolution of the Board of Directors of the Bank creating the Notes, copies of which are available for examination at the office of the Bank's Fiscal Agent and at the Bank's principal office in metropolitan Manila, Philippines.

The Notes

The 8⅝% Ten Year Notes of 1976, Due August 1, 1986 (the Notes) will be direct unsecured obligations of the Bank and will be limited to the aggregate principal amount of $75,000,000. Interest will be payable semi-annually on February 1 and August 1 to the persons in whose names the Notes were registered at the close of business on the preceding January 15 and July 15. The Notes will state that they are not an obligation of any government.

The principal of and interest on the Notes will be payable at the office of the Fiscal Agent of the Bank in New York City in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The Federal Reserve Bank of New York has been appointed the Bank's Fiscal Agent for the purposes of payment of principal of and interest on the Notes and of handling exchanges and transfers of the Notes. The Bank will maintain a Fiscal Agent in New York City for such purposes so long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for.

The Notes are issuable only in the form of registered notes without coupons in denominations of $1,000 and any multiple thereof. Notes will be initially delivered in temporary form, exchangeable without charge for Notes in definitive form as soon as they are available. Notes will be exchangeable in like aggregate principal amounts and transferable, without charge for exchange or transfer.

The Notes are not redeemable prior to maturity, and no sinking fund will be provided for the Notes.

Limitation on Additional Borrowing

So long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for, the Bank will not borrow funds for inclusion in its ordinary capital resources or make guarantees chargeable to such resources if the amount so to be borrowed or the amount so to be guaranteed, when added to the aggregate amount then outstanding of such borrowings and guarantees, would exceed the aggregate amount of the subscriptions to the callable capital stock of the Bank (to the extent not previously called) of the following members of the Bank: Australia, Austria, Belgium, Canada, Denmark, Fiji, France, the Federal Republic of Germany, Gilbert Islands, Hong Kong, Italy, Japan, Malaysia, the Netherlands, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland, the United Kingdom and the United States. The aggregate amount of subscriptions to the Bank's callable capital stock by such members, whose currencies have been determined by the Bank to be currently convertible, was $1,267,174,166 as of March 31, 1976. This figure would be increased to $1,530,592,752 upon completion of arrangements, now in process, in respect of capital increase subscriptions by Canada, the Federal Republic of Germany and the United States of America. See "Capital Stock and Proposed Increases" and "Membership and Subscription of United States of America"

Negative Pledge Covenant

So long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for, the Bank will not cause or permit to be created on any of its property or assets any mortgage,

pledge or other lien or charge as security for any notes, bonds or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages and pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other notes, bonds or evidences of indebtedness.

Remedy on Default

If the Bank shall (a) default in the payment of the principal of, or premium, if any, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any bonds or notes (including the Notes) or similar obligations which shall have been issued, assumed or guaranteed by the Bank and such default shall continue for a period of 30 days, or (b) default in the performance of any other covenant contained in the Notes and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Notes may deliver or cause to be delivered to the Bank, at the office of the Bank's Fiscal Agent, written notice that such holder elects to declare the principal of all Notes held by him (the serial numbers and denominations of which shall be set forth in such notice) to be due and payable (with a copy of such written notice mailed or delivered to the Bank at its principal office), and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Notes shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

Tax Status

The Notes and the interest thereon will not be exempt from taxation generally.

Under the Agreement, no member may impose any tax on the Notes or the interest thereon (a) if such tax discriminates against the Notes solely because they are issued by the Bank, or (b) if the sole jurisdictional basis for such tax is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Agreement, the Bank is not under any obligation to withhold or pay any tax on the Notes or the interest thereon.

As regards United States taxation, the United States Internal Revenue Service has ruled to the effect that interest paid by the Bank to a non-resident alien individual or to a foreign corporation is not subject to United States Federal income tax, nor to the withholding of such tax, except that, absent any special statutory or treaty exemption, (a) such interest, when derived by such non-resident alien individual or foreign corporation in the active conduct of a banking, financing or similar business within the United States or when received by a corporation the principal business of which is trading in stock or securities for its own account, is subject to United States Federal income tax if such interest is attributable to an office or fixed place of business within the United States and certain other conditions exist, and (b) a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to United States Federal income tax on interest on securities of the Bank if such interest is attributable to its United States business.

The United States Internal Revenue Service has also ruled to the effect that (a) interest paid by the Bank on its obligations constitutes income from sources without the United States and (b) unless a death tax convention provides otherwise, debt obligations of the Bank for purposes of the United States Federal estate tax are deemed to be situated outside the United States and are not includable in the gross estate of a non-resident of the United States who was not a citizen of the United States.

Legal Opinions

The legality of the Notes will be passed upon for the Bank by its General Counsel, Deputy General Counsel or Assistant General Counsel and by Messrs. Cleary, Gottlieb, Steen & Hamilton, United States Counsel for the Bank, and for the Underwriters by Messrs. Sullivan & Cromwell. In giving their opinions,

Messrs. Cleary, Gottlieb, Steen & Hamilton and Messrs. Sullivan & Cromwell will rely, with respect to certain matters, upon the opinion of the General Counsel, Deputy General Counsel or Assistant General Counsel of the Bank.

General

The Notes will not be issued under an indenture, and no trustee is provided for in the Notes.

Under the provisions of Section 11(a) of the Asian Development Bank Act, the Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 3(a)(12) of the Securities Exchange Act of 1934, as amended.

The Bank will appoint C T Corporation System, 277 Park Avenue, New York, New York 10017, as its authorized agent upon which process may be served in any action arising out of or in connection with the issuance and sale of the Notes which may be instituted in any State or Federal court in the State of New York. This appointment will not be revoked so long as any of the Notes remain outstanding and payment thereof has not been made or duly provided for, unless and until a successor authorized agent has been appointed (which will be a bank or trust company having its principal office in the City and State of New York) and such successor has accepted such appointment.

Application will be made to list the Notes on the New York Stock Exchange.

OPINION OF INDEPENDENT AUDITORS

ASIAN DEVELOPMENT BANK:

We have examined the financial statements of Asian Development Bank-Ordinary Capital Resources as of December 31, 1975 and for the two years then ended which are listed under Financial Statements—Ordinary Capital Resources and the summary of income and expenses for the five years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Asian Development Bank—Ordinary Capital Resources at December 31, 1975, and the results of its operations and the changes in its financial position, and such summary of income and expenses presents fairly the information shown therein, for the stated periods ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for commissions appropriated to special reserve as described in Note E to the financial statements.

HASKINS & SELLS

New York, N. Y.
February 20, 1976 (July 12, 1976 as to the restatement referred to above)

FINANCIAL STATEMENTS

ORDINARY CAPITAL RESOURCES

(Financial Statements for the Three Months Ended March 31, 1975 and March 31, 1976 are unaudited)

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ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

BALANCE SHEET

December 31, 1975 and (unaudited) March 31, 1976

Expressed in United States Dollars (Note A)

ASSETS

	December 31, 1975		March 31, 1976 (unaudited)	
CASH IN BANKS (See Appendix IV) (Note B) ..		$ 34,337,439		$ 70,772,589
INVESTMENTS (Note B)				
Government and government guaranteed obligations—amortized cost, which approximates market (Face amounts $144,862,422-December 31, 1975; $250,339,518-March 31, 1976)..	$ 140,075,580		$ 244,044,574	
Time deposits and certificates of deposit	366,004,132	506,079,712	476,210,534	720,255,108
LOANS (See Appendix V) (Note A)				
Loans approved—$1,926,093,000-December 31, 1975 ($1,981,293,000-March 31, 1976)				
Effective loans				
Held by Bank	1,450,142,440		1,642,948,711	
Agreed to be sold	450,000	1,450,592,440	100,000	1,643,048,711
ACCRUED INCOME				
On investments	17,899,122		17,339,641	
On loans	10,156,888	28,056,010	12,692,647	30,032,288
AMOUNTS RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (See Appendix IV) (Notes B and C)	312,925,373		320,514,376	
Amounts required to maintain value of currency holdings (Note D)	36,495,242		21,242,455	
Subscription instalments (Note C)	253,334	349,673,949	253,334	342,010,165
OTHER ASSETS				
Administration Charge receivable from Special Funds (Note I)	4,964,358		6,433,858	
Unamortized issuance costs of borrowings (Note A)	4,094,200		6,998,941	
Miscellaneous	1,085,039	10,143,597	2,787,139	16,219,938
SPECIAL RESERVE FUND ASSETS (NOTE E)		10,971,513		12,571,000
TOTAL		$2,389,854,660		$2,834,909,799

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

BALANCE SHEET

December 31, 1975 and (unaudited) March 31, 1976

Expressed in United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	December 31, 1975		March 31, 1976 (unaudited)	
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix V)				
Held by Bank	$ 832,802,970		$ 962,152,262	
Agreed to be sold	450,000	$ 833,252,970	100,000	$ 962,252,262
BORROWINGS				
Principal amounts outstanding (See Appendix VI)	530,212,292		805,023,650	
Less—unamortized discounts (Note A)	1,907,758	528,304,534	2,130,692	802,892,958
ACCRUED INTEREST ON BORROWINGS		9,609,514		20,421,818
AMOUNTS PAYABLE TO MEMBERS				
Amounts required to maintain value of currency holdings (Note D)		—		3,074,151
ACCOUNTS PAYABLE AND OTHER LIABILITIES		3,931,334		4,161,516
CAPITAL AND RESERVES				
Capital Stock (See Appendix VII) (Note C)				
Authorized—97,520 "paid-in" shares and 207,230 "callable" shares of $12,064 par value each				
Subscribed—265,391 shares	3,201,544,328		3,201,544,328	
Less "callable" shares subscribed—177,884 shares	2,145,903,634		2,145,903,634	
"Paid-in" shares subscribed—87,507 shares	1,055,640,694		1,055,640,694	
Less—subscription instalments not due	96,016,613		93,596,675	
Subscription instalments matured	959,624,081		962,044,019	
Less—Capital set aside and transferred to Special Funds (Note F)	57,433,902		57,433,902	
	902,190,179		904,610,117	
Advance payments on subscriptions	—		13,298,118	
Ordinary Reserve (Note G)	77,050,973		77,050,973	
Special Reserve (Note E)	10,971,513		12,571,000	
Net income after appropriation of commissions to Special Reserve (Notes E and G)				
For the year ended December 31, 1975	24,543,643	1,014,756,308	24,543,643	
For the three months ended March 31, 1976			10,033,243	1,042,107,094
TOTAL		$2,389,854,660		$2,834,909,799

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended December 31, 1974 and December 31, 1975
and (unaudited) the Three Months Ended March 31, 1975 and March 31, 1976

Expressed in United States Dollars (Note A)

	Years Ended December 31,		Three Months Ended March 31, (unaudited)	
	1974	1975	1975	1976
INCOME				
From investments	$32,513,059	$40,548,557	$ 7,870,031	$12,652,773
From loan operations				
Interest	18,450,859	32,108,968	6,405,716	10,478,568
Commissions	2,855,800	4,743,414	1,163,225	1,599,488
Commitment charge	3,091,501	3,070,160	764,221	799,300
From other sources	599,501	442,345	87,253	103,458
GROSS INCOME	57,510,720	80,913,444	16,290,446	25,633,592
EXPENSES				
Administrative expenses				
Board of Governors	75,720	55,729	2,485	484
Board of Directors				
Salaries	754,627	783,542	185,196	207,101
Benefits (Note H)	185,685	225,780	54,137	60,248
Travel	151,670	471,409	41,995	38,874
Staff services	75,869	78,461	18,108	21,860
Total Board of Directors	1,167,851	1,559,192	299,436	328,083
Staff				
Salaries	5,918,477	7,117,652	1,617,105	1,967,394
Benefits (Note H)	1,680,186	2,299,152	495,691	662,198
Travel	1,760,725	2,115,266	309,081	387,905
Consultants	37,284	270,940	60,375	35,373
Representation	35,719	35,104	5,895	10,164
Total Staff	9,432,391	11,838,114	2,488,147	3,063,034
Other administrative expenses				
Communications	443,040	431,257	101,161	121,566
Office occupancy	575,032	666,922	145,985	203,239
Publications and printing	140,740	145,987	19,953	31,019
Expendable supplies	334,357	384,643	85,918	31,374
Furniture and equipment	285,509	376,025	39,812	38,869
Fees and compensation	355,254	434,368	55,258	102,603
Miscellaneous	122,096	126,322	48,281	33,180
Total other administrative expenses	2,256,028	2,565,524	496,368	561,850
Total administrative expenses	12,931,990	16,018,559	3,286,436	3,953,451
Deduct Administration Charge (Note I)	4,267,000	4,005,000	1,616,000	1,469,500
Net administrative expenses	8,664,990	12,013,559	1,670,436	2,483,951
Services to member countries (Note J)				
Project preparation and other loan-related technical assistance	155,296	285,420	93,144	6,282
Project implementation/advisory	3,769	58,145	28,612	(2,621)
Regional activities	12,204	370,431	999	8,299
Total services to member countries	171,269	713,996	122,755	11,960
Financial expenses				
Interest on borrowings	18,[illegible]882	30,708,982	5,134,841	12,474,231
Other financial expenses (Note A)	577,371	837,384	142,209	301,615
Total financial expenses	19,077,253	31,546,366	5,277,050	12,775,846
GROSS EXPENSES	27,913,512	44,273,921	7,070,241	15,271,757
INCOME BEFORE CHANGES IN VALUE OF CURRENCIES	29,597,208	36,639,523	9,220,205	10,361,835
CHANGES IN VALUE OF CURRENCIES—NET	(314,155)	(7,352,466)	1,941,435	1,270,896
NET INCOME (Notes E and G)	$29,283,053	$29,287,057	$11,161,640	$11,632,731

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31, 1974 and December 31, 1975
and (unaudited) the Three Months Ended March 31, 1975 and March 31, 1976

Expressed in United States Dollars (Note A)

	Years Ended December 31,		Three Months Ended March 31, (unaudited)	
	1974	1975	1975	1976
FUNDS WERE PROVIDED BY				
Operations				
Net income	$ 29,283,053	$ 29,287,057	$ 11,161,640	$ 11,632,731
Items not requiring or providing funds				
Accrued interest and other expenses	767,675	5,357,327	4,516,102	11,118,216
Accrued income including capitalized interest and commitment charges on loans	(9,010,752)	(10,694,161)	(356,184)	(3,909,162)
Administration Charge	(4,267,000)	(4,005,000)	(1,616,000)	(1,469,500)
Commissions	(2,855,800)	(4,743,414)	(1,163,225)	(1,599,488)
Other—net	227,573	622,622	193,956	271,643
Total	(15,138,304)	(13,462,626)	1,484,649	4,411,709
Funds provided by operations	14,144,749	15,824,431	12,646,289	16,044,440
Increase in undisbursed balance of effective loans	511,940,000	253,998,000	24,000,000	201,350,000
Borrowings	37,003,933	284,860,953	10,096,591	273,690,302
Increase in borrowings as a result of currency revaluations	2,767,405	—	6,550,430	3,211,950
Decrease in loans disbursed and outstanding as a result of currency devaluations	4,021,676	15,352,870	—	—
Capital subscriptions	79,694,961	156,343,746	51,763,128	15,718,056
Demand obligations of members encashed	5,071,598	57,579,657	370,387	504,765
Loans sold	4,415,100	3,321,600	2,500,000	350,000
Loans collected	13,112,701	22,652,195	3,975,681	5,775,615
Maintenance of value adjustments—net	—	—	16,179,370	10,881,136
Administration Charge collected	6,746,069	4,290,545	—	—
Decrease in other assets as a result of currency devaluations	7,103,647	9,578,647	—	556,040
Total	685,021,839	823,802,644	128,091,476	528,082,304
FUNDS WERE UTILIZED FOR				
Increase in effective loans	511,940,000	253,998,000	24,000,000	201,350,000
Loans disbursed	156,801,737	278,569,007	67,239,040	64,870,337
Decrease in borrowings as a result of currency devaluations	—	8,827,506	—	—
Increase in loans disbursed and outstanding as a result of currency revaluations	—	—	8,110,345	2,779,373
Demand obligations of members received	37,651,501	74,841,536	25,348,273	1,266,668
Bonds purchased for redemption and borrowings redeemed	5,408,204	27,991,552	1,522,609	2,004,672
Maintenance of value adjustments—net	10,904,072	24,160,769	—	—
Increase in other assets as a result of currency revaluations	—	—	3,517,473	—
Other—net	495,424	2,350,233	895,838	5,200,708
Total	723,200,938	670,738,603	130,633,578	277,471,758
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	($ 37,179,099)	$153,064,041	($ 2,542,102)	$250,610,546
INCREASE (DECREASE) IN COMPONENTS OF FUNDS				
Cash in banks (excluding Special Reserve Fund cash)	$ 6,852,074	$ 12,846,482	$ 11,325,675	$ 36,435,150
Investments (excluding accrued interest and Special Reserve Fund investments)	(44,031,173)	140,217,559	(13,867,777)	214,175,396
Total	($ 37,179,099)	$153,064,041	($ 2,542,102)	$250,610,546

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

March 31, 1976 (unaudited)

Expressed in United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	$ 2,413	$ 2,236,948(1)
Australia	Australian Dollar	25,214(3)	31,580,142(3)
Austria	Austrian Schilling	633,994	—
Bangladesh	Bangladesh Taka	—	5,247,622(1)
Belgium	Belgian Franc	52,933	1,602,721
Burma	Kyat	4,512	2,481,803(1)
Cambodia	Riel	46,898(1)	171,811(1)
Canada	Canadian Dollar	80,319	8,308,076
China, Republic of	New Taiwan Dollar	181,306	7,789,786(1)
Denmark	Danish Krone	442,890	1,627,596
Fiji	Fiji Dollar	2,584	469,786(1)
Finland	Finnish Markka	8,575	463,609
France	French Franc	41,161	5,048,431
Gilbert Islands	Australian Dollar	—	22,278(1)
Hong Kong	Hong Kong Dollar	278,402(4)	3,628,774(2)
India	Indian Rupee	10,004	48,179,383(1)
Indonesia	Rupiah	23,676,189(1)	3,396,161(1)
Italy	Italian Lira	469,828	—
Japan	Yen	114,205	63,534,433
Korea, Republic of	Won	4,630	25,353,956(1)
Lao P.D.R.	Kip	32,689(1)	147,447(1)
Malaysia	Malaysian Dollar	41,961	11,247,497(1)
Nepal	Nepalese Rupee	22,367	1,050,783(1)
Netherlands	Netherlands Guilder	88,784	3,494,394
New Zealand	New Zealand Dollar	64,090(2)	9,825,043(2)
Norway	Norwegian Krone	16,103	748,429
Pakistan	Pakistan Rupee	4,617,441(1)	11,934,164(1)
Papua New Guinea	Kina	262	709,063(1)
Philippines	Philippine Peso	603,313	9,990,863(1)
Singapore	Singapore Dollar	192,957	2,326,959(1)
Solomon Islands	Australian Dollar	3,266	44,321(1)
South Vietnam	Dong	6,221,186(1)	—
Sri Lanka	Sri Lanka Rupee	5,844	4,398,733(1)
Sweden	Swedish Krona	54,727	449,966
Switzerland	Swiss Franc	29,615,574	—
Thailand	Baht	6,652	10,279,924(1)
Tonga	Tongan Dollar	32,370(1)	—
United Kingdom	Pound Sterling	917,079	8,141,452
United States	United States Dollar	1,346,785	34,582,022
Western Samoa	Western Samoan Tala	6,172(1)	—
Total Members		69,985,679	320,514,376
Non-members			
Kuwait	Kuwaiti Dinar	160,922	—
Luxembourg	Luxembourg Franc	34,655	—
Saudi Arabia	Saudi Arabian Riyal	591,333	—
Total Non-Members		786,910	—
TOTAL		$70,772,589	$320,514,376

(1) Restrictions on use may be imposed by members (Note B).
(2) Restrictions on use have been imposed by members (Note B).
(3) Restrictions on use were removed subsequent to March 31, 1976.
(4) Of this amount, restrictions on use have been imposed in the amount of $15,125.

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

March 31, 1976 (unaudited)

Expressed in United States Dollars (Note A)

Borrower/Guarantor(1)	Principal Amount	Loans not yet Effective	Refundings and Cancellations	Payments Received: On Loans Held by Bank	Payments Received: For Loans Sold	Effective Loans: Held by Bank	Effective Loans: Agreed to be Sold	Undisbursed Balance of Effective Loans: Held by Bank	Undisbursed Balance of Effective Loans: Agreed to be Sold	Outstanding Balance: Loans Held by Bank	Outstanding Balance: Loans Sold
Bangladesh	$ 11,400,000	$ —	$ —	$ 1,600	$ —	$ 11,398,400	$ —	$ 4,621,982	$ —	$ 6,776,418	$ —
Burma	6,600,000	—	—	—	—	6,600,000	—	5,774,248	—	825,752	—
China, Republic of	100,390,000	—	8,411,708	8,926,883	2,800,000	80,251,409	—	4,471,533	—	75,779,876	100,000
Fiji	6,700,000	—	—	—	—	6,700,000	—	1,278,826	—	5,421,174	—
Hong Kong	41,500,000	20,000,000	—	275,000	1,150,000	20,075,000	—	1,345,697	—	18,729,303	350,000
Indonesia	153,930,000	45,600,000	—	—	—	108,330,000	—	104,677,520	—	3,652,480	—
Korea, Republic of	446,550,000	12,000,000	9,333,357	14,334,552	3,456,100	407,425,991	—	198,017,089	—	209,408,902	1,631,100
Malaysia	248,558,000	—	3,275,410	2,992,347	1,539,600	240,650,643	100,000	187,901,859	100,000	52,748,784	1,254,600
Nepal	2,000,000	—	—	341,862	—	1,658,138	—	90,009	—	1,568,129	—
Pakistan	235,170,000	63,000,000	19,030,221	4,429,335	—	148,710,444	—	60,710,786	—	87,999,658	—
Philippines	356,850,000	41,000,000	24,998	2,491,638	423,300	312,910,064	—	225,821,247	—	87,088,817	423,300
Singapore	101,380,000	—	—	5,069,635	2,830,000	93,480,365	—	39,495,580	—	53,984,785	2,280,000
South Vietnam	3,930,000	—	—	—	—	3,930,000	—	3,839,123(2)	—	90,877	—
Sri Lanka	14,135,000	—	273,480	1,406,600	—	12,454,920	—	4,408,477	—	8,046,443	—
Thailand	257,200,000	39,000,000	7,160,991	8,894,926	1,711,000	195,433,083	—	119,698,286	—	75,734,797	1,161,000
Adjustments in United States Dollar Equivalents of Loans Disbursed						(7,059,746)(3)				(7,059,746)(3)	
Total	$1,981,293,000	$220,600,000	$47,510,165	$49,164,378	$13,910,000	$1,642,948,711	$ 100,000	$962,152,262	$ 100,000	$680,796,449	$7,200,000

(1) Loans other than those made directly to a member or to its central bank have been guaranteed by the member.

(2) Pending consultation with the new government concerning its intentions with respect to the projects being financed, the Bank has suspended further disbursements of these loans.

(3) This amount represents adjustments in United States Dollar equivalent, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF BORROWINGS

December 31, 1975 and (unaudited) March 31, 1976

Expressed in United States Dollars (Note A)

Currency Payable	Coupon	Issue Date	Maturity Date	Effective Interest Rate[1]	Original Amount		Principal Outstanding[3]		Redemption Requirements[4]		
					National Currency	US Dollar Equivalent[2]	December 31, 1975	March 31, 1976 (unaudited)			
Austrian Schillings	7%	1970	1982	7.24%	S 130,000,000	$ 7,112,648	$ 4,161,998	$ 4,267,589	1976–1982	S	12,000,000
	7	1971	1983	7.30	S 150,000,000	8,206,901	6,403,073	6,565,521	1976–1983	S	15,000,000
Belgian Francs	7.5	1971	1983	7.36	BF 400,000,000	10,243,278	10,001,250	10,243,278	1977–1982	BF	40,000,000
									1983	BF	160,000,000
Deutsche Mark	7	1969	1984	7.27	DM 60,000,000	23,572,397	16,467,638	16,609,896	1976–1984	DM	6,000,000
	8.5	1975*	1980	8.45	DM 50,000,000	19,643,664	18,853,340	19,643,664	1980	DM	50,000,000
	8	1976*	1982	7.85	DM 100,000,000	39,287,328	—	39,287,328	1982	DM	100,000,000
Italian Lire	7	1972	1987	7.22	Lit. 10,000,000,000	11,741,044	14,582,149	11,741,044	1978–1987	Lit.	1,000,000,000
Japanese Yen	7.4	1970	1977	7.59	¥ 6,000,000,000	19,904,855	16,321,981	16,321,981	1976	¥	360,000,000
									1977	¥	4,560,000,000
	7.4	1971	1978	7.45	¥ 10,000,000,000	33,174,758	31,184,273	31,184,272	1976–1977	¥	600,000,000
									1978	¥	8,200,000,000
	7.3	1972	1982	7.30	¥ 10,000,000,000	33,174,758	33,174,758	33,174,758	1978–1981	¥	600,000,000
									1982	¥	7,600,000,000
	7.25	1974	1989	7.25	¥ 7,500,000,000	24,881,068	24,881,069	24,881,068	1978	¥	360,000,000
									1979-1988	¥	680,000,000
									1989	¥	340,000,000
	Variable[5]	1975	Not Fixed	Variable	¥ 30,000,000,000	99,524,274	99,524,274	99,524,274	Variable[5]		
	8.7	1976	1988	8.70	¥ 15,000,000,000	49,762,137	—	49,762,137	1982–1987	¥	900,000,000
									1988	¥	9,600,000,000
Kuwaiti Dinars	7.5	1974	1984	7.50	KD 5,000,000	16,915,322	16,915,322	16,915,322	1979–1983	KD	830,000
									1984	KD	850,000
Luxembourg Francs	6.75	1972	1987	6.64	Lux F 400,000,000	10,243,278	10,001,250	10,243,278	1978–1987	Lux F	40,000,000
Netherlands Guilders ...	8.875	1975*	1981	8.87	f. 50,000,000	18,274,854	18,274,854	18,274,854	1981	f.	50,000,000
	8.25	1976*	1983	8.13	f. 75,000,000	27,412,281	—	27,412,281	1983	f.	75,000,000
	8.625	1976	1984	8.45	f. 50,000,000	18,274,854	—	18,274,854	1981–1984	f.	12,500,000
Saudi Arabian Riyals ...	8	1975	1983	8.00	SRls 50,000,000	14,388,489	14,388,489	14,388,489	1980–1983	SRls	12,500,000
Swiss Francs	7	1971	1986	6.98	SwF 40,000,000	15,772,871	12,595,420	12,618,297	1976–1985	Up to SwF	3,000,000
									1986	The Balance	
	8	1975	1990	7.90	SwF 60,000,000	23,659,306	22,900,763	22,436,909	1977–1989	Up to SwF	3,500,000
									1990	The Balance	
	8.5	1975*	1980	8.33	SwF 10,000,000	3,943,218	3,816,794	3,943,218	1980	SwF	10,000,000
	7.75	1976	1983	7.75	SwF 80,000,000	31,545,741	—	31,545,741	1981–1982	SwF	25,000,000
									1983	SwF	30,000,000
United States Dollars ...	6.5	19[illegible]*	1976	6.50	$ 25,000,000	25,000,000	25,000,000	25,000,000	1976	$	25,000,000
	7.75	1971	1996	7.94	$ 25,000,000	25,000,000	25,000,000	25,000,000	1983	$	500,000
									1984–1995	$	1,000,000
									1996	$	12,500,000
	4	1973*	1989	4.00	$ 10,525,734	10,525,734	10,525,734	10,525,734	1979	$	555,556
									1980–1987	$	1,052,574
									1988	$	1,052,570
									1989	$	497,016
	6.65	1975*	1977	6.65	$ 70,000,000	70,000,000	70,000,000	70,000,000	1977	$	70,000,000
	8.5	1975*	1980	8.75	$ 75,000,000	75,000,000	75,000,000	75,000,000	1980	$	75,000,000
	8.5	1976*	1981	8.56	$ 100,000,000	100,000,000	—	100,000,000	1981	$	100,000,000
	8.8125	1976*	1981	8.8125	$ 10,000,000	10,000,000	—	10,000,000	1981	$	10,000,000
							579,974,429	854,785,787			
Less: Amount receivable under contract—Japanese Yen—Bank of Japan Loan of 1975[5]							49,762,137	49,762,137			
TOTAL						$876,185,058	$530,212,292	$805,023,650[6]			

* See Note 3

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF BORROWINGS—(Continued)

(1) The effective interest rates are computed by taking into consideration discounts and timing of interest payments.

(2) The "US dollar equivalent" is translated at the rates of exchange in effect as of March 31, 1976, as indicated in Note A.

(3) Each issue, except those indicated by an asterisk(*), is subject to redemption prior to maturity at the option of the Bank at prices and upon the conditions stated in the respective bonds. The amounts shown as principal outstanding are after deductions aggregating $4,595,803 as of December 31, 1975 ($6,944,577—March 31, 1976) of bonds purchased.

(4) The amounts shown as redemption requirements are the principal amounts of bonds to be purchased or borrowings to be redeemed to meet each year's requirements. For the five years following the date of the statement, these are:

Year	Amounts	
	December 31, 1975	March 31, 1976
1976	$ 33,032,906	$ —
1977	94,302,308	33,202,223
1978	40,030,551	94,540,076
1979	17,252,341	40,008,411
1980	119,016,615	17,727,219
1981	—	244,337,980
	$303,634,721	$429,815,909

(5) This represents a loan from the Bank of Japan contracted for in April 1975, the aggregate principal amount of which is 30,000,000,000 Yen divided into two parts. As of December 31, 1975, the Bank had drawn completely the first part of the loan amounting to 15,000,000,000 Yen with interest rates ranging from 8.25% to 8.64%. Of this drawn portion, 6,000,000,000 Yen will mature in 1981 and 9,000,000,000 Yen in 1982. The second part of the loan will be available during the period May 4, 1976 to April 28, 1977. Interest rate will be determined at the date of withdrawal. Subsequent to March 31, 1976, 6,000,000,000 Yen has been drawn from the second part at an interest rate of 8¼% per annum.

(6) The Bank entered into agreements for settlement after March 31, 1976 of the following additional borrowings:

Currency Payable	Coupon	Principal Amount	Maturity Date
Deutsche Mark	7.750%	DM 75,000,000	1983
Netherlands Guilders	8.375%	f. 50,000,000	1984

Subsequent to March 31, 1976, the Bank has also entered into agreements for the following additional borrowings:

Currency Payable	Coupon	Principal Amount	Maturity Date
Deutsche Mark	8.500%	DM 75,000,000	1986
United States Dollar	7.375%	$ 50,000,000	1978

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

March 31, 1976 (unaudited)

Expressed in United States Dollars (Note A)

MEMBERS	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES	PAR VALUE OF PAID-IN SHARES		VOTING POWER		
	Shares	Per Cent of Total	Par Value	Subject to Call	Subscription Not Due	Instalments Matured	Number of Votes	Per Cent of Total	Per Cent of Regional
REGIONAL									
Afghanistan	1,195	0.450	$ 14,415,882	$ 9,807,625	$ —	$ 4,608,257	2,813	0.848	1.194
Australia	21,250	8.007	256,349,375	174,317,575	—	82,031,800	22,868	6.894	9.707
Bangladesh	3,750	1.413	45,238,125	30,761,925	4,523,813	9,952,387	5,368	1.618	2.279
Burma	2,000	0.754	24,127,000	16,406,360	3,088,256	4,632,384	3,618	1.091	1.536
Cambodia	875	0.330	10,555,563	7,177,783	—	3,377,780	2,493	0.751	1.058
China, Republic of	4,000	1.507	48,254,000	32,812,720	—	15,441,280	5,618	1.693	2.385
Fiji	250	0.094	3,015,875	2,050,795	—	965,080	1,868	0.563	0.793
Gilbert Islands	15	0.006	180,952	120,635	20,105	40,212	1,633	0.492	0.693
Hong Kong	2,000	0.754	24,127,000	16,406,360	—	7,720,640	3,618	1.091	1.536
India	23,250	8.761	280,476,375	190,723,935	—	89,752,440	24,868	7.496	10.556
Indonesia	20,000	7.536	241,270,000	164,063,600	39,809,550	37,396,850	21,618	6.517	9.177
Japan	50,000	18.840	603,175,000	410,159,000	—	193,016,000	51,618	15.560	21.911
Korea, Republic of	18,500	6.971	223,174,750	151,758,830	24,127,000	47,288,920	20,118	6.065	8.540
Lao P.D.R.	105	0.040	1,266,668	856,509	—	410,159	1,723	0.519	0.731
Malaysia	10,000	3.768	120,635,000	82,031,800	14,476,200	24,127,000	11,618	3.502	4.932
Nepal	540	0.204	6,514,290	4,427,305	—	2,086,985	2,158	0.650	0.916
New Zealand	5,640	2.125	68,038,140	46,263,522	—	21,774,618	7,258	2.188	3.081
Pakistan	8,000	3.014	96,508,000	65,625,440	—	30,882,560	9,618	2.899	4.083
Papua New Guinea	345	0.130	4,161,907	2,834,922	—	1,326,985	1,963	0.592	0.833
Philippines	8,750	3.297	105,555,625	71,777,825	—	33,777,800	10,368	3.125	4.401
Singapore	1,250	0.471	15,079,375	10,253,975	—	4,825,400	2,868	0.865	1.218
Solomon Islands	25	0.009	301,588	205,079	—	96,509	1,643	0.495	0.698
South Vietnam	3,000	1.130	36,190,500	24,609,540	—	11,580,960	4,618	1.392	1.960
Sri Lanka	2,130	0.803	25,695,255	17,467,948	—	8,227,307	3,748	1.130	1.591
Thailand	5,000	1.884	60,317,500	41,015,900	—	19,301,600	6,618	1.995	2.809
Tonga	15	0.006	180,952	120,635	12,064	48,253	1,633	0.492	0.693
Western Samoa[1]	6	0.002	72,381	36,191	—	36,190	1,624	0.490	0.689
Total Regional	191,891	72.306	$2,314,877,078	$1,574,093,734	$86,056,988	$654,726,356	235,577	71.013	100.000

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES—(Continued)

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

March 31, 1976 (unaudited)

Expressed in United States Dollars (Note A)

MEMBERS	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES	PAR VALUE OF PAID-IN SHARES		VOTING POWER		
	Shares	Per Cent of Total	Par Value	Subject to Call	Subscription Not Due	Instalments Matured	Number of Votes	Per Cent of Total	Per Cent of Non-Regional
NON-REGIONAL									
Austria	1,250	0.471	$ 15,079,375	$ 10,253,975	$ —	$ 4,825,400	2,868	0.865	2.983
Belgium	1,250	0.471	15,079,375	10,253,975	—	4,825,400	2,868	0.865	2.983
Canada	6,250	2.355	75,396,875	51,269,875	—	24,127,000	7,868	2.372	8.183
Denmark	1,250	0.471	15,079,375	10,253,975	—	4,825,400	2,868	0.865	2.983
Finland[1]	500	0.188	6,031,750	3,015,875	—	3,015,875	2,118	0.638	2.202
France	6,250	2.355	75,396,875	51,269,875	4,523,812	19,603,188	7,868	2.372	8.183
Germany, Federal Republic of	8,500	3.203	102,539,750	69,727,030	—	32,812,720	10,118	3.050	10.523
Italy	5,000	1.884	60,317,500	41,015,900	2,412,700	16,888,900	6,618	1.995	6.883
Netherlands	2,750	1.036	33,174,625	22,558,745	—	10,615,880	4,368	1.317	4.543
Norway	1,250	0.471	15,079,375	10,253,975	603,175	4,222,225	2,868	0.865	2.983
Sweden[1]	500	0.188	6,031,750	3,015,875	—	3,015,875	2,118	0.638	2.202
Switzerland	1,250	0.471	15,079,375	10,253,975	—	4,825,400	2,868	0.865	2.983
United Kingdom	7,500	2.826	90,476,250	61,523,850	—	28,952,400	9,118	2.749	9.483
United States[2]	30,000	11.304	361,905,000	217,143,000	—	144,762,000	31,618	9.531	32.883
Total Non-Regional	73,500	27.694	886,667,250	571,809,900	7,539,687	307,317,663	96,152	28.987	100.000
GRAND TOTAL	265,391	100.000	$3,201,544,328	$2,145,903,634	$ 93,596,675	$962,044,019	331,729	100.000	

[1] As of March 31, 1976, these members have not yet subscribed to the additional shares of the increase in capital stock authorized by Resolution No. 46 of the Board of Governors. Such additional shares are equal to 150 per cent of each such member's existing subscribed shares.

[2] As of March 31, 1976, the United States has subscribed to 10,000 shares out of the 30,000 shares to which it is entitled to subscribe under Resolution No. 46 of the Board of Governors.

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

Expressed in United States Dollars (Note A)

(Information relating to the three months ended March 31, 1975 and 1976 is unaudited)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) *Unit of Account*

The Ordinary Capital Resources financial statements are expressed in current United States Dollars.

(2) *Translation of Currencies*

As of December 31, 1975 (March 31, 1976) assets and liabilities in currencies other than United States Dollars were translated at the rates which prevailed at the end of the quarter as described below:

(a) In the cases of 11 (10—March 31, 1976) members (Afghanistan, Bangladesh, Cambodia, Indonesia, Republic of Korea, Lao P.D.R., Pakistan, Philippines, South Vietnam, Sri Lanka and Thailand), at par values established or provisional rates agreed by these countries with the International Monetary Fund;

(b) In the cases of 5 (3—March 31, 1976) members (Burma, Republic of China, India, Nepal and Western Samoa), at central rates;

(c) In the cases of 23 (25—March 31, 1976) members (Australia, Austria, Belgium, Canada, Denmark, Fiji, Finland, France, Federal Republic of Germany, Gilbert Islands, Hong Kong, Italy, Japan, Malaysia, Netherlands, New Zealand, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland and United Kingdom) and 3 (3—March 31, 1976) non-members (Kuwait, Luxembourg and Saudi Arabia), at market rates;

(d) In the case of Tonga (and South Vietnam—March 31, 1976), at the rates used by Tonga (and South Vietnam) in making payments of capital subscriptions to the Bank.

The capital stock, which is defined in Article 4, paragraph 1 of the Agreement in terms of the United States Dollar of the weight and fineness in effect on January 31, 1966, namely at 0.888671 gram of fine gold, was translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the rates of exchange which prevailed at the beginning of the quarter. Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D), were charged or credited to income.

No representation is made that any currency held by the Bank is convertible into any other currency at the rate or rates specified above.

(3) *Loans*

The Summary Statement of Loans (Appendix V) presents, by country, total approved loans to be financed from Ordinary Capital Resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

(4) *Unamortized Discounts and Issuance Costs of Borrowings*

Unamortized discounts and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS—(Continued)

(5) *Property, Furniture and Equipment*

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings, are provided to the Bank by the Government of the Republic of the Philippines. Furniture and equipment purchased by the Bank are charged to expense when acquired.

(6) *Reclassifications*

Certain amounts have been restated to conform to 1976 classifications.

NOTE B—RESTRICTION ON USE OF CASH IN BANKS, INVESTMENTS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 23 members aggregating $173,500,602 as of December 31, 1975 ($182,112,233—March 31, 1976).

In accordance with Article 24, paragraphs 2(i) and (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:

The use of cash in banks, investments and demand obligations in the currencies of 3 members aggregating $44,069,830 as of December 31, 1975 ($45,675,545—March 31, 1976).

NOTE C—CAPITAL STOCK

As of December 31, 1975, the authorized capital stock of the Bank consisted of 304,750 shares (same—March 31, 1976) of $10,000 par value each in terms of the United States Dollar of the weight and fineness in effect on January 31, 1966. This is equivalent to $3,676,351,625 (same—March 31, 1976) in terms of current United States Dollars.

The authorized capital stock consists of "callable" capital stock and "paid-in" capital stock. The "callable" capital stock is subject to call only as and when required by the Bank to meet obligations incurred on borrowings or on guarantees. The "paid-in" capital stock is paid or payable partly in gold or convertible currencies and partly in the currency of the member. In lieu of the portion paid or payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations, the Bank shall accept non-negotiable, non-interest-bearing demand obligations in accordance with Article 6, paragraph 3.

As of December 31, 1975, the subscribed capital stock was $3,201,544,328 (same—March 31, 1976). All matured instalments amounting to $959,624,081 ($962,044,019—March 31, 1976) were received except $253,334 due from Cambodia on April 6, 1975. Instalments not due aggregating $96,016,613 ($93,596,675—March 31, 1976) are receivable as follows:

	December 31, 1975	March 31, 1976
1976	$42,358,165	$39,938,227
1977	28,807,638	28,807,638
1978	24,850,810	24,850,810

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE D—AMOUNTS RECEIVABLE AND AMOUNTS PAYABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in par values or provisional rates of member currencies from those previously established or agreed by the members with the International Monetary Fund, or resulting from the adoption by the Bank of central rates or market rates, all for the purposes of maintenance of value under Article 25, of the Bank's holdings of certain member currencies.

NOTE E—SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from its Ordinary Capital Resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve. The amounts appropriated for the years ended December 31, 1974 and December 31, 1975 and for the three months ended March 31, 1975 and March 31, 1976 were as follows:

	Years Ended December 31,		Three Months Ended March 31, (unaudited)	
	1974	1975	1975	1976
Net income	$29,283,053	$29,287,057	$11,161,640	$11,632,731
Appropriation of commissions to Special Reserve	2,855,800	4,743,414	1,163,225	1,599,488
Net income after appropriation of commissions to Special Reserve	$26,427,253	$24,543,643	$ 9,998,415	$10,033,243

In order to comply with the requirements of a Statement issued by the Financial Accounting Standards Board in the United States, effective for the Bank in 1976, the Special Reserve has been restated in the balance sheet under the caption Capital and Reserves. Beginning in 1976, the appropriation of commissions to Special Reserve is no longer deducted from gross income in the statement of income and expenses but is now deducted from net income to arrive at net income after appropriation of commissions to Special Reserve. Periods prior to 1976 have been restated to conform to this change in accounting method which increased net income for the years ended December 31, 1974 and December 31, 1975 and for the three months ended March 31, 1975 by $2,855,800, $4,743,414 and $1,163,225, respectively.

NOTE F—CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of April 28, 1973, to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to $57,433,902 ($47,609,651 in terms of United States Dollars of the weight and fineness in effect on January 31, 1966), were allocated and transferred to the Multi-Purpose Special Fund. On October 1, 1975, these resources were transferred to the Asian Development Fund.

NOTE G—NET INCOME AND ORDINARY RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (See Note E) shall be allocated after making provision for reserves, to surplus and what part, if any, shall be distributed to the members.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS—(Continued)

Net income after appropriation of commissions to Special Reserve for the year ended December 31, 1974, namely $26,427,253, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Eighth Annual Meeting. Similar allocations had previously been made in respect of net income for preceding periods.

NOTE H—CONTRIBUTIONS TO STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan shall, as a condition of service, become a participant as of the first day of his service, provided that as of such a date he shall not have reached his normal retirement date. The Plan applies also to the members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

Each participant contributed to the Plan, up to February 1974, seven per cent of his remuneration and the Bank contributed the remainder of the cost and expenses of the Plan at the rate of fourteen per cent of participants' remuneration. In order to provide increased benefits, with effect from March 1974, the rates of contribution of the participants and of the Bank were changed to seven and two-thirds per cent and fifteen and one-third per cent, respectively, and with effect from December 1974, nine and one-third per cent and eighteen and two-thirds per cent, respectively. For the year ended December 31, 1975, the amount contributed by the Bank to the Plan to cover its estimated cost and expenses was $1,442,199 ($398,605—three months ended March 31, 1976).

NOTE I—ADMINISTRATION CHARGE

The Administration Charge to Special Funds Operations, instituted in 1971, is based on a formula which takes into consideration certain administrative expenses and the number and amount of loans approved.

The amounts for the three months ended March 31, 1975 and 1976 are provisional charges based on estimated loan operations, subject to adjustment at the respective year ends.

NOTE J—TECHNICAL ASSISTANCE

The outstanding commitments, as of December 31, 1975, for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately $7,738,000 ($8,135,000—March 31, 1976); to the extent available, contributions to the Technical Assistance Special Fund of the Bank may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to a loan for a specific project, the portion representing the cost of design and engineering and any balance of amount over $100,000 will be converted to the subsequent loan. Under such option, technical assistance expenditures of $55,491 were charged to loans and credited to income during the year ended December 31, 1975. During the three months ended March 31, 1975 and 1976, there was no such conversion made in respect of expenditures met from Ordinary Capital Resources.

NOTE K—CHANGES IN VALUE OF CURRENCIES

In 1975 there was a sharp decline in the value of most currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted largely for a net loss of $7,352,466 on translation of currency holdings in excess of the respective maintenance of value ceilings.

UNDERWRITING

The Underwriters named below have severally agreed to purchase from the Bank the following respective principal amounts of the Notes:

Name of Underwriter	Principal Amount of Notes
The First Boston Corporation	$ 8,525,000
Kuhn, Loeb & Co.	8,525,000
ABD Securities Corporation	600,000
Adams & Peck	200,000
A. E. Ames & Co. Incorporated	600,000
Arnhold and S. Bleichroeder, Inc.	600,000
Bache Halsey Stuart Inc.	1,000,000
Bank of America N.T. & S.A.	1,000,000
The Bank of Tokyo Trust Company	600,000
Bankers Trust Company	1,000,000
Basle Securities Corporation	600,000
Bear, Stearns & Co.	850,000
William Blair & Company	200,000
Blyth Eastman Dillon & Co. Incorporated	1,000,000
The Chase Manhattan Bank, N.A.	1,000,000
Chemical Bank	1,000,000
Citibank N.A.	1,000,000
Continental Illinois National Bank and Trust Company of Chicago	1,000,000
Craigie Incorporated	200,000
Daiwa Securities America Inc.	600,000
Dillon, Read & Co. Inc.	1,350,000
Discount Corporation of New York	1,000,000
Donaldson, Lufkin & Jenrette Securities Corporation	1,000,000
A. Webster Dougherty & Co., Incorporated	200,000
Drexel Burnham & Co. Incorporated	1,000,000
A. G. Edwards & Sons, Inc.	200,000
EuroPartners Securities Corporation	600,000
First of Michigan Corporation	200,000
The First National Bank of Chicago	1,000,000
First Pennco Securities, Inc.	600,000
Robert Fleming Incorporated	600,000
The Fuji Bank and Trust Company	600,000
Goldman, Sachs & Co.	1,000,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,000,000
E. F. Hutton & Company Inc.	1,000,000
The Industrial Bank of Japan Trust Company	600,000
Janney Montgomery Scott Inc.	200,000
Kidder, Peabody & Co. Incorporated	1,000,000
Kleinwort, Benson Incorporated	600,000
Lazard Frères & Co.	1,350,000
Legg Mason/Wood Walker, Div. of First Regional Securities, Inc.	200,000
Lehman Brothers Incorporated	1,350,000
Loeb, Rhoades & Co.	$ 1,000,000
McDonald & Company	200,000
Manufacturers Hanover Trust Company	1,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,000,000
Morgan Guaranty Trust Company of New York	1,000,000
Morgan Stanley & Co. Incorporated	1,350,000
Moseley, Hallgarten & Estabrook Inc.	600,000
New Court Securities Corporation	600,000
New Japan Securities International Inc.	200,000
The Nikko Securities Co.	600,000
Nomura Securities International, Inc.	600,000
The Northern Trust Company	1,000,000
John Nuveen & Co. Incorporated	600,000
Paine, Webber, Jackson & Curtis Incorporated	1,000,000
Piper, Jaffray & Hopwood Incorporated	200,000
Wm. E. Pollock & Co., Inc.	600,000
Prescott, Ball & Turben	200,000
R. W. Pressprich & Co. Incorporated	600,000
Chas. E. Quincey & Co.	200,000
Rauscher Pierce Securities Corporation	200,000
Reynolds Securities Inc.	1,000,000
The Robinson-Humphrey Company, Inc.	200,000
L. F. Rothschild & Co.	850,000
Salomon Brothers	1,350,000
Shearson Hayden Stone Inc.	850,000
Shuman Agnew & Co., Inc.	200,000
Smith Barney, Harris Upham & Co. Incorporated	1,000,000
SoGen-Swiss International Corporation	600,000
Stuart Brothers	200,000
Sutro & Co. Incorporated	200,000
UBS-DB Corporation	600,000
Underwood, Neuhaus & Co., Incorporated	200,000
United California Bank	600,000
Burton J. Vincent, Chesley & Co.	200,000
Warburg Paribas Becker Inc.	1,000,000
Weeden & Co., Incorporated	850,000
Wells Fargo Bank, N.A.	600,000
Wertheim & Co., Inc.	1,000,000
Wheat, First Securities, Inc.	200,000
White, Weld & Co. Incorporated	1,000,000
Dean Witter & Co. Incorporated	1,000,000
Wood Gundy Incorporated	600,000
Wood, Struthers & Winthrop Inc.	600,000
Yamaichi International (America), Inc.	600,000
Total	$75,000,000

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

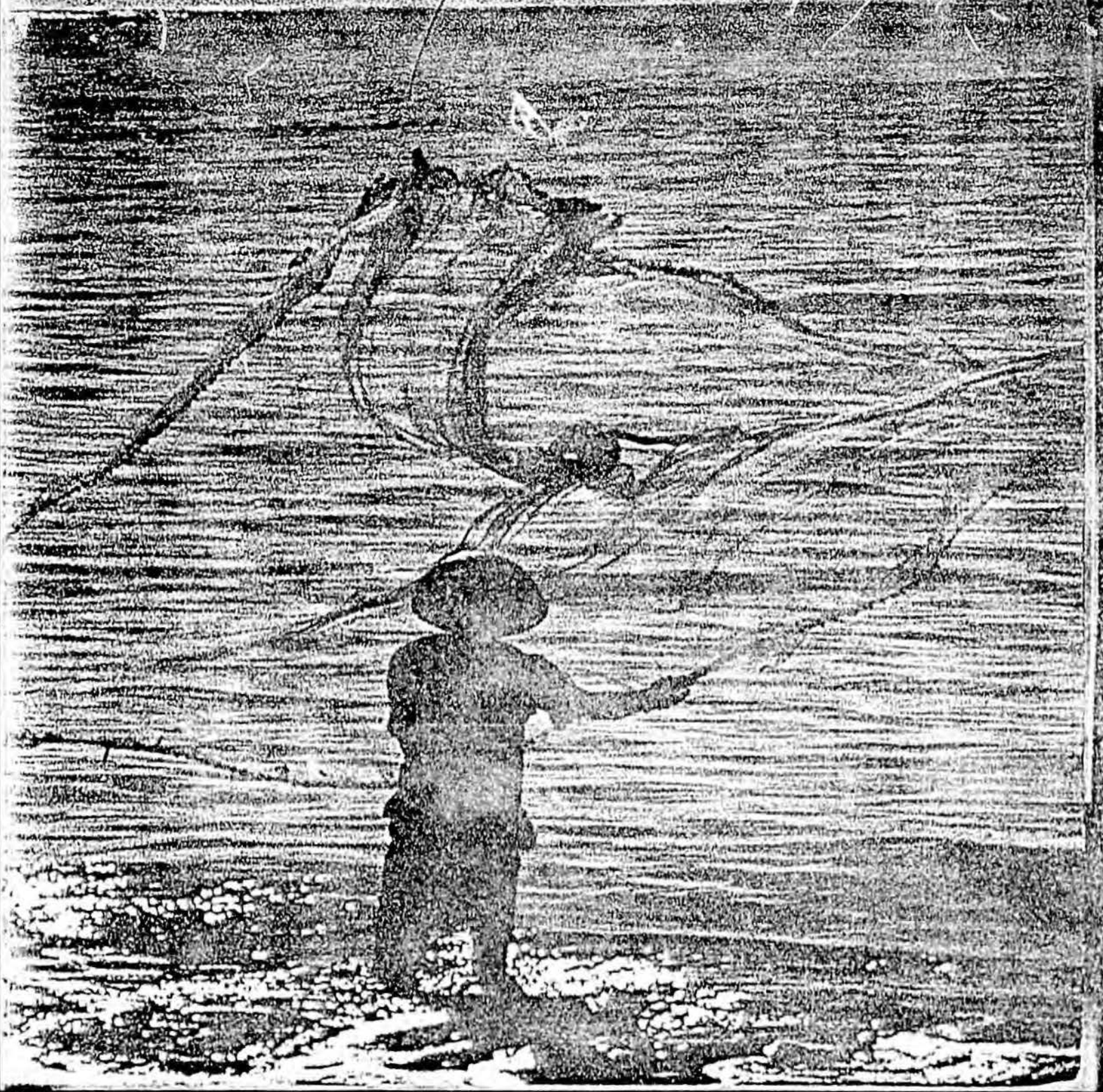
The Bank has been advised by The First Boston Corporation and Kuhn, Loeb & Co., as Representatives of the Underwriters, that the Underwriters propose to offer the Notes to the public initially at the offering

price set forth on the cover page of this Prospectus and, through the Representatives, to certain dealers at such price less a concession of .50% of the principal amount of the Notes; that the Underwriters and such dealers may allow a discount of .25% of such principal amount on sales to other dealers; and that the public offering price and concession and discount to dealers may be changed by the Representatives.

The Bank has agreed to make a payment to the Underwriters in lieu of reimbursement of expenses and to indemnify the Underwriters against certain liabilities.

ASIAN DEVELOPMENT BANK

ASIAN DEVELOPMENT BANK
ANNUAL REPORT 1975



ASIAN DEVELOPMENT BANK ANNUAL REPORT 1975

ASIAN DEVELOPMENT BANK
Manila

Office of the President

9 March 1976

Dear Mr. Chairman:

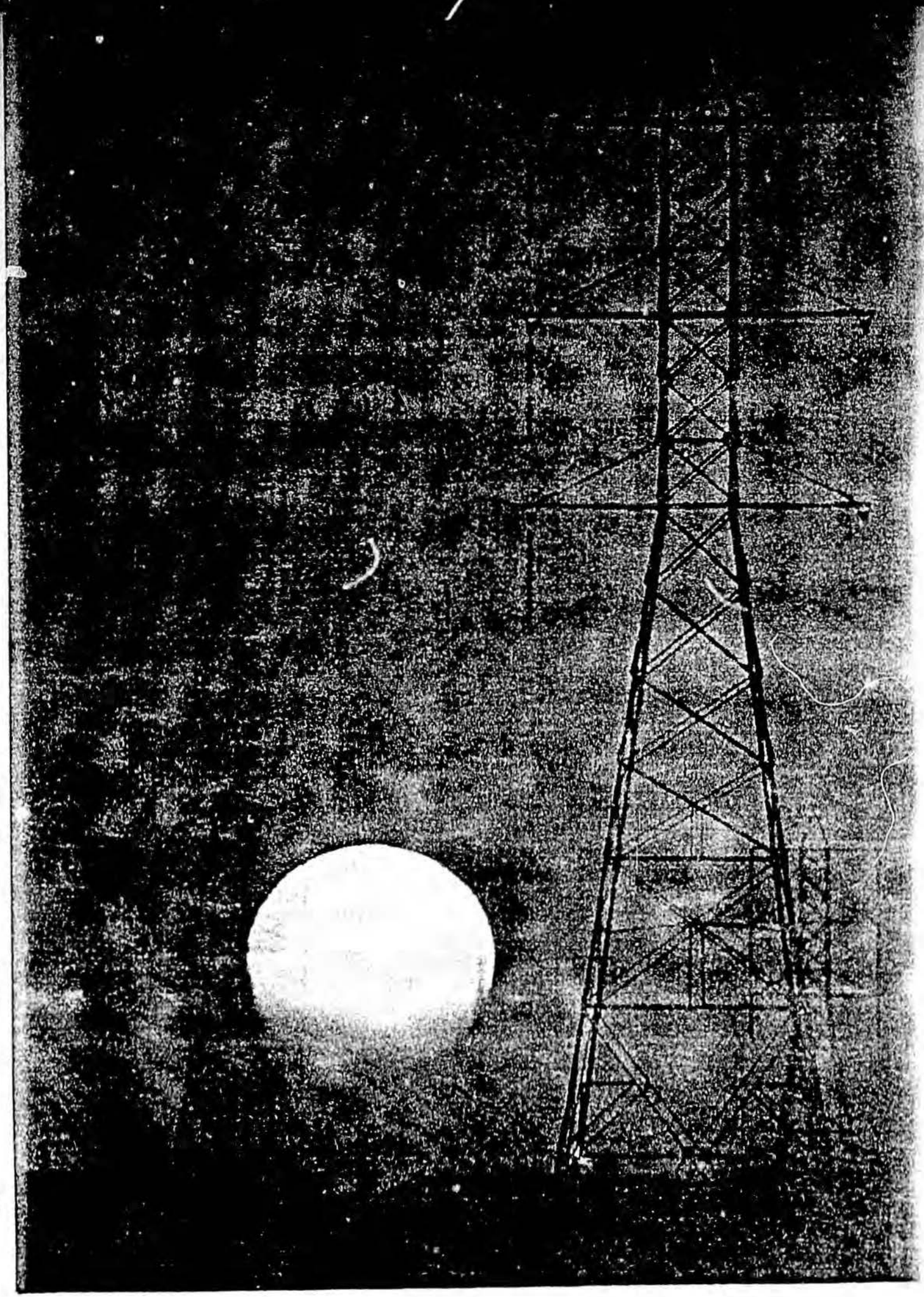
With respect to Article 39 of the Articles of Agreement of the Asian Development Bank and in accordance with Section 13 of the By-Laws of the Bank, I submit to the Board of Governors, on behalf of the Board of Directors, the enclosed Annual Report on the operations and policies of the Bank in 1975, including a separate report on the activities of the Special Funds of the Bank. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,

Shiro Inoue

SHIRO INOUE
President and
Chairman of the Board of Directors

Chairman
Board of Governors
Asian Development Bank



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NOTE

The Bank's financial statements are expressed in current United States dollars; accordingly, the amounts expressed in United States dollars in this Report, which refer to the Bank's position in 1973, 1974 and 1975, relate to the United States dollar at its current value of 0.736662 gram of fine gold. United States dollar amounts which refer to the position in 1972 or in earlier years correspond, unless otherwise stated, to the value of the United States dollar current at the time.

1975 IN BRIEF

IN 1975, MOST of the Bank's developing member countries (DMCs) suffered severely from the effects of world-wide recession, inflation and widening trade imbalances, and these effects will be felt to an even greater degree in future years. In addressing itself to its members' needs and problems, many of which are of a long-term nature, the Bank's efforts were directed to: (i) raising urgently needed additional resources to sustain its operations, (ii) maintaining the momentum of its lending and technical assistance activities and (iii) bringing its assistance to bear where the needs appeared to be greatest.

A detailed account of the Bank's activities in 1975 appears later in the Report. The highlights are summarized below.

- Agreement was reached in December to replenish the Asian Development Fund, from which loans on concessional terms are made, with a target of $830 million to cover the period 1976 to 1978.
- Ordinary and Special Funds loan approvals totalled $660 million—21 per cent higher than in 1974—bringing total lending since 1968 to nearly $2,600 million
- Much of the lending in 1975 was directed to sectors where the need for accelerated development was most urgent—37 per cent to agriculture and agriculture-related activities and 29 per cent to public utilities, mainly for exploitation of indigenous power resources
- Disbursements during the year increased sharply—to $362 million—bringing total disbursements to $832 million
- There were three special increases, aggregating $310.6 million, to the Bank's capital stock, all by developing member countries of the Bank
- New avenues for borrowing were opened up—in Europe and in the Middle East
- Eight borrowings totalling $322.8 million were made, more than the total of borrowings in previous years
- Provision for financing of local currency expenditures—to relieve borrowing countries' immediate balance of payments problems and domestic financing constraints—was made in eight of the 41 loans approved
- More flexible guidelines were adopted for lending to development finance institutions, which received 16.8 per cent of the year's lending
- In the field of technical assistance, emphasis was placed on institution-building and the training of local staff
- Increased attention was given, both in loans and technical assistance, to the social aspects of development, to benefit both the urban and rural poor
- Greatly expanded cooperation with other donors resulted in co-financing of three large fertilizer projects with total costs of $598 million, of which the Bank's share was $110 million

THE RECORD

(amounts in $ million)

	1968	1969	1970	1971	1972	1973	1974	1975	1968–1975
Loan Projects									
Number[1]	7	19	30	27	30	39	39	40	228[2]
Amount	42	98	246	254	316	421	548	660	2,584[2]
Ordinary Loans									
Number	7	14	22	16	16	30[3]	21	27	150[2]
Amount	42	[illegible]	212	203	222	303	375	494	1,925[2]
Special Funds Loans									
Number	—	6	10	12	16	24	19	14	101
Amount	—	22	34	51	94	118	173	166	659
Technical Assistance Projects[4]									
Number	10	13	19	15	16	24	31	27	156[5]
Amount	1.24	2.23	2.91	1.54	3.28	2.60	5.42	6.04	25.32[5]
Regional Activities[4]									
Number	3	2	1	4	4	5	3	7	30[6]
Amount	2.97	0.55	0.03	0.37	0.19	0.16	0.17	0.94	5.54[6]
Loan Disbursements	2	7	17	49	61	146	187	362	832
Authorized Capital (at year-end)									
In terms of current US dollar	1,327	1,327	1,327	1,327	3,317	3,366	3,366	3,676	—
(In terms of 1966 US dollar)	(1,100)	(1,100)	(1,100)	(1,100)	(2,750)	(2,790)	(2,790)	(3,048)	—
Subscribed Capital (at year-end)									
In terms of current US dollar	1,170	1,180	1,211	1,212	2,449	2,725	2,770	3,202	—
(In terms of 1966 US dollar)	(970)	(978)	(1,004)	(1,005)	(2,030)	(2,259)	(2,296)	(2,654)	—
Borrowings (gross)	—	16	22	122	59	31	42	323[7]	614
Outstanding Debt (at year-end)	—	16	38	159	229	249	283	530	—
Ordinary Reserve (at year-end)	2.1	5.6	11.1	22.4	31.2	35.0	50.6	77.1	—
Special Reserve (at year-end)	—	0.04	0.18	0.56	1.53	3.37	6.23	10.97	—
Unappropriated Gross Income	7.2	12.9	20.6	25.5	32.4	44.4	54.7	76.2	—
Net Income	3.5	5.5	11.3	14.6	11.2	15.7	26.4	24.5	—
Special Funds Resources (at year-end)[8]	45.0	82.7	137.9	196.[illegible]	224.7[9]	389.3[9]	560.5	692.0[10]	—
Member Countries (at year-end)	32	33	[illegible]	36	37	40	41	41	—
Professional Staff (at year-end)	94	143	159	191	207	222	231	254	—

(Cumulative amounts in last column may not tally with annual figures due to rounding.)

1 Projects financed by loans from both ordinary capital resources and Special Funds resources are counted only once.
2 Excluding three loans later incorporated in new loans.
3 Including 13 loans from ordinary capital resources under a scheme operated in 1973 (only) for supplementing limited Special Funds resources.
4 Including projects financed from sources outside the Bank, mainly UNDP.
5 Including one technical assistance project approved in 1967.
6 Including one regional activity approved in 1967.
7 Including the undrawn balance of The Bank of Japan borrowing.
8 Comprises resources administered in the Agricultural Special Fund (prior to 1973), the Multi-Purpose Special Fund, the Asian Development Fund (after 1973), but excludes the resources of the Technical Assistance Special Fund.
9 Including one contribution made in 1972 by Belgium which became effective in 1974.
10 Commitments from these resources totalled $651.1 million at end of 1975.

ECONOMIC BACKGROUND

International Setting[1]

IN GENERAL, 1975 was a most difficult year for much of the world. The year was characterized by an absence of real economic growth, inflation, high rates of unemployment, low commodity prices and slack investment activity. The economic problems of developing countries—many of them deep-seated and persistent—were compounded by the economic recession in industrial countries.

The recession in most industrial countries was at its worst in the first half of 1975 and by the end of the year it appeared that recovery in many countries had already started and would gather momentum in 1976. Gross National Product (GNP), in real terms, in the OECD countries in 1975 is estimated to have declined by 2 per cent. With the expected continued upswing in economic activity, the OECD expects that its member countries would attain an average growth of 4 per cent in 1976. The increase in consumer prices in 1975—10 per cent as against 13.2 per cent in 1974—was still high. However, with lower import demand and improved terms of trade, the current account deficit of OECD countries showed a marked improvement from a deficit of $33 billion in 1974 to a deficit of $6 billion in 1975.

The developing countries as a whole suffered a marked setback in their terms of trade; the prices of major exports declined, while those of major imports were perceptibly higher. Aid inflows in real terms remained substantially unchanged from the previous year's level. The overall rate of growth of GNP in real terms of developing countries, which decreased from 6.9 per cent in 1973 to 5.3 per cent in 1974, is estimated by the World Bank at only 1.4 per cent in 1975, resulting in a reduction in per capita GNP.

The most pressing problem facing the developing countries in 1975 was the widening trade gap. Industrial countries absorb about three-quarters of the exports of the developing countries and supply most of their non-oil imports. The volume of exports of the developing countries rose by 2 per cent in 1974 compared with an average of 12 per cent in the preceding two years; for 1975, an absolute decline in exports is estimated. On the other hand, the imports of these countries increased in volume by 12 per cent in 1974, financed by heavy borrowings and reductions in their foreign exchange reserves. In 1975, imports are estimated to have decreased by 7 per cent in volume.

In these circumstances, the current account deficit of developing countries deteriorated further in 1975. The OECD has estimated that the deficit was $45 billion in 1975 as against $31 billion in 1974 and $9 billion in 1973. The deterioration occurred despite the decline in economic growth and cutbacks in investment which might have been expected to reduce the demand for imports.

Economic Developments in the Region

The main difficulties faced by the Bank's developing member countries (DMCs) in 1975 were generally the same as those experienced by developing countries throughout the world—a general slowdown in growth and continued inflation, aggravated by higher current account deficits. However, because of the diverse features of the DMCs, such as geographical spread and size of population, resource endowment, stage of development, degree of openness of the economy, and availability of external resources, the impact of these factors varied considerably among them.

Preliminary data on the growth rate in Gross Domestic Product (GDP)/GNP are given in Table 1[2]. Out of 15 countries for which data are available, five countries had a higher growth rate in 1975 and the remaining ten countries showed a slower growth rate. In overall terms, however, the average growth rate achieved by the DMCs was considerably higher than the growth rate estimated for the entire developing world.

Among the countries which showed a significantly higher growth rate in 1975 over that in 1974 were India, Indonesia, the Philippines and Thailand. In India, better agricultural performance, increased industrial production due to higher electricity generation, a more favorable industrial climate and the lesser dependence of the country on world market conditions, contributed to the improved economic performance. The growth rate of Indonesia was further accelerated by massive investment programs made possible by increased government revenues and larger inflow of investment goods financed through high export earnings and foreign borrowings. In the Philippines, the growth rate of GDP in 1975 was higher than in the previous year, due largely to higher growth in mining and quarrying and large-scale construction activity. In Thailand, the increase in GDP of 6.4 per cent in 1975 was twice that in 1974. Large increases in production in the agricultural, manufacturing and construction sectors were the main contributors to the overall improvement.

The more industrialized countries—Republic of China, Hong Kong, Republic of Korea and Singapore—generally showed poor performance, due to their heavy depen-

1 References to developing countries in this section exclude major oil exporters.

2 Tables relevant to this chapter are in the Statistical Annex at pages 45 to 51.

dence on foreign trade and the low demand for their export products in the industrialized countries. The GDP growth rate of Hong Kong and Singapore, which registered a marked decrease in 1974, declined further in 1975. The Republic of China fared somewhat better than in 1974, but its improvement was marginal. The Republic of Korea's growth rate of 8 per cent was lower than in 1974, but still high by international standards.

All the other DMCs registered lower growth rates in 1975. The slowdown was reflected particularly in the slack demand in the developed countries for exports from DMCs, affecting adversely their terms of trade. The situation was aggravated by the decline in investment, as underutilized capacity existed in many industries and shortages of domestic and external resources developed. The decline in the growth of GDP of Malaysia was particularly steep (from 7.7 per cent to 0.5 per cent), due mainly to the substantial fall in the production of rubber—the country's principal export—and also reduced activity in the mining and manufacturing sectors.

The agricultural performance of many DMCs, particularly in food crops, improved considerably in 1975. The output of rice, the principal foodgrain in the region, is estimated to have increased by about 7.1 per cent, exceeding the high level achieved in 1973. Production increased in almost all rice-producing countries. India and Pakistan—both of which had suffered large declines in 1974—and Bangladesh, Indonesia, the Republic of Korea and Malaysia made the largest gains (Table 2). The output of wheat and corn also registered substantial increases; wheat by an estimated 11.7 per cent and corn by 5.4 per cent. Favorable weather, increased use of modern agricultural inputs, and the stimulus of high prices which prevailed during the preceding years, contributed to the improved performance. However, output of several export products including rubber, sugar and timber generally declined because of poor demand and lower prices.

Production of manufactures was generally depressed, especially in the more industrialized DMCs. Sluggish demand for exports, poor domestic demand arising from reduced consumption, and low investment, were responsible for the slowdown. Reduced demand led to increased inventories, thereby delaying the prospects for early recovery. The major exception was the Republic of Korea, which, despite difficult international market conditions, was able to achieve an increase of 19 per cent in the production of manufactures in 1975. The production of minerals including copper, tin and iron ore also declined.

As with developing countries generally, the most serious problem that the DMCs faced in 1975 was in their external accounts. The position in respect of exports was far more difficult than in 1974, because the full impact of the recession in industrialized countries—which led to a fall both in the quantity and prices of most of the principal exports of DMCs—was felt only in 1975. The total merchandise exports of the DMCs, after an increase from $31.8 billion in 1973 to $44.2 billion in 1974, is estimated to have declined to $42.9 billion in 1975 (Table 3)[1].

The value of merchandise imports, however, is estimated to have increased from $54 billion in 1974 to $55.3 billion[1] in 1975, despite the improved food situation, the efforts made by the governments to curtail non-essential imports, and economy in the use of fuel. The higher prices of imports of manufactures from the developed countries and, less importantly, the increase in the price of oil which occurred in late 1975, have been the main causes of the increase in the value of imports.

This divergent trend in the prices of exports and imports led to a marked worsening in the terms of trade of the DMCs during the year. In nine countries for which data are available, the estimates show that, with 1974 as the base year, the terms of trade in the first six months of 1975 ranged between 79 per cent for the Philippines and 97 per cent for Singapore. Preliminary estimates indicate that the trade deficits of the DMCs during 1975 would be about $12.4 billion[1], compared with $10.5 billion in 1974 and $3.2 billion in 1973 (Table 3). The net deficit on account of services and private transfers in the balance of payments is, in the aggregate, estimated to increase from $0.3 billion in 1973 and $0.4 billion in 1974 to $0.8 billion in 1975. Inclusive of these, the current account deficit of DMCs is estimated to have increased from $3.5 billion in 1973 and $10.9 billion in 1974 to about $13.2 billion in 1975[1].

In the past, the net inflow of official and private external financial resources (including short-term capital), exceeded current deficits. As a result, the DMCs were able to add substantial amounts to their reserves, which increased from an aggregate of $6 billion in 1970 to $11.4 billion in 1973 (Table 4)[2]. Even in 1974, some countries were able to add to their reserves due to their relatively good overall export performance and/or their ability to secure sufficient external resources through foreign aid, private capital inflows and substantial borrowings in the international capital markets. However, for the first time in several years, it appeared that the DMCs as a whole ended the year with a significant reduction in their aggregate reserves despite larger drawings from the IMF (including the oil facility) and greater use of borrowings in international capital markets than in 1974.

The large deficits in external accounts incurred by the DMCs in 1974 and 1975 led to a considerable increase in their external debt. The available data indicate that aggregate external public debt increased from $37.8 billion in 1973 to $46.7 billion in 1974, while debt service payments increased from $2.2 billion to $2.5 billion (Table 5). A somewhat higher growth in public debt is anticipated for 1975, while the increase in debt service payments would also be considerably larger. Moreover, many DMCs have contracted large private debts at very high rates of interest, especially in the last two years. Debt management has clearly become a serious problem and needs even closer attention than it has received hitherto.

1 1975 figures of exports, imports, merchandise trade and current account deficit exclude South Vietnam, for which data are not available. For comparison purposes, imports by that country are also excluded from 1974 estimates. Inclusive of its imports, total imports of DMCs were $54.8 billion in 1974.

2 Excluding Hong Kong, for which annual series are not available.

Response of DMCs

A variety of measures—some in continuation of initiatives taken in 1974—was adopted by the DMCs during the year to mitigate their economic difficulties, many of which resulted from external factors beyond their control. The nature and the extent of the problems varied among DMCs, and their responses were accordingly different.

In most DMCs sluggish industrial production led to reduced employment. This, combined with mounting inflation, aggravated the condition of the fixed income groups and poorer sections of the population. To alleviate their hardships, several measures were undertaken, such as price controls, rationing of essential consumer goods, tax relief for lower income groups, and employment-generating expenditures.

Many countries readjusted their development programs with emphasis on production-oriented projects that generally involved greater use of labor and reduced reliance on imports. At the same time, more intensive efforts were made to mobilize domestic savings, through measures such as higher interest rates on bank deposits, higher taxes, and economies in current government expenditures. Government budgets generally provided for larger resources for financing development expenditures, aimed partly at offsetting lower investment in the private sector.

Various measures were introduced for reducing non-essential imports to conserve scarce foreign exchange for financing priority imports. Self-reliance in food production, greater exploitation of domestic energy resources, and also reduced dependence on imports through appropriate import substitution and economy in the use of imported goods, were important objectives. To counteract the adverse impact of their over-valued currencies and domestic inflation on the international competitiveness of their exports, several DMCs effected exchange rate adjustments.

The measures taken by the DMCs to combat the fall in prices of their major exports included restrictions on production and exports, price stabilization schemes, and further domestic processing for exports. With improved economic activity in the major industrialized countries in the latter part of 1975, there are already indications of a moderate recovery in the exports of some DMCs, especially in manufactures.

During the year, many governments adopted tight monetary and credit policies to dampen inflation and discourage the hoarding of essential goods. Exports of such goods were restricted by some governments to meet domestic needs until the supply position improved. Also, attempts were made to restrain increases in wages and salaries to contain inflationary pressures.

Due to the improved food supply situation, falling prices of several consumer goods, and monetary and fiscal policies adopted by governments, inflation abated substantially in most DMCs during 1975. If the trend observed in the first six to nine months were to continue, the overall increase in consumer prices in the region would be 15 per cent or less during 1975, compared with 32 per cent in 1974.

The various policies and measures adopted by the DMCs during the year have mitigated their difficulties, but there is full awareness that more vigorous efforts are needed for sustaining growth and for alleviating the strain on their balance of payments. In order to promote industrialization in the region, some countries have become increasingly interested in exploring opportunities for organizing regional economic communities which could ultimately lead to greater self-reliance and reduced dependence on external assistance. Policies aimed at higher domestic production of food and energy have already shown favorable results and, if followed successfully, would not only ease the external payments position of DMCs, but also contribute to a possible reduction in their present international imbalance.

In the immediate future, however, the prospects for growth and improvement in the balance of payments of the DMCs remain uncertain, despite the efforts that they have already made. And while they must continue to mobilize larger domestic resources and expand exports in order to achieve self-sustained growth in the longer term, urgent international action is required for increasing the availability of external resources. Such expanded assistance is needed to increase productive capacity essential for achieving the objective of self-reliance, which is the ultimate goal of all developing countries.

International Response

The need for external resources during 1975 to meet the current deficits of DMCs is estimated at about $13.2 billion, compared with about $10.9 billion in 1974. During 1974, the DMCs were able to finance their current account deficits through inflows of official assistance from DAC countries of OECD and multilateral institutions ($5.3 billion), inflows from OPEC members ($0.5 billion), heavy borrowing from international capital markets ($2 billion), IMF drawings inclusive of the oil facility ($1 billion), private investment and export credits ($1.2 billion) and other short-term borrowings (Table 6). Complete data on the inflow of external resources to the region during 1975 are not yet available. However, given the difficulties experienced by most of the industrialized countries and the declining surpluses of OPEC countries, the flow of DAC and OPEC assistance is unlikely to have exceeded $6.5 billion, even after allowing for a higher net inflow from multilateral institutions. This suggests that the balance of about $6.7 billion was met by the DMCs by borrowings from international capital markets, drawings from the IMF, private investments and export credits, short-term borrowings and drawing down of their international reserves.

Although there was no significant increase during the year in the availability of external aid on concessional terms, measures were adopted, or actively pursued, which would substantially expand the future supply of concessional funds. Some of the more important of these, likely to be implemented in 1976, are: (i) the establishment of the "Third Window" by the World Bank, (ii) the creation of the Special Trust Fund under the auspices of the IMF, (iii) the establishment of the International Fund for

Agricultural Development, and (iv) the creation of an OPEC fund by setting aside a fraction of the earnings from each barrel of crude oil sold.

Most of these measures are designed to increase limited availability of highly concessional funds to be provided mainly to countries classified by the United Nations as being "most seriously affected". These countries are not in a position to absorb loans on conventional terms; nor do they have recourse to international capital markets. Since the Bank's region accounts for nearly four-fifths of the population of the "most seriously affected" countries, these measures are of particular interest to the Bank.

For developing countries which are in a relatively better position, proposals have been made to improve their access to capital markets. Some DMCs have already become large borrowers of funds from these markets; the total amount borrowed through bond issues and Euro-currency credits increased from $1.1 billion in 1973 to $2 billion in 1974. In 1975, such borrowings amounted to $2.7 billion, despite several constraints on raising commercial credits and issuing bonds in the industrially advanced countries. The Development Committee[1] of the World Bank and the IMF is currently examining measures such as a multilateral guarantee facility, means of overcoming regulatory and other constraints on capital markets, and improved information about legal and institutional requirements for raising funds. Implementation of such measures should enable the DMCs to achieve greater access to capital markets.

In addition, proposals were made at the Seventh Special Session of the UN General Assembly held in September 1975 to create an International Investment Trust, under the auspices of the International Finance Corporation (IFC) of the World Bank Group to mobilize portfolio capital for investment in local enterprises in developing countries. At the same time, the capital of IFC is being increased from about $100 million to nearly $600 million.

The various measures discussed above would help mitigate short-term balance of payments problems. In the longer term, the solution to the growing trade deficits of the DMCs lies in the expansion of exports to meet their import requirements, which warrants higher production in the DMCs on the one hand and access to markets of the developed countries at equitable prices on the other. An important achievement in 1975 was the practical recognition given by both the industrialized and the developing countries to their interdependence and also their general understanding on measures that place greater reliance on trade as a vehicle of growth. Various schemes were under consideration in international forums to increase the exports of the developing countries. These included stabilization of prices through various international commodity agreements, creation of buffer stocks, and removal of tariff and non-tariff barriers to exports from developing countries. Also, a proposal was made to create a new development security facility in the IMF, with substantial resources, to stabilize export earnings of developing countries.

The strains placed on the Bank's DMCs during 1975 have been unprecedented and will persist. If these countries are to achieve and sustain a perceptible increase in per capita income, they will need a much larger inflow of external resources in the coming years. The Bank's region is the poorest of the world's developing regions; yet, on a population basis, it receives a smaller inflow of external resources than any other developing region. This imbalance needs to be redressed, especially to help those countries most seriously affected by the recent economic crises.

The Bank has an important part to play in meeting the region's growing need for funds. It is in full recognition of this role that the Bank has embarked on a vigorous program of raising additional resources through a replenishment of its Special Funds, the proposed increase in its capital stock, accelerated borrowings from world capital markets and active encouragement of co-financing of projects with other donors.

[1] Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

OPERATIONS AND POLICIES

Lending Operations

IN ITS LENDING and technical assistance activities, the Bank maintained the momentum established in recent years. As a result of efforts initiated earlier, when many of the present difficult problems of the developing member countries (DMCs) had begun to emerge, much of the Bank's lending in 1975 was directed to sectors where needs have become most urgent and where the benefits will be widespread, especially among the region's poor.

Loan approvals totalled $660.31 million, an increase of 20.6 per cent over 1974, or 7.3 per cent in real terms. Loans from ordinary capital resources amounted to $494.05 million, and those from Special Funds to $166.26 million. In all, 41 loans were approved for 40 projects in 12 DMCs.

The total of loan approvals passed the $2,000 million level during the second quarter of 1975. By the end of the year, the Bank had approved 251 loans totalling $2,583.57 million for 228 projects in 21 DMCs. Of these, 150 loans totalling $1,924.74 million were made from ordinary capital resources[1] and 101 loans for $658.83 million from Special Funds.

During 1975, six countries received loans exclusively from ordinary capital resources, five exclusively from Special Funds, and one from both sources. The total lending of $494.05 million from ordinary capital resources in 1975 was distributed as follows: Philippines ($106 million), Republic of Korea ($101.5 million), Indonesia ($78.25 million), Thailand ($77.7 million), Pakistan ($63 million), Malaysia ($47.6 million) and Hong Kong ($20 million). The Special Funds loans of $166.26 million were made to Bangladesh ($51.63 million), Pakistan ($34 million), Burma ($31.4 million), Sri Lanka ($30 million), Nepal ($16.83 million) and Western Samoa ($2.4 million).

Lending from Special Funds dropped slightly below the preceding year's figure—$166.26 million as against $172.86 million in 1974. This decline, which was in contrast with the steady growth of the Bank's operations as a whole, and of Special Funds lending up to the end of 1974, was due to a shortage of resources for concessional lending. As of the end of 1975, the uncommitted balance of Special Funds resources was $40.9 million. (The efforts made by the Bank to mobilize additional Special Funds resources are described in the chapter on Special Funds.)

Largely due to inflation and currency fluctuations in developed countries, many of the projects financed by the Bank have incurred cost overruns. The loans approved in 1975 included six supplementary loans totalling $48.23 million for cost overruns for which the countries concerned were unable to raise funds elsewhere. Increased resort was made in 1975 to engineering loans for financing the preparation of detailed design and tender documents. Five such loans totalling $9.95 million were approved in 1975, four of them in conjunction with technical assistance grants for financing feasibility studies or similar project studies. In 1974, the Bank extended two engineering loans totalling $1.45 million. Engineering loans facilitate the preparation of realistic cost estimates for project construction. They also contribute towards a pipeline of projects ready for immediate implementation. And in times of high inflation, they provide a means of minimizing the risk of cost overruns developing as a result of delays in project implementation.

The average size of loans rose from $13.7 million in 1974 to $16.1 million in 1975. If supplementary and engineering loans are excluded, the amounts would be $15.9 million and $20.1 million, respectively. The increase in loan size largely reflects the effect of the higher estimated costs of goods and services. The largest project financed by the Bank in 1975 was the Mirpur Mathelo Fertilizer Project in Pakistan, for which loans from both ordinary and Special Funds resources were given. The combined total of Bank financing for the project was $50 million.

Assistance to Industry through Development Banks

The promotion of national development banking has become an important part of the Bank's activities. By the end of 1975, the Bank had lent $469.2 million[2]—representing nearly 20 per cent of its total lending as of that date—to 17 development finance institutions (DFIs) in 12 DMCs.

Based on experience over the preceding eight years, a detailed examination of the Bank's policies in lending to DFIs was started in 1974. This review concluded in 1975 and resulted in the adoption of a set of guidelines on policies and procedures designed to regulate the Bank's future activities in this field.

In evaluating a DFI's eligibility for assistance, the Bank must be satisfied that government policies and the

1 Excludes $0.4 million, $0.5 million and $0.45 million initially approved in 1969, 1970 and 1974, and later incorporated in new loans in 1970, 1971 and 1975, respectively.

2 The credit lines approved accounted for $436.6 million of the Bank's total loans to DFIs. The balance of $32.6 million was provided for financing of specific projects.

general economic environment are congenial to the satisfactory operations of the DFI, and that the DFI's objectives and policies are compatible with the overall developmental priorities and strategies of the government, and also in line with the Bank's general objectives and policies of operation. The suitability of the organizational structure of the DFI is to be verified and the capability of management and staff assessed.

In assessing the role of a DFI in socio-economic development, the Bank is required to evaluate its contribution to the country's GNP/GDP, foreign exchange earnings and savings, creation of employment opportunities, balanced area development, the selection and development of new entrepreneurs, promotion of small-scale industry, etc. Social cost-benefit analysis of the projects financed by the DFI is to be used as appropriate in such assessments.

The financial soundness of a DFI is important if the institution is to maintain its autonomy and creditworthiness. The guidelines require the Bank to look for a sound capital structure, a satisfactory liquidity position, a well-balanced portfolio, adequate provisions and reserves, and a satisfactory interest spread. At the same time, it is recognized that the significance of some of the yardsticks of financial viability and soundness may differ between privately-owned DFIs and government-owned DFIs, and that flexibility may be required in applying these yardsticks to the latter.

In accordance with the guidelines, the Bank's funds are used normally to finance projects in the private sector, but the Bank may allow its funds to be channeled to public sector projects, depending on the country situation and economic priorities, where the projects meet the usual standards of viability.

As a result of the review, it was decided to remove the distinction in the Bank's practice between the treatment of loans to DFIs and project loans, both in regard to the rate of commitment charge and in regard to the determination of the interest rate. It was considered that these changes in the Bank's practice would assist DFIs in their financial programming and would contribute to the expeditious utilization of the Bank's loans. There would also be advantages both for the Bank and the borrowers through simplification in the bookkeeping and record in loan administration. Following this decision, the commitment charge now becomes payable 60 days after the Bank's loan is signed, and the rate of interest is fixed at the time of loan approval, at the rate then prevailing. Formerly, the commitment charge was payable on each sub-loan from the time of crediting the borrower's loan account (now the entire loan is credited, initially, to the borrower's loan account) and the interest rate applied was that prevailing at the time each sub-loan was credited to the borrower's loan account. The modification in procurement procedures was also made at the time of the review. Past experience had indicated that the earlier procedures, which required international competitive bidding above a certain specified limit, did not fully meet the objectives of economy and efficiency, taking into account the nature and type of projects generally financed under the Bank's loans. While, under the new procedures, international competitive bidding will not be insisted upon, DFIs will be encouraged to adopt such procedures where they are most relevant as, for instance, when the investment concerned is unusually large or such procedures could maximize economy and efficiency.

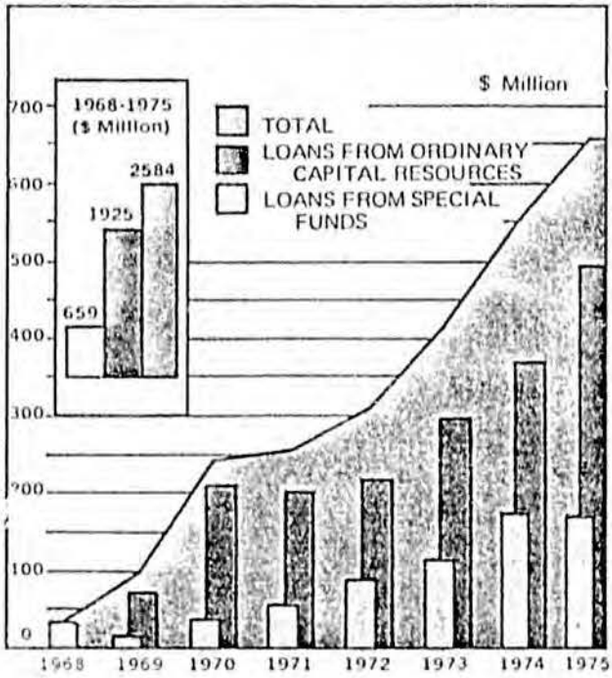
Lending Foreign Exchange for Local Currency Expenditures

Pursuant to the policy adopted in mid-1974, the Bank has been providing foreign exchange for financing local currency expenditures. During 1975, eight loans to six countries incorporated local cost financing, compared with four loans to two countries in 1974. The eight loans involved a total amount of local cost financing of $28.2 million—$19 million from ordinary capital resources and $9.2 million from Special Funds; in 1974 the amount of such financing was $5.9 million, wholly from Special Funds. In considering local cost financing, the Bank places primary emphasis on the country's economic situation, particularly on the overall balance of payments position, and on its capacity to mobilize domestic resources; within this framework, preference is given to those projects with a low foreign exchange component or high economic and social benefits. Current Bank policy limits local cost financing during the year to no more than 5 per cent of the lending from ordinary capital resources and 10 per cent of the lending from Special Funds. For 1975, the actual percentages of such financing were 3.8 and 5.5, respectively.

Co-financing

During the year, co-financing with multilateral and bilateral sources, including certain oil-exporting coun-

LOANS CLASSIFIED BY SOURCE OF FUNDS: 1968-1975



tries in the Middle East, emerged as an important method of augmenting the flow of aid from other sources to the Bank's DMCs. In the three fertilizer projects for which the Bank provided $110 million, co-financing included $80 million from Saudi Arabia, $25 million from Kuwait and $15 million from Iran, as well as substantial financial support from India (Rs.100 million) and the International Development Association ($33 million), and from traditional aid donors, namely, the Federal Republic of Germany (DM30 million), Switzerland (SwF20 million), the United Kingdom (£8 million) and the United States ($30 million).

Mainly because of these co-financing arrangements, the Bank was able to participate in much larger projects than in previous years. The total costs of projects financed by the Bank, exclusive of lines of credit to DFIs, amounted to $1,421 million in 1975, as against $899 million in 1974.

Aid Coordination

In the area of aid coordination, the Bank was joint convener with the World Bank of a meeting of potential aid donors to Laos. The meeting, held at the Headquarters of the Bank on 28 and 29 April, was attended by representatives of 15 governments and seven international institutions interested in providing economic assistance to Laos. Governments represented were Australia, Canada, France, the Federal Republic of Germany, Japan, the Netherlands, New Zealand, Sweden, the United Kingdom and the United States, while Indonesia, Italy, Malaysia, the Philippines and Thailand sent ob-

LOAN APPROVALS IN 1975 and Total Project Costs

(amounts in $ million)

Country/Project	Ordinary Capital	Special Funds	Total Project Cost
BANGLADESH			
Ashuganj Fertilizer	—	30.00	249.40
Agricultural Credit	—	9.43	13.50
Greater Dacca Gas Distribution	—	12.20	26.90
BURMA			
Jute Mill	—	25.30	43.30
Power Transmission (Supplementary)	—	6.10	10.60[1]
HONG KONG			
Sha Tin Sewage Treatment	20.00	—	61.50
INDONESIA			
Java Fisheries Development	13.20	—	21.30
Gohor Lama Palm Oil Processing	11.30	—	15.60
Karangsambung Multi-Purpose	2.90	—	5.40
Garung Hydroelectric	19.80	—	31.90
Teluk Lada Area Development (Phase I)	12.20	—	21.60
Surabaya Institute of Technology	14.50	—	25.20
Belawan and Surabaya Ports (Phase I)	4.35	—	6.50
KOREA, REPUBLIC OF			
Samrangjin Pumped Storage	1.00	—	1.80
Machinery Manufacturing	17.50	—	29.90
Road Improvement	43.00	—	89.30
Korea Development Bank (Fourth)	40.00	—	—
MALAYSIA			
Tenom Pangi Power	1.20	—	1.40
Third Sarawak Electricity Supply	22.70	—	31.50
Jerangau-Jabor Development Road	23.70	—	42.20

servers. In addition to the Bank and the World Bank, five international agencies participated in the meeting: the International Monetary Fund, the United Nations, the United Nations Development Programme, the United Nations High Commissioner for Refugees, and the United Nations Children's Fund.

Also in the area of aid coordination, the Bank assisted Laos in mobilizing additional resources for the Nam Ngum Phase II Hydropower Project (see page 23).

South Pacific Region

Following a review in 1974 of its operations in the DMCs in the South Pacific region, the Bank continued to place emphasis on improving the capacity of these countries to utilize development assistance. The technical assistance extended to Tonga and Western Samoa in 1974 helped in the preparation of their five-year development plans and the identification of priority projects in 1975.

The capacity of the South Pacific countries to absorb development assistance can be enhanced through the establishment or strengthening of DFIs. One of the two loans made to Western Samoa in 1975 was in the form of a credit line for the Development Bank of Western Samoa, which followed technical assistance given in 1973 for strengthening the institution; further technical assistance was also approved in conjunction with the loan. In two other South Pacific DMCs—Fiji and Papua New Guinea—development banks have already received technical and financial assistance from the Bank. In the Solomon

Country/Project	Ordinary Capital	Special Funds	Total Project Cost
NEPAL			
Jute Development (Supplementary)	—	0.53	0.60[1]
Tribhuvan International Airport	—	10.00	12.80
Gandak-Hetauda Power (Supplementary)	—	2.50	3.90[1]
Second Power	—	3.80	5.40
PAKISTAN			
Gas Turbine Generation	—	22.00	30.90
Multan Mathelo Fertilizer	38.00	12.00	196.40
Industrial Development Bank of Pakistan (Third)	25.00	—	—
PHILIPPINES			
First and Second Mindanao Power (Supplementary)	22.70	—	74.80[1]
Pulangui River Irrigation	13.50	—	23.90
Mindanao Secondary and Feeder Roads	0.50	—	1.30
Laguna de Bay Development	27.50	—	45.20
Development Bank of the Philippines	25.00	—	—
Provincial Cities Water Supply	16.80	—	35.60
SAMOA			
Asau Fertilizer	—	30.00	152.00
THAILAND			
Mae Moh Power (Supplementary)	15.00	—	32.20[1]
Second Mae Moh Power	22.70	—	34.50
Industrial Finance Corporation of Thailand (Third)	20.00	—	—
Fisheries Development	20.00	—	40.90
WESTERN SAMOA			
Development Bank of Western Samoa	—	1.00	—
Power (Supplementary)	—	1.40	1.80[1]
TOTAL	494.05	166.26	1,421.00

[1] Local costs are indicated for supplementary loans

Islands, the Bank has been engaged in efforts aimed at establishing a new DFI or upgrading the existing institution.

Sectoral Activities

In the Bank's lending activities in 1975, special attention was paid to sectors where the needs were seen to be most urgent. Efforts were made to identify and assist projects which would contribute to reduced dependence on imported food, fertilizer and fuel, and to improved export capability through the development of indigenous agricultural facilities.

The continuing urgent need to increase food production and the higher cost of imported inputs for food production were reflected by the largest share, 37.2 per cent, of the total lending being devoted to agriculture and agriculture-related activities. Public utilities accounted for 28.8 per cent of the lending, followed by industry (including development banks), 19.5 per cent; transport and communications, 12.3 per cent; and education, 2.2 per cent.

AREAS OF THE BANK'S ACTIVITIES

Agriculture and Agro-Industry
- Irrigation
- Flood Control
- Integrated Rural Development
- Land Settlement
- Agricultural Credit
- Seed Production
- Fisheries
- Livestock
- Forestry
- Fertilizer
- Agro-Processing

Industry (including Development Banks)
- Textile Production
- Engineering Industries
- Chemical Manufacturing
- Development Finance Institutions
  (for on-lending to industrial enterprises)

Public Utilities
- Electric Power
- Natural Gas
- Water Supply
- Sewerage
- Urban Development

Transport and Communications
- Highways
- Feeder Roads
- Ports and Harbors
- Airports
- Railways
- Telecommunications

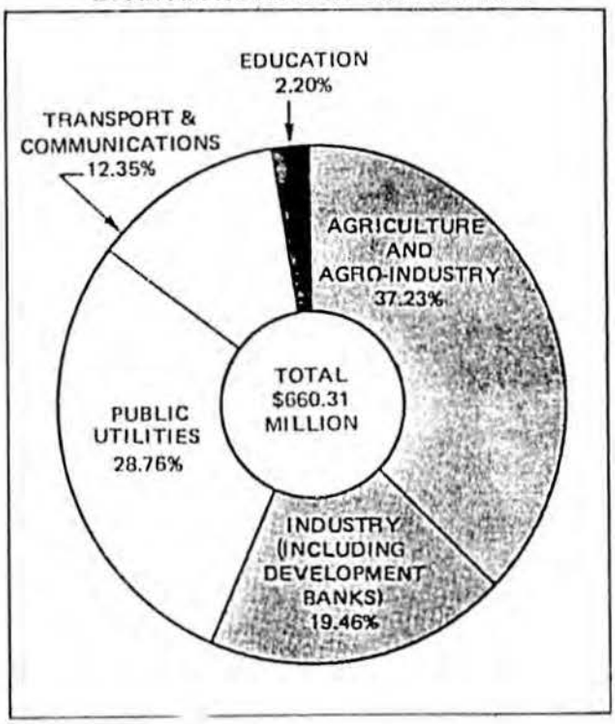
Education
- Vocational Training
- Higher Technical Education

Agriculture and Agro-Industry

In spite of the gains in food production in 1975, food availability and agricultural development in general are among the most difficult long-term problems facing the region, especially in view of the high rate of population increase. Fourteen loans totalling $245.86 million were approved in the agriculture and agro-industry sector: seven totalling $98.73 million for irrigation and area development, multi-purpose development, fisheries and agricultural credit; four totalling $110 million for three fertilizer projects, and three totalling $37.13 million for jute and palm oil processing.

Irrigation and land development have been used by the Bank as nuclei of basic resource improvement with which other development inputs such as feeder road networks, farmers' credit facilities, seeds, and fertilizer delivery systems, processing and marketing facilities, research and extension services and farmers' institutions have been combined. The basic objective of such integrated projects is to ensure that the various factors needed to boost productivity and output are introduced into the project environment in the proper sequence, combination and proportion. An example is the Teluk Lada Area Development Project in Indonesia ($12.2 million), which aims at a four-fold increase in agricultural production, a substantial improvement in living conditions, and the creation of more employment opportunities in the area. Another example is the Pulangui

LOAN APPROVALS BY SECTOR: 1975



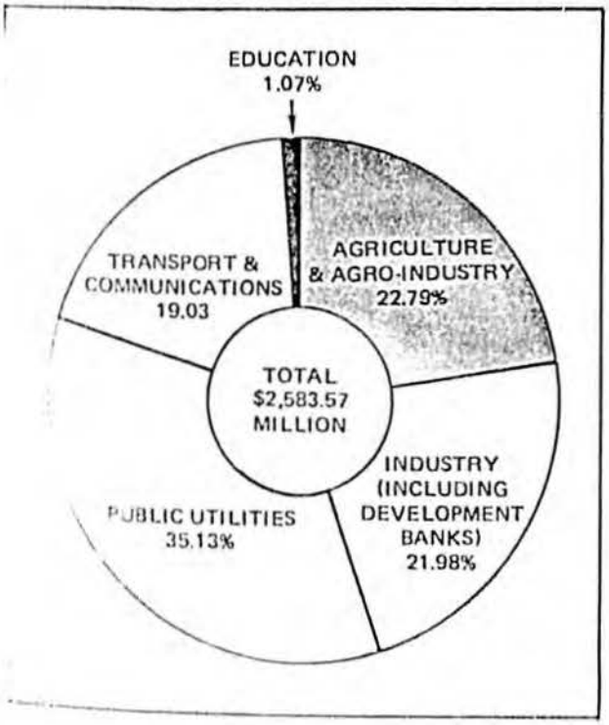
LOAN APPROVALS BY SECTOR: 1968–1975
(amounts in $ million)

Sector	1974		1975		1968–1975	
	Amount	%	Amount	%	Amount	%
Agriculture and Agro-Industry	133.95	24.46	245.86	37.23	588.86	22.79
. Agriculture .	114.25	20.86	98.73	14.95	346.89	13.43
Agro-Industry	19.70	3.60	147.13	22.28	241.97	9.36
Industry (including Development Banks)	133.70	24.41	128.50	19.46	567.97	21.98
Public Utilities	198.52	36.25	189.90	28.76	907.57	35.13
Transport and Communications	81.51	14.88	81.55	12.35	491.57	19.03
Education	—	—	14.50	2.20	27.60	1.07
TOTAL	547.68	100.00	660.31	100.00	2,583.57	100.00

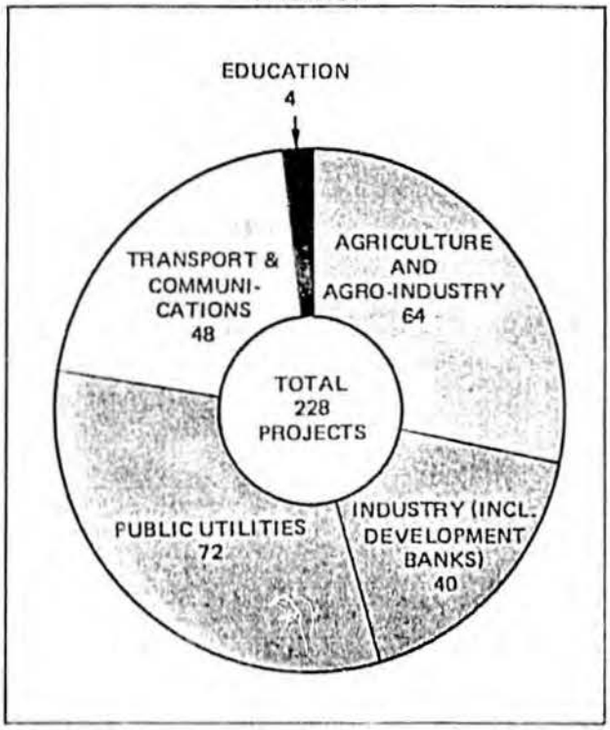
River Irrigation Project in the Philippines ($13.5 million), which includes construction of irrigation canals, drainage systems, and roads; establishment of two pilot farms for demonstration of intensive irrigated agriculture; the strengthening of agricultural extension services and the introduction of intensive rodent control measures; the provision of tractors, dryers and threshers to promote modern farming; and other farm supporting services such as the supply of farm credit and fertilizer, and the improvement of the land tenure system.

A feature of the year's lending in the field of agriculture and agriculture-related activities was the lending for fertilizer production—the Ashuganj Fertilizer Project in Bangladesh ($30 million), the Mirpur Mathelo Fertilizer Project in Pakistan (two loans totalling $50 million) and the Urea Fertilizer Project in Sri Lanka ($30 million). The total foreign exchange requirement for these three projects was $364 million and the Bank joined with other bilateral and multilateral lenders to provide the necessary finance.

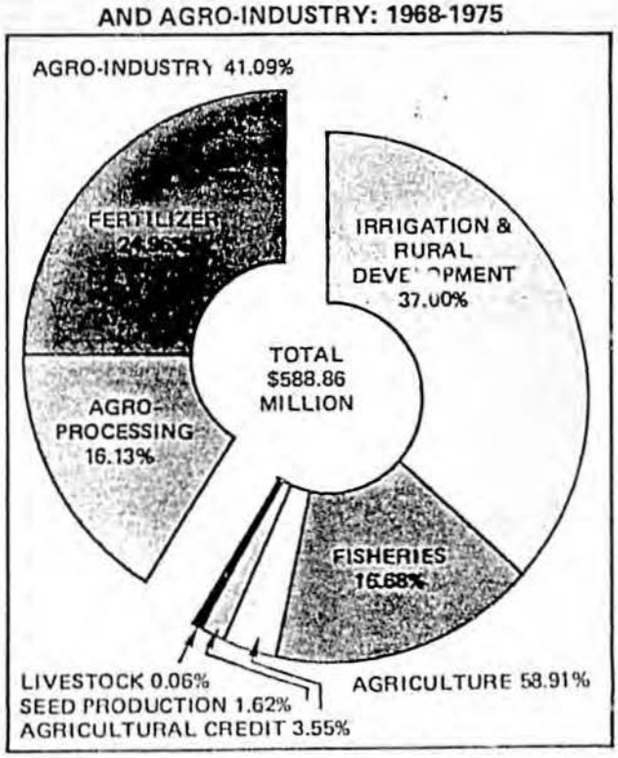
LOAN APPROVALS BY SECTOR: 1968-1975



NUMBER OF LOAN PROJECTS BY SECTOR
1968-1975



LENDING TO AGRICULTURE
AND AGRO-INDUSTRY: 1968-1975



Public Utilities

The public utilities sector accounted for 15 loans totalling $189.9 million. Twelve loans totalling $140.9 million were made for power projects, with emphasis on generation of electricity from indigenous energy sources. In this category the projects financed included two hydropower projects: a supplementary loan of $22.7 million for the First and Second Mindanao Power Projects in the Philippines and a loan of $19.8 million for the Garung Hydroelectric Project in Indonesia. The Bank also approved two engineering loans for future hydropower projects: $1.2 million for the Tenom Pangi Power Project in Malaysia and $1 million for the Samrangjin Pumped Storage Project in the Republic of Korea. Three loans were approved for generation projects using indigenous fossil fuels: two loans—one supplementary—totalling $37.7 million for the Mae Moh Power Project in Thailand which uses lignite from a local mine for fuel, and a loan of $22 million for the Gas Turbine Generation Project in Pakistan, which utilizes locally produced natural gas for fuel. These projects, in total, accounted for three-quarters of the Bank's lending for power generation. In the case of two generation projects in Malaysia and Western Samoa which provided for diesel generation, there was no feasible indigenous energy source immediately available. The remaining three power sector loans were provided for projects in Burma and Nepal, and included two supplementary loans.

Technical assistance was approved for the Bandung Urban Development and Sanitation Project in Indonesia, in which the Bank is expected to act as Executing Agency for UNDP in undertaking a comprehensive study for the improvement of housing, roads, footpaths, water supply, sewerage, drainage, solid waste disposal, health clinics, schools, and other facilities. Integrated urban development is a new field of activity for the Bank, complementing similar activities in rural areas from which lower income groups will directly benefit.

Industry (including Development Banks)

Lending to industry, including development banks, consisted of six loans totalling $128.5 million. Five of these loans were made to DFIs in the form of lines of credit, while one was a direct loan for machinery manufacturing in the Republic of Korea. The Korea Development Bank received a fourth loan from the Bank, while the Industrial Development Bank of Pakistan and the Industrial Finance Corporation of Thailand each received a third loan. The remaining two loans were made to the Development Bank of the Philippines and the Development Bank of Western Samoa, both new borrowers. In the case of the Development Bank of Western Samoa, the Bank's loan resulted from earlier technical assistance for strengthening the institution and was also accompanied by additional technical assistance for facilitating loan utilization. The Bank's lending to DFIs is mainly for the purpose of promoting industrial enterprises whose individual financing

Irrigation canal, part of the Gawargan and Chardarrah Agricultural Development Project in northeastern Afghanistan.

requirements are not large enough to warrant the direct supervision of the Bank.

Transport and Communications

Five loans totalling $81.55 million were made in the transport and communications sector. Of these, three loans amounting to $67.2 million were provided for road development and improvement in the southern part of the Republic of Korea, new road construction for area development in Malaysia, and a detailed engineering study for secondary and feeder roads in the Philippines. One loan was made for development of two ports in Indonesia and another for airport improvement in Nepal.

Education

In the education sector, the Bank provided a loan of $14.5 million for the Surabaya Institute of Technology in Indonesia. This loan followed a technical assistance grant of $143,000 for project preparation made in 1974. In addition to direct assistance to educational institutions, significant training and education components were built into the Bank's projects in various sectors in 1975. Technical assistance grants to development banks in Pakistan and Western Samoa will be applied to the training of local staff in development banking. Likewise, provision for staff training, including training overseas, was made in the Jute Mill Project in Burma, the Belawan and Surabaya Ports Project in Indonesia and the Provincial Cities Water Supply Project in the Philippines. In recognition of the value of demonstration methods in acquainting farmers with new techniques, pilot schemes were incorporated in both the Teluk Lada Area Development Project in Indonesia and the Pulangui River Irrigation Project in the Philippines. Trained manpower cadres are essential for the success of the development effort and the Bank has consistently sought to build into its projects measures designed to develop the skills of both the executing agencies and the beneficiaries.

Social Benefit

In project identification and formulation, one of the Bank's concerns is how to achieve a wide social impact. In view of the heavy unemployment and underemployment in most parts of the region, the importance of creating new employment opportunities can hardly be overemphasized. Loans to DFIs—for on-lending to domestic enterprises—help to stimulate employment in two ways: indirectly through the encouragment of entrepreneurial talent and more directly through the establishment of new enterprises or the expansion of existing enterprises. In 1975, five loans for $111 million were made to DFIs in the Republic of Korea, Pakistan, the Philippines, Thailand and Western Samoa.

Several other projects approved in 1975 will provide new employment opportunities in rural areas and also help to raise income levels. These include the Java Kenaf Series, Gohor Lama Palm Oil Processing, and Teluk Lada Area Development Projects in Indonesia, the Pulangui River Irrigation Project in the Philippines, the Rubber Development Project in Thailand, and the

Jute being hauled to a mill near Biratnagar, Nepal; part of the Jute Development Project.

Papua New Guinea Development Bank, one of several new development finance institutions in the South Pacific being assisted by the Bank.

Agricultural Credit Project in Bangladesh. Under the Agricultural Credit Project, 14,000 families now living at subsistence levels are expected to benefit from increased incomes. Some 4,700 farm families, mostly smallholders, will benefit from the Pulangui River Irrigation Project. Road development projects in rural areas—for example the Mindanao Secondary and Feeder Roads Project in the Philippines—provide both direct road user benefit and a stimulus to commercial activity, from which all sections of the community can benefit. The Jerangau-Jabor Development Road in Malaysia will facilitate settlement in newly-developed areas capable of supporting viable farming communities.

Projects such as the Sha Tin Sewage Treatment Project in Hong Kong and the Provincial Cities Water Supply Project in the Philippines provide direct benefit to urban communities, especially in extending basic amenities to families not currently served at all. In the provincial Indonesian city of Bandung, an Urban Development Study is being made in which special attention will be given to housing and other amenities for low-income earners.

In comprehensive area development schemes, such as the Laguna de Bay Development Project in the Philippines, a variety of direct and indirect benefits can be expected. In the Laguna de Bay scheme, the communities in the lake's vicinity will benefit from improved environmental control—better quality water and reduced flooding—and the associated irrigation and fisheries development will enhance employment opportunities and income-earning potential.

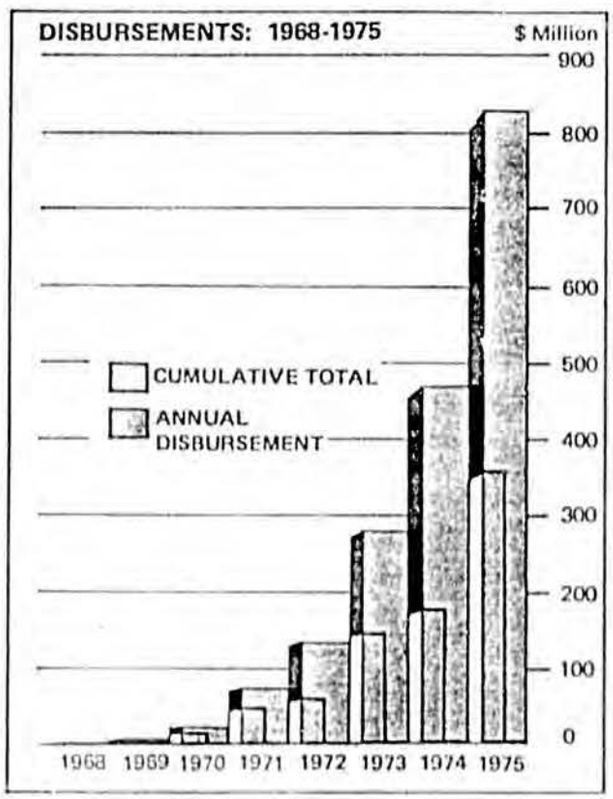
Loan Administration

The reorganization of the Operations and Projects Departments in 1974, under which the responsibility for loan administration was concentrated in the two Projects Departments, became fully effective in 1975, facilitating closer supervision of projects under implementation. Special measures were devised to identify projects in which problems were developing, so that more timely remedial action could be taken. In order to develop closer working relationships between borrowers and Bank staff, more project inception and review missions were mounted.

Because of difficulties encountered in the recruitment of consultants and the delays which can occur in the initial stages of project implementation, special attention was paid to recruitment processes. Instruction materials and pro forma documents on consultant selection procedures were made available to borrowers and executing agencies. In a number of projects, Bank staff were sent as observers to attend contract negotiations and to assist borrowers and executing agencies. These measures helped to reduce delays in the recruitment of consultants.

Thirty-four loans became effective in 1975, bringing the total number of loans under active implementation to 177 as of 31 December 1975. These consisted of 105 ordinary loans and 72 Special Funds loans, exclusive of cancelled or suspended loans or loans for which disbursements have been completed.

Procurement contracts awarded in 1975 amounted to $316 million. Disbursements totalled $361.86 million, the highest annual total so far, representing an increase of $174.38 million, or 93 per cent, over the 1974 level. The relative percentages of cumulative amounts of contracts awarded and disbursements to effective loans as of the end of 1975 were 54 and 40 per cent, respectively.



Post-Evaluation

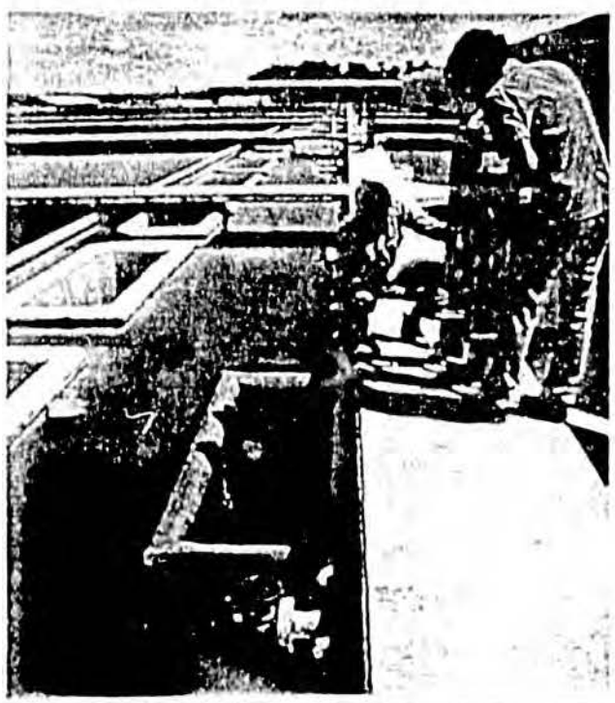
Following the approval of a Program for Action in August 1974, post-evaluation activities were expanded during 1975. Under the Program, post-evaluation of completed projects is undertaken both by independent external evaluating agencies selected by the Bank and by Bank staff with the assistance of consultants.

During 1975, the Bank engaged expert teams for the evaluation of an oil palm estate project and a development bank project. Both studies were substantially completed in 1975. Preparations for external post-evaluation of two other projects, a water supply project and an irrigation project, were made during 1975 and these studies are due for completion in 1976. It is expected that the engagement of independent external agencies will not only enhance the objectivity of the Bank's post-evaluation studies, but also help improve the methodology of project appraisal, particularly with regard to assessing the socio-economic impact of Bank-assisted projects.

As regards internal post-evaluation by staff, four studies, namely, an airport and road project, an electric supply project, and two development bank projects, were completed.

Both the external and internal post-evaluation studies have shown that the projects concerned have generally achieved their objectives. In some cases, specific recommendations have been made which, after further examination and in consultation with the executing agency and the borrower, are being implemented on a regular basis. Recommendations have also been made which will be useful to the Bank in formulating similar future projects.

Water Supply Project in Penang provides the Malaysian State with 30 million gallons daily.



DISBURSEMENTS BY COUNTRY: 1968 -1975
(amounts in $ thousand)

	1974			1975			1968–1975		
	Ordinary Capital	Special Funds	Total	Ordinary Capital	Special Funds	Total	Ordinary Capital	Special Funds	Total
Afghanistan	—	269	269	—	2,474	2,474	—	2,971	2,971
Bangladesh	361	—	361	987	16,436	17,423	6,494	16,436	22,930
Burma	—	—	—	61	2,982	3,043	61	2,982	3,043
Cambodia	—	18	18	—	624	624	—	642	642
China, Republic of	14,101	—	14,101	5,963	—	5,963	86,685	—	86,685
Fiji	1,356	—	1,356	2,893	—	2,893	4,463	—	4,463
Hong Kong	16,776	—	16,776	1,328	—	1,328	18,223	—	18,223
Indonesia	661	10,611	11,272	2,518	17,698	20,216	3,179	49,337	52,516
Korea, Republic of	45,904	61	45,965	90,412	657	91,069	210,818	723	211,541
Laos	—	931	931	—	2,489	2,489	—	5,721	5,721
Malaysia	10,376	846	11,222	19,941	785	20,726	47,843	2,446	50,289
Nepal	1,437	3,356	4,793	310	4,307	4,617	1,911	12,871	14,782
Pakistan	14,629	2,657	17,286	60,818	16,293	77,111	86,301	18,950	105,251
Papua New Guinea	—	331	331	—	691	691	—	2,372	2,372
Philippines	22,362	4,330	26,692	42,588	697	43,285	78,677	7,572	86,249
Singapore	14,908	284	15,192	19,070	556	19,626	59,450	952	60,402
South Vietnam	—	553	553	91	2,554	2,645	91	5,550	5,641
Sri Lanka	473	2,757	3,230	667	6,172	6,839	8,603	14,015	22,618
Thailand	19,926	—	16,926	37,222	74	37,296	71,328	74	71,402
Tonga	—	—	—	—	33	33	—	33	33
Western Samoa	—	210	210	—	1,471	1,471	—	4,296	4,296
TOTAL	160 270	27,214	187,484	284,869	76,993	361,862	684,127	147,943	832,070

CONTRACT AWARDS AND DISBURSEMENTS UNDER EFFECTIVE LOANS[1]: 1968–1975
(amounts in $ million)

	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
Year	Number	Amount[2]	Amount	% of Effective Loans	Amount[3]	% of Effective Loans
[illegible]68	4	20	4.5	22	1.8	9
[illegible]69	13	67	13.5	20	9.3	14
[illegible]70	28	137	58.7	43	26.4	19
[illegible]71	67	404	115.5	29	75.1	19
[illegible]72	93	696	270.8	39	136.2	20
[illegible]73	130	998	446.9	45	282.7	28
[illegible]74	187	1,612	803.1	50	470.2	29
[illegible]75	221	2,052	1,118.7	54	832.1	40

1. After the approval of a loan and the signing of the loan agreement, certain legal requirements must be complied with for the loan to become effective.
2. Net of cancellations and amounts transferred to subsequent loans.
3. Includes interest and other charges financed during construction.

LOAN APPROVALS BY COUNTRY: 1968–1975
(amounts in $ million)

Country	1974			1975			1968–1975					
	Ordinary Capital	Special Funds	Total	Ordinary Capital	Special Funds	Total	Ordinary Capital	%	Special Funds	%	Total	%
Afghanistan	—	14.00	14.00	—	—	—	—	—	34.05	5.17	34.05	1.32
Bangladesh	—	52.10	52.10	—	51.63	51.63	11.40	0.59	125.38	19.03	136.78	5.29
Burma	—	16.30	16.30	—	31.40	31.40	6.60	0.34	60.20	9.14	66.80	2.59
Cambodia	—	—	—	—	—	—	—	—	1.67	0.25	1.67	0.07
China, Republic of	—	—	—	—	—	—	99.99	5.20	—	—	99.99	3.87
Fiji	—	—	—	—	—	—	6.70	0.35	—	—	6.70	0.26
Hong Kong	—	—	—	20.00	—	20.00	41.50	2.16	—	—	41.50	1.61
Indonesia	63.90	14.20	78.10	78.25	—	78.25	153.93	8.00	113.28	17.19	267.21	10.34
Korea, Republic of	89.45	—	89.45	101.50	—	101.50	433.60	22.53	3.70	0.56	437.30	16.93
Laos	—	6.00	6.00	—	—	—	—	—	11.69	1.77	11.69	0.45
Malaysia	65.40	—	65.40	47.60	—	47.60	248.56	12.91	3.30	0.50	251.86	9.75
Nepal	—	3.00	3.00	—	16.83	16.83	2.00	0.10	55.54	8.43	57.54	2.23
Pakistan	66.17	34.00	100.17	63.00	34.00	97.00	235.17	12.22	100.05	15.18	335.22	12.96
Papua New Guinea	—	—	—	—	—	—	—	—	14.30	2.17	14.30	0.55
Philippines	52.30	5.80	58.10	106.00	—	106.00	332.65	17.28	15.30	2.32	347.95	13.47
Singapore	—	—	—	—	—	—	101.38	5.27	3.00	0.46	104.38	4.04
South Vietnam	—	20.40	20.40	—	—	—	3.93	0.21	40.67	6.17	44.60	1.73
Sri Lanka	1.00	1.50	2.50	—	30.00	30.00	14.13	0.73	56.71	8.61	70.84	2.74
Thailand	36.60	5.00	41.60	77.70	—	77.70	233.20	12.11	8.10	1.23	241.30	9.34
Tonga	—	—	—	—	—	—	—	—	1.30	0.20	1.30	0.05
Western Samoa	—	0.56	0.56	—	2.40	2.40	—	—	10.59	1.61	10.59	0.41
TOTAL	374.82	172.86	547.68	494.05	166.26	660.31	1,924.74	100.00	658.83	100.00	2,583.57	100.00

Technical Assistance and Regional Activities

Technical Assistance

The Bank maintained its technical assistance operations at a high level in 1975, both for preparing and implementing projects and for advisory services. Technical assistance totalling $6.04 million[1] was approved during the year, as against $5.42 million in 1974. Up to the end of 1975, the total amount of technical assistance approved by the Bank was $25.32 million, inclusive of funds provided or expected to be provided by the United Nations Development Programme (UNDP).

[1] On a grant basis (technical assistance loans excluded).

Technical assistance approvals in 1975 covered 11 countries: Afghanistan, Bangladesh, Burma, Indonesia, Republic of Korea, Laos, Nepal, Pakistan, Papua New Guinea, Philippines and Western Samoa.

A feature of the Bank's technical assistance activities

TECHNICAL ASSISTANCE APPROVED IN 1975 (EXCLUDING LOANS)
(amounts in $ thousand)

Country/Project	Project Preparatory	Advisory and Operational
AFGHANISTAN		
Kama Irrigation and Power	185.00	—
Seeds	49.00	—
BANGLADESH		
Agricultural Credit	48.50	—
Serajgonj Integrated Rural Development	325.00	—
Agricultural Credit[1]	—	350.00
Greater Dacca Gas Distribution[1]	—	200.00
BURMA		
Forest Industries	98.00	—
Sedawgyi Multi-Purpose	49.00	—
INDONESIA		
South East Sulawesi Transmigration and Development[2,3]	495.60	—
Smallholder Development[1]	161.00	—
Karangsambung Multi-Purpose[1]	100.00	—
Bandung Urban Development and Sanitation[2,3]	1,163.00	—
Belawan and Surabaya Ports (Phase 1)[1]	100.00	—
KOREA, REPUBLIC OF		
Samrangjin Pumped Storage[1]	100.00	—
Nakdong River Basin Development[2]	300.00	—
LAOS		
Tha Ngon Agricultural Development (Supplementary)	—	57.00
Reconstruction and Development Programming[2]	—	320.00
NEPAL		
Dhangarhi Groundwater Development	200.00	—
Jute Development[1]	—	90.00
Tribhuvan International Airport[1,2,3]	—	250.00
Second Power[1]	—	230.00
PAKISTAN		
Industrial Development Bank of Pakistan[1]	—	150.00
PAPUA NEW GUINEA		
East Sepik Agricultural Development	300.00	—
PHILIPPINES		
Pulangui River Irrigation[1]	100.00	—
Luzon Roads Feasibility Study[2]	310.00	—
Mindanao Secondary and Feeder Roads[1]	100.00	—
Laguna de Bay Development[1]	100.00	—
WESTERN SAMOA		
Development Bank of Western Samoa[1]	—	90.00
Power (Supplementary)[1]	—	14.50
TOTAL	4,284.10	1,751.50

1 Approved in conjunction with a loan.
2 To be financed by UNDP, with the Bank acting as Executing Agency.
3 Actual financing by UNDP for those projects may be different from the figures indicated above, as a result of the financial review of UNDP's program resources currently being carried out.

was the expanded cooperation with UNDP. In 1975 UNDP was expected to provide a total of $2.84 million for six projects in which the Bank would undertake the executing agency function; in 1974 UNDP provided $1.65 million for four such projects.

Twelve loan projects approved in 1975, including one supplementary loan, resulted from earlier technical assistance by the Bank. These loans totalled $190.18 million: the cost of the technical assistance which preceded them was $3.13 million, of which $1.86 million was financed by UNDP. By the end of 1975, 58 loans totalling $568.71 million had resulted from technical assistance costing $8.54 million.

Twenty-two technical assistance projects were completed in 1975, bringing the total number of completed projects to 102. The 22 projects completed in 1975 comprised 14 for project preparation and eight which were advisory or operational in nature.

Regional Activities

During the year, the Bank financed, at a cost of $942,950, seven regional activities in the fields of agriculture, development banking and transport.

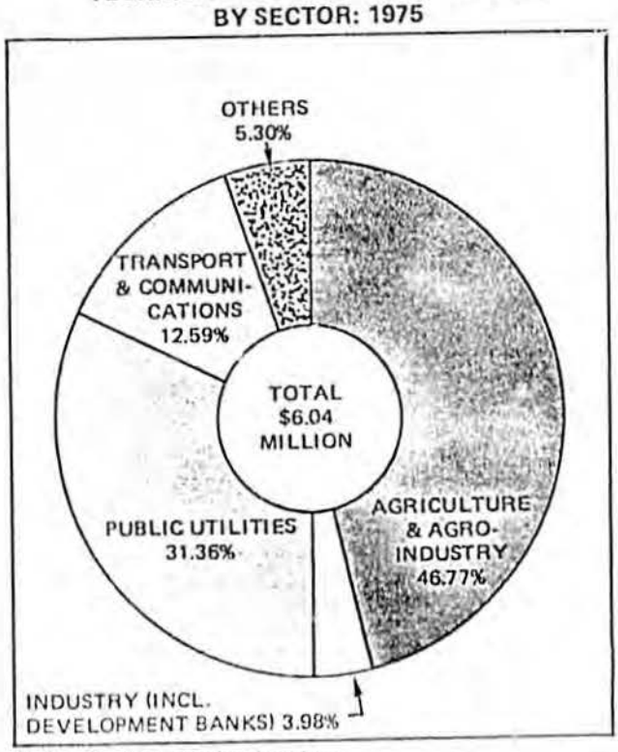
A technical assistance grant of $300,000 was approved for the expansion of the research and training facilities of the **International Rice Research Institute** (IRRI) in the Philippines. High-yield rice varieties, together with new and improved technology, have featured in many Bank projects and most of these varieties result from IRRI's pioneering efforts.

Construction work in progress on the Telecommunications Project in Apia, Western Samoa.

IRRI's expansion program is estimated to cost about $2.9 million. Funds for the construction of the new facilities will be provided by donors represented on the Consultative Group for International Agricultural Research and land by the Philippine Government. The Bank's direct contribution will be used for the procurement of laboratory and training equipment.

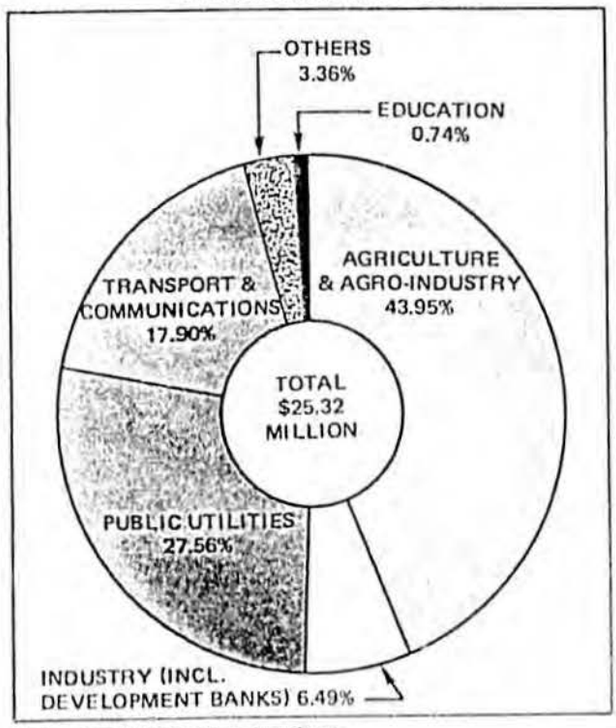
The establishment of **Outreach Programs in Vegetable Research** in the Republic of Korea, the Philippines and Thailand will be assisted by a technical assistance grant of $390,000 over a two-year period. These programs will enable the three countries to derive maximum benefit

TECHNICAL ASSISTANCE APPROVALS BY SECTOR: 1975



Note: Excluding regional projects.

TECHNICAL ASSISTANCE APPROVALS BY SECTOR: 1967-1975



Note: Excluding regional projects.

TECHNICAL ASSISTANCE LEADING TO PROJECT LOANS IN 1975
(amounts in $)

Country/Project		Cost[1] (Year Approved)	Loan
Project Preparation Technical Assistance			
BANGLADESH:	Agricultural Credit	48,500 (1975)	9,430,000
INDONESIA:	Surabaya Institute of Technology	143,000 (1974)	14,500,000
	Ports Study	580,000 (1973)[2]	4,350,000
	Sawit Sebarang Phase II	49,200 (1974)	11,300,000
	Teluk Lada Irrigation	230,000 (1974)	12,200,000
KOREA, REPUBLIC OF:	Road Improvement	100,000 (1974)[2]	43,000,000
PAKISTAN:	KESC Generation and Transmission Feasibility Study	200,000 (1974)	22,000,000
PHILIPPINES:	Laguna de Bay Water Resources Development Study	1,284,300 (1972)[2]	27,500,000
	Pulangui Irrigation	49,000 (1974)	13,500,000
SRI LANKA:	Urea Fertilizer Plant	165,000 (1972)	30,000,000
WESTERN SAMOA:	Power Supply	64,000 (1971)	1,400,000
		1,500 (1974)	
Advisory Technical Assistance		2,914,500	189,180,000
WESTERN SAMOA:	Development Financing Institution	217,000 (1973)	1,000,000
TOTAL		3,131,500	190,180,000

1 In certain cases, portion of the cost was incorporated in a subsequent loan.
2 Funded by UNDP.
3 A loan of $450,000 was provided in 1974.

TECHNICAL ASSISTANCE APPROVALS BY SECTOR: 1967–1975[1]
(amounts in $ thousand)

	1974			1975			1967–1975		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	12	1,407.3	25.96	15	2,823.1	46.77	75	11,128.4	43.95
Agriculture	11	1,358.1	25.06	14	2,733.1	45.28	66	10,434.2	41.21
Agro-Industry	1	49.2	0.90	1	90.0	1.49	9	694.2	2.74
Industry (including Development Banks)	2	415.0	7.66	2	240.0	3.98	18	1,641.9	6.49
Public Utilities	6	1,904.5	35.14	5	1,892.5	31.36	29	6,979.0	27.56
Transport and Communications	7	1,035.0	19.10	4	760.0	12.59	26	4,533.3	17.90
Education	2	187.0	3.45	—	—	—	2	187.0	0.74
Others	2	471.0	8.69	1	320.0	5.30	6	850.7	3.36
TOTAL	31	5,419.8	100.00	27[2]	6,035.6	100.00	156[2]	25,320.3	100.00

1 Excluding regional projects and technical assistance loans.
2 Supplementary technical assistance grants are not counted separately.

TECHNICAL ASSISTANCE BY COUNTRY: 1967–1975
(amounts in $ thousand)

	1974			1975			1967–1975		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Afghanistan	1	250.0	4.47	2	234.0	3.35	12	2,[illegible]6.[illegible]	6.89
Bangladesh	5	1,841.0	32.91	4	923.5	13.24	14	[illegible].5	11.07
Burma	—	—	—	2	147.0	2.11	2	147.0	0.47
Cambodia	—	—	—	—	—	—	2	111.0	0.36
China, Republic of	—	—	—	—	—	—	1	100.0	0.32
Fiji	—	—	—	—	—	—	3	227.0	0.74
Indonesia	5	1,002.2	17.91	5	2,019.6	28.94	29	5,967.3	19.34
Korea, Republic of	1	100.0	1.79	2	400.0	5.73	7	994.3	3.22
Laos	1	103.0	1.84	1	377.0	5.40	7	1,175.0	3.81
Malaysia	1	167.0	2.99	—	—	—	4	637.0	2.06
Nepal	1	140.0	2.50	4	770.0	11.03	13	2,073.0	6.72
Pakistan	3	500.0	8.94	1	150.0	2.15	5	800.0	2.59
Papua New Guinea	1	50.0	0.89	1	300.0	4.30	3	353.6	1.15
Philippines	4	160.5	2.87	4	610.0	8.74	21	3,469.0	11.24
Singapore	—	—	—	—	—	—	1	34.7	0.11
Solomon Islands	2	195.0	3.48	—	—	—	2	195.0	0.63
South Vietnam	3	308.6	5.52	—	—	—	10	985.6	3.19
Sri Lanka	—	—	—	—	—	—	8	907.3	2.94
Thailand	—	—	—	—	—	—	4	525.0	1.70
Tonga	2	382.0	6.83	—	—	—	2	382.0	1.24
Western Samoa	1	220.5	3.94	1	104.5	1.50	6	693.5	2.25
Total	31[1]	5,419.8	96.88	27[1]	6,035.6	86.49	156[1]	25,320.3	82.04
Regional	3	174.5	3.12	7	942.9	13.51	30	5,541.4	17.96
GRAND TOTAL	34	5,594.3	100.00	34	6,978.5	100.00	186	30,861.7	100.00

NOTE: Excludes technical assistance loans but includes projects in which the Bank acts as an executing authority with funds provided by other sources, mainly UNDP, and the Southeast Asian Regional Transport Survey, which was financed with funds provided by the United States, UNDP and the Bank.

1 Supplementary technical assistance grants are not counted separately.

from the research at the Asian Vegetable Research and Development Center (AVRDC) in the Republic of China. The Center also received an earlier technical assistance grant from the Bank in 1969. Under the grant approved in 1975, a team of scientists will be provided to assist the three countries in the screening and testing of the varieties developed by AVRDC (mung bean, soybean, white potato, sweet potato, Chinese cabbage and tomato) and to determine their suitability to local conditions and needs. The varieties selected as part of the outreach programs in the three countries will be multiplied and their seeds distributed to local farmers.

The Bank took the first steps during the year towards updating the **Asian Agricultural Survey** completed in February 1968. A Committee, consisting of ten internationally known experts, met at the Headquarters of the Bank in December and made recommendations on the desirability of and the approach to be adopted in updating the Survey. An amount of $32,000 was provided for the meeting. The Committee found that the progress of agricultural development in Asia, and the changes in the regional and global environment in which this development was occurring, indicated the need for a special effort by the Bank to reassess its strategy in support of agricultural and rural development. The Committee recommended that, to attain this objective, the next step should be to appoint a Task Force to examine in depth a series of issues relevant to the Bank's activities. The Committee's report was under consideration at the end of the year.

A technical assistance grant of $30,000 was approved for the Asian Productivity Organization's (APO) **Sixth Project Feasibility Study Training Course** which will be held in the Philippines (Stage I) and Japan (Stage II) from January to March 1976. The Bank had earlier provided assistance for the Third, Fourth and Fifth APO Project Feasibility Study Training Courses. The Fifth Course was held in the Philippines and Japan from January to March 1975 and was attended by 28 participants from 11 regional member countries of the Bank.

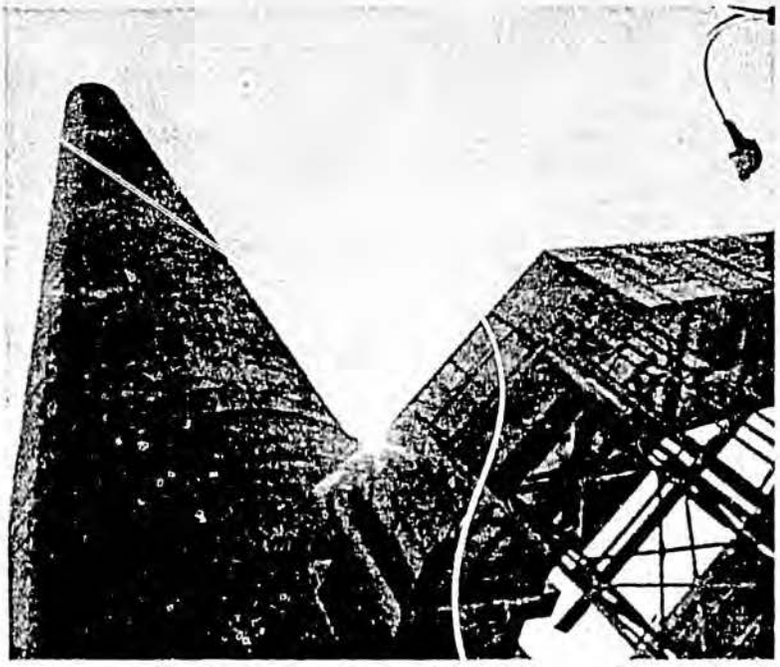
The Bank approved technical assistance costing $49,000 for the preparation of a **Fish Market Study** to be undertaken jointly with the Food and Agriculture Organization. The Manila-based South China Sea Fisheries Development and Coordinating Programme is to act as the Coordinator. The Study will provide for an analysis of the present market situation and projected future absorptive capacity for high-value species of fish, especially tuna and shrimp, in the major importing markets, namely, North America, Western Europe and Japan, and for an examination of consumption and processing and trading activities in Hong Kong and Singapore, not only for tuna and shrimp but also for other species such as pomfret, snapper, Spanish mackerel, crab, lobster and cephalopods. An assessment will also be made of the fisheries sectors in all the Bank's DMCs to determine their future potential for export or, where appropriate, their import needs.

Throughout 1975 the Bank continued to assist in the implementation of the **Nam Ngum Phase II Hydropower Project** in Laos, for which it acts as Administrator of the Second Nam Ngum Development Fund. The bidding process for major contracts (excluding portions of the Project financed bilaterally by the Federal Republic of Germany and the United Kingdom) was completed in May. It was then found that, based on the results of bids received, the Project faced cost overruns of about $10 million (excluding portions financed bilaterally by the Federal Republic of Germany).

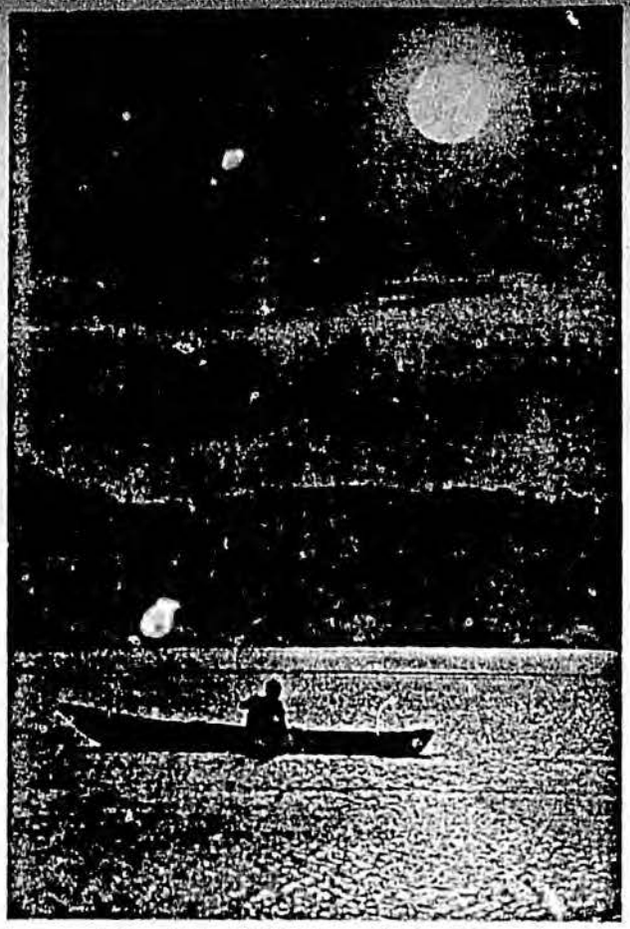
The evaluation of bids for major contracts was finalized during June, and in July recommendations by the Government of Laos for the award of contracts were approved by the Administrator, subject to availability of funds. In view of the high priority accorded to the Project, the Government of Laos requested the Bank to assist in the mobilization of additional financing to meet the cost overruns. In its capacity as Administrator, the Bank accordingly submitted proposals to Contributor Governments for the mobilization of additional funds.

By August, some uncertainties had emerged regarding the availability of funds for cost overruns and the financing gap left by the withdrawal of one contribution. Contributor Governments also raised various questions regarding the Project and arrangements for its implementation. The Government of Laos was requested to suspend further action on procurement pending consultations. At

REGIONAL ACTIVITIES IN 1975	Amount $
International Rice Research Institute	300,000
Outreach Programs in Vegetable Research in Korea, Philippines and Thailand	390,000
ADB-PIM/PICIC/IDBP Regional Training Program on Development Banking	94,950
Seminar on Harbor Management and Planning	47,000
Updating the Asian Agricultural Survey	32,000
Asian Productivity Organization's Sixth Project Feasibility Study Training Course (Contribution)	30,000
Fish Market Study	49,000
TOTAL	942,950



Sea Water Desalting Project will come into operation in mid-1976 and will provide Hong Kong's reservoirs with up to 40 million gallons of fresh water daily.



Laguna de Bay in the Philippines, where a comprehensive development scheme will attack environmental problems and improve water use and irrigation.

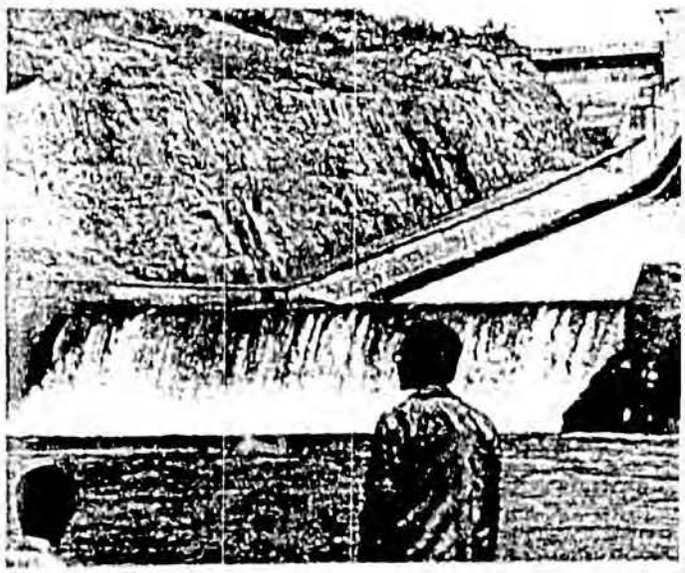
the request of the Government of Laos, a meeting of Contributors was convened by the Administrator on 17 September in Manila. Australia, Canada, France, the Federal Republic of Germany, India, Japan, Laos, the Netherlands, New Zealand, Switzerland, Thailand, and the United Kingdom, together with the Mekong Committee, attended the meeting. Necessary assurances were provided by Laos and Thailand regarding various aspects of Project implementation, including the sale to Thailand of surplus energy from Nam Ngum. The meeting was adjourned on 18 September to allow Contributor Governments sufficient time to finalize their offers of additional contribution and was reconvened in Manila on 8 October.

At the resumed meeting, Laos and Thailand confirmed the signing of a new sales price agreement, effective as of 12 October 1975, for the export of energy from the Project to Thailand. The new price will substantially enhance the financial and economic viability of the Project, as well as the foreign exchange earnings of Laos.

New offers of contributions, some subject to government and/or legislative approval, were made or confirmed by Australia, France, the Federal Republic of Germany, India, Japan, the Netherlands, New Zealand and Switzerland. In addition, Canada agreed to untie its contribution to the Fund. Following the meeting, the Government of Laos proceeded with the award of contracts. By the end of October, all major contracts to be financed out of the Fund and one major contract to be financed bilaterally by the Federal Republic of Germany had been awarded and the implementation of the Project was proceeding on schedule. At year-end, the total estimated Project cost was approximately $38.6 million.

A **Regional Training Program on Development Banking** (the Bank's third) was held in Karachi, Pakistan, from 27 October to 6 December, in collaboration with the Pakistan Institute of Management, the Pakistan Industrial Credit and Investment Corporation Ltd., and the Industrial Development Bank of Pakistan. An amount of $94,950 was provided by the Bank for the Program. Twenty-two professional staff from 15 DFIs belonging to eight member countries attended the Program, which was geared to needs at the project officer level and covered all aspects of the project cycle relating to small and medium-sized industrial projects, with particular emphasis on the financial, marketing and economic aspects of project appraisal. Emphasis was also given to project implemen-

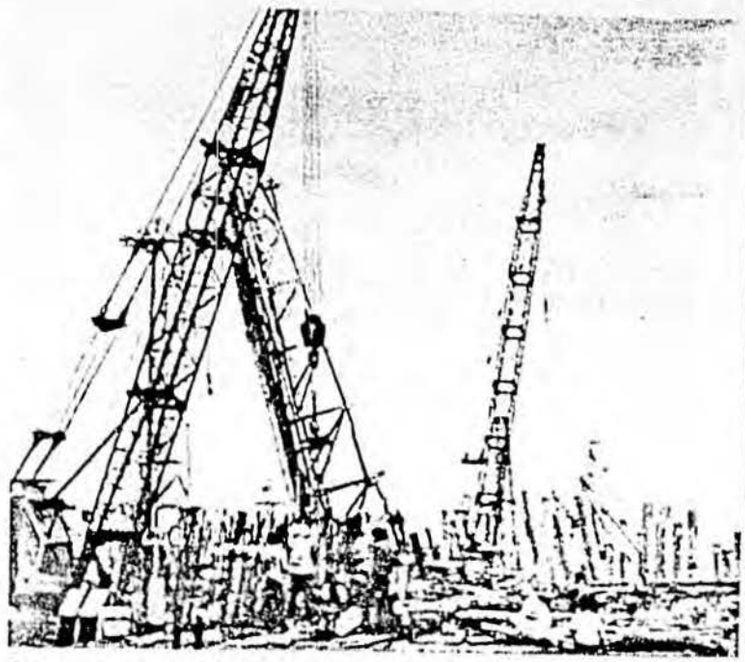
Spillway of the Nam Ngum Dam in Laos. The Bank is Administrator of the Second Nam Ngum Development Fund.



tation and follow-up aspects. The three regional programs on development banking so far organized by the Bank have helped train 63 staff members from 29 DFIs in 16 member countries.

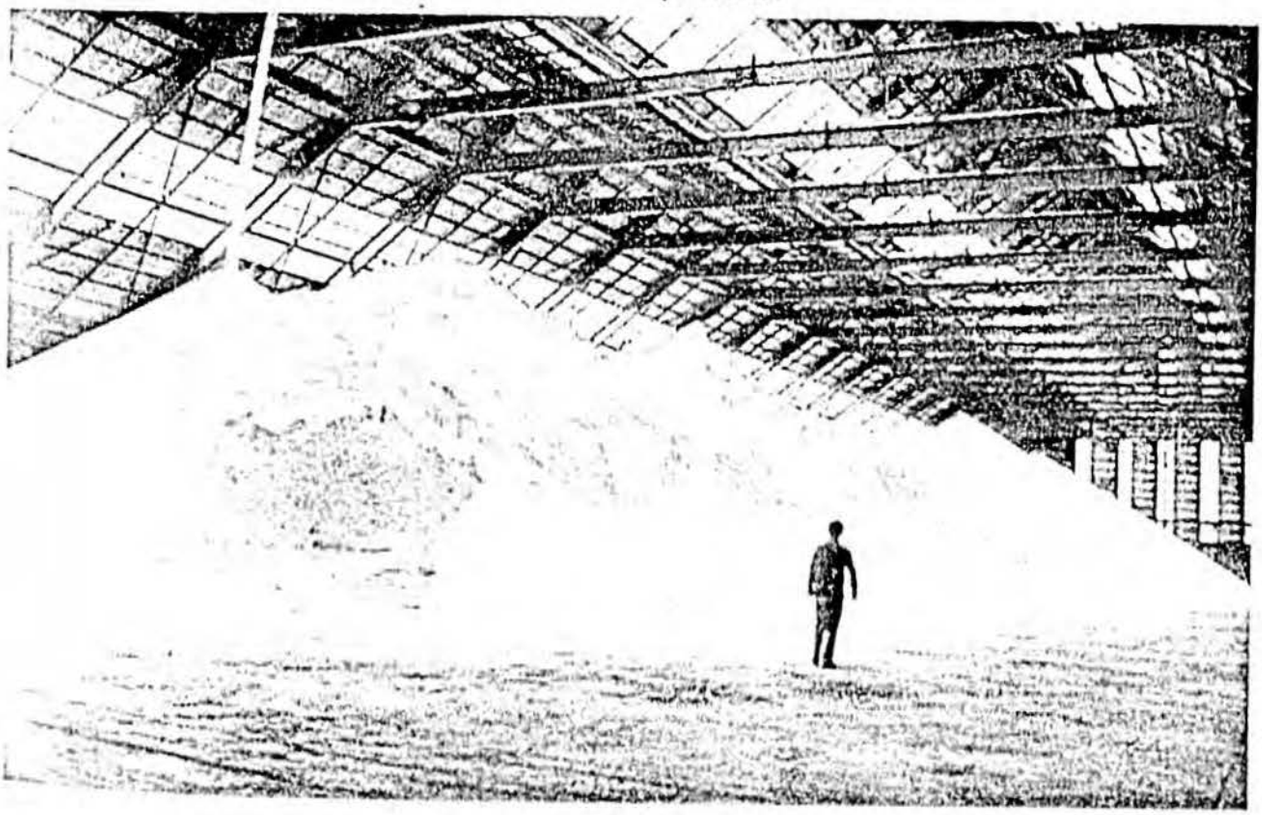
The Bank and the Foundation for International Development of the Federal Republic of Germany jointly sponsored a 26-day Seminar on **Harbor Management and Planning** at the Headquarters of the Bank in September. The Seminar was attended by representatives of the major port organizations of nine DMCs: Bangladesh, Burma, Fiji, Indonesia, Republic of Korea, Malaysia, Philippines, Sri Lanka and Thailand. There were four major discussion areas—organizational aspects of harbor management, financial aspects of harbor management, physical aspects of port operations, and harbor planning. Case studies were used as a basis for discussion and each participant presented a paper dealing with his own port and the individual problems associated with it. The exchange of ideas centered around these problems and possible solutions. As a result of the realization of common interests created by the Seminar, it was decided to pursue the possibility of developing regional cooperation among the various port organizations on a permanent basis, in the form of a regional ports and harbors association.

Arising out of past activities, the Bank was represented at a meeting in May 1975 to discuss the implementation of the projects identified by the **Asian Industrial Survey for Regional Cooperation**. The Survey had been sponsored by ESCAP and the Bank had contributed $200,000 in 1971 towards the cost of the Survey.



Expansion of wharf facilities to serve Singapore's industrial estate of Jurong.

Petrochemical project in the Republic of Korea. The Hankook Caprolactam Corporation's plant has now begun production.



Interagency Cooperation

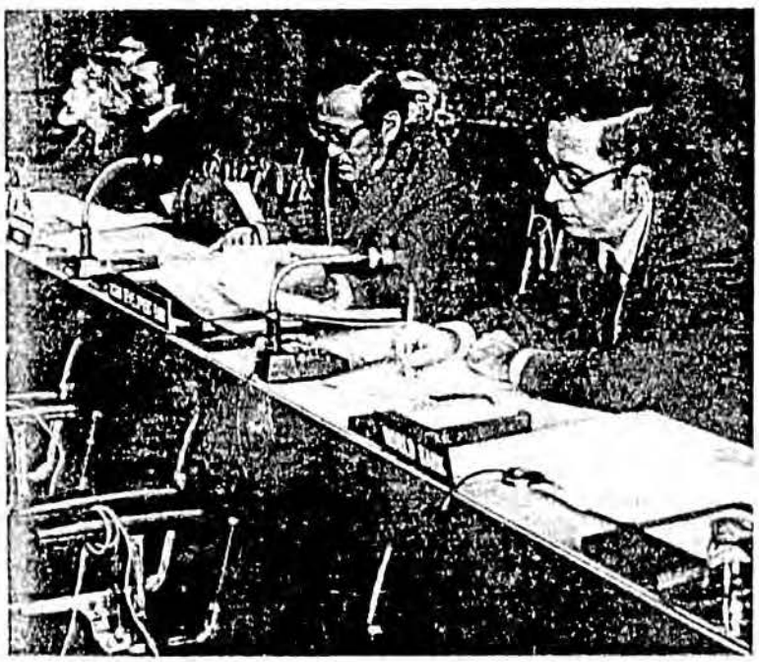
The progress made in 1975 in establishing new aid instrumentalities to assist developing countries underlined the importance of multilateral and bilateral co-operation to meet the needs of the developing world.

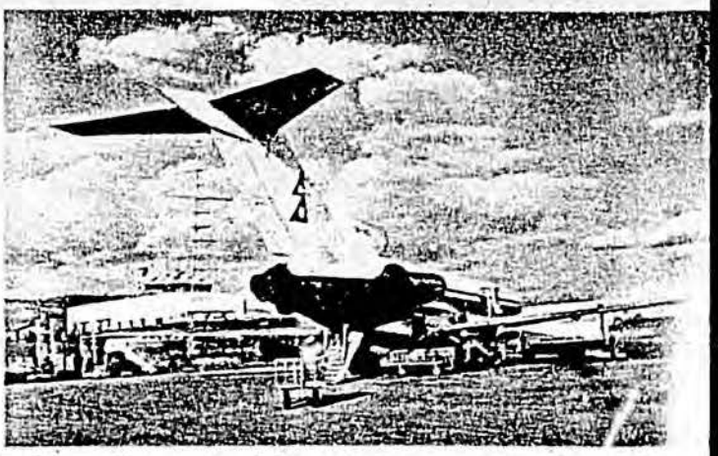
As opportunities occurred, the Bank made known, in the various forums in which these new aid initiatives were being fashioned, its interest in and capabilities for undertaking an expanded role in international development efforts, especially in the vital area of food production, in which the establishment of the International Fund for Agricultural Development could have a significant impact. The efforts of the Development Committee of the World Bank and the IMF in bringing attention to bear on the extent of the needs of the developing countries—and especially those least developed and most seriously affected by recent economic adversities—were particularly valuable.

As is customary on the occasion of the World Bank-IMF Annual Meeting, the President of the Bank and the Presidents of the African Development Bank and the Inter-American Development Bank met to discuss matters of common interest to the three regional Development Banks.

The Bank continued to maintain close cooperation with other aid institutions operating in the Bank's region, especially the World Bank and the UNDP. The practical benefits of the continuing close relations with the World Bank included co-financing of a large project and joint efforts towards aid coordination.

The International Fund for Agricultural Development working group meeting in Rome in October was attended by an observer from the Bank.





Tribhuvan International Airport in Nepal, which is being upgraded to improve airport infrastructure and facilitate tourism. UNDP is contributing funds for technical assistance, with the Bank as Executing Agency.

International Bank for Reconstruction and Development (IBRD)

During the year, frequent visits and exchange of information with respect to operational policies and activities and country economic developments took place with the World Bank. The Bank was represented as an observer at the aid coordination meetings sponsored by the World Bank for Bangladesh, the Republic of Korea, Pakistan, the Philippines, Sri Lanka and Thailand, and joined with the World Bank in convening a meeting of potential donors to Laos (see page 10). The Bank and the World Bank, together with bilateral sources, co-financed the Ashuganj Fertilizer Project in Bangladesh; the financing package for this Project included a Special Funds loan of $30 million from the Bank and an IDA credit of $33 million.

United Nations Development Programme (UNDP)

The Bank further strengthened its cooperation with UNDP during the year. There were frequent consultations and exchanges of information both at Headquarters and in the field. The Bank agreed to act as the Executing Agency for six technical assistance projects involving UNDP contributions totalling $2,838,600. The six projects comprised: the South East Sulawesi Transmigration Area Development Project ($495,600) and the Bandung Urban Development and Sanitation Project ($1,163,000) in Indonesia, the Nakdong River Basin Development Project in the Republic of Korea ($300,000), the Reconstruction and Development Programming Project in Laos ($320,000), the Tribhuvan International Airport Project in Nepal ($250,000), and the Luzon Roads Feasibility Study Project in the Philippines ($310,000)[1]. In the Tribhuvan International Airport Project, the Bank collaborated with UNDP for the first time in the financing of the implementa-

1 Actual financing by UNDP for some of these projects may be different from the figures indicated above, as a result of the financial review of UNDP's program resources currently being carried out

tion phase of a development project—with the Bank providing capital assistance and UNDP technical assistance. The Bandung Urban Development and Sanitation Project will be the Bank's first joint effort with UNDP in the field of urban development.

Up to the end of 1975, the Bank had undertaken the Executing Agency function for a total of 14 projects[1] involving financing by UNDP of $6,682,900[2]; four of these projects costing $1,645,000 were approved in 1974.

Food and Agriculture Organization (FAO)

The Bank continued its association with FAO in project activities in terms of the Interim Arrangements for Co-operative Action established in 1968. Six FAO specialists were engaged to study the feasibility of establishing a modern seeds industry in Afghanistan. FAO will be the executing agency for a Fish Market Study which is expected to have an important bearing on the development of the fisheries sector in the region. Following its association with FAO on the National Food Security study in the Philippines in 1974, the Bank was associated with a similar study in Bangladesh in 1975. The Bank also participated in the Eighth Session of the Intergovernmental Group on Hard Fibers and in the Sixth Session of the Regional Commission on Farm Management for Asia and the Far East, both held in Manila under FAO's auspices.

Mekong Committee[3]

Bank representatives attended the 68th Session of the Mekong Committee held in Vientiane in February and the 69th Session held in New Delhi in March. Political changes in several of the Committee's member countries, which took place subsequent to these sessions, led to some uncertainty regarding the Committee's activities.

As of the end of 1975, the Bank had committed $8.81 million in loans and technical assistance for three projects: the Tha Ngon Agricultural Development Project in Laos, the Nong Wai Pioneer Agricultural Project in Thailand, and the Go Cong Pioneer Agricultural Project in South Vietnam, which form part of the Committee's program of Pioneer Agricultural Projects. Discussions took place with the Government of Laos regarding future arrangements for implementation of the Casier Sud Pioneer Agricultural Project in Laos, the studies for which were carried out under the supervision of the Bank (as a delegated Executing Agency for the World Bank with UNDP financing).

The Bank, in cooperation with the Mekong Committee, donor countries, and Laos and Thailand, continued to function as Administrator of the Second Nam Ngum Development Fund (see page 23).

1 Three of these projects have not yet been formally approved by UNDP.

2 In addition, UNDP had contributed $1,142,430 towards the cost of the Bank's Southeast Asian Regional Transport Survey and $60,000 for the Southeast Asian Agency for Regional Transport and Communications Development (SEATAC).

3 Committee for Coordination of Investigations of the Lower Mekong Basin.

Loan and Technical Assistance Approvals[4]—1975

AFGHANISTAN

Technical Assistance

KAMA IRRIGATION AND POWER PROJECT

$185,000 for the preparation of a combined irrigation and power project in the Kama area.

SEEDS PROJECT

$49,000 for financing an evaluation of the feasibility of establishing and developing a seeds industry. FAO experts are conducting the study and the balance of the foreign exchange costs is being borne by the Food and Agriculture Organization (FAO).

BANGLADESH

Loans

ASHUGANJ FERTILIZER PROJECT

$30 million from Special Funds for the construction of an ammonia/urea plant with a capacity of about 925 metric tons per day of ammonia and 1,600 metric tons per day of prilled urea, together with the provision of supporting services. The International Development Association ($33 million), the Federal Republic of Germany (DM30 million), Iran ($15 million), Switzerland (SwF20 million), the United Kingdom (£8 million), and the United States ($30 million) are co-financiers.

AGRICULTURAL CREDIT PROJECT

$9.43 million from Special Funds to be channelled through the Bangladesh Krishi Bank for the provision of institutional credit facilities to farmers for about 5,500 shallow tubewells and about 50 power tillers, and for the provision of fertilizers, seeds and other agricultural inputs.

GREATER DACCA GAS DISTRIBUTION PROJECT

$12.2 million from Special Funds for the expansion of gas distribution facilities to serve 37,550 new customers in the Greater Dacca area and the repair of a tubing leak in one production well at the Titas gas field. The Project will also provide customers with in-house connections and, in the case of industrial consumers, with the conversion equipment to shift from use of petroleum products to natural gas.

Technical Assistance

PREPARATION OF AGRICULTURAL CREDIT PROJECT

$48,500 for the formulation of an agricultural credit project. This technical assistance led to the Agricultural Credit Project loan (see above).

SERAJGONJ INTEGRATED RURAL DEVELOPMENT PROJECT

$325,000 for formulating an integrated rural development plan for the Serajgonj district in northwestern Bangladesh.

4 Loans are made from ordinary capital resources unless otherwise specified. Technical Assistance is provided on a grant basis.

AGRICULTURAL CREDIT PROJECT
$350,000 to provide the Bangladesh Krishi Bank with a team of experts in organization and management, agricultural economics, agricultural engineering, and accounting and auditing; approved in conjunction with the loan for the Agricultural Credit Project (see page 27).

GREATER DACCA GAS DISTRIBUTION PROJECT
$200,000 for providing the services of an organization and management expert to the Titas Gas Transmission and Distribution Company; approved in conjunction with the loan for the Greater Dacca Gas Distribution Project (see page 27).

BURMA

Loans

JUTE MILL PROJECT
$25.3 million from Special Funds for the establishment of a jute mill with an annual capacity of 15 million jute bags, 5 million yards of hessian cloth and 500,000 lbs. of twine.

POWER TRANSMISSION (SUPPLEMENTARY) PROJECT
$6.1 million from Special Funds to meet the foreign exchange component of the cost overrun in the project approved in December 1973 for establishing 230 miles of 66 kV transmission lines and five 66/11 kV substations to transmit power generated by the Kyunchaung and Myanaung gas turbine stations to load centers along the west bank of the Irrawaddy River. The Power Transmission Project is the first power project in Burma to be undertaken with multilateral financing.

Technical Assistance

FOREST INDUSTRIES PROJECT
$98,000 for the preparation of a feasibility study of the forestry industry in Upper Burma, covering logging, transport and sawmilling operations.

SEDAWGYI MULTI-PURPOSE PROJECT
$49,000 to review the layout and designs for the Sedawgyi Dam, the power station and ancillary structures.

HONG KONG

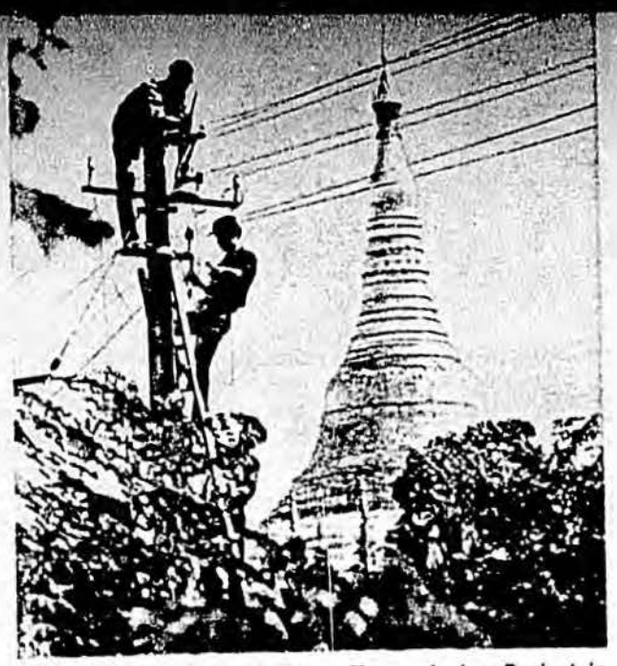
Loan

SHA TIN SEWAGE TREATMENT PROJECT
$20 million for the construction of Stage I of a sewage treatment works to service the needs of the Sha Tin New Town.

INDONESIA

Loans

JAVA FISHERIES PROJECT
$13.2 million for modernizing the fishing fleet, improving fish catching equipment and fishing methods and marketing, and constructing a cold storage plant, to increase the supply of fish to Central and West Java. The fisheries expansion program is aimed especially at providing fish to low-income consumers.



Work proceeds on the Power Transmission Project in Burma.

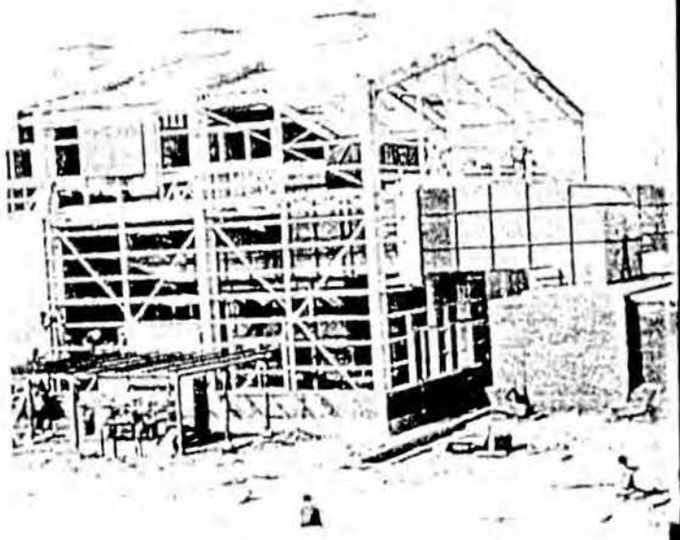
GOHOR LAMA PALM OIL PROCESSING PROJECT
$11.3 million for the expansion of palm oil processing facilities, including the construction of a new mill and provision of transportation facilities. The Project, located at Gohor Lama in North Sumatra, was formulated under technical assistance provided by the Bank in 1974.

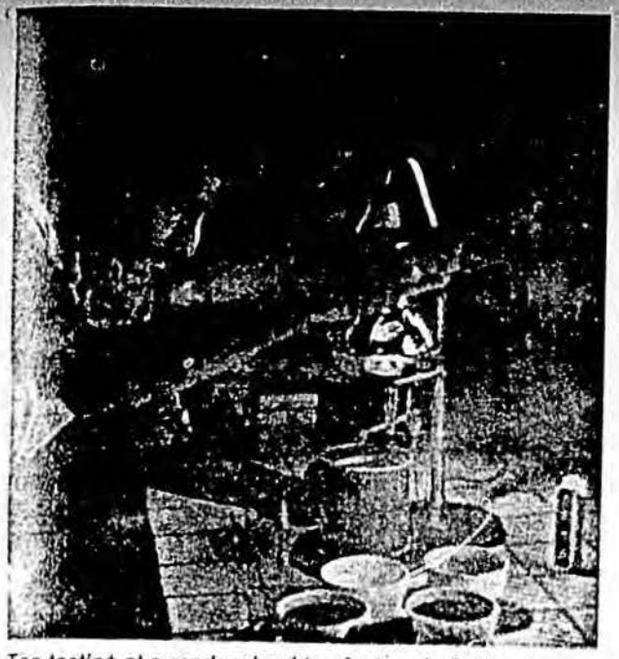
KARANGSAMEUNG MULTI-PURPOSE PROJECT
$2.9 million (engineering loan) for the preparation of a feasibility study, engineering design and tender documents for the Karangsambung Multi-Purpose Project in south Central Java, which would include a dam and afterbay, irrigation and drainage, flood control, a hydropower station and transmission lines.

GARUNG HYDROELECTRIC PROJECT
$19.8 million for the construction of a 24 MW hydroelectric power plant at Garung in Central Java together with a 70 km. transmission line.

TELUK LADA AREA DEVELOPMENT (PHASE 1) PROJECT
$12.2 million for the integrated area development of the Teluk Lada Plain, 120 km. west of Jakarta, including

Power station under construction in the Bheramara Kushtia District, Bangladesh, a part of the West Zone Power Project.





Tea-testing at a modernized tea factory in Sri Lanka.

irrigation of 6,300 hectares, on-farm agricultural development through pilot schemes, soil conservation, reforestation in catchment areas, road improvement and development of village water supplies.

BELAWAN AND SURABAYA PORTS (PHASE 1) PROJECT

$4.35 million (engineering loan) to provide consultant services for the preparation of detailed engineering designs and tender documents for the first-stage expansion of Surabaya Port in East Java and Belawan Port in North Sumatra.

SURABAYA INSTITUTE OF TECHNOLOGY PROJECT

$14.5 million for the development of the Surabaya Institute of Technology through improvement of teaching faculties, construction of an integrated campus, staff development through a fellowship training program, and establishment of an academic link with an overseas university for curricula development and academic upgrading.

Technical Assistance

SOUTH EAST SULAWESI TRANSMIGRATION AREA DEVELOPMENT PROJECT

$495,600, expected to be financed by UNDP, with the Bank acting as Executing Agency, for a feasibility study for infrastructure, agricultural development and social services for the support of 20,000 families from overcrowded islands, such as Java, Madura and Bali, who will be resettled in South East Sulawesi.

BANDUNG URBAN DEVELOPMENT AND SANITATION PROJECT

$1,163,000, expected to be financed by UNDP, with the Bank acting as Executing Agency, for the preparation of a Master Plan and a feasibility study for the first phase of urban development, including expansion of the sewerage, drainage and waste disposal system, for Indonesia's third largest city.

SMALLHOLDER DEVELOPMENT PROJECT

$161,000 for the preparation of a feasibility study of a smallholder development project for oil palm plantations in North Sumatra.

KARANGSAMBUNG MULTI-PURPOSE PROJECT

$100,000 in conjunction with the engineering loan (see page 28).

BELAWAN AND SURABAYA PORTS (PHASE I) PROJECT

$100,000 to cover part of the cost of hydraulic investigations at Belawan Port, approved in conjunction with the technical assistance loan for this Project.

KOREA, REPUBLIC OF

Loans

SAMRANGJIN PUMPED STORAGE PROJECT

$1 million (engineering loan) to the Korea Electric Company to finance a feasibility study, detailed design and preparation of tender documents for construction of a pumped storage power plant near Samrangjin.

MACHINERY MANUFACTURING PROJECT

$17.5 million to the Korea Development Bank for on-lending for the establishment of integrated facilities for design and manufacturing of industrial and construction machinery by Hyundai International, Inc. at Gunpo near Seoul.

ROAD IMPROVEMENT PROJECT

$43 million for the improvement to two-lane paved standard of 11 sections of national highway and one provincial road, totalling approximately 410 km., and construction and replacement of bridges.

KOREA DEVELOPMENT BANK (FOURTH) PROJECT

$40 million as a fourth line of credit to the Korea Development Bank, for augmenting its foreign exchange resources to enable it to meet the medium- and long-term credit requirements of private industrial enterprises.

Technical Assistance

SAMRANGJIN PUMPED STORAGE PROJECT

$100,000 in conjunction with the engineering loan described above.

NAKDONG RIVER BASIN DEVELOPMENT PROJECT

$300,000, to be financed by UNDP, with the Bank acting as Executing Agency, for a feasibility study for the development of the Nakdong River Basin.

LAOS

Technical Assistance

THA NGON AGRICULTURAL DEVELOPMENT (SUPPLEMENTARY) PROJECT

$57,000 to cover price escalations and additional consultant services under the Tha Ngon Agricultural Development Project.

RECONSTRUCTION AND DEVELOPMENT PROGRAMMING PROJECT

$320,000, to be financed by UNDP, with the Bank acting as Executing Agency, for the provision of experts to prepare a list of priority projects for external assistance.

MALAYSIA

Loans

TENOM PANGI POWER PROJECT

$1.198 million (engineering loan) to Lembaga Letrik Sabah for the preparation of detailed designs, specifications and tender documents for the construction of a hydroelectric power station on the Padas River and transmission facilities in Sabah.

THIRD SARAWAK ELECTRICITY SUPPLY PROJECT

$22.7 million as a third loan to the Sarawak Electricity Supply Corporation for the construction of a power station, provision of five diesel generating sets with a total capacity of 52 MW, construction of a 33 kV transmission system and provision of consultant services.

JERANGAU-JABOR DEVELOPMENT ROAD PROJECT

$23.7 million for the construction of approximately 68 miles of trunk road and 40 miles of feeder roads in the Trengganu Tengah development area on the east coast of Peninsular Malaysia and to finance the services of eight experts to strengthen the planning, coordination, implementation and monitoring capabilities of the Trengganu Tengah Development Authority, responsible for the agricultural development of the area.

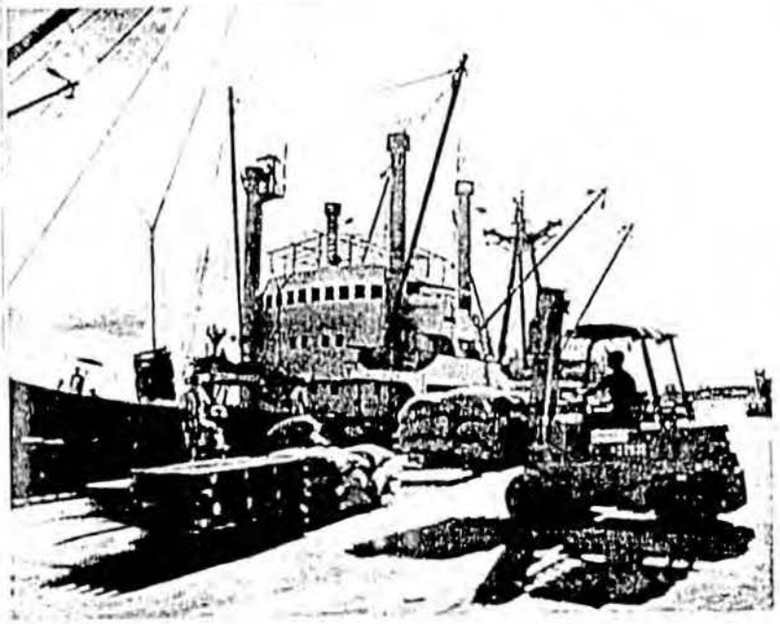
NEPAL

Loans

JUTE DEVELOPMENT (SUPPLEMENTARY) PROJECT

$0.53 million from Special Funds to meet the foreign exchange component of a cost overrun on the Jute Development Project approved in 1970. The Project is an integrated program for improving the quality of both raw jute and manufactured jute products.

Kuching Port in East Malaysia, where port facilities have been expanded.



TRIBHUVAN INTERNATIONAL AIRPORT PROJECT

$10 million from Special Funds for rehabilitation of the existing runway and taxiway; preparation of a long-term program for location of the various terminal buildings at the airport and detailed engineering designs for the buildings that will have priority for construction to meet traffic needs until 1985; and provision of consultant services.

GANDAK-HETAUDA POWER (SUPPLEMENTARY) PROJECT

$2.5 million from Special Funds to meet the foreign exchange component of a cost overrun on the Gandak-Hetauda Power Project approved in 1972.

SECOND POWER PROJECT

$3.8 million from Special Funds for the construction of the Bharatpur-Pokhara transmission line, associated substation and consultant services for project implementation, and for the second phase of a study of the power sector (see also technical assistance below).

Technical Assistance

DHANGARHI GROUNDWATER DEVELOPMENT PROJECT

$200,000 for the provision of expert services for the preparation of the Dhangarhi Groundwater Development Project in western Nepal.

JUTE DEVELOPMENT PROJECT

$90,000 to finance consultant services for the development of a Jute Research Center; approved in conjunction with the loan for the Jute Development (Supplementary) Project (see above).

TRIBHUVAN INTERNATIONAL AIRPORT PROJECT

$250,000, to be financed by UNDP, with the Bank acting as Executing Agency, for the provision of expert services to assist in the implementation of the Tribhuvan International Airport Project.

SECOND POWER PROJECT

$230,000 for consultant services for the first phase of a study of the power sector, in conjunction with the Second Power Project (see above).

PAKISTAN

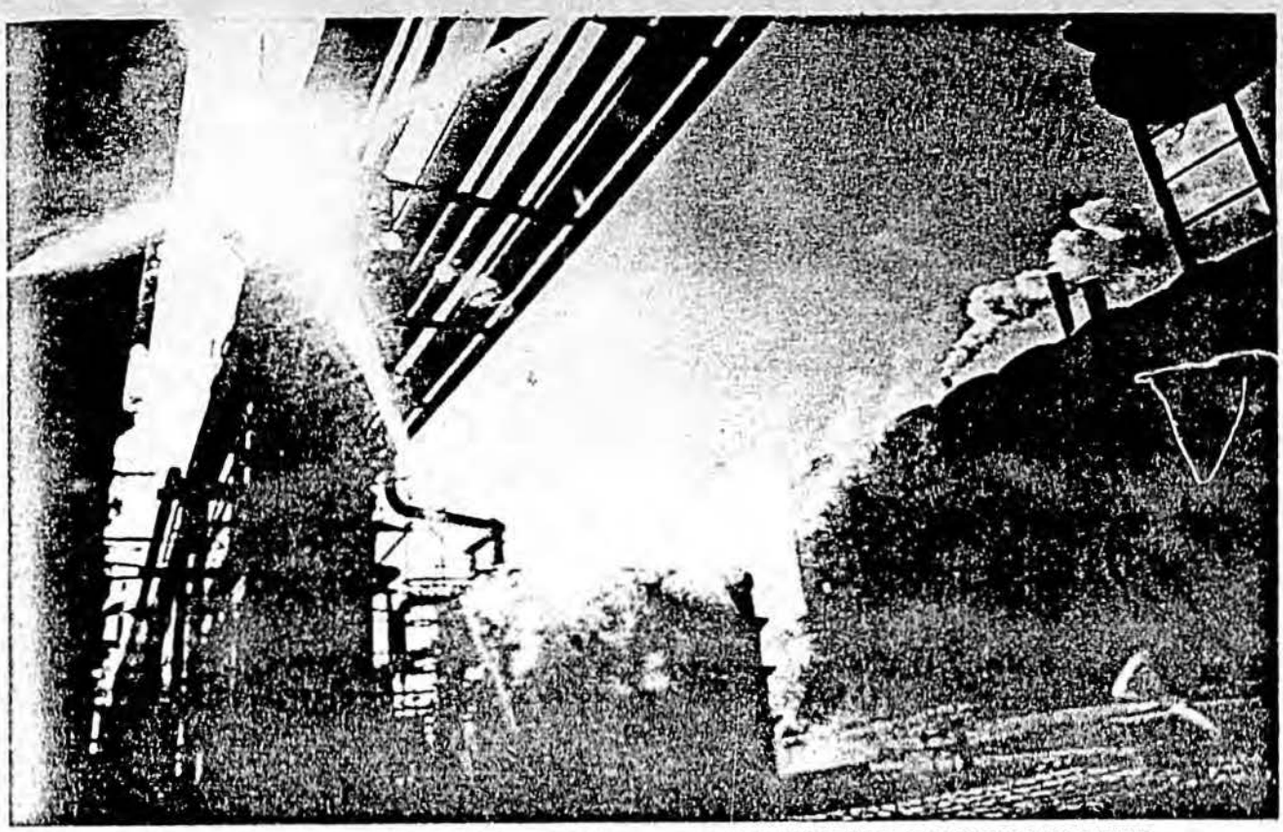
Loans

GAS TURBINE GENERATION PROJECT

$22 million from Special Funds for the construction of a gas turbine generation station which will increase the installed capacity of the Karachi Electric Supply Corporation, Ltd. by about 90 MW.

MIRPUR MATHELO FERTILIZER PROJECT

$50 million, including $12 million from Special Funds, for the establishment of an integrated ammonia/urea fertilizer complex designed to produce 1,000 metric tons of ammonia and 1,740 metric tons of prilled urea per day. Saudi Arabia ($50 million) and the Saudi Fund for Development ($30 million) are co-financiers.



Fertilizer project at Multan, Pakistan, undertaken with parallel financing by the Bank and the World Bank.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN (THIRD) PROJECT

$25 million, as a third line of credit to the Industrial Development Bank of Pakistan to be used for relending to small and medium-scale private industrial and service enterprises.

Technical Assistance

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN PROJECT

$150,000 for consultant services to upgrade IDBP's economic evaluation, marketing analysis and loan supervision functions; approved in conjunction with the loan for the Industrial Development Bank of Pakistan (Third) Project (see above).

PAPUA NEW GUINEA

Technical Assistance

EAST SEPIK AGRICULTURAL DEVELOPMENT PROJECT

$300,000 for a feasibility study of an integrated agricultural development project in the East Sepik District.

PHILIPPINES

Loans

FIRST AND SECOND MINDANAO POWER (SUPPLEMENTARY) PROJECT

$22.7 million to the National Power Corporation to meet (in part) cost overruns on the First and Second Mindanao Power Projects approved in 1971 and 1972, respectively.

PULANGUI RIVER IRRIGATION PROJECT

$13.5 million for the construction of a 11,560-hectare gravity irrigation system with related agricultural services in Central Mindanao, and for a feasibility study of four high priority irrigation projects in Mindanao.

MINDANAO SECONDARY AND FEEDER ROADS PROJECT

$500,000 (engineering loan) for the preparation of a feasibility study of about 110 km. of secondary and feeder roads in Mindanao and preparation of detailed engineering design, specifications and tender documents for a project for the improvement of the roads that are found economically viable.

LAGUNA DE BAY DEVELOPMENT PROJECT

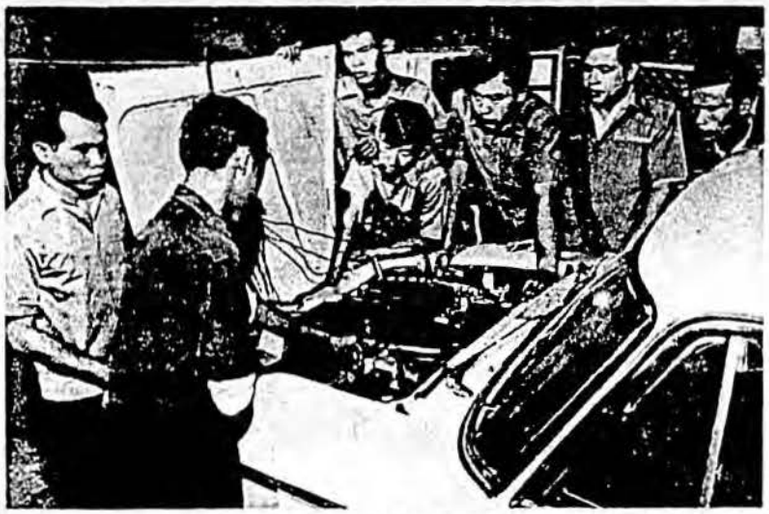
$27.5 million to prevent salinity and pollution, develop irrigation facilities in the watershed areas, and regulate and prevent further deterioration of the quality of water in Laguna de Bay in central Luzon, one of the largest lakes in Southeast Asia.

DEVELOPMENT BANK OF THE PHILIPPINES PROJECT

$25 million for augmenting the foreign exchange resources of the Development Bank of the Philippines to meet the medium- and long-term credit requirements of manufacturing and mining enterprises in the private sector.

PROVINCIAL CITIES WATER SUPPLY PROJECT

$16.8 million for improvements to public water supply facilities in five provincial water districts, including consultant services for detailed engineering design of a major



Automotive class at the National Institute of Skills Development in Bangkok, one of several vocational schools assisted by the Vocational Training Project.

dam and for a watershed reforestation and erosion prevention master plan in Cebu.

Technical Assistance

PULANGUI RIVER IRRIGATION PROJECT

$100,000 towards the feasibility study of four high priority irrigation projects approved in conjunction with the Pulangui River Irrigation Project loan (see page 31).

LUZON ROADS FEASIBILITY STUDY PROJECT

$310,000 to be financed by UNDP, with the Bank acting as Executing Agency, for a study of the economic and technical feasibility of the improvement of 500 km. of primary roads, together with about 200 km. of associated link and feeder roads, in southwestern and central Luzon.

MINDANAO SECONDARY AND FEEDER ROADS PROJECT

$100,000 in conjunction with the engineering loan for the Mindanao Secondary and Feeder Roads Project (see page 31).

LAGUNA DE BAY DEVELOPMENT PROJECT

$100,000 to finance part of the cost of the feasibility study for interceptor sewers and studies on water quality control and water management, in conjunction with the loan for the Laguna de Bay Development Project (see page 31).

SRI LANKA

Loan

UREA FERTILIZER PROJECT

$30 million from Special Funds for the construction and commissioning of a fertilizer plant with a capacity of approximately 540 metric tons per day of ammonia and 940 metric tons per day of urea. The Kuwait Fund for Arab Economic Development (KD7.5 million), the Federal Republic of Germany (DM60 million), and India (Rs. 100 million) are co-financiers.

THAILAND

Loans

MAE MOH POWER (SUPPLEMENTARY) PROJECT

$15 million to the Electricity Generating Authority of Thailand to cover (in part) the foreign exchange component of a cost overrun on the Mae Moh Power Project (approved in 1972) for the construction of a 75 MW lignite-fired thermal power plant, construction of a transmission line and expansion of a lignite mine at Mae Moh.

SECOND MAE MOH POWER PROJECT

$22.7 million to the Electricity Generating Authority of Thailand for the procurement and installation of a second 75 MW lignite-fired thermal power plant at Mae Moh.

INDUSTRIAL FINANCE CORPORATION OF THAILAND (THIRD) PROJECT

$20 million, as a third line of credit to the Industrial Finance Corporation of Thailand to meet the medium- and long-term credit requirements of private sector industries.

FISHERIES DEVELOPMENT PROJECT

$20 million for the modernization of the pelagic fishing fleet and the improvement of onshore facilities through the provision of fishing vessels, marine diesel engines, fishing gear, refrigeration and ice-making equipment, vehicles and consultant services.

WESTERN SAMOA

Loans

DEVELOPMENT BANK OF WESTERN SAMOA PROJECT

$1 million from Special Funds in the form of a credit line to enable the Development Bank of Western Samoa to meet the foreign exchange credit requirements of agricultural and industrial enterprises.

POWER (SUPPLEMENTARY) PROJECT

$1.4 million from Special Funds to meet (in part) the cost overrun in the Power Project approved in 1973, as a result of significant changes in power requirements, costs and other factors, thus requiring revision of the Project scope and implementation schedule.

Technical Assistance

DEVELOPMENT BANK OF WESTERN SAMOA PROJECT

$90,000 for the continued services of experts provided under earlier technical assistance, in conjunction with the loan to DBWS (see above).

POWER (SUPPLEMENTARY) PROJECT

$14,500 to supplement a technical assistance grant approved in 1973. The supplementary grant will finance additional services of a hydrological expert and equipment to augment the network of hydrometeorological stations.

ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Review of the Bank's Resource Position

AT THE EIGHTH Annual Meeting in April 1975, the Board of Governors adopted Resolution No. 84 on the Resources of the Bank, which noted the action of the Board of Directors in commencing an examination of the Bank's future resource requirements, including the need for an early replenishment of the Asian Development Fund[1] and for a further increase in the capital stock of the Bank, and requested the Board of Directors to report its findings and recommendations as soon as possible to the Governors.

Capital

The Bank's authorized capital stock was $3,676,351,625 on 31 December 1975. The subscribed capital was $3,201,544,328, having increased by $431,270,125 during the year as a result of: (i) subscriptions to special increases in the capital stock by three members and (ii) a subscription under the capital increase authorized by Resolution No. 46 adopted in November 1971.

Special increases in the capital stock amounted to $310,635,125, divided into 25,750 shares, with Indonesia (13,750 shares), Malaysia (5,000 shares) and the Republic of Korea (7,000 shares) accounting for the additional subscriptions[2]. Sixty-eight per cent of the amount subscribed was in callable shares and 32 per cent in paid-in shares, the latter payable in four equal annual instalments.

By the end of the year, 35 members had subscribed $1,587,037,870 to the capital increase authorized by the Board of Governors in Resolution No. 46; this included a partial subscription of the United States received in June. In addition to these 35 members, three members absorbed the capital increase in their initial subscriptions.

A further extension of time for subscribing to the increase in authorized capital stock, up to 31 December 1975, was approved in July[3].

Pursuant to the decision of the Board of Governors at the Eighth Annual Meeting, proposals for a further substantial increase in the ordinary capital of the Bank were under consideration at the end of the year.

Borrowings

During 1975, the Bank raised $322.8 million (equivalent) in eight borrowings, more than the total borrowings up to the end of 1974.

[1] See next chapter.

[2] Resolutions Nos. 79, 80 and 89 adopted on 5 March, 15 April and 30 June, respectively.

[3] Resolution No. 90 adopted on 25 July. Under Resolution No. 93 adopted on January 1976, a further extension of time to 30 June 1976 was approved.

Borrowings made during the year were as follows:

Two-Year United States Dollar Bonds

Two-year bonds of 1975 amounting to $70 million, with interest at 6.65 per cent per annum, were sold in April to central banks and government agencies of 21 regional members and eight non-regional members. In contrast to the two previous issues of two-year bonds offered in 1971 and 1973, the offer in 1975 was extended to non-regional members and the amount was increased from $20 million to $70 million.

Twenty million dollars of the bond issue constituted the roll-over of the second issue of two-year 6-3/4 per cent bonds totalling $20 million purchased by regional members in 1973. Certain of these regional members purchased increased amounts; other regional members subscribed to this issue for the first time, raising the total purchased by regional members to $36 million. Non-regional members subscribed $34 million.

Five-Year United States Dollar Notes

The Bank offered $75 million of Five-Year Notes in April in the United States. The Notes, with an 8-1/2 per cent coupon rate, were priced at 99 per cent with full maturity of five years. The Notes are listed on the New York Stock Exchange.

Borrowing from The Bank of Japan

In April the Bank entered into an agreement with The Bank of Japan to borrow ¥30,000 million. The Bank, at its option, can draw down from time to time amounts up to a maximum of ¥15,000 million in each 12-month period within the two-year period beginning 1 May 1975. The average maturity of the borrowing is 6-1/2 years. The interest rate for each withdrawal is to be fixed at the time of withdrawal, based on the then prevailing yield to original subscribers of Japanese Government Guaranteed Bonds.

During 1975, a drawdown totalling ¥15,000 million was made in five drawings of ¥3,000 million each. The interest rates were 8.64 per cent for the first two drawings, 8.5 per cent for the third drawing and 8.25 per cent for the last two drawings.

Borrowing in Saudi Arabian Riyals

The Bank borrowed SRIs 50 million from the Saudi Arabian Monetary Agency through a bond issue in April. The bonds were issued at par with an interest rate of 8 per cent per annum and a maturity of eight years, and are redeemable in four equal annual instalments from 1980 to 1983. This was the Bank's second borrowing in the Middle East and followed the borrowing in 1974 of Kuwaiti Dinar 5 million.

Public Bond Issue in Switzerland

The bond issue in July totalling SwF60 million was the Bank's second issue in the Swiss capital market. The bonds were offered to the public through a syndicate of

BORROWINGS IN 1975
(amounts in million)

	Issue	Amount in Currency of Borrowing	US$ Equivalent
Central Banks of Member Countries	6.65% 2-Year Bonds due 1977	US$70	70.00
United States	8¼% 5-Year Notes due 1980, Issue Price: 99%	US$75	75.00
The Bank of Japan	Drawn portion: 8.25% – 8.64%, Serial Obligations due 1982	¥15,000	49.75
	Undrawn Balance	¥15,000	49.75
Saudi Arabia	8% 8-Year Bonds due 1983, Issue Price: 100%	SRls 50	14.40
Switzerland	8% 15-Year Bonds due 1990, Issue Price: 99.5%	SwF 60	22.90
Switzerland	8¼% 5-Year Notes due 1980, Issue Price: 100%	SwF 10	3.80
Germany, Federal Republic of	8¼% 5-Year Bonds due 1980, Issue Price: 99.5%	DM 50	18.90
The Netherlands	8¼% 6-Year Loan due 1981	f. 50	18.30
TOTAL			322.80

Swiss banks headed by the Swiss Bank Corporation, at a price of 99.5 per cent with interest at 8 per cent payable annually, and a maturity of 15 years. The Bank undertakes to repay the bonds at par, without further notice, on 31 July 1990, at the latest. To the extent that the Bank can purchase bonds in the market at prices not exceeding the par value of the bonds, annual instalments of up to SwF3.5 million par value are scheduled for redemption in each of the years 1977 through 1989. The bonds are listed on the Stock Exchanges of Basle, Zurich, Geneva, Lausanne and Berne.

Private Placement in Switzerland

Following the public offering of bonds in Switzerland, a private placement was arranged by the Swiss Bank Corporation in October. The amount was SwF10 million with full maturity of five years, bearing interest at 8-1/2 per cent per annum payable annually.

Borrowing in Deutsche Mark

A private placement of DM50 million was arranged in November with Bayerische Vereinsbank, Munich, and Kredietbank Luxembourgeoise. The loan has a maturity of five years and bears interest at the rate of 8.5 per cent per annum. The German capital market had been closed for foreign issues since the end of July 1975 but was re-opened later in the year. The Bank, as an international financial institution of which the Federal Republic of Germany is a member, received priority in making this issue, which was its first borrowing in the German market since 1969.

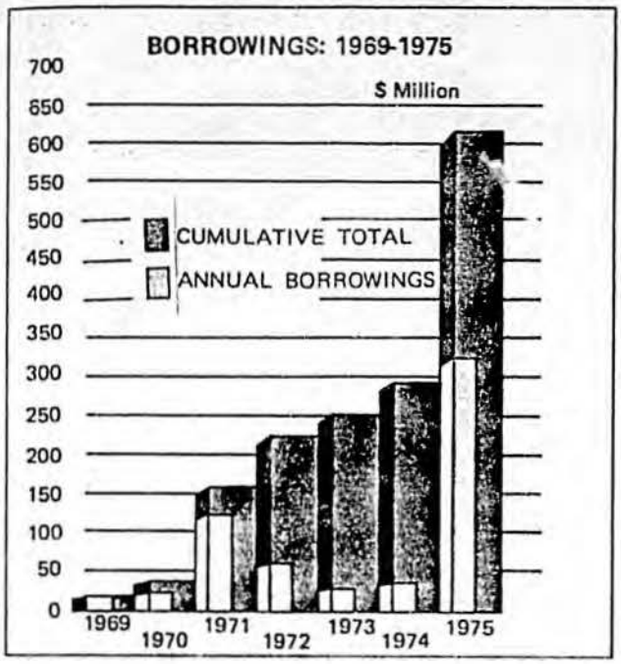
Borrowing in The Netherlands

The Bank made its first entry into the capital market of the Netherlands in November with a direct borrowing of Dutch Guilders 50 million from Amsterdam-Rotterdam Bank, N.V. The loan has a full maturity of six years and carries an interest rate of 8-7/8 per cent per annum payable semi-annually.

As of end of 1975 the Bank's borrowings since 1969 (excluding the Two-Year Dollar Bonds taken up by the central banks and government agencies of member countries) were spread between Japan, 40 per cent; United States, 24.8 per cent; Switzerland, 7.3 per cent; Federal Republic of Germany, 7 per cent; Austria, 4.3 per cent; Netherlands, 3.6 per cent; Italy, 3.4 per cent; Belgium, 1.6 per cent; and other countries including Middle East countries, 8 per cent.

Lending Rate

In February 1975, the Bank reviewed its lending rate and, having regard to the anticipated cost of new borrowings in the traditional world capital markets, raised the ordinary lending rate from 8-1/4 per cent to 8-3/4 per cent



per annum. For borrowing countries whose per capita GNP exceeded $850 at the end of 1972, the rate was fixed at 9-1/2 per cent per annum.

Loan Disbursements and Repayments

Loan disbursements from ordinary capital resources in 1975 amounted to $284.87 million, raising the total disbursements to $684.13 million. Loan repayments totalled $22.2 million, $21.37 million on loans held by the Bank and $0.83 million on portions sold to participants. Cumulative loan repayments reached $48.74 million, $43.39 million on loans held by the Bank and $5.35 million on portions sold to participants.

Member Currencies

In terms of the decision taken on 31 August 1972, the Bank adopted new exchange rates for most of the currencies used for translation in the accounts of the Bank and for the purpose of maintenance of value of capital subscriptions. Maintenance of value settlements were reached in regard to several currencies.

Loan Participations

Because of the relatively high rates prevailing in the United States and the Eurodollar capital markets, there was little interest in participations in the Bank's project loans. One participation for $800,000 was received for a project for which the Bank's upper interest rate of 9-1/2 per cent applied. When this loan becomes effective, accumulated participations will be $14.81 million, spread over 27 project loans.

During 1975, $3.32 million was collected from participants to meet loan disbursements and $0.83 million was repaid to participants.

Investments

At the end of the year, the Bank's investments—held in 21 currencies—amounted to the equivalent of $506.1 million, 27.7 per cent of which was held in government securities and government-guaranteed obligations of member countries and 72.3 per cent in time deposits and certificates of deposit of banks in member countries and with the Bank for International Settlements.

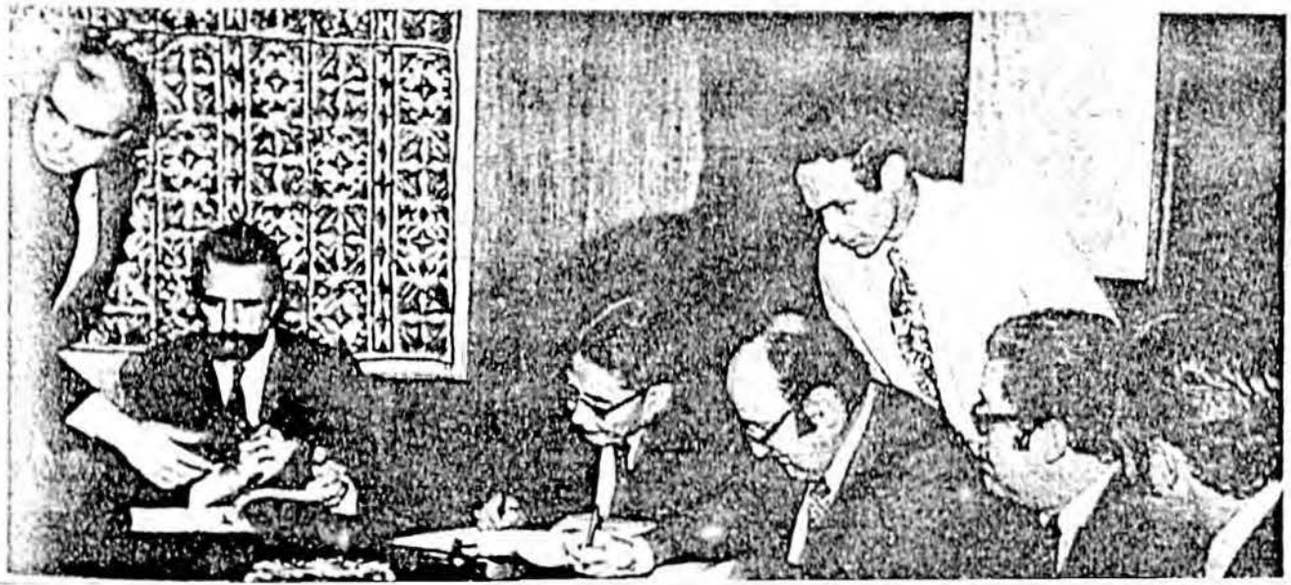
Of the total investments in government securities and government-guaranteed obligations of members, 16.9 per cent was invested in securities maturing within one year. Of the total investments in time deposits and certificates of deposit of banks in member countries and with the Bank for International Settlements, 50.2 per cent was invested in deposits maturing within one year and 49.8 per cent in deposits maturing after one year.

Income and Expenses

Gross income for the year was $80,913,444. After deducting $4,743,414 as commissions appropriated to Special Reserve to meet the Bank's liabilities on borrowings or guarantees, the unappropriated income for the year was $76,170,030.

Administrative Expenses for the year were $16,018,559, of which $4,005,000 was charged to Special Funds

Signing of documents at the Bank's Headquarters in November for a private placement of DM50 million.



INCOME AND EXPENSES
($ million—totals may not add because of rounding)

	1974 Actual	1975 Budget	1975 Actual	1976 Budget
I. ORDINARY CAPITAL RESOURCES				
1. Gross Income Net of Special Reserve	54.7	73.9	76.2	113.6
2. Less Expenses Charged to Ordinary Capital Resources, comprising:	8.9	12.5	12.7	15.9
a. Administrative Expenses[1]	8.7	10.3	12.0	13.6
b. Services to Member Countries	0.2	2.2	0.7	2.3
3. Residual Gross Income	45.8	61.4	63.5	97.7
4. Less Financial Expenses	19.1	31.0	31.6	65.7
5. Less Changes in Value of Currencies	0.3	—	7.4	—
6. Net Income	26.4	30.4	24.5	32.0
II. SPECIAL FUNDS RESOURCES				
1. Administrative Expenses Allocated to Special Funds Resources[1,2]	4.3	6.4	4.0	5.6
2. Expenses Charged to Technical Assistance Special Fund, comprising:	2.0	2.9	3.3	2.8
a. Administrative Expenses	0.5	0.6	0.6	0.5
b. Services to Member Countries	1.5	2.3	2.7	2.3
III. AGENCY TRUST FUNDS[3]				
Services to Member Countries	1.0	2.3	1.3	4.2

1 An Administration Charge to Special Operations was instituted in 1971 and modified effective 1973. The Charge is calculated on the basis of a formula for apportioning administrative expenses between ordinary capital and Special Funds resources.
2 Excluding the Technical Assistance Special Fund
3 Representing projects wherein the Bank acts as Executing Agency for UNDP.

resources as an Administration Charge to Special Operations. Net Administrative Expenses attributable to ordinary operations for 1975, therefore, were $12,013,559.

The cost of Services to Member Countries during the year, excluding $2,694,787 charged to the Technical Assistance Special Fund, was $713,996.

Financial expenses were $31,546,366.

Gross expenses for the year thus amounted to $44,273,921; consequently, income before changes in value of currencies amounted to $31,986,109. However, there was a sharp decline during the year in the value of most currencies relative to the current United States dollar, which is the Bank's unit of account. This accounted largely for a net loss of $7,352,466 on translation of currency holdings in excess of the respective maintenance of value ceilings.

Net income for the year was, therefore, $24,543,643, as shown in Appendix 1-II.

Accumulated Income and Ordinary Reserve

At the end of 1974, the Bank's Ordinary Reserve was $50,623,720. At the Eighth Annual Meeting, the Board of Governors allocated, pursuant to Article 40 of the Articles of Agreement, the net income of 1974 in the amount of $26,427,253, to the Ordinary Reserve, thereby increasing the Ordinary Reserve to $77,050,973. The net income for 1975 in the amount of $24,543,643 (see Section on Income and Expenses and Appendix 1-II), is available for allocation by the Board of Governors.

SPECIAL FUNDS

THE RESOURCES OF the Bank available for financing concessional loan commitments are administered in two Special Funds: the Multi-Purpose Special Fund (MPSF), established in 1968, and the Asian Development Fund (ADF), which came into operation in June 1974. Loans from these Funds, which are on standardized terms of 40 years maturity and a service charge of 1 per cent per annum, are made only to the poorest and least developed of the Bank's developing member countries (DMCs).

At the beginning of 1975, at prevailing exchange rates, the total resources in the two Funds amounted to $560.5 million. Of this, $315 million was held in the MPSF, consisting principally of contributions from ten developed member countries under bilateral arrangements in the early years of the Bank's operations, but including also an amount of $57.4 million set aside from the Bank's paid-in capital by actions of the Board of Governors. The balance of $245.5 million, held in the ADF, consisted of contributions made by 12 developed member countries under the First Stage of the initial ADF mobilization arrangements.

Consolidation of Resources

The main objective in establishing the ADF was to create a single Special Fund, operating on standard terms and conditions and consolidating all the resources made available for financing concessional loans. Substantial progress towards this goal was achieved in the course of 1975. At the Eighth Annual Meeting, the Board of Governors authorized the transfer of all set-aside resources from the MPSF to the ADF[1]. The Bank also entered into discussions with the ten contributors whose contributions were being administered in the MPSF for a transfer of these contributions to the ADF. Eight of these contributors agreed to such transfers, on the terms proposed by the Bank.

All of these transfer arrangements were implemented with effect from 1 October 1975. As of that date, the Multi-Purpose contributions of Belgium, Denmark[2], the Federal Republic of Germany, Italy, Japan, the Netherlands and the United Kingdom, and the resources set aside from the Bank's own capital, were transferred outright to the ADF. At the same time, the agreement of New Zealand to a progressive transfer to the ADF of its Multi-Purpose contribution as this was disbursed came into effect.

At year-end, the only contributed resources still retained in the MPSF were the initial contributions of Australia and Canada, totalling $37.2 million. Each of these contributions is wholly or substantially tied to procurement in the contributor's territory. However, the Government of Australia had indicated its intention to untie its contribution and so allow it to be transferred to the ADF as soon as necessary parliamentary authorization could be obtained. Arrangements were also being made with the Canadian Government which, when finalized, would lead to the early utilization of a portion of the Canadian contribution and the untying of the balance, thereby permitting the transfer of the balance of the contribution to the ADF.

Inflow of Resources

As against resources of $560.5 million, the total of the Bank's concessional loan commitments as of 31 December 1974 (net of cancellations) stood at $491.9 million. Accordingly, the Bank had only $68.6 million in hand at the beginning of 1975 for additional concessional loan commitments.

In the early months of the year, contributions totalling $53.2 million under the First Stage of the initial ADF mobilization arrangements were received from Belgium and the United States. This brought to 13[3] the number of developed member countries participating in the First Stage arrangements. However, these additional resources fell short of the amount needed by the Bank to finance its 1975 concessional lending program, which had initially been set at the level of $250 million. It was, therefore, particularly important for the Bank that the Second Stage of the initial ADF mobilization arrangements should come into operation in good time during the year.

The Second Stage arrangements contemplated contributions of up to $175 million (at exchange rates prevailing when the Resolution was adopted), allocated among all 17 of the Bank's developed member countries[4]. Fourteen of these countries had indicated an intention to contribute under the arrangements so authorized. Instruments of Contribution were to be deposited with the Bank on or before 30 June 1975, or such later date as the Board of Directors might determine, and would become effective only when a minimum of $130 million (equivalent) had been committed.

In June 1975, the Board of Governors decided to lower the minimum "trigger" amount to $94 million, so as to facilitate the release of contribution commitments to the Bank by the target date of 30 June[5]. By that date, the revised minimum amount was reached and surpassed, and by the end of the year 12 donor countries—Australia, Belgium, Canada, Denmark, Finland, Federal Republic of Germany, Japan, Netherlands, New Zealand, Norway, Switzerland and United Kingdom—had made the contributions allocated to them under the Second Stage arrangements. Contributions were expected from Italy and the United States, after the necessary legislative approval had been obtained.

All contributions to the MPSF and the ADF have been

1 Resolution No. 85 adopted on 20 April
2 A portion of the Danish Multi-Purpose contribution was reallocated to the Technical Assistance Special Fund
3 One further member country has indicated its intention to contribute under the arrangements
4 Resolution No. 68 adopted on 20 November 1973
5 Resolution No. 85 adopted on 20 June

made in the national currencies of the respective contributors, and none is subject to maintenance of value obligations. In the course of 1975, a significant depreciation occurred in the value of several major contributed currencies against the United States dollar, which is the Bank's unit of account and the unit in which its loan commitments are denominated. This, combined with the fact that the Bank did not receive all the contributions which had been expected in the course of 1975 under the ADF mobilization arrangements, meant that the resources actually available to the Bank to meet its lending targets were substantially less than had been anticipated when those targets were initially established. As of 31 December 1975, the total resources under administration in the two Funds were $692 million, representing an increase of only $131.5 million over the amount as of 31 December 1974.

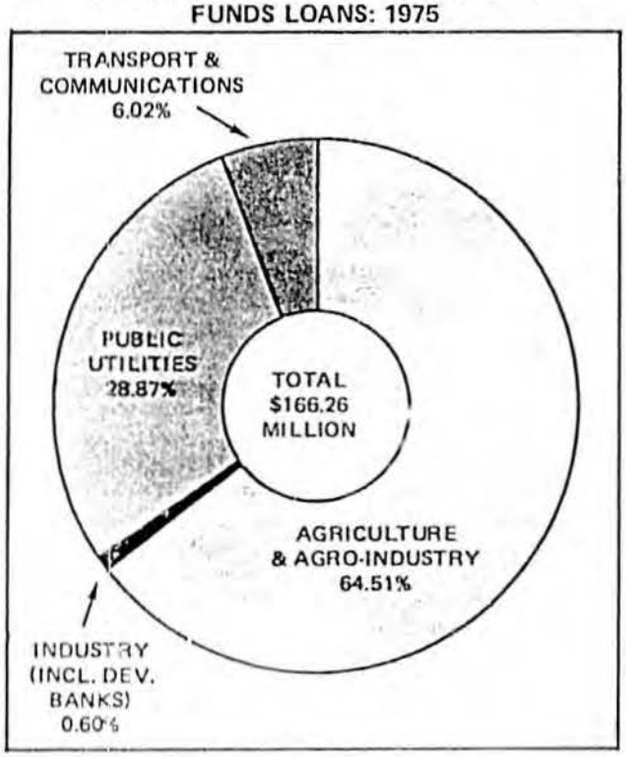
Utilization

The shortage of resources, together with the adverse effects of currency fluctuations, resulted in a curtailment of the operational program for concessional lending in 1975 to a level which was less than that achieved in 1974. In 1975, the Bank provided 14 concessional loans totalling $166.26 million ($172.86 million in 1974) to six countries. The major sectors assisted were agriculture and agro-industry, public utilities, and transport and communications. The country and sectoral distribution of Special Funds loans in 1975 is shown in the table on page 39. The total amount committed in loans (after allowing for exchange adjustments and cancellations and repay-

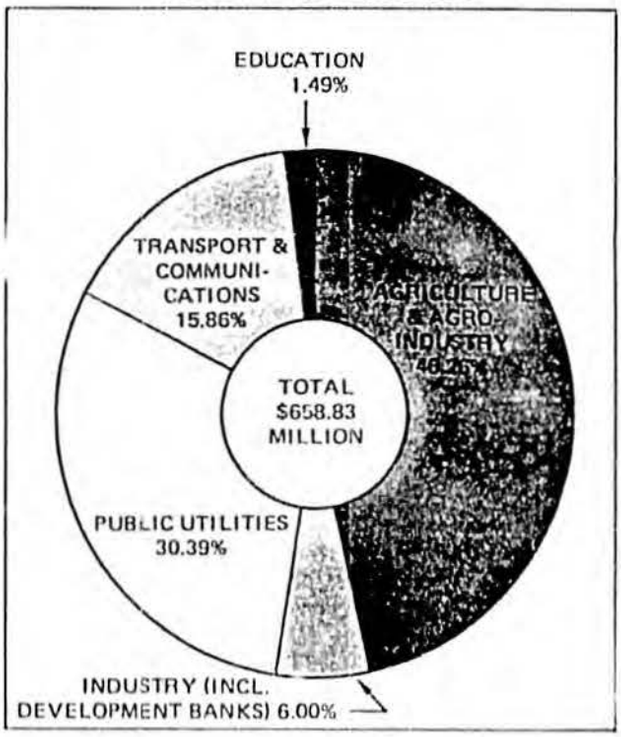
SPECIAL FUNDS LOANS APPROVED IN 1975
(amounts in $ million)

Country/Project	
BANGLADESH	
Ashuganj Fertilizer	30.00
Agricultural Credit	9.43
Greater Dacca Gas Distribution	12.20
BURMA	
Jute Mill	25.30
Power Transmission (Supplementary)	6.10
NEPAL	
Tribhuvan International Airport	10.00
Jute Development (Supplementary)	0.53
Gandak-Hetauda Power (Supplementary)	2.50
Second Power	3.80
PAKISTAN	
Gas Turbine Generation	22.00
Mirpur Mathelo Fertilizer	12.00
SRI LANKA	
Urea Fertilizer	30.00
WESTERN SAMOA	
Development Bank of Western Samoa	1.00
Power (Supplementary)	1.40
TOTAL	166.26

SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS: 1975



SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS: 1969-1975



COUNTRY AND SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS: 1969–1975
(amounts in $ million)

Country	No.	Amount	% Share	Agriculture & Agro-Industry	Industry (including Development Banks)	Public Utilities	Transport & Communications	Education
Afghanistan	3	34.05	5.17	19.15	—	—	14.90	—
Bangladesh	11	125.38	19.03	52.18	21.00	26.00	26.20	—
Burma	6	60.20	9.14	41.60	—	18.60	—	—
Cambodia	1	1.67	0.25	—	—	1.67	—	—
Indonesia	21	113.28	17.20	63.68	—	38.80	10.80	—
Korea, Republic of	1	3.70	0.56	—	—	—	—	3.70
Laos	4	11.69	1.77	0.97	—	10.72	—	—
Malaysia	1	3.30	0.50	3.30	—	—	—	—
Nepal	12	55.54	8.43	20.43	—	9.00	26.11	—
Pakistan	8	100.05	15.19	19.75	6.00	74.30	—	—
Papua New Guinea	2	14.30	2.17	—	4.50	—	9.80	—
Philippines	4	15.30	2.32	14.30	—	—	1.00	—
Singapore	1	3.00	0.46	—	—	—	—	3.00
South Vietnam	9	40.67	6.17	20.50	7.00	9.45	3.72	—
Sri Lanka	7	56.71	8.60	43.61	—	8.00	5.10	—
Thailand	2	8.10	1.23	5.00	—	—	—	3.10
Tonga	1	1.30	0.20	—	—	—	1.30	—
Western Samoa	7	10.59	1.61	0.33	1.00	3.70	5.56	—
TOTAL	101	658.83	100.00	304.80	39.50	200.24	104.49	9.80
Sectoral Percentages				46.26	6.00	30.39	15.86	1.49

ments) from the combined resources of the Multi-Purpose Special Fund and the ADF as of 31 December 1975 was approximately $651.1 million, leaving a total margin of uncommitted resources at year-end of only about $40.9 million.

Resource Requirement

The fact that the Bank had very limited resources available to finance further concessional loans as it commenced operations in 1976 emphasized the importance and urgency of effecting an early replenishment of the ADF. Early in 1975, the Board of Directors began an examination of the Bank's future resource requirements, with particular reference to the need for replenishment of the ADF. This action of the Board of Directors was endorsed by the Board of Governors at the Eighth Annual Meeting[1].

The purpose of the proposed replenishment is to obtain resources, through contributions to the Fund by developed member countries, sufficient to cover new concessional loan commitments during the three-year period 1976–78. Having regard to the serious difficulties being encountered by the poorest and least developed of its DMCs, and the very great need of such countries for assistance on highly concessional terms, it is the Bank's objective progressively to increase its concessional lending program during the period. This will require resources substantially greater than those mobilized in the three years ended 31 December 1975.

A meeting of potential donors was convened in Manila in April, in conjunction with the Eighth Annual Meeting, and was followed by consultations with concerned countries. As a result of these consultations, it was found that a realistic replenishment target would be in the vicinity of $830 million. Two further meetings were convened, in Washington in August and in Brussels in September. At the Washington meeting, which was in the nature of a preparatory session for the meeting in Brussels, potential donors were asked to consider specific arrangements for

1 Resolution No. 84 adopted on 26 April

STATUS OF SPECIAL FUNDS
(As of 31 December 1975)

Contributor	Amount of Contribution (US dollar equivalent[1])	
ASIAN DEVELOPMENT FUND		
Contributed Resources		
Australia	$ 22,798,098	
Belgium	6,859,670	
Canada	9,699,942	
Denmark	6,222,097	
Finland	3,603,584	
Germany, Federal Republic of	56,521,069	
Japan	314,821,553	
Netherlands	17,153,880	
New Zealand	5,136,186	
Norway	3,880,702	
Switzerland	7,633,588	
United Kingdom	35,540,996	
United States	100,000,000	$589,871,365
Set-Aside Resources		57,433,902
Supplementary Resources		
Italy		1,500,446
Accumulated Net Income		2,348,458
		651,154,171
MULTI-PURPOSE SPECIAL FUND		
Contributed Resources		
Australia	10,933,933	
Canada	26,244,902	37,178,835
Accumulated Net Income and Other Credits		3,628,965
Total Contributions and Set-Aside Resources		691,961,971
Commitments		651,074,336[2]
Balance		$ 40,887,635

1 Translated in US$ at the exchange rates used by the Bank on 31 December 1975.
2 Net of cancellations, repayments and exchange adjustments, aggregating $7,748,664.

a replenishment of $830 million, to be allocated among all developed member countries of the Bank. The Brussels meeting was attended by 15 countries. At its conclusion, 11 countries were able to indicate the intention of their governments, subject to any necessary legislative approval being obtained, to make the respective contributions proposed for each of them. In the negotiations with potential donors, the Bank was assisted by Sir John Chadwick, Special Adviser to the President.

A welcome feature in all the discussions with potential donors was their general acknowledgment that the need of the least developed of the Bank's DMCs for assistance on concessional terms is very great, and that the Bank has established that it is fully capable of putting to good use resources entrusted to it for the purpose of providing such assistance. The fact that it was possible in Brussels to reach agreement on a formula for further action was due, in no small measure, to the spirit of cooperation and willingness to compromise with which all participants approached the problems.

Following the Brussels meeting, Resolution No. 92 embodying the replenishment arrangements was adopted by the Board of Governors in December. The Resolution authorizes the Bank to accept contributions from the

Bank's developed member countries in the individual amounts specified and on the terms and conditions set out or referred to in the Resolution. The individual contributions so indicated total $830 million (equivalent). However, as some countries were unable at that stage to commit themselves to the amounts allocated to them, the Resolution incorporates a provision for adjustments in the individual amounts to be made at the Ninth Annual Meeting at the request of these concerned contributors.

One of the principles governing the ADF, as laid down by the Board of Governors in 1973 and subsequently incorporated in the Fund Regulations, is that contributions to the Fund should be authorized by the Board of Governors. The Resolution adopted in December 1975 constitutes the requisite authorization in the case of the replenishment. The Resolution incorporates two other principles which are also reflected in the Regulations, and which will accordingly apply to the Bank's administration and use of the contributions being sought. One principle is that, subject to the provisions of the Regulations, the resources will be freely available to finance loans to the less developed of the Bank's DMCs in accordance with lending policies and procedures determined by the Board of Directors. The other principle is that such resources may be used to finance procurement from all developing member countries, and from all developed member countries which have made contributions available on a reciprocally untied basis.

Technical Assistance Special Fund

During 1975, the Technical Assistance Special Fund (TASF) continued to be a valuable source of funds for the Bank's technical assistance operations. As of 31 December 1975, total contributions to the Fund amounted to $19 million, of which $9.9 million had been utilized.

During the year, commitments of further contributions were made by Pakistan–$40,000, the United Kingdom–£100,000 ($205,000), Canada–C$500,000 ($486,000), Denmark–DKr.750,000 ($121,000), and Japan–¥603,000,000 ($2,000,000). The contribution from Denmark was transferred from the MPSF.

The contribution of Pakistan is to be used for financing the services of Pakistani consultants and experts required by the Bank in its technical assistance operations generally, and particularly in project activities and training.

The contribution of the United Kingdom is to be used for financing the services of British consultants for feasibility or pre-investment studies, project appraisal or other activities undertaken in the course of the Bank's technical assistance operations.

The contribution of Canada is to be used for procurement of Canadian goods and services to be utilized in the Bank's technical assistance activities.

The contribution of Denmark is available for financing the cost of expert services and related facilities in the Bank's technical assistance operations, and is untied as to the source of procurement.

TECHNICAL ASSISTANCE SPECIAL FUND
(US dollar equivalent[1])

Contributor	Amount of Contribution	Amount Utilized[2]
Australia	747,640	714,122
Austria	115,458	45,153
Belgium	625,078	21,699
Canada	685,560	453,653
China, Republic of	200,000	131,056
Denmark	876,845	742,418
Finland	117,551	82,490
Germany, Federal Republic of	480,344	480,344
India	218,611	218,611
Italy	179,295	6,906
Japan	11,668,063	4,154,439
Korea, Republic of	30,000	30,000
Netherlands	449,606	429,776
New Zealand	344,145	344,145
Pakistan	64,443	25,975
Sri Lanka	20,267	—
Switzerland	200,000	119,076
United Kingdom	688,616	643,202
United States	1,250,000	1,250,000
TOTAL	18,961,522	9,893,065

1 The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rate used by the Bank on 31 December 1975.
2 Net of income earned of $1,475,453.

The contribution of Japan is available for financing services from Japan, from other developed member countries which have contributed to the TASF and from all developing member countries of the Bank.

The resources contributed to the TASF as of 31 December 1975, and the amounts utilized as of such date, are shown in the table above.

Income and Expenses

The net income of Special Funds for the year ended 31 December 1975, excluding the net expenditure of $2,858,091 of the TASF, was $6,257,103. This amount comprises net income of $3,796,137 in the MPSF and net income of $2,460,966 in the ADF. At the beginning of the year there was a deficit of $472,408 in the MPSF; in addition, an amount of $112,508 of the net income of the ADF had to be appropriated to meet a debit arising from the transfer of Administration Charge Payable to ordinary capital resources (consequent upon the transfer of the Set-Aside Resources and certain contributions from the MPSF to the ADF). After making these adjustments, the accumulated net income of Special Funds amounted to $5,672,187.

MEMBERSHIP AND ADMINISTRATION

Members

THERE WAS NO change during the year in the Bank's membership strength of 41 countries, consisting of 27 regional and 14 non-regional countries. The subscriptions and distribution of voting power of members are shown in Appendix 1-VII.

Board of Governors

The Eighth Annual Meeting of the Board of Governors was held in Manila from 24 to 26 April 1975. At the Meeting, the Governor for Bangladesh was elected Chairman of the Board of Governors and the Governors for the Federal Republic of Germany and Papua New Guinea were elected Vice-Chairmen, until the close of the Ninth Annual Meeting. A list of Governors and Alternate Governors as of the end of the year, with notations of changes during the year, appears in Appendix 6.

A list of resolutions adopted by the Board of Governors during 1975, including those adopted at the Eighth Annual Meeting, is given in Appendix 3.

The Board of Directors, acting under the Rules of Procedure of the Board of Governors, accepted an invitation by the Government of Indonesia to hold the Ninth Annual Meeting in Jakarta.

Board of Directors

The Board of Directors held 49 meetings in 1975 and approved 74 proposals for loans and technical assistance. Early in the year, the Board set new lending rates of 8-3/4 per cent and, for certain countries, of 9-1/2 per cent, for loans from the Bank's ordinary capital resources.

In terms of Resolution No. 84 of the Board of Governors, the Board continued its examination of the Bank's future resource requirements. Proposals for replenishment of the Asian Development Fund were submitted to the Board of Governors and approved (Resolution No. 92). At the end of the year the Board had under consideration a proposal for increasing the Bank's capital stock.

An extensive review of the Bank's policies and practices in lending to development finance institutions, which was begun in 1974, was concluded and the Board established new guidelines for future operations in that field. The Board reviewed other policies as required.

A list of Directors and Alternate Directors as of the end of the year, and the countries represented by them, is given in Appendix 7. Changes of Directors and of Alternate Directors are recorded below.

Directors

The bi-annual election of Directors for a new term commencing 1 June 1975 was held during the Eighth Annual Meeting of the Board of Governors on 25 April 1975, in accordance with Resolution No. 83 of the Board of Governors. The results of the election are summarized below[1]:

- Mr. Rex Beach (United States)—re-elected
- Mr. François Dupont (France)—succeeding Mr. Aldo Pelosio (Italy)
- Mr. Anthony T. Eyton (Canada)—succeeding Mr. G. W. van der Feltz (Netherlands)
- Mr. Stanley Fryer (United Kingdom)—succeeding Mr. Wolf Preuss (Federal Republic of Germany)
- Mr. R. A. Kartadjoemena (Indonesia)—re-elected
- Mr. B. H. Kay (Republic of Korea)—re-elected
- Mr. J. W. Keany (Australia)—re-elected
- Mr. Alejandro Melchor, Jr. (Philippines)—succeeding Mr. K. S. Islam (Pakistan)
- Mr. A. M. A. Muhith (Bangladesh)—re-elected
- Mr. Kiatikorn Phromyothi (Thailand)—succeeding Mr. Mohd. Yusoff Rahim (Malaysia)
- Mr. Phou-Ngeun Sananikone (Laos)—succeeding Mr. Hing Kunthel (Cambodia)
- Mr. Kenzo Wada (Japan)—re-elected

Mr. Phou-Ngeun Sananikone was unable to assume office and Mr. Sitha Sisombat (Laos) was elected by Afghanistan, Laos and Sri Lanka to fill the vacancy.

Mr. Haruhisa Segawa (Japan) was elected by Japan and assumed office on 6 November, to fill the vacancy created by the resignation, effective 31 October, of Mr. Kenzo Wada.

Mr. L. Roy Papp (United States) was elected by the United States with effect from 11 November, to fill the vacancy created by the resignation, effective 1 September, of Mr. Rex Beach.

Alternate Directors

Following the election of Directors at the Eighth Annual Meeting, seven serving Alternate Directors, namely, Messrs. A. T. Bambawale (India), J. J. Bryant (New Zealand), C. Conybeare (Australia), Seiji Morioka (Japan), Jesun Paik (United States), Pertti Ripatti (Finland) and Damien Wigny (Belgium) continued in their positions, and four new Alternate Directors were appointed:

- Mr. Kalyana Bikram Adhikary (Nepal)—succeeding Mr. Kiatikorn Phromyothi (Thailand)
- Mr. C. A. Coorey (Sri Lanka)—succeeding Mr. Sitha Sisombat (Laos)
- Mr. M. R. Khan (Pakistan)—succeeding Mr. Alejandro Melchor, Jr. (Philippines)
- Mr. Wolf Preuss (Federal Republic of Germany)—succeeding Mr. Gerhard Janschek (Austria)

Further changes of Alternate Directors occurred as follows:

Mr. Hidetoshi Miyamoto (Japan) was appointed on 21 June in place of Mr. Seiji Morioka.

1 For details see Summary of Proceedings of the Eighth Annual Meeting

Mr. L. Roy Papp (United States) was appointed on 26 June in place of Mr. Jesun Paik.

Mr. A. Agafonoff (Australia) was appointed on 7 July in place of Mr. C. Conybeare.

Mr. Paul Aenishänslin (Switzerland) was appointed on 1 September in place of Mr. Damien Wigny.

Mr. Peter von Brevern (Federal Republic of Germany) was appointed on 1 September in place of Mr. Wolf Preuss.

Mr. Jan J. Wijenberg (Netherlands) was appointed on 1 September in place of Mr. Pertti Ripatti

Mr. Henry F. Lee (United States) was appointed on 11 November in place of Mr. L. Roy Papp following his election as Director.

Personnel Management Review

A comprehensive personnel management review by a firm of management consultants, which had been started in December 1974, was completed in February 1975.

Recommendations arising from the consultants' report were considered by the Board of Directors in the course of the year and led to changes in the salary structure of professional staff and to improvements in staff benefits and approaches to personnel administration. These improvements necessitated a reorganization and expansion of the Personnel Division in the Administration Department.

Organization

In August 1975, the Treasury Department was reorganized with the objective of strengthening and streamlining the financial organization of the Bank. The accounting and the finance functions were separated and assigned to two new departments—the Controller's Department and the Treasurer's Department.

Staff

The Bank's staff increased by 23 professional staff and 25 supporting staff during the year. At year-end, the total staff numbered 691, covering 35 nationalities, of which 254 belonged to the professional staff category and 437 to the supporting staff category.

General salary increases were granted in August for both the professional and the supporting staff. Staff benefits were also improved; in particular, it was considered necessary, because of rising house rents, to introduce with effect from October a rental subsidy scheme, on a selective basis and for a period of one year, to provide relief to professional staff.

Budget for 1976

Administrative expenses for 1975 totalled $16,628,865, representing 95.94 per cent of the Budget figure of $17,332,000.

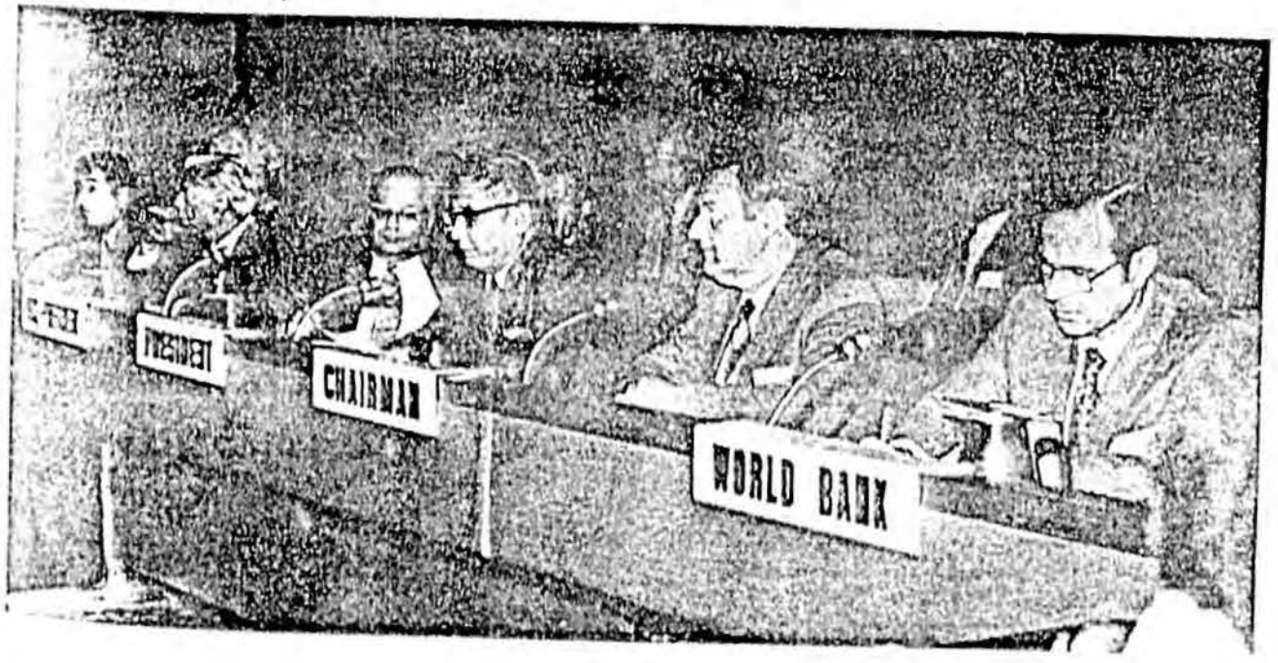
The Budget for 1976 was approved by the Board of Directors on 4 December 1975 and is summarized in Appendix 2.

Internal administrative expenses for 1976 are estimated at $19,694,000[1], representing an increase of 18.43 per cent over actual expenditure in 1975. This increase is attributable largely to the growth in the Bank's activities and in its staffing, salary increases and improvements made in staff benefits, and general price increases.

Disbursements on Services to Member Countries are estimated at $8,820,100, which is 88.1 per cent above actual disbursements in 1975.

1 Consisting of expenses to be charged to ordinary capital resources and Special Funds.

Opening session of the meeting on aid to Laos at the Bank's Headquarters in April.



STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH AND PER CAPITA GNP OF SELECTED DMCs

Country	Rate of Real Growth[1] (%)				Per Capita GNP in Current $		
	1965-1973 (1)	1973 (2)	1974 (3)	1975[2] (4)	1973 (5)	1974 (6)	1975[2] (7)
Afghanistan	3.1	2.4 (FY)	2.4 (FY)	2.4 (FY)	90	100	100
Bangladesh	0.8	7.5 (FY)	9.5 (FY)	2.0 (FY)	80	100	110
Burma	2.9	-0.4 (FY)	4.5 (FY)	3.5 (FY)	80	90	100
China, Republic of	10.1	12.0	0.6	2.9	660	720	800
Hong Kong	7.7	13.7	0.8	0.0	1,430	1,540	1,650
India[3]	3.8	3.1 (FY)	2.0 (FY)	5.5 (FY)	120	130	150
Indonesia	6.6	11.3	7.4	8.0	130	150	170
Korea, Republic of	10.6	16.9	8.7	8.0	400	470	550
Malaysia	6.2	13.3	7.7	0.5	570	660	740
Nepal	2.0	2.0 (FY)	6.4 (FY)	2.5 (FY)	90	110	120
Pakistan	5.4	7.3 (FY)	4.4 (FY)	2.6 (FY)	120	130	140
Philippines	5.6	9.2	5.0	5.7	280	310	350
Singapore	11.2	11.4	6.2	4.2	1,830	2,120	2,360
Sri Lanka	4.1	3.2	3.2	3.2	120	130	150
Thailand	7.5	10.5	3.2	6.4	270	300	330

1 Column (1) shows the average annual rate of GNP growth in 1965-1973. Columns (2), (3) and (4) show rates of growth in GDP, except for Afghanistan and India, for which the figures relate to GNP and NNP, respectively.

2 Preliminary estimates

3 The fiscal year of India ends on 31 March with nine months falling in the calendar year. For purposes of the data given in this table the fiscal year April 1973 to March 1974 is treated to be 1973. The same is true of subsequent years.

Sources: World Bank Atlas 1975 for columns (1), (5) and (6); ADB Key Indicators and Country Sources for columns (2), (3) and (4).

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs
('000 metric tons)

Country	1971	1972	1973	1974	1975	Growth Rate (%)	
						1974	1975
Bangladesh	14,891	15,134	19,356	17,680	18,500	-8.7	4.6
Burma	8,175	7,361	8,559	8,446	8,700	-1.3	3.0
India	64,602	58,868	65,613	60,000	67,500	-8.6	12.5
Indonesia	18,663	18,031	21,900	22,583	24,000	3.1	6.3
Korea, Republic of	5,552	5,496	5,849	[illegible],173	6,485	5.5	5.1
Malaysia	1,809	1,836	1,979	2,073	2,165	4.7	4.4
Pakistan	3,393	3,495	3,578	3,277	3,850	-8.4	17.5
Philippines	5,100	4,415	5,594	5,660	5,769	1.2	1.9
South Vietnam	6,324	6,348	7,025	7,200	7,400	2.5	2.8
Sri Lanka	1,396	1,313	1,313	1,603	1,108	22.1	-30.9
Thailand	13,744	12,413	14,898	13,175	13,400	-11.6	1.7
Other DMCs	9,418	8,486	7,789	7,493	7,503	-3.8	0.1
Total	153,067	143,196	163,453	155,363	166,380	-4.9	7.1

Sources: Food and Agriculture Organization and Country Sources.

TABLE 3
BALANCE OF TRADE OF DMCs
($ million)

Country	Exports (f.o.b.)			Imports (c.i.f.)			Balance of Trade			
	1973	1974	1975[1]	1973	1974	1975[1]	1973	1974	1975[1]	Average 1970-1972
Afghanistan	143	214	230	183	226	260	-40	-12	-30	-21
Bangladesh	358	347	398	875	1,096	1,068	-517	-749	-670	-129
Burma	131	188	170	106	147	117	25	41	53	-35
Cambodia	7	15	17	246	452	451	-239	-437	-434	-45
China, Republic of	4,483	5,639	5,321	3,792	6,966	5,932	691	-1,327	-611	216
Fiji	85	154	105	222	273	252	-137	-119	-147	-56
Gilbert Islands	17	35	39	9	10	11	8	25	28	3
Hong Kong	5,070	5,959	6,212	5,661	6,768	6,437	-591	-809	-225	-443
India	2,917	3,926	4,296	3,210	5,046	6,000	-293	-1,120	-1,704	-92
Indonesia	2,957	4,785	4,694	2,664	3,977	5,526	293	808	-832	150
Korea, Republic of	3,271	4,515	5,064	4,240	7,042	7,151	-969	-2,527	-2,087	-874
Laos	5	10	14	57	52	77	-52	-42	-63	-76
Malaysia	2,987	4,233	3,433	2,504	4,155	3,444	483	78	-11	184
Nepal	46	86	100	98	171	191	-52	-85	-91	-28
Pakistan	958	1,113	1,046	978	1,732	2,167	-20	-619	-1,121	-210
Papua New Guinea	515	702	520	335	490	610	180	212	-90	-170
Philippines	1,886	2,725	2,311	1,596	3,143	3,350	290	-418	-1,039	-67
Singapore	3,935	6,479	6,052	5,111	8,380	8,129	-1,176	-1,901	-2,077	-640
Solomon Islands	14	26	17	16	24	28	-2	2	-11	-3
South Vietnam	58	78	...	616	737	...	-558	-659	...	-601
Sri Lanka	390	521	529	423	691	768	-33	-170	-239	-26
Thailand	1,564	2,466	2,366	2,049	3,143	3,286	-485	-677	-920	-480
Tonga	5	7	7	11	17	18	-6	-10	-11	-5
Western Samoa	7	13	7	21	24	36	-14	-11	-29	-10
Total	31,809	44,236	42,948	35,023	54,762	55,309	-3,214	-10,526	-12,361	-3,458

... denotes data not available.

1 Estimates

Sources: IMF, International Financial Statistics, and Country Sources.

TABLE 4

INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs

Country	International Reserves[1] ($ million)				Ratio to Imports (Months)		
	1970	1973	1974	1975	1973	1974	1975[8]
Afghanistan	47	61	68	115	4.2	3.6	4.6
Bangladesh	...	144	138	179	2.0	1.5	1.8
Burma	94	100	191	134	5.8	9.8	5.7
China, Republic of	622	1,123	1,191	1,169	3.6	2.2	2.4
Fiji	27	74	109	100[2]	4.5	4.8	4.8
Hong Kong	...	...	1,078[3]	1,078[3]	...	1.9	1.9
India	1,006	1,142	1,325	1,373	4.3	3.2	2.7
Indonesia	160	807	1,492	586	3.6	4.5	1.5
Korea, Republic of	610	1,095	1,080	1,550	3.4	2.0	2.9
Malaysia	664	1,342	1,618	1,524	6.9	5.1	5.3
Nepal	95	121	133	108[4]	14.9	9.3	6.8
Pakistan	190	480	461	383	6.5	3.7	2.1
Philippines	251	1,038	1,504	1,360	7.8	5.7	4.8
Singapore	1,012	2,286	2,812	3,015[5]	5.8	4.3	4.4
South Vietnam	241	194	239	201[6]	3.0	3.0	...
Sri Lanka	43	87	78	58	2.5	1.4	0.9
Thailand	906	1,306	1,858	1,785	7.6	7.0	6.5
Western Samoa	5	5	6	6	2.6	2.5	2.1
Total	5,973[7]	11,405[7]	15,381	14,724[7]	4.9[7]	3.4	3.3[7]

... denotes data not available.

1 Gold + SDRs + Reserve position in IMF + Foreign exchange; year-end figures unless otherwise specified.

2 As of June

3 As of March 1974. In the absence of more recent data this figure has been reported in 1975.

4 As of August

5 As of October

6 As of March

7 Excludes figures not reported

8 Preliminary estimates

Sources: IMF, International Financial Statistics, and Country Sources

TABLE 5
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCs
($ million)

Country	Debt Outstanding			Service Payments[1]			Debt Service Ratio(%)[2]		
	1972	1973	1974	1972	1973	1974	1972	1973	1974
Afghanistan[3]	941.5	973.4	1,545.4	40.2	32.1	37.7	31.3	19.3	17.1
Bangladesh[3]	353.9	835.5	1,495.7	0.0	9.3	26.6	0.0	2.3	6.3
Burma[3]	306.9	417.4	456.2[4]	23.7	27.3	29.7	17.5	16.2	11.8
China, Republic of	1,599.2	1,818.5	2,578.2	135.2	180.9	171.9	4.1	3.6	2.7
Fiji	47.5	66.2	66.3	1.3	1.8	4.6	0.9	0.9	3.0[5]
Hong Kong	23.1	22.4	22.0	0.5	0.6	0.6	0.01[5]	0.01[5]	0.01[5]
India[3]	11,484.3	12,365.8	12,904.0[6]	641.2	633.4	678.5	23.6	18.4	17.3[5]
Indonesia	5,216.1	6,880.9	8,693.2	117.8	288.3	336.8	6.5	9.5	4.5
Korea, Republic of	3,812.7	4,681.0	6,150.0	350.5	415.4	556.0	16.0	10.2	10.6
Malaysia	979.0	1,107.2	2,183.5	49.6	64.1	101.9	2.7	2.0	2.4[5]
Nepal	60.9	81.8	94.8[6]	0.3	0.5	0.8	0.7[5]	1.1[5]	1.7[5]
Pakistan[3]	4,666.2	4,904.3	5,367.4	123.6	193.1	181.0	16.9	17.3	14.4
Papua New Guinea[3]	184.5	274.8	286.6	5.6	8.0	17.2	3.1	1.8	2.2
Philippines	1,189.5	1,259.6	1,996.0	121.9	195.8	174.2	8.4	8.2	5.2
Singapore	512.3	525.7	641.6	32.7	27.6	40.5	1.2	0.6	0.5
Solomon Islands	...	0.5	0.4	...	0.02	0.015	...	0.15[5]	0.06[5]
South Vietnam	95.9	172.7	291.6	9.2	9.8	11.0	2.2	2.7	2.8
Sri Lanka	590.9	644.3	745.5	50.4	54.3	63.9	14.2	12.6	11.2
Thailand	652.3	722.3	1,123.1	43.6	54.3	58.5	2.8	2.6	1.9
Tonga[3]	0.4	0.7	0.7	0.02	0.02	0.03	0.8	0.7	0.6
Western Samoa	11.1	13.0	18.8	0.28	0.35	1.19	2.6	2.9	6.2
Total	32,728.2[7]	37,768.0	46,667.0	1,747.6[7]	2,197.0	2,492.6	...	...	...

... denotes data not available.

1 Service payments consist of principal and interest payments made in foreign currencies.

2 Service payments as percentage of export of goods and non-factor services.

3 Data are for fiscal year.

4 As of July 1974.

5 Service payments as percentage of merchandise exports.

6 Preliminary estimates.

7 Excludes figures not reported.

Note: This Table is derived from data collected by IBRD which is tabulated on a uniform basis, country by country, but does not necessarily conform in all cases to national debt data published elsewhere.

TABLE 6
NET FLOW OF RESOURCES TO DMCs
($ million)

Country	Net Flow of Resources from DAC Countries & Multilateral Agencies[1]		OPEC Assistance	IMF Drawings					Bond Issues & Eurocurrency Credits		
				Net Drawings[2]			Of which Net Oil Facility Drawings				
	1973	1974	1974	1973	1974	1975	1974	1975	1973	1974	1975 (Jan.-Sept.)
Afghanistan	43.9	34.3	–	3.6	-2.8	5.3	–	–	–	–	–
Bangladesh	436.8	492.3	50.0	8.5	87.2	44.8	49.5	43.2	–	–	–
Burma	82.7	65.2	–	11.2	26.3	4.7	–	–	–	–	–
Cambodia	141.6	307.4	–	9.1	–	–	–	–	–	–	–
China, Republic of	201.0	350.8	–	7.0	-36.7	35.1	–	–	–	217.0	114.0
Fiji	23.4	35.9	–	–	3.2	–	0.4	–	–	–	–
Gilbert Islands	6.0	5.7	–	–	–	–	–	–	–	–	–
Hong Kong	300.0	62.8	–	–	–	–	–	–	200.6	131.1	88.9
India	686.5	1,026.6	75.0	–	701.8	235.7	244.9	235.7	12.5	–	–
Indonesia	1,220.0	1,037.6	–	-91.0	-51.8	87.8	–	–	478.0	348.5	961.5
Korea, Republic of	761.9	563.0	–	-8.1	159.2	125.6	110.2	125.6	142.0	283.0	301.2
Laos	70.2	63.6	–	–	–	7.6	–	–	–	–	–
Malaysia	216.6	220.1	–	-8.0	-3.7	-4.9	–	–	17.1	140.0	225.0
Nepal	34.3	34.4	–	–	–	–	–	–	–	–	–
Pakistan	188.7	420.6	355.0	42.0	134.6	159.8	119.9	121.2	–	–	7.5
Papua New Guinea	335.2	338.6	–	–	–	–	–	–	35.1	16.7	25.0
Philippines	267.8	371.3	–	-20.6	-10.6	112.7	–	112.7	178.5	900.2	85.1
Singapore	235.0	133.0	–	–	-0.1	–	–	–	30.0	–	12.0
Solomon Islands	12.3	12.6	–	–	–	–	–	–	–	–	–
South Vietnam	436.6	676.9	–	–	–	–	–	–	–	–	–
Sri Lanka	63.3	89.9	35.0	9.0	33.9	27.4	41.6	36.6	–	–	–
Thailand	208.4	144.6	–	–	–	–	–	–	–	9.7	5.0
Tonga	1.3	3.1	–	–	–	–	–	–	–	–	–
Western Samoa	3.4	4.7	–	–	–	1.9	–	0.4	–	–	–
Total	5,976.9	6,495.0	515.0	-37.3	1,040.5	843.5	566.5	675.4	1,093.8	2,046.2	1,855.2

– denotes magnitude zero.

1 Net flow of financial resources from the Development Assistance Committee countries of the OECD and multilateral agencies to DMCs including bilateral official development assistance, other official flows and multilateral flows. It also includes private investment and export credits from DAC countries together estimated at $1.6 billion in 1973 and $1.2 billion in 1974.

2 Minus sign indicates net IMF sales of currency; no sign indicates net drawings during the year.

Sources: IMF, International Financial Statistics.
IBRD, Borrowing in International Capital Markets, November 1974 & November 1975.
OECD, Development Cooperation 1975 Review.
OECD, Flow of Resources from OPEC Members to Developing Countries, DD-403, Paris, December 1974 (Working Document).

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FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS

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SPECIAL FUNDS RESOURCES

1 - A Balance Sheet, 31 December 1975 and 31 December 1974

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Opinion of Independent Auditors

ASIAN DEVELOPMENT FUND

1 - 1 Balance Sheet, 31 December 1975 and 31 December 1974

1 - 2 Statement of Income and Expenses and Accumulated Net Income for the Year Ended 31 December 1975 and the Period from 28 June 1974 to 31 December 1974

1 - 3 Statement of Changes in Financial Position for the Year Ended 31 December 1975 and the Period from 28 June 1974 to 31 December 1974

1 - 4 Summary Statement of Loans, 31 December 1975

1 - 5 Statement of Resources, 31 December 1975

1 - 6 Notes to Financial Statements, 31 December 1975 and 31 December 1974

Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK

BALANC

31 December 19

Expressed in Un

ASSETS

	1975		1974	
CASH IN BANKS (See Appendix 1-IV) (Note B)		$ 34,337,439		$ 21,490,957
INVESTMENTS (Note B)				
Government and government guaranteed obligations—amortized cost which approximates market (Face amounts $144,862,422—1975, $101,988,352—1974)	$ 140,075,580		$ 99,165,617	
Time deposits and certificates of deposit	366,004,132	506,079,712	266,696,536	365,862,153
LOANS (See Appendix 1-V) (Note A)				
Loans approved—$1,926,093,000—1975, $1,432,045,000—1974				
Effective loans				
Held by Bank	1,450,142,440		1,237,347,305	
Agreed to be sold	450,000	1,450,592,440	3,771,600	1,241,118,905
ACCRUED INCOME				
On investments	17,899,122		17,819,337	
On loans	10,156,888	28,056,010	5,841,705	23,661,092
AMOUNTS RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C)	312,925,373		301,456,523	
Amounts required to maintain value of currency holdings (Note D)	36,495,242		21,654,398	
Subscription instalment (Note C)	253,334	349,673,949	—	323,110,921
OTHER ASSETS				
Administration Charge receivable from Special Funds (Note I)	4,964,358		5,249,903	
Unamortized issuance costs of borrowings (Note A)	4,094,200		2,811,916	
Miscellaneous	1,085,039	10,143,597	1,434,165	9,495,984
SPECIAL RESERVE FUND ASSETS (Note E)		10,971,513		6,228,098
TOTAL		$2,389,854,660		$1,990,[illegible]68,110

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1974

States Dollars (Note A)

LIABILITIES, SPECIAL RESERVE AND CAPITAL

	1975		1974	
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V)				
Held by Bank	$ 832,802,970		$ 863,549,420	
Agreed to be sold	450,000	$ 833,252,970	3,771,600	$ 867,321,020
BORROWINGS				
Principal amounts outstanding (See Appendix 1-VI)	530,212,292		282,529,216	
Less—unamortized discounts (Note A)	1,907,758	528,304,534	1,294,050	281,235,166
ACCRUED INTEREST ON BORROWINGS		9,609,514		4,605,154
AMOUNTS PAYABLE TO MEMBERS				
Amounts required to maintain value of currency holdings (Note D)		—		5,877,628
ACCOUNTS PAYABLE AND OTHER LIABILITIES		3,931,334		3,056,990
SPECIAL RESERVE (Note E)		10,971,513		6,228,098
CAPITAL				
Capital stock (See Appendix 1-VII) (Note C)				
Authorized—37,520 "paid-in" shares and 207,230 "callable" shares (89,280 "paid-in" shares and 189,720, "callable" shares—1974)				
Subscribed (265,391 shares—1975, 229,641 shares—1974)	3,201,544,328		2,670,274,203	
Less—"callable" shares subscribed (177,884 shares—1975, 152,374 shares—1974)	2,145,903,634		1,838,163,749	
"Paid-in" shares subscribed (87,507 shares—1975, 77,267 shares—1974)	1,055,640,694		932,110,454	
Less—subscription instalments not due	96,016,613		129,083,471	
Subscription instalments matured	959,624,081		803,026,983	
Less—capital set aside and transferred to Special Funds (Note F)	57,433,902		57,433,902	
	902,190,179		745,593,081	
Ordinary Reserve (Note G)	77,050,973		50,623,720	
Net income for the years ended 31 December 1975 and 31 December 1974 (Note G)	24,543,643	1,003,784,795	26,427,253	822,644,054
TOTAL		$2,389,854,660		$1,990,968,110

ASIAN DEVELOPMENT BANK–ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note A)

	1975	1974
INCOME		
From investments	$ 40,548,557	$ 32,513,059
From loan operations		
Interest	32,108,968	18,450,859
Commissions	4,743,414	2,855,800
Commitment charge	3,070,160	3,091,501
From other sources	442,345	599,501
GROSS INCOME	80,913,444	57,510,720
Deduct commissions appropriated to Special Reserve (Note E)	4,743,414	2,855,800
UNAPPROPRIATED INCOME	76,170,030	54,654,920
EXPENSES		
Administrative expenses		
Board of Governors	55,729	75,720
Board of Directors		
Salaries	783,542	754,627
Benefits (Note H)	225,780	185,685
Travel	471,409	151,670
Staff services	78,461	75,869
Total Board of Directors	1,559,192	1,167,851
Staff		
Salaries	7,117,652	5,918,477
Benefits (Note H)	2,299,152	1,680,186
Travel	2,115,266	1,760,725
Consultants	270,940	37,284
Representation	35,104	35,719
Total Staff	11,838,114	9,432,391
Other administrative expenses		
Communications	431,257	443,040
Office occupancy	666,922	575,032
Publications and printing	145,987	140,740
Expendable supplies	384,643	334,357
Furniture and equipment	376,025	285,509
Fees and compensation	434,368	355,254
Miscellaneous	126,322	122,096
Total other administrative expenses	2,565,524	2,256,028
Total administrative expenses–(Forward)	$16,018,559	$ 12,931,990

CONTINUED

	1975	1974
Total administrative expenses–(Forward)	$16,018,559	$ 12,931,990
Deduct Administration Charge (Note I)	4,005,000	4,267,000
Net administrative expenses	12,013,559	8,664,990
Services to member countries (Note J)		
Project preparation and other loan-related technical assistance	285,420	155,296
Project implementation/advisory	58,145	3,769
Regional activities	370,431	12,204
Total services to member countries	713,996	171,269
Financial expenses		
Interest on borrowings	30,708,982	18,499,882
Other financial expenses (Note A)	837,384	577,371
Total financial expenses	31,546,366	19,077,253
GROSS EXPENSES	44,273,921	27,913,512
INCOME BEFORE CHANGES IN VALUE OF CURRENCIES	31,896,109	26,741,408
CHANGES IN VALUE OF CURRENCIES–NET (Note K)	(7,352,466)	(314,155)
NET INCOME (Note G)	$24,543,643	$ 26,427,253

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK–ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note A)

	1975	1974 *
FUNDS WERE PROVIDED BY		
Operations		
Net income	$ 24,543,643	$26,427,253
Items not requiring or providing funds:		
Accrued interest and other expenses	5,357,327	767,675
Accrued income including capitalized interest and commitment charges on loans	(10,694,161)	(9,010,752)
Administration Charge	(4,005,000)	(4,267,000)
Other	622,622	227,573
Total	(8,719,212)	(12,282,504)
Funds provided by operations	15,824,431	14,144,749
Increase in undisbursed balance of effective loans	253,998,000	511,940,000
Borrowings	284,860,953	37,003,933
Increase in borrowings as a result of currency revaluations	–	2,767,405
Decrease in loans disbursed and outstanding as a result of currency devaluations	15,352,870	4,021,676
Capital subscriptions	156,343,746	79,694,961
Demand obligations of members encashed	57,579,657	5,071,598
Loans sold	3,321,600	4,415,100
Loans collected	22,652,195	13,112,701
Administration Charge collected	4,290,545	6,746,069
Decrease in other assets as a result of currency devaluations	9,578,647	7,103,647
Total	823,802,644	686,021,839
FUNDS WERE UTILIZED FOR		
Increase in effective loans	253,998,000	511,940,000
Loans disbursed	278,569,007	156,801,737
Decrease in borrowings as a result of currency devaluations	8,827,506	–
Demand obligations of members received	74,841,536	37,651,501
Bonds purchased for redemption and borrowings redeemed	27,991,552	5,408,204
Maintenance of value adjustments–net	24,160,769	10,904,072
Other–net	2,350,233	495,424
Total	670,738,603	723,200,938
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	$153,064,041	($ 37,179,099)
INCREASE (DECREASE) IN COMPONENTS OF FUNDS		
Cash in banks (excluding Special Reserve Fund cash)	$ 12,846,482	$ 6,852,074
Investments (excluding accrued interest and Special Reserve Fund investments)	140,217,559	(44,031,173)
Total	$153,064,041	($ 37,179,099)

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

* Certain 1974 amounts have been restated to conform to 1975 classifications.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 December 1975

Expressed in United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	$ 2,342	$ 2,236,948[1]
Australia	Australian Dollar	45,333[3]	31,580,142[2]
Austria	Austrian Schilling	263,934	–
Bangladesh	Bangladesh Taka	–	4,342,859[1]
Belgium	Belgian Franc	166,904	1,356,213
Burma	Kyat	5,009	2,066,810[1]
Cambodia	Riel	46,898[1]	171,811[1]
Canada	Canadian Dollar	53,161	7,941,804
China, Republic of	New Taiwan Dollar	181,306	7,789,786[1]
Denmark	Danish Krone	11,598	1,388,619
Fiji	Fiji Dollar	2,668	481,725[1]
Finland	Finnish Markka	27,473	463,609
France	French Franc	2,999	4,332,123
Germany, Federal Republic of	Deutsche Mark	676,196	–
Gilbert Islands	Australian Dollar	–	20,718[1]
Hong Kong	Hong Kong Dollar	33,294[4]	3,407,222[2]
India	Indian Rupee	11,943	48,168,698[1]
Indonesia	Rupiah	16,548,796[1]	3,396,161[1]
Italy	Italian Lira	62,055	–
Japan	Yen	617,336	61,032,757
Korea, Republic of	Won	4,630	25,353,956[1]
Laos	Kip	32,689[1]	147,447[1]
Malaysia	Malaysian Dollar	17,055	11,247,497[1]
Nepal	Nepalese Rupee	28,252	1,046,263[1]
Netherlands	Netherlands Guilder	100,569	3,058,233
New Zealand	New Zealand Dollar	65,118[2]	8,078,028[2]
Norway	Norwegian Krone	2,355	312,064
Pakistan	Pakistan Rupee	4,619,155[1]	11,934,164[1]
Papua New Guinea	Australian Dollar	2,006	505,386[1]
	Kina	–	152,357[1]
Philippines	Philippine Peso	552,788	10,290,863[1]
Singapore	Singapore Dollar	68,340	2,168,112[1]
Solomon Islands	Australian Dollar	3,269	44,321[1]
South Vietnam	Piastre	5,973,987[1]	–
Sri Lanka	Sri Lanka Rupee	3,249	4,403,733[1]
Sweden	Swedish Krona	47,767	449,966
Switzerland	Swiss Franc	1,182,572	–
Thailand	Baht	9,562	10,279,924[1]
Tonga	Tongan Dollar	21,449[1]	–
United Kingdom	Pound Sterling	570,465	8,693,032
United States	United States Dollar	618,690	34,582,022
Western Samoa	Western Samoan Tala	8,089[1]	–
Total Members		32,691,301	312,925,373
Non-Members			
Kuwait	Kuwaiti Dinar	157,325	–
Luxembourg	Luxembourg Franc	172,085	–
Saudi Arabia	Saudi Arabian Riyal	1,316,728	–
Total Non-Members		1,646,138	–
TOTAL		$34,337,439	$312,925,373

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

1 Restrictions on use may be imposed by members (Note B).
2 Restrictions on use have been imposed by members (Note B).
3 Of this amount, restrictions on use have been imposed in the amount of $8,736.
4 Of this amount, restrictions on use have been imposed in the amount of $16,237.

ASIAN DEVELOPMENT BANK—

SUMMARY OF STATEMENT

31 December

Expressed in United

Borrower/Guarantor[1]	Principal Amount	Loans not yet Effective	Refundings and Cancellations	Payments Received	
				On Loans Held by Bank	For Loans Sold
BANGLADESH	$ 11,400,000	$ –	$ –	$ 1,600	$ –
BURMA	6,600,000	–	–	–	–
CHINA, REPUBLIC OF	100,390,000	–	8,411,708	8,926,883	2,800,000
FIJI	6,700,000	–	–	–	–
HONG KONG	41,500,000	20,000,000	–	239,795	1,150,000
INDONESIA	153,930,000	65,050,000	–	–	–
KOREA, REPUBLIC OF	434,550,000	83,000,000	3,883,357	12,970,928	3,456,100
MALAYSIA	248,558,000	46,400,000	3,275,410	2,266,094	1,189,600
NEPAL	2,000,000	–	–	337,600	–
PAKISTAN	235,170,000	63,000,000	18,932,734	3,575,676	–
PHILIPPINES	332,650,000	69,300,000	24,998	1,851,839	123,300
SINGAPORE	101,380,000	–	–	4,356,579	2,830,000
SOUTH VIETNAM	3,930,000	–	–	–	–
SRI LANKA	14,135,000	–	273,480	1,224,500	–
THAILAND	233,200,000	20,000,000	7,160,991	7,637,916	1,711,000
ADJUSTMENTS IN UNITED STATES DOLLAR EQUIVALENTS OF LOANS DISBURSED					
TOTAL	$1,926,093,000	$366,750,000	$41,962,678	$43,389,410	$13,560,000

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member.

2 Pending consultation with the new government concerning its intentions with respect to the projects being financed, the Bank has suspended further disbursement of these loans.

3 This amount represents adjustments in United States Dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

ORDINARY CAPITAL RESOURCES

OF LOANS

1975

States Dollars (Note A)

Effective Loans		Undisbursed Balance of Effective Loans		Outstanding Balance	
Held by Bank	Agreed to be sold	Held by Bank	Agreed to be Sold	On Loans Held by Bank	For Loans Sold
$ 11,398,400	$ –	$ 4,905,757	$ –	$ 6,492,643	$ –
6,600,000	–	6,539,100	–	60,600	–
80,251,409	–	5,294,201	–	74,957,208	100,000
6,700,000	–	2,236,871	–	4,463,129	–
20,110,205	–	3,276,977	–	16,833,228	1,150,000
88,880,000	–	85,700,332	–	3,179,668	–
331,239,615	–	136,849,442	–	194,390,173	1,631,100
194,976,896	450,000	150,589,169	450,000	44,387,727	904,600
1,662,400	–	90,009	–	1,572,391	–
149,661,590	–	66,936,357	–	82,725,233	–
261,049,863	–	184,647,171	–	76,402,692	423,300
94,193,421	–	41,930,690	–	52,262,731	2,055,000
3,930,000	–	3,839,123 [2]	–	90,877	–
12,637,020	–	5,257,411	–	7,379,609	–
196,690,093	–	134,710,060	–	61,980,033	1,441,000
(9,838,472)[3]				(9,838,472)[3]	
$1,450,142,440	$ 450,000	$832,802,970	$ 450,000	$617,339,470	$8,205,000

STATEMENT

31 December 19

Expressed in Unit

Currency Payable	Coupon	Issue Date	Maturity Date	Effective Interest Rate[1]	Original Amount: National Currency		Original Amount: US Dollar Equivalent[2]
Austrian Schillings	7%	1970	1982	7.24	S	130,000,000	$ 6,936,663
	7	1971	1983	7.30	S	150,000,000	8,003,842
Belgian Francs	7.5	1971	1983	7.36	BF	400,000,000	10,001,250
Deutsche Mark	7	1969	1984	7.27	DM	60,000,000	22,624,008
	8.5	1975*	1980	8.45	DM	50,000,000	18,853,340
Italian Lire	7	1972	1987	7.22	Lit.	10,000,000,000	14,582,149
Japanese Yen	7.4	1970	1977	7.59	¥	6,000,000,000	19,904,855
	7.4	1971	1978	7.45	¥	10,000,000,000	33,174,758
	7.3	1972	1982	7.30	¥	10,000,000,000	33,174,758
	7.25	1974	1989	7.25	¥	7,500,000,000	24,881,069
	Variable[5]	1975	Not fixed	Variable	¥	30,000,000,000	99,524,274
Kuwaiti Dinars	7.5	1974	1984	7.50	KD	5,000,000	16,915,322
Luxembourg Francs	6.75	1972	1987	6.64	Lux F	400,000,000	10,001,250
Netherlands Guilders	8.875	1975*	1981	8.87	f.	50,000,000	18,274,854
Saudi Arabian Riyals	8	1975	1983	8.00	SRIs	50,000,000	14,388,489
Swiss Francs	7	1971	1986	6.98	SwF	40,000,000	15,267,176
	8	1975	1990	7.90	SwF	60,000,000	22,900,763
	8.5	1975*	1980	8.33	SwF	10,000,000	3,816,794
United States Dollars	6.5	1971*	1976	6.50	$	25,000,000	25,000,000
	7.75	1971	1996	7.94	$	25,000,000	25,000,000
	6.75	1973*	1975	6.75	$	20,000,000	20,000,000
	4	1973*	1989	4.00	$	10,525,734	10,525,734
	6.65	1975*	1977	6.65	$	70,000,000	70,000,000
	8.5	1975*	1980	8.75	$	75,000,000	75,000,000
Less: Amounts receivable under contract:							
Japanese Yen—Bank of Japan Loan of 1975[5]							
Japanese Yen—7.25% Loan of 1974							
TOTAL							$618,751,348[6]

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

1 The effective interest rates are computed by taking into consideration discounts and timing of interest payments.

2 The "US Dollar equivalent" is translated at the rates of exchange in effect as of 31 December 1975, as indicated in Note A.

3 Each issue, except those indicated by an asterisk, is subject to redemption prior to maturity at the option of the Bank at prices and upon the conditions stated in the respective bonds. The amounts shown as principal outstanding are after deductions aggregating $4,595,803 ($5,100,996—1974) of bonds purchased for redemption funds.

4 The amounts shown as redemption requirements are the principal amounts of bonds to be purchased or borrowings to be redeemed to meet each year's requirements. For the five calendar years following the date of the statements, these are:

Year	Amounts: 1975	Amounts: 1974
1975	$ —	$ 28,431,218
1976	33,032,906	33,431,218
1977	94,302,308	23,673,788
1978	40,030,551	39,776,806
1979	17,252,341	16,515,536
1980	119,016,615	—
	$303,634,721	$141,928,566

ORDINARY CAPITAL RESOURCES

BORROWINGS

and 31 December 1974

States Dollars (Note A)

Principal Outstanding[3]		Redemption Requirements[4]		
1975	1974			
$ 4,161,998	$ 5,486,766	1976-1982	S	12,000,000
6,403,073	7,599,908	1976-1983	S	15,000,000
10,001,250	11,073,431	1977-1982	BF	40,000,000
		1983	BF	160,000,000
16,467,638	20,146,818	1976-1984	DM	6,000,000
18,853,340	–	1980	DM	50,000,000
14,582,149	15,335,542	1978-1987	Lit.	1,000,000,000
16,321,981	17,770,000	1976	¥	360,000,000
		1977	¥	4,560,000,000
31,184,273	33,655,302	1976-1977	¥	600,000,000
		1978	¥	8,200,000,000
33,174,758	33,655,302	1978-1981	¥	600,000,000
		1982	¥	7,600,000,000
24,881,069	25,241,477	1978	¥	360,000,000
		1979-1988	¥	680,000,000
		1989	¥	340,000,000
99,524,274	–	Variable[5]		
16,915,322	16,888,868	1979-1983	KD	830,000
		1984	KD	850,000
10,001,250	11,073,431	1978-1987	Lux F	40,000,000
18,274,854	–	1981	f.	50,000,000
14,388,489	–	1980-1983	SRIs	12,500,000
12,595,420	14,173,228	1976-1985	Up to SwF	3,000,000
		1986		The Balance
22,900,763	–	1977-1989	Up to SwF	3,500,000
		1990		The Balance
3,816,794	–	1980	SwF	10,000,000
25,000,000	25,000,000	1976	$	25,000,000
25,000,000	25,000,000	1983	$	500,000
		1984-1995	$	1,000,000
		1996	$	12,500,000
	20,000,000			
10,525,734	10,525,734	1979	$	555,556
		1980-1987	$	1,052,574
		1988	$	1,052,570
		1989	$	497,016
70,000,000	–	1977	$	70,000,000
75,000,000	–	1980	$	75,000,000
579,974,429	292,625,807			
49,762,137				
	10,096,591			
$530,212,292	$282,529,216			

5 This represents a loan from the Bank of Japan contracted for in April 1975, the aggregate principal amount of which is 30,000,000,000 Yen divided into two parts. As of 31 December 1975, the Bank had drawn completely the first part of the loan amounting to 15,000,000,000 Yen with interest rates ranging from 8.25% to 8.64%. Of this drawn portion, 6,000,000,000 Yen will mature in 1981 and 9,000,000,000 Yen in 1982. The second part of the loan will be available during the period 4 May 1976 to 28 April 1977. Interest rate will be determined at the date of withdrawal.

6 Subsequent to 31 December 1975, the Bank has entered into agreements for the following additional borrowings:

Currency Payable	Coupon	Principal Amount	Maturity Date
Deutsche Mark	8.00%	DM 100,000,000	1982
Netherlands Guilders	8.75%	f. 75,000,000	1983
United States Dollars	8.50%	$ 100,000,000	1981

ASIAN DEVELOPMENT BANK

STATEMENT OF SUBSCRIPTIONS TO

31 December

Expressed in Unite

MEMBERS	SUBSCRIBED		
	Shares	Per Cent of Total	Par Value
REGIONAL			
Afghanistan	1,195	0.450	$ 14,415,882
Australia	21,250	8.007	256,349,375
Bangladesh	3,750	1.413	45,238,125
Burma	2,000	0.754	24,127,000
Cambodia	875	0.330	10,555,563
China, Republic of	4,000	1.507	48,254,000
Fiji	250	0.094	3,015,875
Gilbert Islands	15	0.006	180,952
Hong Kong	2,000	0.754	24,127,000
India	23,250	8.761	280,476,375
Indonesia	20,000	7.536	241,270,000
Japan	50,000	18.840	603,175,000
Korea, Republic of	18,500	6.971	223,174,750
Laos	105	0.040	1,266,668
Malaysia	10,000	3.768	120,635,000
Nepal	540	0.204	6,514,290
New Zealand	5,640	2.125	68,038,140
Pakistan	8,000	3.014	96,508,000
Papua New Guinea	345	0.130	4,161,907
Philippines	8,750	3.297	105,555,625
Singapore	1,250	0.471	15,079,375
Solomon Islands	25	0.009	301,588
South Vietnam	3,000	1.130	36,190,500
Sri Lanka	2,130	0.803	25,695,255
Thailand	5,000	1.884	60,317,500
Tonga	15	0.006	180,952
Western Samoa[1]	6	0.002	72,381
Total Regional	191,891	72.306	2,314,877,078
NON-REGIONAL			
Austria	1,250	0.471	15,079,375
Belgium	1,250	0.471	15,079,375
Canada	6,250	2.355	75,396,875
Denmark	1,250	0.471	15,079,375
Finland[1]	500	0.188	6,031,750
France	6,250	2.355	75,396,875
Germany, Federal Republic of	8,500	3.203	102,539,750
Italy	5,000	1.884	60,317,500
Netherlands	2,750	1.036	33,174,625
Norway	1,250	0.471	15,079,375
Sweden[1]	500	0.188	6,031,750
Switzerland	1,250	0.471	15,079,375
United Kingdom	7,500	2.826	90,476,250
United States[2]	30,000	11.304	361,905,000
Total Non-Regional	73,500	27.694	886,667,250
GRAND TOTAL	265,391	100.000	$3,201,544,328

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

1 As of 31 December 1975, these members have not yet subscribed to the additional shares of the increase in capital stock authorized by Resolution No. 46 of the Board of Governors. Such additional shares are equal to 150 per cent of each such member's existing subscribed shares.

2 As of 31 December 1975, the United States has subscribed to 10,000 shares out of the 30,000 shares to which it is entitled to subscribe under Resolution No. 46 of the Board of Governors.

ORDINARY CAPITAL RESOURCES

CAPITAL STOCK AND VOTING POWER

1975

States Dollars (Note A)

PAR VALUE OF CALLABLE SHARES	PAR VALUE OF PAID-IN SHARES		VOTING POWER		
Subject to Call	Subscription Not Due	Instalments Matured	Number of Votes	Per Cent of Total	Per Cent of Regional/ Non-Regional
$ 9,807,625	$ –	$ 4,608,257	2,813	0.848	1.194
174,317,575	–	82,031,800	22,868	6.894	9.707
30,761,925	6,333,338	8,142,862	5,368	1.618	2.279
16,406,360	3,088,256	4,632,384	3,618	1.091	1.536
7,177,783	–	3,377,780	2,493	0.751	1.058
32,812,720	–	15,441,280	5,618	1.693	2.385
2,050,795	–	965,080	1,868	0.563	0.793
120,635	20,105	40,212	1,633	0.492	0.693
16,406,360	–	7,720,640	3,618	1.091	1.536
190,723,935	–	89,752,440	24,868	7.496	10.556
164,063,600	39,809,550	37,396,850	21,618	6.517	9.177
410,159,000	–	193,016,000	51,618	15.560	21.911
151,758,830	24,127,000	47,288,920	20,118	6.065	8.540
856,509	–	410,159	1,723	0.519	0.731
82,031,805	14,476,200	24,127,000	11,618	3.502	4.932
4,427,305	–	2,086,985	2,158	0.650	0.916
46,263,522	–	21,774,618	7,258	2.188	3.081
65,625,440	–	30,882,560	9,618	2.899	4.083
2,834,922	–	1,326,985	1,963	0.592	0.833
71,777,825	–	33,777,800	10,368	3.125	4.401
10,253,975	–	4,825,400	2,868	0.865	1.218
205,079	–	96,509	1,643	0.495	0.698
24,609,540	–	11,580,960	4,618	1.392	1.960
17,467,948	–	8,227,307	3,748	1.130	1.591
41,015,900	–	19,301,600	6,618	1.995	2.809
120,635	19,302	41,015	1,633	0.492	0.693
36,191	–	36,190	1,624	0.490	0.689
1,574,093,734	87,873,751	692,909,593	235,577	71.013	100.000
10,253,975	–	4,825,400	2,868	0.865	2.983
10,253,975	–	4,825,400	2,868	0.865	2.983
51,269,875	–	24,127,000	7,868	2.372	8.183
10,253,975	–	4,825,400	2,868	0.865	2.983
3,015,875	–	3,015,875	2,118	0.638	2.202
51,269,875	4,523,812	19,603,188	7,868	2.372	8.183
69,727,030	–	32,812,720	10,118	3.050	10.523
41,015,900	2,412,700	16,888,900	6,618	1.995	6.883
22,558,745	–	10,615,880	4,368	1.317	4.543
10,253,975	1,206,350	3,619,050	2,868	0.865	2.983
3,015,875	–	3,015,875	2,118	0.638	2.202
10,253,975	–	4,825,400	2,868	0.865	2.983
61,523,850	–	28,952,400	9,118	2.749	9.483
217,143,000	–	144,762,000	31,618	9.531	32.883
571,809,900	8,142,862	306,714,488	96,152	28.987	100.000
$2,145,903,634	$ 96,016,613	$ 959,624,081	331,729	100.000	

ASIAN DEVELOPMENT BANK–ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note A)

NOTE A– .

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) **Unit of Account**
The Ordinary Capital Resources financial statements are expressed in current United States Dollars.

(2) **Translation of Currencies**
Assets and liabilities in currencies other than United States Dollars were translated at the rates which prevailed at the end of the year as described below:

(a) In the cases of 11 members (Afghanistan, Bangladesh, Cambodia, Indonesia, Republic of Korea, Laos, Pakistan, Philippines, South Vietnam, Sri Lanka and Thailand) and for 1974 a non-member (Kuwait), at par values established or provisional rates agreed by these countries with the International Monetary Fund;

(b) In the cases of 5 (6–1974) members (Burma, Republic of China, India, Nepal and Western Samoa), at central rates;

(c) In the cases of 23 (22–1974) members (Australia, Austria, Belgium, Canada, Denmark, Fiji, Finland, France, Federal Republic of Germany, Gilbert Islands, Hong Kong, Italy, Japan, Malaysia, Netherlands, New Zealand, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland and United Kingdom) and 3(1–1974) non-members (Kuwait, Luxembourg and Saudi Arabia), at market rates;

(d) In the case of Tonga at the rates used by Tonga in making payments of capital subscriptions to the Bank.

The capital stock, which is defined in Article 4, paragraph 1 of the Articles of Agreement in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966, namely at 0.888671 gram of fine gold, was translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the rates of exchange which prevailed at the beginning of the quarter.

Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D) were charged or credited to income.

No representation is made that any currency held by the Bank is convertible into any other currency at the rate or rates specified above.

(3) **Loans**
The Summary Statement of Loans (Appendix 1-V) presents, by country, total approved loans to be financed from Ordinary Capital Resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

(4) **Unamortized Discounts and Issuance Costs of Borrowings**
Unamortized discounts and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

(5) **Property, Furniture and Equipment**
The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Furniture and equipment purchased by the Bank are charged to expense when acquired.

NOTE B–

RESTRICTION ON USE OF CASH IN BANKS, INVESTMENTS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i), the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:

> The use of cash in banks and demand obligations in the currencies of 23 members aggregating $173,500,602 ($138,404,944–1974)

In accordance with Article 24, paragraphs 2(i) and (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:

> The use of cash in banks, investments and demand obligations in the currencies of 3 members aggregating $44,069,830 ($39,886,025–1974).

NOTE C–

CAPITAL STOCK

The authorized capital stock of the Bank consists of 304,750 shares (279,000 shares–1974) of $10,000 par value each in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966. This is equivalent to $3,676,351,625 ($3,365,716,500–1974) in terms of current United States Dollars.

The authorized capital stock consists of "callable" capital stock and "paid-in" capital stock. The "callable" capital stock is subject to call only as and when required by the Bank to meet obligations incurred on borrowings or on guarantees. The "paid-in" capital stock is paid or payable partly in gold or convertible currencies and partly in the currency of the member. In lieu of the portion paid or payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations, the Bank shall accept non-negotiable, non-interest-bearing demand obligations in accordance with Article 6, paragraph 3.

As of 31 December 1975, the subscribed capital stock was $3,201,544,328 ($2,770,274,203–1974). All matured instalments amounting to $959,624,081 ($803,026,383–1974) were

CONTINUED

received except $253,334 due from Cambodia on 6 Apr[illegible] 1975. Instalments not due aggregating $96,016,613 ($129,083,471 –1974) are receivable as follows:

	1975	1974
1975	$ –	$107,[illegible]9,288
1976	42,358,165	1[illegible],507,355
1977	28,807,638	3,956,828
1978	24,850,810	–

NOTE D–

AMOUNTS RECEIVABLE AND AMOUNTS PAYABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in par values or provisional rates of member currencies from those previously established or agreed by the members with the International Monetary Fund, or from changes in central rates or market rates adopted by the Bank for the purposes of maintenance of value, under Article 25, of the Bank's holdings of certain member currencies.

NOTE E–

SPECIAL RESERVE

From the interest earnings of the Bank on loans made by it from its Ordinary Capital Resources, a commission calculated at one per cent per annum on the outstanding amount of such loans has been credited to a Special Reserve in accordance with Article 16, paragraph 1 and Article 17.

NOTE F–

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to $57,433,902 ($47,609,651 in terms of the United States Dollar of the weight and fineness in effect on [illegible] January 1966), were allocated and transferred to the Ordinary Reserve Special Fund. On 1 October 1975, these resources were transferred to the Asian Development Fund.

NOTE G–

NET INCOME AND ORDINARY RESERVE

Under the provision of Article 40, the Board of Governors shall determine annually what part of the net income shall be allocated after making provisions for reserves, to surplus and what part, if any, shall be distributed to the members. The net income of the Bank for the year ended 31 December 1975, namely $26,427,253, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Eighth Annual Meeting. Similar allocations had previously been made in respect of net income for previous periods.

NOTE H–

CONTRIBUTIONS TO STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan shall, as a condition of service, become a participant as of the first day of his service, provided that as of such a date he shall not have reached his normal retirement date. The Plan applies also to the members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

Each participant contributed to the Plan, up to February 1974, seven per cent of his remuneration and the Bank contributed the remainder of the cost and expenses of the Plan at the rate of fourteen per cent of participants' remuneration. In order to provide increased benefits, with effect from March 1974, the rates of contribution of the participants and of the Bank were changed to seven and two-thirds per cent and fifteen and one-third per cent, respectively, and with effect from December 1974, to nine and one-third per cent and eighteen and two-thirds per cent, respectively. For the year ended 31 December 1975, the amount contributed by the Bank to the Plan to cover its estimated cost and expenses was $1,442,199 ($1,005,002–1974).

NOTE I–

ADMINISTRATION CHARGE

The Administration Charge to Special Funds Operations, instituted in 1971, is based on a formula which takes into consideration certain administrative expenses and the number and amount of loans approved.

NOTE J–

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1975, for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately $7,733,000 ($6,970,000–1974); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over $100,000 will be converted to the subsequent loan. Under such option, technical assistance expenditures of $55,491 were charged to loans and credited to income during the year ended 31 December 1975.

NOTE K–

CHANGES IN VALUE OF CURRENCIES

In 1975 there was a sharp decline in the value of most currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted largely for a net loss of $7,352,466 on translation of currency holdings in excess of the respective maintenance of value ceilings.

HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank – Ordinary Capital Resources:

	Appendix
Balance Sheet, 31 December 1975 and 31 December 1974	1 - I
Statement of Income and Expenses for the years ended 31 December 1975 and 31 December 1974	1 - II
Statement of Changes in Financial Position for the years ended 31 December 1975 and 31 December 1974	1 - III
Statement of Cash in Banks and Demand Obligations of Members, 31 December 1975	1 - IV
Summary Statement of Loans, 31 December 1975	1 - V
Statement of Borrowings, 31 December 1975 and 31 December 1974	1 - VI
Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1975	1 - VII
Notes to Financial Statements, 31 December 1975 and 31 December 1974	1 - VIII

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.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank–Ordinary Capital Resources at 31 December 1975 and 31 December 1974 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

20 February 1976

BALAN

31 December 19

Expressed in Uni

	Technical Assistance Special Fund (Note 3)	
ASSETS	1975	1974
CASH IN BANKS	$ 1,099,431	$ 829,842
INVESTMENTS		
Government and government guaranteed obligations—amortized cost which approximates market (Face amounts—$8,306,767—1975, $30,184,503—1974)	7,533,756	7,748,935
Time deposits and certificates of deposit	—	—
LOANS (Note 5)		
Effective loans held by Bank	—	—
ACCRUED INCOME		
On investments	—	—
On loans	—	—
NOTES OF CONTRIBUTORS		
Non-negotiable, non-interest-bearing notes	—	—
RESOURCES AVAILABLE FOR DRAWING		
Contributed Resources (See Appendix 1-D)	1,068,034	1,098,463
RECEIVABLE FROM ASIAN DEVELOPMENT FUND	—	—
OTHER ASSETS	438,154	63,501
TOTAL	$10,139,375	$ 9,740,741
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL		
UNDISBURSED BALANCE OF EFFECTIVE LOANS	$ —	$ —
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	—	—
ACCOUNTS PAYABLE	1,070,918	693,374
UNEXPENDED BALANCES AND CAPITAL		
Contributed Resources (See Appendix 1-D)	18,961,522	16,082,341
Set-Aside Resources (See Appendix 1-E) [Note 4(b)]		
Capital set aside and transferred	—	—
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	—
Accumulated net income (expense) (See Appendix 1-B)		
Contributed Resources	(9,893,065)	(7,034,974)
Accrued Resources [Note 4(c)]	—	—
TOTAL	$10,139,375	$ 9,740,741

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

SPECIAL FUNDS RESOURCES

SHEET

and 31 December 1974

States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4)		Consolidated	
1975	1974	1975	1974
$ 1,473,520	$ 4,438,309	$ 2,572,951	$ 5,268,151
711,839	20,734,781	8,245,595	28,483,716
–	50,892,709	–	50,892,709
7,934,246	315,042,664	7,934,246	315,042,664
–	2,893,175	–	2,893,175
57,542	444,116	57,542	444,116
4,840,447	131,132,508	4,840,447	131,132,508
22,746,130	35,653,197	23,814,164	36,751,660
3,598,266	–	3,598,266	–
1,231	2,262,959	439,385	2,326,460
$41,363,221	$563,494,418	$51,502,596	$573,235,159
$ –	$243,314,868	$ –	$243,314,868
550,301	3,669,131	550,301	3,669,131
5,120	1,289,844	1,076,039	1,983,218
37,178,835	256,916,673	56,140,357	272,999,014
–	57,433,902	–	57,433,902
305,236	1,342,408	305,236	1,342,408
–	–	(9,893,065)	(7,034,974)
3,323,729	(472,408)	3,323,729	(472,408)
$41,363,221	$563,494,418	$51,502,596	$ 573,235,159

ASIAN DEVELOPMENT BANK–

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 Decemb-

Expressed in Unit-

	Technical Assistance Special Fund (Note 3)	
	1975	1974
INCOME		
From investments	$ 467,722	$ 454,811
From loans		
Interest	–	–
Service fee	–	–
From other sources	(20,720)	(15,369)
GROSS INCOME	447,002	439,442
Service fee less depository banks charges allocated to Accrued Resources	–	–
UNALLOCATED GROSS INCOME	447,002	439,442
EXPENSES		
Administrative expenses		
Project appraisal and other field missions–		
Consultants	482,261	333,719
Other administrative expenses–		
Consultants–Headquarters	125,914	179,715
Administration Charge (Note 6)	–	–
Depository banks charges	931	239
Miscellaneous	1,200	34
Total	610,306	513,707
Services to member countries (Note 7)		
Project preparation missions and other loan-related technical assistance–		
Consultants	1,555,984	534,369
Project implementation/advisory–		
Consultants	1,025,730	936,037
Regional activities–		
Consultants	113,073	52,601
Total	2,694,787	1,523,007
GROSS EXPENSES	3,305,093	2,036,714
INCOME (EXPENSE) BEFORE CHANGES IN VALUE OF CURRENCIES	(2,858,091)	(1,597,272)
CHANGES IN VALUE OF CURRENCIES–NET (Note 8)	–	–
NET INCOME (EXPENSE) FOR THE YEAR	(2,858,091)	(1,597,272)
AMOUNT TRANSFERRED PURSUANT TO SPECIAL FUNDS RULES AND REGULATIONS	–	–
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT BEGINNING OF THE YEAR	(7,034,974)	(5,437,702)
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT END OF THE YEAR	($9,893,065)	($7,034,974)

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

* Certain 1974 amounts have been restated to conform to 1975 classifications.

SPECIAL FUNDS RESOURCES

AND ACCUMULATED NET INCOME (EXPENSE)

1975 and 31 December 1974

States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4)				
Contributed Resources	Set-Aside Resources	Accrued Resources	Total	
			1975	1974*
$1,060,848	$3,710,075	$ 1,261	$4,772,184	$6,092,577
1,162,200	52,913	213	1,215,326	960,867
525,695	28,586	1,755	556,036	404,112
10,690	–	288,170	298,860	–
2,759,433	3,791,574	291,399	6,842,406	7,457,556
(524,944)	(27,989)	552,933	–	–
2,234,489	3,763,585	844,332	6,842,406	7,457,556
–	–	–	–	–
–	–	–	–	–
1,943,511	486,094	–	2,429,605	4,028,636
751	597	7	1,355	1,583
–	–	–	–	–
1,944,262	486,691	7	2,430,960	4,030,219
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
1,944,262	486,691	7	2,430,960	4,030,219
290,227	3,276,894	844,325	4,411,446	3,427,337
(290,227)	(291,303)	(33,779)	(615,309)	(169,700)
–	2,985,591	810,546	3,796,137	3,257,637
–	(2,985,591)	2,985,591	–	–
–	–	(472,408)	(472,408)	(3,730,045)
$ –	$ –	$3,323,729	$3,323,729	($ 472,408)

ASIAN DEVELOPMENT BANK–

STATEMENT OF CHANGES

For the Years Ended 31 December

Expressed in United

	Technical Assistance Special Fund (Note 3)	
	1975	1974
FUNDS WERE PROVIDED BY		
Operations		
Net income (expense)	($2,858,091)	($1,597,273)
Items not requiring or providing funds		
Accrued expenses	244,929	108,033
Accrued income including capitalized interest and service charges on loans	–	–
Administration Charge	–	–
Total	244,929	108,033
Funds provided by (utilized for) operations	(2,613,162)	(1,489,240)
Loans, notes of contributors and other assets transferred to the Asian Development Fund	–	–
Increase in undisbursed balance of effective loans	–	–
Contributions drawn	2,885,551	2,745,198
Decrease in notes of contributors as a result of currency devaluations	–	–
Decrease in loans disbursed and outstanding as a result of currency devaluations	–	–
Notes of contributors encashed	–	–
Loans collected	–	–
Other–net	(121,508)	232,421
Total	150,881	1,488,379
FUNDS WERE UTILIZED FOR		
Increase in effective loans	–	–
Loans disbursed	–	–
Notes of contributors received	–	–
Decrease in contributions drawn as a result of currency devaluations	96,471	404,670
Administration Charge paid	–	–
Resources transferred to the Asian Development Fund	–	–
Total	96,471	404,670
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	$ 54,410	$1,083,709
INCREASE (DECREASE) IN COMPONENTS OF FUNDS		
Cash in banks	$ 269,589	$ 166,680
Investments (excluding accrued interest)	(215,179)	917,029
Total	$ 54,410	$1,083,709

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

* Certain 1974 amounts have been restated to conform to 1975 classifications.

SPECIAL FUNDS RESOURCES

IN FINANCIAL POSITION

1975 and 31 December 1974

States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4,		Consolidated	
1975	1974	1975	1974*
$3,796,137	$ 3,257,637	$ 938,046	$ 1,660,364
–	–	244,929	108,033
1,014,754	(1,251,008)	1,014,754	(1,251,008)
2,429,605	4,028,636	2,429,605	4,028,636
3,444,359	2,777,628	3,689,288	2,885,661
7,240,496	6,035,265	4,627,334	4,546,025
204,135,272	104,942,505	204,135,272	104,942,505
–	85,565,000	–	85,565,000
7,447,431	66,923,713	10,332,982	69,668,911
1,183,169	8,904,443	1,183,169	8,904,443
6,901,392	1,372,173	6,901,392	1,372,173
32,411,202	16,574,867	32,411,202	16,574,867
645,284	1,900	645,284	1,900
(2,819,159)	821,774	(2,940,667)	1,054,195
257,145,087	291,141,640	257,295,968	292,630,019
–	85,565,000	–	85,565,000
58,671,601	27,182,570	58,671,601	27,182,570
721,241	51,911,802	721,241	51,911,802
7,943,629	8,636,856	8,040,100	9,041,526
41,111	6,746,070	41,111	6,746,070
263,647,945	112,609,619	263,647,945	112,609,619
331,025,527	292,651,917	331,121,998	293,056,587
($ 73,880,440)	($ 1,510,277)	($ 73,826,030)	($ 426,568)
($ 2,964,789)	($ 5,546,378)	($ 2,695,200)	($ 5,379,698)
(70,915,651)	4,036,101	(71,130,830)	4,953,130
($ 73,880,440)	($ 1,510,277)	($ 73,826,030)	($ 426,568)

ASIAN DEVELOPMENT BANK

STATEMENT

31 Dece

Expressed in Un

	Contributions Committed During 1975	Contributions Transferred During 1975
TECHNICAL ASSISTANCE SPECIAL FUND (Note 3)		
Australia	$ –	$ –
Austria	–	–
Belgium	–	–
Canada	485,531	–
China, Republic of	–	–
Denmark	–	120,530
Finland	–	–
Germany, Federal Republic of	–	–
India	–	–
Italy	–	–
Japan	2,000,438	–
Korea, Republic of	–	–
Netherlands	–	–
New Zealand	–	–
Pakistan	40,277	–
Sri Lanka	–	–
Switzerland	–	–
United Kingdom	204,570	–
United States	–	–
Total	2,730,816	120,530
MULTI-PURPOSE SPECIAL FUND (Note 4)		
Australia	–	–
Belgium	–	(2,500,313)
Canada	–	–
Denmark	–	(2,410,607)
Germany, Federal Republic of	–	(25,188,062)
Italy	–	(1,500,446)
Japan	–	(159,238,838)
Netherlands	–	(6,845,157)
New Zealand	–	(865,339)
United Kingdom	–	(12,274,206)
Total	–	(210,822,968)
GRAND TOTAL	$2,730,816	($210,702,438)

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

K— SPECIAL FUNDS RESOURCES

OF CONTRIBUTED RESOURCES

nber 1975

ited States Dollars (Note 2)

Total Contributions Committed	Amounts Drawn	Resources Available for Drawing
$ 747,640	$ 747,640	$ –
115,458	115,458	–
625,078	–	625,078
685,560	685,560	–
200,000	150,000	50,000
876,845	876,845	–
117,551	117,551	–
480,344	480,344	–
218,611	218,611	–
179,295	179,295	–
11,668,063	11,668,063	–
30,000	30,000	–
449,606	419,493	30,113
344,145	192,330	151,815
64,443	57,985	6,458
20,267	20,267	–
200,000	200,000	–
688,616	484,046	204,570
1,250,000	1,250,000	–
18,961,522	17,893,488	1,068,034
10,933,933	10,933,933	–
–	–	–
26,244,902	3,498,772	22,746,130
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
37,178,835	14,432,705	22,746 130
$56,140,357	$32,326,193	$23,814,164

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

STATEMENT OF SET-ASIDE RESOURCES

For the Years Ended 31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note 2)

	Capital Set-Aside and Transferred from Ordinary Capital Resources [Note 4(b)]	
	1975	1974
BALANCE AT BEGINNING OF THE YEAR	$57,433,902	$57,433,902
AMOUNT TRANSFERRED TO THE ASIAN DEVELOPMENT FUND	(57,433,902)	—
BALANCE AT END OF THE YEAR	$ —	$57,433,902

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

STATEMENT OF ACCRUED RESOURCES

For the Years Ended 31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note 2)

	Amounts Credited	
	1975	1974
BALANCE AT BEGINNING OF THE YEAR	($ 472,408)	($3,730,045)
NET INCOME FOR THE YEAR	3,796,137	3,257,637
BALANCE AT END OF THE YEAR	$3,323,729	($ 472,408)

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in United

	Australia	Austria	Belgium	Canada	China, Republic of	Denmark	Finland	Germany, Federal Republic of	India
ASSETS									
CASH IN BANKS	$ 34,305	$ 70,305	$ –	$488,406	$ 3,648	$134,427	$ 35,061	$ 856	$ –
INVESTMENTS									
Government obligations—amortized cost which approximates market (Face amount $7,574,130)	–	–	–	–	–	–	–	–	–
RESOURCES AVAILABLE									
Contributed Resources (See Appendix 1-D)	–	–	625,078	–	50,000	–	–	–	–
OTHER ASSETS	–	–	–	–	16,332	–	–	–	–
TOTAL	$ 34,305	$ 70,305	$625,078	$488,406	$ 69,980	$134,427	$ 35,061	$ 856	$ –
LIABILITIES AND UNEXPENDED BALANCES									
ACCOUNTS PAYABLE	$ 877	$ –	$ 21,699	$256,499	$ 1,036	$ –	$ –	$ 856	$ –
UNEXPENDED BALANCES									
Contributed Resources (See Appendix 1-D)									
Amounts made available	747,640	115,458	625,078	685,560	200,000	876,845	117,551	480,344	218,611
Accumulated net income (expense) (See Appendix 1-B)	(714,127)	(45,153)	(21,699)	(453,653)	(131,056)	(742,418)	(82,490)	(480,344)	(218,611)
TOTAL	$ 34,305	$ 70,305	$625,078	$488,406	$ 69,980	$134,427	$ 35,061	$ 856	$ –

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

SPECIAL FUNDS RESOURCES

SPECIAL FUND (Note 3)

SHEET

1975

States Dollars (Note 2)

Italy	Japan	Korea, Republic of	Nether-lands	New Zealand	Pakistan	Sri Lanka	Switzer-land	United Kingdom	United States	Total
$172,389	$ 100,844	$ –	$ 2,559	$ 4,264	$ 32,010	$ 20,267	$ –	$ –	$ –	$ 1,099,431
–	7,464,068	–	–	–	–	–	69,688	–	–	7,533,756
–	–	–	30,113	151,815	6,458	–	–	204,570	–	1,068,034
–	350,504	–	330	–	–	–	48,053	22,935	–	438,154
$172,389	$7,915,416	$ –	$ 33,002	$156,079	$ 38,468	$ 20,267	$117,741	$227,505	$ –	$10,139,375
$ –	$ 401,792	$ –	$ 13,172	$156,079	$ –	$ –	$ 36,817	$182,091	$ –	$ 1,070,918
179,295	11,668,063	30,000	449,606	344,145	64,443	20,267	200,000	688,618	1,250,000	18,961,522
(6,906)	(4,154,439)	(30,000)	(429,776)	(344,145)	(25,975)	–	(119,076)	(643,202)	(1,250,000)	(9,893,065)
$172,389	$7,915,416	$ –	$ 33,002	$156,079	$ 38,468	$ 20,267	$117,741	$227,505	$ –	$10,139,375

ASIAN DEVELOPMENT BANK—

MULTI-PURPOSE

BALANCE

31 December

Expressed in United

	Contributed Resources	
	Australia	Canada
ASSETS		
CASH IN BANKS	$ 1,407,961	$ 38,866
INVESTMENTS		
Government and government guaranteed obligations—amortized cost which approximates market (Face amount $732,637)	—	562,656
LOANS (Note 5)		
Effective loans held by Bank	4,751,639	2,967,165
ACCRUED INCOME		
On loans	32,090	24,878
NOTES OF CONTRIBUTORS		
Non-negotiable, non-interest-bearing notes	4,840,447	—
RESOURCES AVAILABLE FOR DRAWING		
Contributed Resources (See Appendix 1-D)	—	22,746,130
RECEIVABLE FROM ASIAN DEVELOPMENT FUND	—	—
OTHER ASSETS	125	834
TOTAL	$11,032,262	$26,340,529
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL		
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	$ 60,748	$ 73,855
ACCOUNTS PAYABLE	37,581	21,772
UNEXPENDED BALANCES AND CAPITAL		
Contributed Resources (See Appendix 1-D)		
Amounts made available	10,933,933	26,244,902
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	—
Accumulated net income (expense) (See Appendix 1-B)	—	—
TOTAL	$11,032,262	$26,340,529

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

a The eliminations represent offsetting amounts due to and due from resources within the Multi-Purpose Special Fund.

SPECIAL FUNDS RESOURCES

SPECIAL FUND (Note 4)

SHEET

1975

States Dollars (Note 2)

New Zealand	Accrued Resources	Unallocated and (Eliminations)[a]	Total
$5,102	$ 21,591		$ 1,473,520
–	149,183		711,839
–	215,442		7,934,246
–	574		57,542
–	–		4,840,447
–	–		22,746,130
–	3,657,601	($59,335)	3,598,266
–	272		1,231
$5,102	$4,044,663	($59,335)	$41,363,221
$ –	$ 415,698		$ 550,301
5,102	–	($59,335)	5,120
–	–		37,178,835
–	305,236		305,236
–	3,323,729		3,323,729
$5,102	$4,044,663	($59,335)	$41,363,221

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

For the Year Ended 31 December 1975

Expressed in United States Dollars (Note 2)

		Contributors		Amounts	
ADMINISTRATIVE EXPENSES					
Project appraisal and other field missions—Consultants					
Afghanistan	Country Economic Mission	Japan			$ 5,261
Bangladesh	Transport Mission	India		$ 3,387	
	Railway Project	India	$ 71		
		Japan	(4,171)		
		United Kingdom	6,459	2,359	
	Agriculture and Irrigation Projects	Japan		3,631	
	Gas Pipeline and Distribution	Japan		10,615	
	Agricultural Credit	Japan		7,523	
	Khowai River	Japan		33,421	
	Energy Study	Japan		5,654	
	Jute Seed	Japan	(3,785)		
		United Kingdom	3,785	–	
	Chittagong Power Distribution	Japan	10,256		
		United Kingdom	10,251	20,507	
	Shatnol Fertilizer	Netherlands		9,632	
	Kulna Mongla Road	Japan		9,360	106,089
Burma	Jute Mill	Pakistan		3,828	
	Oil Production	Japan		11,150	
	Sugar Mill Rehabilitation	Japan		21,459	
	Sedawgyi Multi-Purpose Project	Japan		7,839	
	Power Transmission	Japan		7,547	51,823
Hong Kong	Sha Tin Sewerage Treatment	Japan			4,255
Indonesia	Sawit Sebarang Oil Palm Estate	Japan	9,703		
		Netherlands	21,870	31,573	
	Tadjum Irrigation	Japan		6,600	
	North Sumatra Rubber and Oil Palm Estate	Belgium	21,699		
		Japan	5,806	27,505	
	East Java Sugar	Netherlands		2,208	
	Cipadung Spinning Mill	Netherlands		284	
	Bandung Urban Development and Sanitary Services	Japan		29,223	
	Garung and Maninjau Hydropower	Japan		7,572	
	Surabaya Institute of Technology	Japan		2,921	
	Teluk Lada Irrigation	Japan		8,047	115,933
Korea, Republic of	Coal Sector Development	Japan		13,359	
	Medium Industry Bank	Japan		37,532	
	Yong-Dong Thermal Plant Expansion	United Kingdom		(151)	50,740
Malaysia	Pahang Tenggara Development	Australia		(133)	
	Sarawak Electricity Supply	Japan		5,914	
	Jerangau-Jabor Road	Japan		14,967	
	Fisheries Development	Japan		7,923	28,671
	FORWARD				$362,772

CONTINUED

		Contributors		Amounts	
		FORWARD			$362,772
Project appraisal and other field missions–Consultants					
Nepal	Air Transport Development	Italy	$ 6,482		
		United Kingdom	2,511	$ 8,993	
	Jute Development Project	Pakistan		503	9,496
Pakistan	Gas Turbine Generation	Japan		736	
	Hyderabad Water Supply, Sewerage and Drainage Development	Japan		2,533	3,269
Papua New Guinea	Four Cities Water Supply	Japan			12,159
Philippines	Polangui River Irrigation	China, Republic of		4,803	
	Philippine National Railways Track Network	Japan	8,003		
		United Kingdom	1,820	9,823	
	Laguna de Bay Water Resources Development Project	Japan		32,118	
	Manila International Airport Project	Japan		7,585	
	Engineering Education	Japan		5,150	
	Post-Evaluation–PDCP	Pakistan		5,238	
	Cotabato Port	Japan		12,573	77,290
Singapore	Development Bank of Singapore	Japan			5,613
South Vietnam	Rubber Rehabilitation	Netherlands			359
Thailand	Nong Wai Pioneer Irrigation	Germany, Federal Republic of		(733)	
	Fisheries Development	Japan		14,648	13,915
Western Samoa	Faleolo Airport	Japan			(2,612)
	Total				482,261
Other administrative expenses Consultants–Headquarters					
		Australia		(284)	
		India		1,380	
		Japan		124,818	125,914
Depository banks charges		Australia		24	
		Italy		10	
		Japan		765	
		Netherlands		8	
		Switzerland		124	931
Miscellaneous		Japan			1,200
	Total				128,045
TOTAL ADMINISTRATIVE EXPENSES					$610,306

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

For the Year Ended 31 December 1975

Expressed in United States Dollars (Note 2)

CONTINUED

		Contributors		Amounts	
SERVICES TO MEMBER COUNTRIES					
Project preparation missions and other loan-related technical assistance—					
Consultants					
Afghanistan	Balkh River Irrigation	Japan		$ 5,171	
	Upper Helmand Valley Agricultural Development	Japan		176,401	
	Kama Irrigation and Power	Switzerland		20,547	$ 202,119
Bangladesh	Agricultural Credit	Japan			44,813
Burma	Sedawgyi Multi-Purpose Project	Japan		34,863	
	Forest Industries Project	United Kingdom		71,655	106,518
Indonesia	Minihasa Power	Austria		3	
	Sawit Sebarang Oil Palm Estate	Netherlands		41,919	
	Teluk Lada Irrigation	Japan		199,060	
	Surabaya Institute of Technology	Japan		126,974	
	Java Road Improvement	Canada		256,499	624,458
Korea, Republic of	Namgang-Imjin Area Development	Japan			(24)
Pakistan	Power Development	Germany, Federal Republic of	$123,402		
		Japan	53,707	177,109	
	Hyderabad Water Supply, Sewerage and Drainage Development	Japan		132,864	
	Lyallpur Water Supply, Sewerage and Drainage Development	Japan		150,000	459,973
Papua New Guinea	Road Project	Australia			11,304
Philippines	Polangui River Irrigation	Australia		(48)	
	Philippine National Railways Track Network	India	508		
		United Kingdom	(1,373)	(865)	
	Agusan del Sur Irrigation	Netherlands		1,729	816
Solomon Islands	Beef Cattle Development	Japan		32,285	
		New Zealand		74,597	106,882
South Vietnam	National Skills Training Center	Japan			(875)
	Total				1,555,984
Project implementation/advisory—					
Consultants					
Bangladesh	Krishi Bank	Japan		21,531	
	Fisheries Development	Japan	27,814		
		New Zealand	6,480	34,294	
	FORWARD			$ 55,825	

The accompanying notes to financial statements (Appendix 1-J) are an integral part of this statement.

CONTINUED

		Contributors		Amounts	
		FORWARD		$ 55,825	
Project implementation/advisory--					
Consultants					
Bangladesh	Shilpa Bank	India	$ 6,369		
		Japan	17,013	23,382	
	West Zone Power Station	Japan		114,006	
	Chittagong Port Expansion	Japan		(236)	
	Railway Project	United Kingdom		16,379	$ 209,356
Fiji	Fiji Development Bank	Japan			63,375
Indonesia	Financial Management of Ports	Japan		11,724	
	Palm Oil Mills	Japan		10,017	21,741
Laos	Vientiane Water Supply	United Kingdom		34,700	
	Tha Ngon Agricultural Development	Japan		42,248	76,948
Malaysia	Fisheries Development	China, Republic of		16,303	
		Japan		44,666	60,969
Nepal	Air Transport System Development	Japan		32,780	
	Agricultural Credit	Japan		50,359	83,139
Pakistan	Mangla Hydropower Development	Australia			28,467
Philippines	Navotas Fisheries	United Kingdom			21,289
South Vietnam	Fisheries Development	Japan			658
Sri Lanka	Walawe Development	Netherlands			137
Tonga	Plan Preparation	Japan			178,096
Western Samoa	Development Financing Institution	Australia	32,397		
		Japan	28,501	60,898	
	Power Development	United Kingdom		6,694	
	Plan Preparation	Japan		213,963	281,555
	Total				1,025,730
Regional activities--					
Consultants	ADB-BTC Regional Program on Development Banking	Japan			28,899
	APO Fourth Feasibility Study Training Course	Japan			(358)
	APO Fifth Feasibility Study Training Course	Japan			24,253
	Seminar on Harbor Management and Planning	Japan			27,295
	ADB-PIM-PICIC-IDBP Regional Training Program	Japan			32,984
	Total				113,073
TOTAL SERVICES TO MEMBER COUNTRIES					2,694,787
GROSS EXPENSES					$3,305,093

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1975 and 31 December 1974

NOTE 1—

GENERAL

(a) Since 1967 the Bank has established Special Funds Resources to finance the special operations of the Bank as provided in Article 19 of the Articles of Agreement. Such Special Funds Resources consist of a Technical Assistance Special Fund and a Multi-Purpose Special Fund.

(b) In 1974 the Asian Development Fund was established. Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Asian Development Fund. Accordingly, their contributions were transferred to the Asian Development Fund.

As a further step to streamline and restructure the Special Funds, the transfer to the Asian Development Fund of the Set-Aside Resources and Contributed Resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in 1975. Accordingly, on 1 October 1975, the Set-Aside Resources and the contributions of eight contributors in the Multi-Purpose Special Fund were transferred to the Asian Development Fund.

(c) Since the Special Funds Rules and Regulations do not apply to the Asian Development Fund, the accompanying financial statements do not include the operations and activities of that Fund.

NOTE 2—

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Unit of Account**
The Special Funds Resources financial statements are expressed in current United States Dollars.

(b) **Translation of Currencies**
Assets, liabilities and unexpended balances in currencies other than United States Dollars were translated at the rates which prevailed at the end of the year as described below:

(i) In the cases of 2 contributors (Pakistan and Sri Lanka), at par values established with the International Monetary Fund;

(ii) In the case of India, at central rate;

(iii) In the cases of 12 (14—1974) contributors (Australia, Austria, Belgium, Canada, Denmark, Finland, Federal Republic of Germany, Italy, Japan, Netherlands, New Zealand, and United Kingdom), at market rates.

The capital stock of the Bank is defined in Article 4, paragraph 1 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966, namely at 0.888671 gram of fine gold. Capital set-aside was therefore translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the rates of exchange which prevailed at the beginning of the quarter.

Translation adjustments relating to funds representing the unexpended balances of contributions were offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside were recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments were charged or credited to income.

No representation is made that any of these currencies is convertible into any other currency at the rate or rates specified above.

(c) **Contributions**
Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as contributions committed are based on the specific requests approved through 31 December 1975 and 31 December 1974.

NOTE 3—

TECHNICAL ASSISTANCE SPECIAL FUND

Since 1967 contributions have been made by 19 member countries to be used by the Bank for financing technical assistance activities. In most cases, the initial use of the contributions shall be for the procurement of expert services and facilities from the contributing member country. There has been, however, a trend towards liberalization of the procurement terms. Therefore, some of the contributions are substantially or wholly untied.

NOTE 4—

MULTI-PURPOSE SPECIAL FUND

(a) Since 1968 contributions have been made by 14 member countries to be used by the Bank for financing special

CONTINUED

operations. These contributions generally cannot be used for providing non-reimbursable technical assistance. The contributions made in the early years were generally to be used initially for procurement of goods and services from the contributing member country. In recent years the terms of the contributions have become more and more liberalized. In most cases, the contributions may be used for procurement of goods and services (a) from the contributing member country, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund other than the Technical Assistance Special Fund. In all cases the repayments may be used for procurement of goods and services in the territories of members of the Bank. As a result of transfers of contributions to the Asian Development Fund [See Note 1-(b)], the contributions of only two contributors remained in the Multi-Purpose Special Fund at 31 December 1975.

(b) Pursuant to Article 19, paragraph 1(i), the Board of Governors has also authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be transferred to the Special Funds. The resources so set aside, amounting to $57,433,902 ($47,609,651 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966) were allocated and transferred to the Multi-Purpose Special Fund to form the Set-Aside Resources of that Fund. On 1 October 1975, these resources were transferred to the Asian Development Fund.

(c) The term "Accrued Resources" refers to the resources derived from the service fee charged by the Bank in its special operations in accordance with the Special Funds Rules and Regulations for the Bank's administration of the Special Funds Resources and to certain other income derived from Special Funds Resources credited, held and administered by the Bank in the Multi-Purpose Special Fund.

NOTE 5–

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available the resources of both the Multi-Purpose Special Fund and the Asian Development Fund may be used either singly or jointly to finance such loans.

Prior to 1 October 1975, the Summary Statement of Loans of the Special Funds Resources included all Special Funds loans approved before the establishment of the Asian Development Fund. From 1 October 1975, the Summary Statement of Loans of that Fund included all approved Special Funds loans. Accordingly, the amount shown as "Effective loans held by Bank" at 31 December 1975 represented only the portions of loans outstanding which were disbursed from the resources remaining in the Multi-Purpose Special Fund.

NOTE 6–

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. Upon transfer of the Set-Aside Resources and certain contributions to the Asian Development Fund [See Note 1-(b)] the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net credit arising from such transfer of the liability.

NOTE 7–

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1975, for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately $7,738,000 ($6,970,000–1974); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over $100,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of $288,615 were charged to loans and credited to income during the year ended 31 December 1975.

NOTE 8–

CHANGES IN VALUE OF CURRENCIES

In 1975 there was a sharp decline in the value of most currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted for the net loss of $615,309 on translation of currencies derived from earnings.

HASKINS & SELLS
Certified Public Accountants

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank–Special Funds Resources:

	Appendix
Balance Sheet, 31 December 1975 and 31 December 1974	1 - A
Statement of Income and Expenses and Accumulated Net Income (Expense) for the years ended 31 December 1975 and 31 December 1974	1 - B
Statement of Changes in Financial Position for the years ended 31 December 1975 and 31 December 1974	1 - C
Statement of Contributed Resources, 31 December 1975	1 - D
Statement of Set-Aside Resources for the years ended 31 December 1975 and 31 December 1974	1 - E
Statement of Accrued Resources for the years ended 31 December 1975 and 31 December 1974	1 - F
Technical Assistance Special Fund Balance Sheet, 31 December 1975	1 - G
Multi-Purpose Special Fund Balance Sheet, 31 December 1975	1 - H
Technical Assistance Special Fund – Statement of Expenses by Projects and Programs for the year ended 31 December 1975	1 - I
Notes to Financial Statements, 31 December 1975 and 31 December 1974	1 - J

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.

In our opinion, such financial statements present fairly the financial position of Asian Development Bank–Special Funds Resources at 31 December 1975 and 31 December 1974 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

20 February 1976

ASIAN DEVELOPMENT BANK–ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1975 and 31 December 1974

Expressed in United States Dollars (Note 2)

ASSETS	1975		1974	
CASH IN BANKS		$ 7,436,617		$ 2,591,581
INVESTMENTS				
Government and government guaranteed obligations–amortized cost which approximates market (Face amounts $34,735,177–1975, $3,731,955–1974)	$ 33,607,830		$ 3,728,505	
Time deposits and certificates of deposit	70,693,814	104,301,644	11,159,823	14,888,328
LOANS (See Appendix 1-4) (Note 5)				
Loans approved–$658,823,000–1975, $163,300,000–1974				
Effective loans held by Bank		519,480,090		30,689,370
ACCRUED INCOME				
On investments	3,275,103		284,326	
On loans	828,040	4,103,143	133	284,459
NOTES OF CONTRIBUTORS				
Non-negotiable, non-interest-bearing notes		402,554,060		200,822,206
RESOURCES AVAILABLE FOR DRAWING (See Appendix 1-5)				
Contributed Resources		2,784,082		–
OTHER ASSETS		2,754,422		820,210
TOTAL		$1,043,414,058		$250,096,154
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-4)		$386,585,658		$ 30,673,423
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)		4,414,057		1,580,772
ACCOUNTS PAYABLE				
Multi-Purpose Special Fund	$ 3,598,266		$ –	
Others	1,233	3,599,499	75,049	75,049
UNEXPENDED BALANCES AND CAPITAL				
Resources made available (See Appendix 1-5)				
Contributed Resources	587,532,038		218,916,590	
Set-Aside Resources (Note 3)	57,433,902		–	
Supplementary Resources (Note 4)	1,500,446		–	
Total	646,466,386		218,916,590	
Debit arising from transfer of Administration Charge Payable from the Multi-Purpose Special Fund less appropriated net income (Note 6)	–		(1,149,680)	
Accumulated net income (See Appendix 1-2)	2,348,458	648,814,844	–	217,766,910
TOTAL		$1,043,414,058		$250,096,154

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Year Ended 31 December 1975 and the Period from 28 June 1974 to 31 December 1974 (Note 1)

Expressed in United States Dollars (Note 2)

	1975	1974*
INCOME		
From investments	$ 3,495,819	$ 340,830
From loans	692,248	111
From other sources	(180)	48,609
GROSS INCOME	4,187,887	389,550
EXPENSES		
Administration Charge (Note 6)	575,395	238,364
Depository banks charges	515	15
GROSS EXPENSES	1,575,910	238,379
INCOME BEFORE CHANGES IN VALUE OF CURRENCIES	2,611,977	151,171
CHANGES IN VALUE OF CURRENCIES—NET (Note 7)	(151,011)	41,557
NET INCOME FOR THE PERIOD	2,460,966	192,728
APPROPRIATION TO DEBIT ARISING FROM TRANSFER OF ADMINISTRATION CHARGE PAYABLE FROM THE MULTI-PURPOSE SPECIAL FUND (Note 6)	(112,508)	(192,728)
ACCUMULATED NET INCOME	$ 2,348,458	$ —

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

* Certain 1974 amounts have been restated to conform to 1975 classifications.

ASIAN DEVELOPMENT BANK–ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended 31 December 1975 and the Period from 28 June 1974 to 31 December 1974 (Note 1)

Expressed in United States Dollars (Note 2)

	1975	1974*
FUNDS WERE PROVIDED BY		
Operations		
Net income	$ 2,460,966	$ 192,728
Items not requiring or providing funds		
Accrued income including capitalized interest and service charges on loans	(1,579,717)	(242,479)
Administration Charge	1,575,395	238,364
Total	(4,322)	(4,115)
Funds provided by operations	2,456,644	188,613
Resources transferred from the Multi-Purpose Special Fund	263,647,945	112,609,619
Increase in undisbursed balance of effective loans	189,600,000	16,300,000
Contributions drawn	173,730,224	107,936,641
Decrease in notes of contributors as a result of currency devaluations	8,098,679	3,057,780
Decrease in loans disbursed and outstanding as a result of currency devaluations	8,094	–
Notes of contributors encashed	14,236,395	–
Loans collected	353,438	–
Other–net	1,667,605	(745,161)
Total	653,799,024	239,347,492
FUNDS WERE UTILIZED FOR		
Increase in effective loans	189,600,000	16,300,000
Loans disbursed	18,295,514	10 94
Notes of contributors received	130,647,997	98,937,480
Decrease in contributions drawn as a result of currency devaluations	12,612,455	1,676,904
Administration Charge paid	4,249,434	–
Loans, notes of contributors and other assets transferred from the Multi-Purpose Special Fund	204,135,272	104,942,505
Total	559,540,672	221,867,583
INCREASE IN CASH IN BANKS AND INVESTMENTS	$ 94,258,352	$ 17,479,909
INCREASE IN COMPONENTS OF FUNDS		
Cash in banks	$ 4,845,036	$ 2,591,581
Investments (excluding accrued interest)	89,413,316	14,888,328
Total	$ 94,258,352	$ 17,479,909

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

* Certain 1974 amounts have been restated to conform to 1975 classifications.

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1975

Expressed in United States Dollars (Note 2)

Borrower	Principal Amount [b]	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	Effective Loans Held by Bank	Undisbursed Balance of Effective Loans	Outstanding Balance
AFGHANISTAN	$ 34,050,000	$ –	$ –	$ –	$ 34,050,000	$ 31,079,221	$ 2,970,779
BANGLADESH	125,380,000	21,630,000	–	–	103,750,000	87,313,851	16,436,149
BURMA	60,200,000	31,400,000	–	–	28,800,000	25,817,653	2,982,347
CAMBODIA	1,670,000	–	–	–	1,670,000	1,026,809[c]	643,191
INDONESIA	113,280,000	–	100	–	113,279,900	63,943,116	49,336,784
KOREA, REPUBLIC OF	3,700,000	–	–	–	3,700,000	2,977,909	722,091
LAOS	11,693,000	–	6,170	–	11,686,830	5,964,860	5,721,970
MALAYSIA	3,300,000	–	--	–	3,300,000	854,101	2,445,899
NEPAL	55,540,000	6,830,000	–	568,300	48,141,700	35,839,904	12,301,796
PAKISTAN	100,050,000	12,000,000	–	39,400	88,010,600	69,099,760	18,910,840
PAPUA NEW GUINEA	14,300,000	–	–	157,200	14,142,800	11,928,394	2,214,406
PHILIPPINES	15,300,000	–	372,660	164,766	14,762,574	7,354,992	7,407,582
SINGAPORE	3,000,000	–	–	–	3,000,000	2,047,662	952,338
SOUTH VIETNAM	40,670,000	20,400,000	244,715	–	20,025,285	14,475,106[c]	5,550,179
SRI LANKA	56,705,000	30,000,000	–	88,500	26,616,500	12,690,213	13,926,287
THAILAND	8,100,000	–	–	–	8,100,000	8,026,012	73,988
TONGA	1,300,000	–	–	–	1,300,000	1,267,474	32,526
WESTERN SAMOA	10,585,000	1,400,000	9,490	–	9,175,510	4,878,621	4,296,889
ADJUSTMENTS IN UNITED STATES DOLLAR EQUIVALENTS OF LOANS DISBURSED					(6,097,363)[d]		(6,097,363)[d]
PORTIONS OF LOANS ALLOCATED TO THE MULTI-PURPOSE SPECIAL FUND (Note 5)					(7,934,246)		(7,934,246)
TOTAL	$658,823,000	$123,660,000	$ 633,135	$ 1,018,166	$519,480,090	$386,585,658	$132,894,432

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

a The Bank charges service charge on all Special Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974 the Bank charges interest (including service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.

b Where necessary and when available the resources of the Multi-Purpose Special Fund will also be drawn upon to finance these loans (See Note 5).

c Pending consultation with the new governments concerning their intentions with respect to the projects being financed, the Bank has suspended further disbursements of these loans.

d This amount represents the adjustment in United States Dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

ASIAN DEVELOPMENT BANK–ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1975

Expressed in United States Dollars (Note 2)

	Resources Committed	Amounts Not Yet Made Available	Amounts Made Available	Amounts Drawn	Resources Available For Drawing
CONTRIBUTED RESOURCES					
Australia	$ 22,798,098	$ –	$ 22,798,098	$ 22,798,098	$ –
Belgium	6,859,670	1,453,119	5,406,551	5,406,551	–
Canada	9,699,942	–	9,699,942	9,699,942	–
Denmark	6,222,097	–	6,222,097	6,222,097	–
Finland	3,603,584	886,208	2,717,376	2,717,376	–
Germany, Federal Republic of	56,521,069	–	56,521,069	56,521,069	–
Japan	314,821,553	–	314,821,553	314,821,553	–
Netherlands	17,153,880	–	17,153,880	14,369,798	2,784,082
New Zealand	5,136,186	–	5,136,186	5,136,186	–
Norway	3,880,702	–	3,880,702	3,880,702	–
Switzerland	7,633,588	–	7,633,588	7,633,588	–
United Kingdom	35,540,996	–	35,540,996	35,540,996	–
United States	100,000,000	–	100,000,000	100,000,000	–
TOTAL	589,871,365	2,339,327	587,532,038	584,747,956	2,784,082
SET-ASIDE RESOURCES (Note 3)	57,433,902	–	57,433,902	57,433,902	–
SUPPLEMENTARY RESOURCES (Note 4)					
Italy	1,500,446	–	1,500,446	1,500,446	–
GRAND TOTAL	$648,805,713	$ 2,339,327	$646,466,386	$643,682,304	$ 2,784,082

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1975 and 31 December 1974

NOTE 1—

GENERAL

(a) In April 1973, the Board of Governors authorized the establishment of a new Special Fund to be known as the Asian Development Fund (the Fund). Subsequently, the Board of Governors also authorized initial resource mobilization arrangements for the Fund during the three years ending 31 December 1975, under a two-stage programme providing for a total amount equivalent to US$525,000,000. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. On 28 June 1974, the Fund was established when Instruments of Contribution were deposited with the Bank by ten contributors with contributions in an aggregate amount exceeding US$225,000,000, this being the minimum amount required to establish the Fund.

(b) Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Fund. Accordingly, their contributions were transferred to the Fund.

(c) Three contributors have requested and the Board of Directors has agreed, that the initial use of their contributions in the First Stage aggregating the equivalent of US$105,246,461 at 31 December 1975 (US$56,123,586—1974) be restricted to procurement of goods and services from their respective countries.

(d) On 30 June 1975, the Second Stage of the initial resource mobilization arrangements for the Fund became effective when Instruments of Contribution were deposited with the Bank by eleven contributors in an aggregate amount exceeding US$94,000,000, this being the minimum amount required to bring the Second Stage into effect.

(e) As a further step to streamline and restructure the Special Funds, transfer to the Fund of the Set-Aside Resources and Contributed Resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in 1975. Accordingly, on 1 October 1975, the Set-Aside Resources and the contributions of eight contributors in the Multi-Purpose Special Fund were transferred to the Fund.

NOTE 2—

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Unit of Account**
The financial statements of the Fund are expressed in current United States Dollars.

(b) **Translation of Currencies**
Assets, liabilities and unexpended balances in currencies other than United States Dollars were translated at the market rates which prevailed at the end of the year.

The capital stock of the Bank is defined in Article 4, paragraph 1 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966, namely at 0.888671 gram of fine gold. Capital set-aside was therefore translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the market rates which prevailed at the beginning of the quarter.

Translation adjustments relating to contributions were offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside were recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments were credited or charged to income.

CONTINUED

No representation is made that any currency held by the Fund is convertible into any other currency at the rate or rates specified above.

(c) **Contributions**
Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed.

NOTE 3–

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to $57,433,902 ($47,609,651 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966), were allocated and transferred to the Multi-Purpose Special Fund. On 1 October 1975, these resources were transferred to the Fund.

NOTE 4–

SUPPLEMENTARY RESOURCES

The term "Supplementary Resources" refers to the resources accepted by the Bank from any member or non-member government or any national or international entity, public or private, as provided in Section 2.06 of the Regulations of the Fund and to any contribution transferred from the Multi-Purpose Special Fund where the concerned contributor has not yet made its initial contribution to the Fund, as provided in Section 7.03(b) of the Regulations.

NOTE 5–

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available the resources of both the Multi-Purpose Special Fund and the Fund may be used either singly or jointly to finance such loans.

Prior to 1 October 1975, the Summary Statement of Loans of the Fund included only Special Funds loans approved after the establishment of the Fund. From 1 October 1975, the Summary Statement of Loans included all approved Special Funds loans. Accordingly, at 31 December 1975, the portions of loans allocated to the Multi-Purpose Special Fund, representing disbursements in respect of individual loans made from resources remaining in that Fund, were shown as an adjustment to the Summary Statement of Loans.

NOTE 6–

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. Upon transfer of the Set-Aside Resources and certain contributions from the Multi-Purpose Special Fund [See Note 1(b) and 1(e)] the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net debit arising from such transfer of the liability. This debit has been offset by appropriations of accumulated net income of the Fund.

NOTE 7–

CHANGES IN VALUE OF CURRENCIES

In 1975 there was a sharp decline in the value of most currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted for the net loss of $151,011 on translation of currencies derived from earnings.

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Fund:

	Appendix
Balance Sheet, 31 December 1975 and 31 December 1974	1 - 1
Statement of Income and Expenses and Accumulated Net Income for the year ended 31 December 1975 and the period from 28 June 1974 to 31 December 1974	1 - 2
Statement of Changes in Financial Position for the year ended 31 December 1975 and the period from 28 June 1974 to 31 December 1974	1 - 3
Summary Statement of Loans, 31 December 1975	1 - 4
Statement of Resources, 31 December 1975	1 - 5
Notes to Financial Statements, 31 December 1975 and 31 December 1974	1 - 6

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.

In our opinion, such financial statements present fairly the financial position of the Asian Development Fund at 31 December 1975 and 31 December 1974 and the results of its operations and the changes in its financial position for the year and the period then ended respectively, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

20 February 1976

SUMMARY OF BUDGET FOR 1976
INTERNAL ADMINISTRATIVE EXPENSES

	1975		1976
	Budget [1]	Actual	Budget
I. BOARD OF GOVERNORS	$ 58,000	$ 55,729	$ 116,000
II. BOARD OF DIRECTORS	1,588,000	1,559,192	1,411,000
Salaries	790,000	783,542	858,000
Benefits	230,000	225,780	277,000
Travel	480,000	471,409	185,000
Staff Services	88,000	78,461	91,000
III. STAFF	12,758,000	12,446,289	14,786,000
Salaries	7,137,000	7,117,652	8,439,000
Benefits	2,304,000	2,299,152	2,801,000
Travel	2,387,000	2,115,266	2,516,000
Consultants	880,000	879,115[2]	980,000
Representation	50,000	35,104	50,000
IV. OTHER ADMINISTRATIVE EXPENSES	2,651,000	2,567,655	2,995,000
Communications	460,000	431,257	474,000
Office Occupancy	674,000	666,922	839,000
Publications & Printing	155,000	145,987	180,000
Expendable Supplies	390,000	384,643	397,000
Furniture & Equipment	389,000	376,025	388,000
Fees and Compensation	450,000	434,368	532,000
Miscellaneous	133,000	128,453[3]	185,000
V. CONTINGENCY	277,000	–	386,000
TOTAL	$17,332,000	$16,628,865	$19,694,000

1 From the original contingency of $340,000, an amount of $63,000 was transferred to Budget Head II, and transfers were effected between items, without exceeding the total budget amount.
2 Includes $608,175 from the Technical Assistance Special Fund.
3 Includes $2,131 from the Technical Assistance Special Fund.

SUMMARY OF BUDGET FOR 1976

SERVICES TO MEMBER COUNTRIES

CONTINUED

	1975				Budget for 1976	
	Commitments		Disbursements			
	Revised Budget[1]	Actual	Budget	Actual	New Commitments	Disbursements
I. FINANCED FROM BANK'S OWN RESOURCES						
Project Preparation	$2,000,000	$2,015,500	$2,209,200	$1,841,404[3]	$2,700,000	$1,937,500
Advisory and Operational	1,800,000	1,306,500	2,208,800	1,083,875[4]	1,600,000	2,078,900
Regional Services	1,000,000	972,950	94,500	483,504[5]	1,000,000	609,000
Sub-Total	$4,800,000	$4,294,950[2]	$4,512,500	$3,408,783	$5,300,000	$4,625,400
II. FINANCED FROM AGENCY TRUST FUNDS[6]						
Project Preparation	$2,200,000	$2,268,600	$2,131,400	$1,237,928	$4,200,000	$2,872,300
Advisory and Operational	2,000,000	570,000	–	–	–	1,322,400
Regional Services	–	–	125,000	21,961	–	–
Sub-Total	$4,200,000	$2,838,600	$2,256,400	$1,259,889	$4,200,000	$4,194,700
TOTAL	$9,000,000	$7,133,550	$6,768,900	$4,668,672	$9,500,000	$8,820,100

1 The original budget of $6,000,000 was revised upward to $9,000,000 by the Board of Directors on 25 November 1975.
2 Includes the Bangladesh Railway Project approved on 23 December 1974 and the Asian Productivity Organization's Fifth Project Feasibility Study Training Course approved on 27 November 1974 which were considered as commitments for 1975.
3 Includes $1,555,984 from the Technical Assistance Special Fund.
4 Includes $1,025,730 from the Technical Assistance Special Fund.
5 Includes $ 113,073 from the Technical Assistance Special Fund.
6 Represents projects wherein the Bank acts as the executing agency for the United Nations Development Programme.

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1975

Resolution Number	Subject	Date Adopted
79	Increase in Authorized Capital Stock and Increase in Capital Subscription of the Republic of Indonesia	5 March
80	Increase in Authorized Capital Stock and Increase in Capital Subscription of Malaysia	15 April
81	Financial Statements and Auditors' Reports	26 April
82	Allocation of Net Income	26 April
83	Procedures for the Election of Directors at the Eighth Annual Meeting	24 April
84	Resources of the Bank	26 April
85	Transfer of Set-Aside Resources to the Asian Development Fund	26 April
86	Place and Date of Ninth Annual Meeting	26 April
87	Amendment of Section 7(B)(a) of the By-Laws of the Bank	2 June
88	Arrangements to Facilitate Effectiveness of the Second Stage of the Initial Resource Mobilization for the Asian Development Fund	20 June
89	Increase in Authorized Capital Stock and Increase in Capital Subscription of the Republic of Korea	30 June
90	Further Extension of Time for Subscriptions to Increase in Authorized Capital Stock	25 July
91	Amendment of Section 5 of the By-Laws of the Bank	11 August
92	Replenishment of the Resources of the Asian Development Fund	3 December

APPENDIX 4

CHANNELS OF COMMUNICATION

(As of 31 December 1975)

COUNTRY	CHANNEL
Afghanistan	President of Treasury Department Ministry of Finance Kabul cc: Ministry of Planning Kabul
Australia	Secretary Commonwealth Treasury Canberra
Austria	Bundesministerium für Finanzen Postfach 2 A-1015 Wien
Bangladesh	Ministry of Finance Bangladesh Secretariat Dacca
Belgium	Minister of Finance Brussels
Burma	Ministry of Planning and Finance Rangoon
Cambodia	National Bank of Cambodia Phnom-Penh
Canada	Department of Finance Ottawa
China, Republic of	Governor The Central Bank of China Taipei
Denmark	Ministry of Foreign Affairs Copenhagen
Fiji	Ministry of Finance Suva
Finland	Ministry for Foreign Affairs Helsinki
France	Ministry of Economy and Finance Treasury Department Paris
Germany, Federal Republic of	Bundesministerium fur Wirtschaftliche Zusammenarbeit Referat 212 53 Bonn 12 Friedrich-Ebert-Allee 114-116 Postfach 12 03 22
Gilbert Islands	Financial Secretary Central Government Office Bairiki, Tarawa
Hong Kong	The Financial Secretary c/o Colonial Secretariat Hong Kong
India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi
Indonesia	Department of Finance Jakarta
Italy	Ministero del Tesoro D.G. Tesoro - Div. XVI Via XX Settembre Roma
Japan	Minister of Finance Tokyo c/o Embassy of Japan Makati, Rizal
Korea, Republic of	Minister of Finance Seoul
Laos	National Bank of Laos Vientiane
Malaysia	Secretary to the Treasury The Treasury Kuala Lumpur
Nepal	Secretary Ministry of Finance and General Administration Kathmandu
Netherlands	Ministerie van Financien The Hague
New Zealand	Secretary of Foreign Affairs Wellington cc: Secretary to the Treasury Wellington
Norway	Royal Ministry of Commerce and Shipping Foreign Exchange Department Oslo
Pakistan	Ministry of Finance Government of Pakistan Islamabad
Papua New Guinea	Secretary for Finance Ministry of Finance Konedobu
Philippines	Department of Foreign Affairs Manila
Singapore	Permanent Secretary (Economic Development) Ministry of Finance Singapore
Solomon Islands	Ministry of Finance Honiara
South Vietnam	Governor National Bank of Vietnam Saigon
Sri Lanka	Secretary Ministry of Planning and Employment Colombo
Sweden	Ministry for Foreign Affairs Stockholm
Switzerland	Departement fédéral de l'économie publique Division du commerce Palais fédéral Berne
Thailand	Ministry of Finance Bangkok
Tonga	Ministry of Finance Nuku'alofa
United Kingdom	Ministry of Overseas Development Eland House, Stag Place London S.W.1.
United States	Secretary of the Treasury Washington, D.C. 20220 cc: The Secretary National Advisory Council on International Monetary and Financial Policies U.S. Treasury Department Washington, D.C. 20220
Western Samoa	Secretary to the Government Government of Western Samoa Apia

OFFICIAL DEPOSITORIES

(As of 31 December 1975)

COUNTRY	DEPOSITORY
Afghanistan	Da Afghanistan Bank Kabul
Australia	Reserve Bank of Australia Sydney
Austria	Österreichische Nationalbank Wien
Bangladesh	Bangladesh Bank Dacca
Belgium	National Bank of Belgium Brussels
Burma	Union of Burma Bank Rangoon
Cambodia	National Bank of Cambodia Phnom-Penh
Canada	Bank of Canada Ottawa
China, Republic of	The Central Bank of China Taipei
Denmark	Danmarks National Bank Copenhagen
Fiji	Central Monetary Authority of Fiji Suva
Finland	Suomen Pankki—Finlands Bank Helsinki
France	Banque de France Paris
Germany, Federal Republic of	Deutsche Bundesbank Frankfurt
Gilbert Islands	Bank of New South Wales Bairiki, Tarawa
Hong Kong	The Honkong and Shanghai Banking Corporation Hong Kong
India	Reserve Bank of India Bombay
Indonesia	Bank Indonesia Jakarta
Italy	Banca d'Italia Roma
Japan	Bank of Japan Tokyo
Korea, Republic of	Bank of Korea Seoul
Laos	Banque Nationale du Laos Vientiane
Malaysia	Bank Negara Malaysia Kuala Lumpur
Nepal	Nepal Rastra Bank Kathmandu
Netherlands	De Nederlandsche Bank N.V. Amsterdam
New Zealand	Reserve Bank of New Zealand Wellington
Norway	Norges Bank Oslo
Pakistan	State Bank of Pakistan Karachi
Papua New Guinea	Bank of Papua New Guinea Port Moresby
Philippines	Central Bank of the Philippines Manila
Singapore	Monetary Authority of Singapore Singapore
Solomon Islands	Australia and New Zealand Bankin g Group, Ltd Honiara
South Vietnam	National Bank of Vietnam Saigon
Sri Lanka	Central Bank of Ceylon Colombo
Sweden	Sveriges Riksbank (Bank of Sweden) Stockholm
Switzerland	Banque Nationale Suisse Zurich
Thailand	Bank of Thailand Bangkok
Tonga	Accountant General Treasury Department Nuku'alofa
United Kingdom	Bank of England London
United States	Federal Reserve Bank of New York New York
Western Samoa	Bank of Western Samoa Apia

APPENDIX 6

BOARD OF GOVERNORS

(As of 31 December 1975)

KAFILUDDIN MAHMOOD (Bangladesh) Chairman

EGON BAHR (Federal Republic of Germany) Vice-Chairman

JULIUS CHAN (Papua New Guinea) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	ZIR GUL President of Revenues Ministry of Finance	
AUSTRALIA	P.R. LYNCH[1] Treasurer	L.W. JOHNSON[2] Director Australian Development Assistance Agency
AUSTRIA	HANNES ANDROSCH Federal Minister of Finance	ERICH SCHMID Ambassador to Indonesia and the Philippines Jakarta
BANGLADESH	KAFILUDDIN MAHMOOD[3] Secretary Ministry of Finance	M. SAYEDUZZAMAN[4] Secretary Ministry of Planning
BELGIUM	M.W. DE CLERCQ Minister of Finance	M. D'HAEZE Vice-Governor National Bank of Belgium
BURMA	U LWIN Minister of Planning and Finance	U CHIT MOUNG Deputy Minister of Planning and Finance
CAMBODIA		
CANADA	DONALD S. MACDONALD[5] Minister of Finance	PAUL GERIN-LAJOIE President Canadian International Development Agency
CHINA, REPUBLIC OF	YU KUO-HWA Governor The Central Bank of China	WANG SHAO-YU Vice Minister of Finance
DENMARK	W. ULRICHSEN Deputy Under-Secretary of State for International Development Co-operation and Head of Danish International Development Agency Ministry of Foreign Affairs	BJORN OLSEN Head of Department Danish International Development Agency Ministry of Foreign Affairs
FIJI	C.A. STINSON Minister of Finance	S. SIWATIBAU Permanent Secretary for Finance
FINLAND	PEKKA MALINEN[6] Director of the Department for International Development Cooperation Ministry for Foreign Affairs	EERO ASP Managing Director Finnish Export Credit, Ltd.
FRANCE	JEAN-PIERRE FOURCADE Minister of Economy and Finance	YVES-LOUIS FIEVET Financial Counsellor for Asia Tokyo

1 Succeeded W.G. Hayden in November. W.G. Hayden succeeded J.F. Cairns in June. J.F. Cairns succeeded F. Crean in February.
2 Succeeded R.J. Whitelaw in October.
3 Succeeded A.R. Mallick in November.
4 Succeeded A.K.M. Ahsan in February.
5 Succeeded John N. Turner in December.
6 Succeeded Ake Wihtol in March.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
GERMANY, FEDERAL REPUBLIC OF	EGON BAHR Federal Minister for Economic Cooperation	KARL OTTO POEHL State Secretary Federal Ministry of Finance
GILBERT ISLANDS	P.W. REARDON Financial Secretary	OTIUEA TANENTOA[7] Minister for Commerce and Industry
HONG KONG	C.P. HADDON-CAVE Financial Secretary	
INDIA	C. SUBRAMANIAM Minister of Finance	M.G. KAUL Secretary Ministry of Finance Department of Economic Affairs
INDONESIA	ALI WARDHANA Minister of Finance	RACHMAT SALEH Governor Bank Indonesia
ITALY	PAOLO BAFFI[8] Governor Bank of Italy	SILVANO PALUMBO[9] Director-General Ministry of the Treasury
JAPAN	MASAYOSHI OHIRA Minister of Finance	TEIICHIRO MORINAGA Governor Bank of Japan
KOREA, REPUBLIC OF	YONG HWAN KIM Minister of Finance	SUNG WHAN KIM Governor Bank of Korea
LAOS	BOUSBONG SOUVANNAVONG[10] Secretary of State for Finance Ministry of Finance	
MALAYSIA	CHONG HON NYAN Deputy Minister of Finance	ISMAIL BIN MOHAMED ALI Governor Bank Negara Malaysia
NEPAL	B.B. THAPA Minister of Finance and General Administration	BHARAT BAHADUR PRADHAN Secretary Ministry of Finance
NETHERLANDS	W.F. DUISENBERG Minister of Finance	J.P. PRONK Minister for Development Cooperation Ministry for Foreign Affairs
NEW ZEALAND	R.J. TIZARD Minister of Finance	H.G. LANG Secretary to the Treasury
NORWAY	EINAR MAGNUSSEN Minister of Commerce and Shipping	THORVALD STOLTENBERG[11] Under Secretary Ministry of Commerce and Shipping
PAKISTAN	RANA MOHAMMAD HANIF KHAN Minister for Finance, Planning and Development	AFTAB AHMAD KHAN Secretary Economic Affairs Division Ministry of Finance, Planning and Development
PAPUA NEW GUINEA	JULIUS CHAN Minister for Finance	MEKERE MORAUTA Secretary for Finance

7 Succeeded Sione Tupouniua in March.
8 Succeeded Guido Carli in September.
9 Succeeded Gastone Migliori in September.
10 Succeeded Ngon Sananikone in July. Ngon Sananikone succeeded Sisouk Na Champassak in March.
11 Succeeded Christian Brinch in July.

APPENDIX 6

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
PHILIPPINES	CESAR VIRATA Secretary of Finance	GREGORIO LICAROS Governor Central Bank of the Philippines
SINGAPORE	HON SUI SEN Minister for Finance	J.Y.M. PILLAY Permanent Secretary Revenue Division Ministry of Finance
SOLOMON ISLANDS	WILLY BETU[12] Minister of Finance	DAVID NANAU KAUSIMAE Chairman Commerce and Industry Committee of Governing Council
SOUTH VIETNAM	TRAN DUONG Governor National Bank of Vietnam	MAI HUU ICH Assistant Governor National Bank of Vietnam
SRI LANKA	FELIX REGINALD DIAS BANDARANAIKE[13] Minister of Finance	LAL JAYAWARDENA[14] Acting Secretary to the Ministry of Finance and Acting Secretary to the Treasury
SWEDEN	LENNART KLACKENBERG Undersecretary of State Ministry for Foreign Affairs	FRANK BELFRAGE[15] Head Multilateral Department Office for International Development Cooperation Ministry for Foreign Affairs
SWITZERLAND	EDWIN STOPPER[16]	KLAUS JACOBI[17] Ambassador Delegate of the Federal Council for Trade Agreements
THAILAND	BOONCHU ROJANASTIEN[18] Minister of Finance	SANOH UNAKUL[19] Governor Bank of Thailand
TONGA	S. TAPA Acting Minister of Finance	BARON VAEA Minister of Labour, Commerce and Industries and Assistant Minister of Finance
UNITED KINGDOM	REG PRENTICE[20] Minister for Overseas Development	M.G. SMITH Under Secretary Ministry of Overseas Development
UNITED STATES	WILLIAM E. SIMON Secretary of the Treasury	CHARLES W. ROBINSON[21] Undersecretary of State for Economic Affairs
WESTERN SAMOA	AUMUA IOANE[22] Minister of Finance	A.L. HUTCHISON Financial Secretary

12 Succeeded R.J. Wallace in July.
13 Succeeded N.M. Perera in September.
14 Appointed in July vice C.A. Coorey.
15 Succeeded Staffan Sohlman in November.
16 Succeeded by Klaus Jacobi on 1 January 1976
17 Succeeded by John Lademann on 1 January 1976
18 Succeeded Sommai Hoontrakool in April.
19 Succeeded Thavil Khutrakul in December.
20 Succeeded Judith Hart in August.
21 Succeeded William J. Casey in February.
22 Succeeded F.P.S. Saili in July.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1975)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED[1]
Francois Dupont	Paul Aenishänslin	Belgium France Italy Switzerland
Anthony T. Eyton	Jan J. Wijenberg	Canada Denmark Finland Netherlands Norway Sweden
Stanley Fryer	Peter von Brevern	Austria Federal Republic of Germany United Kingdom
R.A. Kartadjoemena	J.J. Bryant	Fiji Indonesia New Zealand Tonga Western Samoa
B.H. Kay		Republic of China Republic of Korea South Vietnam
J.W. Keany	A. Agafonoff	Australia Gilbert Islands Hong Kong Papua New Guinea Solomon Islands
A. Melchor, Jr.	M.R. Khan	Pakistan Philippines
A.M.A Muhith	A.T. Bambawale	Bangladesh India
L. Roy Papp	Henry F. Lee	United States
Kiatikorn Phromyothi	Kalyana Bikram Adhikary	Burma Malaysia Nepal Singapore Thailand
Haruhisa Segawa	Hidetoshi Myamoto	Japan
Sitha Sisombat	C.A. Coorey	Afghanistan Laos Sri Lanka

1. In alphabetical order with each group

APPENDIX 8

PRINCIPAL OFFICERS

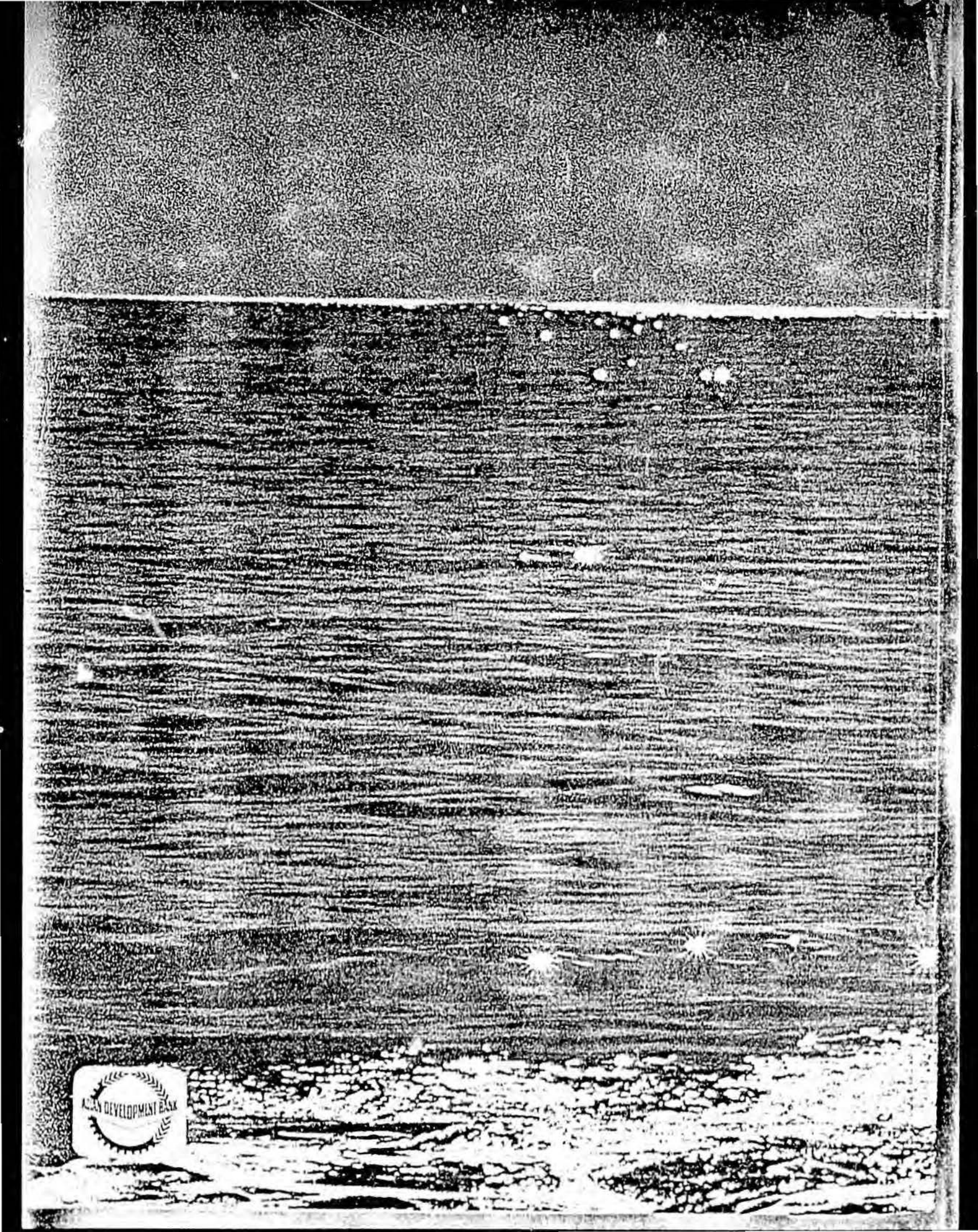
(As of 31 December 1975)

SHIRO INOUE	President
C.S. KRISHNA MOORTHI	Vice-President
OFFICE OF THE SECRETARY	
Douglas C. Gunesekera	Secretary
Wilfred A. Vawdrey	Assistant Secretary
OFFICE OF THE GENERAL COUNSEL	
Graeme F. Rea	General Counsel
Chun Pyo Jhong	Deputy General Counsel
OPERATIONS DEPARTMENT	
David F. Fisher	Director
Song Chil Lee	Operations Manager concurrently Deputy Director
Akira Tsusaka	Operations Manager concurrently Deputy Director
Sayed A. Baha	Operations Manager
Robert Byrnes	Operations Manager
Ernest J. Ettlinger	Operations Manager
Klaus J.L. Hoffarth	Operations Manager
Mazhar Ali Khan	Operations Manager
Patrick J. Knapp	Operations Manager
Zia Noorzoy	Operations Manager
PROJECTS DEPARTMENT I	
Sam Chung Hsieh	Director
Luis V. Sison	Project Manager concurrently Deputy Director
Kazuaki Suma	Project Manager concurrently Deputy Director
Herbert F. Huehne	Project Manager
Stephen Y.C. Lau	Project Manager
Michio Nakahara	Project Manager
Engelbert F. Tacke	Project Manager

Note: Names of Deputy Directors, Assistant Directors and Managers are listed in alphabetical order.

CONTINUED

PROJECTS DEPARTMENT II	
Jay B. Carter	Director
Wolf D. Kluber	Project Manager concurrently Deputy Director
Kasturi L. Luthra	Project Manager concurrently Deputy Director
Alfred T. Heron	Project Manager
Keshav C. Sen	Project Manager
ECONOMIC OFFICE	
Perry P. Chang	Chief Economist
Kedar N. Kohli	Assistant Chief Economist
Koji Nakagawa	Assistant Chief Economist
Burton T. Oñate	Chief Statistician
ADMINISTRATION DEPARTMENT	
Keijiro Kaizuka	Director
Raymond B. Lyon	Deputy Director
F.R.S. Weereratne	Deputy Director
Dang Fook Lee	Assistant Director (Budget & Planning) concurrently Assistant Director (Personnel)
Pyong Whi Min	Assistant Director (Administrative Services)
CONTROLLER'S DEPARTMENT	
S.M.A. Kazmi	Controller
Chia-Ching Mok	Assistant Controller
TREASURER'S DEPARTMENT	
Wolf Preuss	Treasurer
Akihiko Takeuchi	Deputy Treasurer
OFFICE OF THE INTERNAL AUDITOR	
Carl J. Lemvig-Fog	Internal Auditor
INFORMATION OFFICE	
P.S. Hariharan	Chief Information Officer


ASIAN DEVELOPMENT BANK

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	African Development Bank
Location:	Abidjan, Ivory Coast
Size:	Authorized Capital: U.A. 400 million; Issued Capital: U.A. 370 million (1 Unit of Account = 1 special drawing right of the IMF)
Purpose:	Established by African Governments in 1964, commenced operations in July 1966. Present membership consists of 39 of 42 countries which are members of Organization for African Unity, including 16 which are included in U. N.'s list of 25 least developed nations. Purpose of Bank is to promote the economic development of its member countries and social advancement of their peoples through gradual integration of their economies.
Source of Funds:	Subscribed capital, borrowings and retained income. Bank also operates African Development Fund, established from grants from 16 non-African exporting countries, which makes 50 year interest free loans and SIDFIDA, a Geneva-based internationally funded organization of private enterprises which assists in the mobilization of international private capital for development projects in Africa.
Management Structure:	Board of Governors, one from each member, oversees operations. Management responsibility and policy coordination rests with Board of Directors (9), President and staff.
Management of Funds:	Internal. Bank oversees projects for which funds have been dispersed.
Portfolio:	Alone or jointly with others, Bank (1) utilizes available resources to finance investment projects or programs consistent with its purpose; (2) promotes private and public capital investment in Africa; (3) provides technical and financial assistance in project evaluation and structure. All loans and investments in private sector must be government guaranteed. Portfolio at 9/30/74 consisted of one or more loans or equity investments in 31 countries totalling U. S. $192 million. Loan terms keyed to ability of borrower to repay and service debt.

Capital Structure:	Believed to be solely members' capital subscriptions, plus retained income. Discrepancy between issued capital and outstanding loans not reconcilable from existing data.
Income:	Believed to be reinvested in operations.

FT 21/11/74

OVERSEAS NEWS

AFRICAN DEVELOPMENT BANK

Poor man's financier

BY JANE BERGEROL, ABIDJAN CORRESPONDENT

THE AFRICAN Development Bank is ten years old this month. Its 39 African members can look back on a decade of hard work which has set ADB firmly among key organisations on the continent, particularly since its organisation of last year's ministerial conference which led to the joint EEC negotiating platform of all African associates and associables.

During this period the Bank has emerged not only as a financial intermediary but as a catalyst for regional economic co-operation and a brains trust for major continent-wide projects like, for example, African insurance and reinsurance. Inevitably, development financing operations have been modest compared with those of the bigger multinational organisations like the European Development Fund or, of course, the World Bank.

ADB's central problem has always been resources. Having decided to set itself apart from other regional development banks in Asia and Latin America by making only African countries eligible to hold its capital, it has ensured African control of the organisation. In this way it has avoided influence in its running by outside donor countries and the feeling that it might become a watchdog of creditors' interests. But the principle of self-help, raising capital from within the continent alone has imposed limits on available resources.

Africa contains more of the world's poorest countries than any other continent in the world. Several member countries suffer from the balance of payments deficits. Only a handful operate under surpluses substantial enough to allow room to pay up their capital subscriptions to the Bank without hardship.

Under these conditions putting into effect a feature of membership, such as the ADB was, that consisted of an initial subscription of 20 per cent paid in gold or convertible currencies and the remainder in the member's own currency, proved a headache from the beginning. Only recently has it been accepted that today every independent African country has so committed itself.

The shortage of government revenues has been constantly reflected in arrears on paid-in capital subscriptions, which naturally slowed growth in the Bank's operations. It is worth pointing out that the most poverty-stricken countries, like Upper Volta, are those that have been most scrupulous in respecting deadlines. A determined campaign to bring members into line has now brought total arrears down to about $23m., from more than twice that in 1970.

Meanwhile the rise in the price of oil in sub-Saharan Africa encouraged the bank to launch a voluntary capital subscription this year raising $130m. from 21 member states. The largest contributions came from Nigeria and Libya, followed by Algeria and Zaire; but equally significant is the support from the 17 others with less money to spare.

They feel the Bank's track record has been a successful one. Capital has doubled from $230m. to $450m. in ten years. The volume of loans has reached $189m. and the present 1974-76 programme aims at $330m. of loans.

Whereas, in the early years, a lack of pipeline projects in the poorest countries directed an unfair amount of loans to Northern and East Africa, the balance has been pretty much redressed. Between 1971 and 1973, North Africa's share of funds dropped from 28 per cent. to 23 per cent., East Africa's from 37 per cent. to 18 per cent. Correspondingly, West Africa's slice of the cake grew from 11 per cent. to 30 per cent. and Central Africa's from a nominal 4 per cent. to 25 per cent.

Presumably an effort will be made to allow West and Central African countries not merely to hold their own from now on, but to catch up on what they lost at the earlier post.

A shortage of resources limited the total volume of finance the Bank could dispense. Its high commercial interest rates have in the past discouraged some members from applying for loans. Many extremely worthwhile projects from a development standpoint simply cannot be financed at commercial rates and the bank staff felt early on that some solution to this problem had to be found.

The answer has been the African Development Fund, launched earlier this year. The rich industrialised countries outside Africa invited to contribute have produced about $100m. which is being loaned at concessionary IDA-type rates and earmarked for low-return projects, schools or agriculture schemes, with a high social value but little or no immediate financial returns. Over $200m. is needed for the 65 projects in ADB's pipeline but whether, in the present economic climate, the Bank can raise the extra $100m., let alone more for future programmes, remains to be seen.

More promising are the recent spate of Arab League and Arab oil producers' declarations on greater aid and economic co-operation with Africa. The Bank, through another special fund is administering the $200m. lump sum put at the disposal of the Organisation for African Unity by the Arab oil producers earlier this year, and it is hopeful more will follow.

Administratively, much effort is being made to speed up adoption of loans after they commitment. Another special relief fund has been set up to channel quick loans to drought-stricken countries. Although the sums involved are small—only $803,000, most of which was appropriated from ADB capital—the drought in Sahelian zone has been the first to benefit.

Probably, the Bank's biggest problems to-day are political. As it grows in importance, so do the rivalries within the organisation which inevitably reflect the troubles the continent as a whole. One positive outcome of the new Arab funds is expected increase of Arab domination within the Bank.

The [illegible] Egyptian head of [illegible] Arabs among the Bank's top staff such as by the recent appointments of six new deputy directors, three of whom are Arabs—two from Egypt, one from Sudan. But the Operations Department recently saw its Egyptian director replaced by a Senegalese, so charges of it being an Arab stronghold channelling too much loans into Northern Africa, will be less easy to make in the future.

Critics, however, point to cases such as Tunisia whose petroleum capital of $41m. and personal and other sources combined add up to less than the amount of loans already granted the Tunisian Government.

Some extend the theme a stage further, suggesting that the only answer was to split the organisation into sub-regional development banks along broad geographical lines dividing north, centre, east and west. The spread of the new Arab funds has spiked this idea.

The whole development theme reflects the fund-raising difficulties and distress of [illegible] Africans that so many countries are still [illegible] hard path in the [illegible] race compared with [illegible] developing and especially [illegible] problem countries.

Similarly, there is a feeling that the Bank and its staff have been too eager to step into the highly polished shoes of the [illegible] London or Paris [illegible]. It is, as we said, natural, to expect the Bank's highly paid bankers to [illegible] to lend their field at least as [illegible] to be [illegible] on the payroll as part of [illegible] assistance.

These are all good points and the Bank's future [illegible] and its staff are all fully aware of the necessity for [illegible] with the new [illegible] of the oil producers. [illegible] Arab [illegible] Bank [illegible] Development Fund.

We'd like to tell you

THE AFRICAN DEVELOPMENT BANK
AN INSTRUMENT FOR THE PROMOTION OF ECONOMIC AND SOCIAL PROGRESS IN AFRICA

Ten years ago, the African Development Bank was established by African governments as a testimony to their solidarity, their desire to operate and work together, regardless of political and language differences, to promote the economic development of their countries and the social advancement of their peoples through gradual integration of their national economies which had so long been separated by their colonial past.

At the time, the venture seemed risky. But today, on the eve of its tenth anniversary, the Bank may rightly pride itself on having a membership of 39 out of the 42 member States of the Organization of African Unity. It has gained international recognition as an instrument for promoting development to which its member countries increasingly apply.

THE BANK'S CAPITAL IS SUBSCRIBED ENTIRELY BY AFRICAN STATES

This rule, enshrined in the Agreement Establishing the African Development Bank, safeguards the African character of the institution and points to the effort towards solidarity without which the Africans cannot ensure their development. The magnitude of this effort, which is reflected in the structure of the share capital, will be fully realized if it is recalled that 16 member countries of the Bank are among the 25 listed by UNCTAD as the least developed countries in the world.

The authorized capital stock of the Bank, initially fixed at U.A. 250 million (U.S. $ 300 million) now stands at U.A. 400 million (US $ 480 million). The amount of subscription to be paid by each member country, determined in the light of its contributory capacity, is divided into two equal parts: paid-up shares and callable shares. Paid-up shares are payable either in gold or in convertible currency. The subscribed capital as at 8 August 1974 amounted to U.S. $ 345 071 million.

The Bank may also establish special funds or receive and manage such funds designed to serve its purpose within the scope of its functions.

THE BOARD OF GOVERNORS IS THE SUPREME ORGAN OF THE BANK; EACH MEMBER STATE IS REPRESENTED BY ONE GOVERNOR

The Governor is generally the Minister responsible for economic and financial affairs. The Board of Governors formulates general directives on the Bank's policy, particularly with regard to loans. The Board of Governors may, with a few exceptions delegate all its powers to the Board of Directors. The Board holds an annual meeting.

THE FOLLOWING DOCUMENT(S) MAY NOT FILM LEGIBLY BECAUSE OF POOR QUALITY OF THE ORIGINAL.

Institution:	African Development Bank
Location:	Abidjan, Ivory Coast
Size:	Authorized Capital: U.A. 400 million; Issued Capital: U.A. 370 million (1 Unit of Account = 1 special drawing right of the IMF)
Purpose:	Established by African Governments in 1964, commenced operations in July 1966. Present membership consists of 39 of 42 countries which are members of Organization for African Unity, including 16 which are included in U. N.'s list of 25 least developed nations. Purpose of Bank is to promote the economic development of its member countries and social advancement of their peoples through gradual integration of their economies.
Source of Funds:	Subscribed capital, borrowings and retained income. Bank also operates African Development Fund, established from grants from 16 non-African exporting countries, which makes 50 year interest free loans and SIDFIDA, a Geneva-based internationally funded organization of private enterprises which assists in the mobilization of international private capital for development projects in Africa.
Management Structure:	Board of Governors, one from each member, oversees operations. Management responsibility and policy coordination rests with Board of Directors (9), President and staff.
Management of Funds:	Internal. Bank oversees projects for which funds have been dispersed.
Portfolio:	Alone or jointly with others, Bank (1) utilizes available resources to finance investment projects or programs consistent with its purpose; (2) promotes private and public capital investment in Africa; (3) provides technical and financial assistance in project evaluation and structure. All loans and investments in private sector must be government guaranteed. Portfolio at 9/30/74 consisted of one or more loans or equity investments in 31 countries totalling U. S. $192 million. Loan terms keyed to ability of borrower to repay and service debt.

Capital Structure:	Believed to be solely members' capital subscriptions, plus retained income. Discrepancy between issued capital and outstanding loans not reconcilable from existing data.
Income:	Believed to be reinvested in operations.

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OVERSEAS NEWS

AFRICAN DEVELOPMENT BANK

Poor man's financier

BY JANE BERGEROL, ABIDJAN CORRESPONDENT

THE AFRICAN Development Bank is ten years old this month. Its 39 African members can look back on a decade of hard work which has set ADB firmly among key organisations on the continent, particularly since its organisation of last year's ministerial conference which led to the joint EEC negotiating platform of all African associates and associables.

During this period the Bank has emerged not only as a financial intermediary but as a catalyst for regional economic co-operation and a brains trust for major continent-wide projects like, for example, African insurance and reinsurance. Inevitably, development financing operations have been modest compared with those of the bigger multinational organisations like the European Development Fund or, of course, the World Bank.

ADB's central problem has always been resources. Having decided to set itself apart from other regional development banks in Asia and Latin America by making only African countries eligible to hold its capital, it has insisted African control of the organisation. In this way it has avoided influence in its running by outside donor countries and the feeling that it might become a watchdog of creditors' interests. But the principle of self-help, raising capital from within the continent alone, has imposed limits on available resources.

Also, perhaps more of the world's poorest countries than any other continent are in Africa. Several member countries suffer from the balance of payments deficit. Only a handful operate sufficiently sophisticated banking systems to be entitled enough to allow them to pay up their capital subscriptions to the Bank without difficulty.

Under these conditions the Bank has been a success, but the ADB was never intended as an institution to finance development projects. Its role is to help African countries to identify, prepare and finance projects which can attract other sources of capital. Its own resources are limited to loans on relatively hard terms and to technical assistance grants.

Despite these limitations, the Bank has managed to build up a portfolio of loans totalling $520m. to 65 projects in 25 countries. Of this total $180m. has been disbursed. Loans are made at 7 per cent. interest with a 50-year repayment period, including a 10-year grace period. Technical assistance grants are given to help countries prepare projects for financing.

The Bank has also been active in co-financing projects with other institutions, including the World Bank, the European Development Fund, the Arab Fund for Economic and Social Development and the Kuwait Fund. Co-financing has been particularly important in the Bank's relations with the EDF, which has provided $100m. in loans to African countries since the Bank was founded.

Co-financing has also been a way of overcoming the Bank's reluctance to finance projects in countries which have not paid up their capital subscriptions. Ivory Coast, for example, has received $30m. in loans from the Bank although it has not paid up its capital subscription. Co-financing has also been used to help countries which have not yet joined the Bank.

Despite the Bank's limited resources, it has been able to play a key role in the development of African capital markets. Its own bond issues have helped to establish the principle of long-term borrowing in local currencies. Its participation in the capital of development banks and investment companies has helped to encourage the growth of these institutions.

The Bank has also been active in promoting African insurance and reinsurance companies. It has helped to establish the African Reinsurance Corporation, which has its headquarters in Lagos, Nigeria, and has provided technical assistance to the Pan-African Insurance Company, which is based in Abidjan.

The Bank has also been active in promoting African trade. It has helped to establish the African Trade Insurance Agency, which provides insurance for African exports. It has also been active in promoting African tourism.

The Bank has also been active in promoting African agriculture. It has helped to establish the African Development Bank's Agricultural Development Fund, which provides loans for agricultural projects.

The Bank has also been active in promoting African industry. It has helped to establish the African Development Bank's Industrial Development Fund, which provides loans for industrial projects.

The Bank has also been active in promoting African transport. It has helped to establish the African Development Bank's Transport Development Fund, which provides loans for transport projects.

The Bank has also been active in promoting African energy. It has helped to establish the African Development Bank's Energy Development Fund, which provides loans for energy projects.

The Bank has also been active in promoting African water. It has helped to establish the African Development Bank's Water Development Fund, which provides loans for water projects.

The Bank has also been active in promoting African education. It has helped to establish the African Development Bank's Education Development Fund, which provides loans for education projects.

The Bank has also been active in promoting African health. It has helped to establish the African Development Bank's Health Development Fund, which provides loans for health projects.

The Bank has also been active in promoting African housing. It has helped to establish the African Development Bank's Housing Development Fund, which provides loans for housing projects.

The Bank has also been active in promoting African urban development. It has helped to establish the African Development Bank's Urban Development Fund, which provides loans for urban development projects.

The Bank has also been active in promoting African rural development. It has helped to establish the African Development Bank's Rural Development Fund, which provides loans for rural development projects.

The Bank has also been active in promoting African environmental protection. It has helped to establish the African Development Bank's Environmental Protection Fund, which provides loans for environmental protection projects.

The Bank has also been active in promoting African cultural development. It has helped to establish the African Development Bank's Cultural Development Fund, which provides loans for cultural development projects.

The Bank has also been active in promoting African sports development. It has helped to establish the African Development Bank's Sports Development Fund, which provides loans for sports development projects.

The Bank has also been active in promoting African tourism development. It has helped to establish the African Development Bank's Tourism Development Fund, which provides loans for tourism development projects.

The Bank has also been active in promoting African small and medium enterprises. It has helped to establish the African Development Bank's Small and Medium Enterprises Development Fund, which provides loans for small and medium enterprises.

The Bank has also been active in promoting African women's development. It has helped to establish the African Development Bank's Women's Development Fund, which provides loans for women's development projects.

The Bank has also been active in promoting African youth development. It has helped to establish the African Development Bank's Youth Development Fund, which provides loans for youth development projects.

The Bank has also been active in promoting African disaster relief. It has helped to establish the African Development Bank's Disaster Relief Fund, which provides loans for disaster relief projects.

The Bank has also been active in promoting African peace and security. It has helped to establish the African Development Bank's Peace and Security Fund, which provides loans for peace and security projects.

The Bank has also been active in promoting African governance. It has helped to establish the African Development Bank's Governance Fund, which provides loans for governance projects.

The Bank has also been active in promoting African anti-corruption. It has helped to establish the African Development Bank's Anti-Corruption Fund, which provides loans for anti-corruption projects.

The Bank has also been active in promoting African human rights. It has helped to establish the African Development Bank's Human Rights Fund, which provides loans for human rights projects.

The Bank has also been active in promoting African democracy. It has helped to establish the African Development Bank's Democracy Fund, which provides loans for democracy projects.

The Bank has also been active in promoting African civil society. It has helped to establish the African Development Bank's Civil Society Fund, which provides loans for civil society projects.

The Bank has also been active in promoting African media development. It has helped to establish the African Development Bank's Media Development Fund, which provides loans for media development projects.

The Bank has also been active in promoting African information and communication technology. It has helped to establish the African Development Bank's Information and Communication Technology Fund, which provides loans for information and communication technology projects.

The Bank has also been active in promoting African science and technology. It has helped to establish the African Development Bank's Science and Technology Fund, which provides loans for science and technology projects.

The Bank has also been active in promoting African research and development. It has helped to establish the African Development Bank's Research and Development Fund, which provides loans for research and development projects.

The Bank has also been active in promoting African innovation. It has helped to establish the African Development Bank's Innovation Fund, which provides loans for innovation projects.

The Bank has also been active in promoting African entrepreneurship. It has helped to establish the African Development Bank's Entrepreneurship Fund, which provides loans for entrepreneurship projects.

The Bank has also been active in promoting African private sector development. It has helped to establish the African Development Bank's Private Sector Development Fund, which provides loans for private sector development projects.

The Bank has also been active in promoting African public sector reform. It has helped to establish the African Development Bank's Public Sector Reform Fund, which provides loans for public sector reform projects.

The Bank has also been active in promoting African financial sector development. It has helped to establish the African Development Bank's Financial Sector Development Fund, which provides loans for financial sector development projects.

The Bank has also been active in promoting African capital market development. It has helped to establish the African Development Bank's Capital Market Development Fund, which provides loans for capital market development projects.

The Bank has also been active in promoting African microfinance. It has helped to establish the African Development Bank's Microfinance Fund, which provides loans for microfinance projects.

The Bank has also been active in promoting African financial inclusion. It has helped to establish the African Development Bank's Financial Inclusion Fund, which provides loans for financial inclusion projects.

The Bank has also been active in promoting African financial literacy. It has helped to establish the African Development Bank's Financial Literacy Fund, which provides loans for financial literacy projects.

The Bank has also been active in promoting African consumer protection. It has helped to establish the African Development Bank's Consumer Protection Fund, which provides loans for consumer protection projects.

The Bank has also been active in promoting African competition. It has helped to establish the African Development Bank's Competition Fund, which provides loans for competition projects.

The Bank has also been active in promoting African regional integration. It has helped to establish the African Development Bank's Regional Integration Fund, which provides loans for regional integration projects.

The Bank has also been active in promoting African trade facilitation. It has helped to establish the African Development Bank's Trade Facilitation Fund, which provides loans for trade facilitation projects.

The Bank has also been active in promoting African export development. It has helped to establish the African Development Bank's Export Development Fund, which provides loans for export development projects.

The Bank has also been active in promoting African import substitution. It has helped to establish the African Development Bank's Import Substitution Fund, which provides loans for import substitution projects.

The Bank has also been active in promoting African foreign direct investment. It has helped to establish the African Development Bank's Foreign Direct Investment Fund, which provides loans for foreign direct investment projects.

The Bank has also been active in promoting African portfolio investment. It has helped to establish the African Development Bank's Portfolio Investment Fund, which provides loans for portfolio investment projects.

The Bank has also been active in promoting African remittances. It has helped to establish the African Development Bank's Remittances Fund, which provides loans for remittances projects.

The Bank has also been active in promoting African diaspora engagement. It has helped to establish the African Development Bank's Diaspora Engagement Fund, which provides loans for diaspora engagement projects.

The Bank has also been active in promoting African knowledge sharing. It has helped to establish the African Development Bank's Knowledge Sharing Fund, which provides loans for knowledge sharing projects.

The Bank has also been active in promoting African capacity building. It has helped to establish the African Development Bank's Capacity Building Fund, which provides loans for capacity building projects.

The Bank has also been active in promoting African institutional development. It has helped to establish the African Development Bank's Institutional Development Fund, which provides loans for institutional development projects.

The Bank has also been active in promoting African project preparation. It has helped to establish the African Development Bank's Project Preparation Fund, which provides loans for project preparation projects.

The Bank has also been active in promoting African project implementation. It has helped to establish the African Development Bank's Project Implementation Fund, which provides loans for project implementation projects.

The Bank has also been active in promoting African project monitoring and evaluation. It has helped to establish the African Development Bank's Project Monitoring and Evaluation Fund, which provides loans for project monitoring and evaluation projects.

The Bank has also been active in promoting African project sustainability. It has helped to establish the African Development Bank's Project Sustainability Fund, which provides loans for project sustainability projects.

The Bank has also been active in promoting African project scaling up. It has helped to establish the African Development Bank's Project Scaling Up Fund, which provides loans for project scaling up projects.

The Bank has also been active in promoting African project replication. It has helped to establish the African Development Bank's Project Replication Fund, which provides loans for project replication projects.

The Bank has also been active in promoting African project dissemination. It has helped to establish the African Development Bank's Project Dissemination Fund, which provides loans for project dissemination projects.

The Bank has also been active in promoting African project communication. It has helped to establish the African Development Bank's Project Communication Fund, which provides loans for project communication projects.

The Bank has also been active in promoting African project visibility. It has helped to establish the African Development Bank's Project Visibility Fund, which provides loans for project visibility projects.

The Bank has also been active in promoting African project branding. It has helped to establish the African Development Bank's Project Branding Fund, which provides loans for project branding projects.

The Bank has also been active in promoting African project marketing. It has helped to establish the African Development Bank's Project Marketing Fund, which provides loans for project marketing projects.

The Bank has also been active in promoting African project sales. It has helped to establish the African Development Bank's Project Sales Fund, which provides loans for project sales projects.

The Bank has also been active in promoting African project revenue generation. It has helped to establish the African Development Bank's Project Revenue Generation Fund, which provides loans for project revenue generation projects.

The Bank has also been active in promoting African project cost recovery. It has helped to establish the African Development Bank's Project Cost Recovery Fund, which provides loans for project cost recovery projects.

The Bank has also been active in promoting African project financial sustainability. It has helped to establish the African Development Bank's Project Financial Sustainability Fund, which provides loans for project financial sustainability projects.

The Bank has also been active in promoting African project economic sustainability. It has helped to establish the African Development Bank's Project Economic Sustainability Fund, which provides loans for project economic sustainability projects.

The Bank has also been active in promoting African project social sustainability. It has helped to establish the African Development Bank's Project Social Sustainability Fund, which provides loans for project social sustainability projects.

The Bank has also been active in promoting African project environmental sustainability. It has helped to establish the African Development Bank's Project Environmental Sustainability Fund, which provides loans for project environmental sustainability projects.

The Bank has also been active in promoting African project climate resilience. It has helped to establish the African Development Bank's Project Climate Resilience Fund, which provides loans for project climate resilience projects.

The Bank has also been active in promoting African project disaster risk reduction. It has helped to establish the African Development Bank's Project Disaster Risk Reduction Fund, which provides loans for project disaster risk reduction projects.

The Bank has also been active in promoting African project emergency response. It has helped to establish the African Development Bank's Project Emergency Response Fund, which provides loans for project emergency response projects.

The Bank has also been active in promoting African project recovery. It has helped to establish the African Development Bank's Project Recovery Fund, which provides loans for project recovery projects.

The Bank has also been active in promoting African project reconstruction. It has helped to establish the African Development Bank's Project Reconstruction Fund, which provides loans for project reconstruction projects.

The Bank has also been active in promoting African project rehabilitation. It has helped to establish the African Development Bank's Project Rehabilitation Fund, which provides loans for project rehabilitation projects.

The Bank has also been active in promoting African project maintenance. It has helped to establish the African Development Bank's Project Maintenance Fund, which provides loans for project maintenance projects.

The Bank has also been active in promoting African project operation. It has helped to establish the African Development Bank's Project Operation Fund, which provides loans for project operation projects.

The Bank has also been active in promoting African project management. It has helped to establish the African Development Bank's Project Management Fund, which provides loans for project management projects.

The Bank has also been active in promoting African project governance. It has helped to establish the African Development Bank's Project Governance Fund, which provides loans for project governance projects.

The Bank has also been active in promoting African project accountability. It has helped to establish the African Development Bank's Project Accountability Fund, which provides loans for project accountability projects.

The Bank has also been active in promoting African project transparency. It has helped to establish the African Development Bank's Project Transparency Fund, which provides loans for project transparency projects.

The Bank has also been active in promoting African project anti-corruption. It has helped to establish the African Development Bank's Project Anti-Corruption Fund, which provides loans for project anti-corruption projects.

The Bank has also been active in promoting African project human rights. It has helped to establish the African Development Bank's Project Human Rights Fund, which provides loans for project human rights projects.

The Bank has also been active in promoting African project democracy. It has helped to establish the African Development Bank's Project Democracy Fund, which provides loans for project democracy projects.

The Bank has also been active in promoting African project civil society. It has helped to establish the African Development Bank's Project Civil Society Fund, which provides loans for project civil society projects.

The Bank has also been active in promoting African project media development. It has helped to establish the African Development Bank's Project Media Development Fund, which provides loans for project media development projects.

The Bank has also been active in promoting African project information and communication technology. It has helped to establish the African Development Bank's Project Information and Communication Technology Fund, which provides loans for project information and communication technology projects.

The Bank has also been active in promoting African project science and technology. It has helped to establish the African Development Bank's Project Science and Technology Fund, which provides loans for project science and technology projects.

The Bank has also been active in promoting African project research and development. It has helped to establish the African Development Bank's Project Research and Development Fund, which provides loans for project research and development projects.

The Bank has also been active in promoting African project innovation. It has helped to establish the African Development Bank's Project Innovation Fund, which provides loans for project innovation projects.

The Bank has also been active in promoting African project entrepreneurship. It has helped to establish the African Development Bank's Project Entrepreneurship Fund, which provides loans for project entrepreneurship projects.

The Bank has also been active in promoting African project private sector development. It has helped to establish the African Development Bank's Project Private Sector Development Fund, which provides loans for project private sector development projects.

The Bank has also been active in promoting African project public sector reform. It has helped to establish the African Development Bank's Project Public Sector Reform Fund, which provides loans for project public sector reform projects.

The Bank has also been active in promoting African project financial sector development. It has helped to establish the African Development Bank's Project Financial Sector Development Fund, which provides loans for project financial sector development projects.

The Bank has also been active in promoting African project capital market development. It has helped to establish the African Development Bank's Project Capital Market Development Fund, which provides loans for project capital market development projects.

The Bank has also been active in promoting African project microfinance. It has helped to establish the African Development Bank's Project Microfinance Fund, which provides loans for project microfinance projects.

The Bank has also been active in promoting African project financial inclusion. It has helped to establish the African Development Bank's Project Financial Inclusion Fund, which provides loans for project financial inclusion projects.

The Bank has also been active in promoting African project financial literacy. It has helped to establish the African Development Bank's Project Financial Literacy Fund, which provides loans for project financial literacy projects.

The Bank has also been active in promoting African project consumer protection. It has helped to establish the African Development Bank's Project Consumer Protection Fund, which provides loans for project consumer protection projects.

The Bank has also been active in promoting African project competition. It has helped to establish the African Development Bank's Project Competition Fund, which provides loans for project competition projects.

The Bank has also been active in promoting African project regional integration. It has helped to establish the African Development Bank's Project Regional Integration Fund, which provides loans for project regional integration projects.

The Bank has also been active in promoting African project trade facilitation. It has helped to establish the African Development Bank's Project Trade Facilitation Fund, which provides loans for project trade facilitation projects.

The Bank has also been active in promoting African project export development. It has helped to establish the African Development Bank's Project Export Development Fund, which provides loans for project export development projects.

The Bank has also been active in promoting African project import substitution. It has helped to establish the African Development Bank's Project Import Substitution Fund, which provides loans for project import substitution projects.

The Bank has also been active in promoting African project foreign direct investment. It has helped to establish the African Development Bank's Project Foreign Direct Investment Fund, which provides loans for project foreign direct investment projects.

The Bank has also been active in promoting African project portfolio investment. It has helped to establish the African Development Bank's Project Portfolio Investment Fund, which provides loans for project portfolio investment projects.

The Bank has also been active in promoting African project remittances. It has helped to establish the African Development Bank's Project Remittances Fund, which provides loans for project remittances projects.

The Bank has also been active in promoting African project diaspora engagement. It has helped to establish the African Development Bank's Project Diaspora Engagement Fund, which provides loans for project diaspora engagement projects.

The Bank has also been active in promoting African project knowledge sharing. It has helped to establish the African Development Bank's Project Knowledge Sharing Fund, which provides loans for project knowledge sharing projects.

The Bank has also been active in promoting African project capacity building. It has helped to establish the African Development Bank's Project Capacity Building Fund, which provides loans for project capacity building projects.

The Bank has also been active in promoting African project institutional development. It has helped to establish the African Development Bank's Project Institutional Development Fund, which provides loans for project

THE AFRICAN DEVELOPMENT BANK, AN INSTRUMENT FOR THE PROMOTION OF ECONOMIC AND SOCIAL PROGRESS IN AFRICA

Ten years ago, the African Development Bank was established by African governments as a testimony to their solidarity, their desire to operate and work together, regardless of political and language differences, to promote the economic development of their countries and the social advancement of their peoples through gradual integration of their national economies which had so long been separated by their colonial past.

At the time, the venture seemed risky. But today, on the eve of its tenth anniversary, the Bank may rightly pride itself on having a membership of 39 out of the 42 member States of the Organization of African Unity. It has gained international recognition as an instrument for promoting development to which its member countries increasingly apply.

THE BANK'S CAPITAL IS SUBSCRIBED ENTIRELY BY AFRICAN STATES

This rule, enshrined in the Agreement Establishing the African Development Bank, safeguards the African character of the institution and points to the effort towards solidarity without which the Africans cannot ensure their development. The magnitude of this effort, which is reflected in the structure of the share capital, will be fully realized if it is recalled that 16 member countries of the Bank are among the 25 listed by UNCTAD as the least developed countries in the world.

The authorized capital stock of the Bank, initially fixed at U.A. 250 million (U.S. $ 300 million) now stands at U.A. 400 million (US $ 480 million). The amount of subscription to be paid by each member country, determined in the light of its contributory capacity, is divided into two equal parts: paid-up shares and callable shares. Paid-up shares are payable either in gold or in convertible currency. The subscribed capital as at 8 August 1974 amounted to U.S. $ 445 071 million.

The Bank may also establish special funds or receive and manage such funds designed to serve its purpose within the scope of its functions.

THE BOARD OF GOVERNORS IS THE SUPREME ORGAN OF THE BANK; EACH MEMBER STATE IS REPRESENTED BY ONE GOVERNOR

The Governor is generally the Minister responsible for economic and financial affairs. The Board of Governors formulates general directives on the policy, particularly with regard to loans. The Board of Governors may with a few exceptions delegate all its powers to the Board of Directors. The Board holds an annual meeting.

BANQUE AFRICAINE DE DEVELOPPEMENT

Other organs of the Bank are :

THE BOARD OF DIRECTORS

It comprises nine members elected by the Board of Governors for a period of three years, and is responsible for the general conduct of the Bank's operations. Each Director appoints an Alternate.

THE PRESIDENT

Elected by the Board of Governors for a five-year term of office, the President of the Bank is the Chairman of the Board of Directors. He is the legal representative of the Bank and chief of staff. He conducts, under the direction of the Board of Directors, the current business of the Bank. The President is assisted in the discharge of his functions by one or more Vice-Presidents.

THE BANK MUST CONTRIBUTE TO THE ECONOMIC DEVELOPMENT AND SOCIAL ADVANCEMENT OF ITS MEMBERS, INDIVIDUALLY AND COLLECTIVELY

To this end the Bank utilizes its available resources to finance investment projects or programmes designed to contribute to the economic and social progress of its members giving priority, in as far as possible, to projects and programmes intended to foster regional co-operation and orderly development of trade among member States. It promotes public and private capital investment in Africa. It provides technical assistance, which may be required for the appraisal, preparation, financing and implementation of development projects and programmes. The Bank may carry out such operations either alone or in conjunction with other financing institutions.

PRIVATE INSTITUTIONS MAY ALSO BENEFIT FROM THE BANK'S LOANS

The African Development Bank does not deal only with States and public institutions. Private groupings or organizations may also be granted loans by the Bank with the guarantee of the State concerned.

FINANCIAL RETURNS ARE NOT THE SOLE CRITERION FOR THE BANK'S INTERVENTIONS

While observing the principle of sound financial management, the Bank takes into account the economic and social impact of its actions. It respects member States' development priorities but pays particular attention to operations that promote economic integration.

Except in very special circumstances, the loans granted or guaranteed by the Bank should cover the financing of specific projects or groups of projects. The Bank may, however, grant global loans to national development banks or other appropriate institutions, or guarantee loans granted to such banks or institutions, so as to enable them to finance specific projects that serve its purpose.

THE BANK HAS ALREADY GRANTED ONE OR MORE LOANS TO THIRTY-ONE COUNTRIES

The Bank spent its initial years setting up its administrative structure

missions sent to member countries has enabled the Bank to constitute a pipe-line of projects which grows with the identification of new projects.

By 30 September 1974, the Bank had granted loans and invested in projects and programmes to the aggregate amount of U.S. $ 192 million, i.e. 78 operations in thirty one countries including six multinational projects.

The total number of projects in which the Bank has intervened financially represents an overall investment of more than U.S. $ 600 million.

The sectoral breakdown of the Bank's operations shows a marked inclination to develop communications infrastructure which is so necessary for the steady integration of national economies. The relatively small share of agriculture, the backbone of the African economy, since 90% of the population live in rural areas, is to be increased in future financing programmes of the Bank; thanks to the African Development Fund. In fact, agriculture's share of the Bank's investments has risen in the last three years with loans to that sector averaging 20% per annum.

SECTORAL BREAKDOWN OF THE BANK'S LOANS AND INVESTMENTS AS AT 30 SEPTEMBER 1974

Sector	Number of projects	In million U.S. $	Sector Percentage
Agriculture	14	28.789	15.0
Transport	25	74.100	38.6
Public utilities (water, electricity, telecommunications etc...)	23	62.592	32.6
Industries and lines of credit to national development banks	16	26.487	13.8
TOTAL	78	191.968	100.0

Taking into account the Bank's limited resources for the period under review, results can be considered encouraging. With the African Development Fund and the prospects of mobilizing additional resources, the Management of the Bank and the Fund hope to contribute further to the development of Africa in the next five years.

THE BANK MOBILIZES AVAILABLE RESOURCES IN THE PUBLIC AND PRIVATE SECTORS FOR THE DEVELOPMENT OF AFRICA

Aware of the insufficiency of its own resources to meet the immense needs of the continent, the Bank has made and continues to deploy great efforts to mobilize external resources. These efforts have culminated in the creation of two subsidiary institutions through which public and private capital is channeled.

The African Development Fund, established in July 1972 by the African Development Bank is a multinational fund to which sixteen non-African capital-exporting countries have agreed to subscribe. They are: Belgium, Brazil, Canada, Denmark, Finland, Germany (Federal Republic), Italy, Japan, The Netherlands, Norway, Sweden, Swiss Confederation, United Kingdom of Great Britain and Northern Ireland, United States of America, Spain and Yugoslavia. The Fund commenced operations in August

affected countries. Loans of the African Development Fund are granted on concessional terms, are interest-free and repayable over 50 years. SIFIDA (Investment Company S.A.), established in November 1970 on the initiative and with the participation of the Bank, is another type of multinational co-operation designed to serve the economic development of Africa. Its operational headquarters is located in Geneva. SIFIDA is a holding company and its shareholders include, in addition to the International Finance Corporation, a hundred financial, industrial or commercial institutions from America, Europe and Asia. The company aims at mobilizing international private capital to promote the establishment and growth of productive enterprises in Africa. SIFIDA has already approved 20 projects in 9 African countries for a total amount of U.S. $ 12.7 million.

The Bank in its quest for additional resources has addressed an invitation to its members to increase their subscriptions to the capital stock. To this end, the authorized capital stock of the Bank which had already risen last year from U.S. $ 311.28 millions to US $ 384 million, has again been increased to U.S. $ 480 million that is a total increase of U.S. $ 168.72 million, of which U.S. $ 130 million has already been subscribed. Furthermore, the Board of Governors at its last meeting held in Rabat in July, authorized the Bank to issue short-term bonds in member States; this is a step towards the Bank's access to the international capital markets.

PROMOTION OF THE EVEN GROWTH OF ALL THE AFRICAN ECONOMIES

Africa being in an unfortunate position with regard to the means for ensuring its development, the African Development Bank cannot restrict its activities to conventional banking operations. The Bank must act as catalyst for development and to this end it advises and assists in evolving a global development strategy for the continent under which national development plans would be harmonized with a view to integrating all the African economies. In this perspective, the African Development Bank in collaboration with the Organization of African Unity and the United Nations Economic Commission for Africa organized the first African Ministerial Conference on Trade, Development and Monetary problems. This conference, a complete innovation in the approach to African economies, led to the African Declaration on Co-operation, Development and Economic Independence endorsed by the Heads of State and Government of the OAU at their assembly held in May 1973 on the occasion of the tenth anniversary of the Organization.

Two major projects, to whose implementation the African Development Bank has been lending appreciable support, have resulted from the desire of the African governments to harmonize their development policies: the construction of a Pan-African Telecommunications network and the establishment of an African Reinsurance Company.

The African Development Bank will celebrate its Tenth Anniversary on 15 November this year. In his opening speech at the Tenth Annual Meeting of the Board of Governors of the Bank, held in Rabat on 1 July 1974, His Majesty Hassan II, King of Morocco, made the following remarks about the first decade of the African Development Bank :

«Ten years have elapsed since ADB was set up; these have been ten years of struggle for the Bank, ten years of seeking and also, ten years in which it has acquired a reputation as a serious and respect-worthy institution... The Bank has earned this respect and good reputation as a result of the rapidity of its procedure, its knowledge of African problems and above all, thanks to the fighting spirit with which it goes about its work, avoiding the pedestrian routine which could have been an obstacle in the way of its success»

Notwithstanding these encouraging remarks, there is no doubt that the task ahead is still arduous; but with the enlightened determination which has so far enabled it to overcome the difficulties it has had to face, the African Development Bank can look forward with hope and faith..

AFRICAN DEVELOPMENT BANK

STATEMENT OF SUBSCRIPTIONS AS AT 8.8.1974

Member country	Subscription in 000 US$
1. Algeria	48,254
2. Botswana	1,206
3. Burundi	1,448
4. Cameroun	7,238
5. Central African Republic	1,206
6. Chad	1,930
7. Congo	4,222
8. Dahomey	1,689
9. Ethiopia	12,425
10. Egypt	36,191
11. Gabon	3,619
12. Gambia	1,206
13. Ghana	19,060
14. Guinea	3,981
15. Ivory Coast	11,460
16. Kenya	11,460
17. Lesotho	1,327
18. Liberia	4,343
19. Libya	60,318
20. Malawi	3,137
21. Mali	2,775
22. Mauritania	2,051
23. Mauritius	3,619
24. Morocco	22,462
25. Niger	1,930
26. Nigeria	60,318
27. Rwanda	1,448
28. Senegal	9,048
29. Sierra Leone	3,740
30. Somalia	3,281
31. Sudan	12,184
32. Swaziland	2,895
33. Tanzania	11,460
34. Togo	1,206
35. Tunisia	8,324
36. Uganda	5,549
37. Upper Volta	1,568
38. Zaire	36,191
39. Zambia	19,302
	445,071

AFRICAN DEVELOPMENT FUND

a joint effort of development financing on soft-loan terms

One of the specific features of the African Development Bank which distinguishes it from the other regional development banks, especially the Asian Development Bank and the Inter-American Development Bank, is that its capital is subscribed exclusively by the sole authentically African countries on the continent. For that reason, no non-African country can become a member of the Bank.

However, this specific feature does not prevent the Bank from co-operating with the industrialized and developed countries whose financial aid and technical assistance are so necessary for Africa. To this end, the Bank is empowered to set up, or receive and administer special funds, intended to increase its resources for the realization of its objectives.

It is in this connexion that in 1966, the very year when the Bank became operational, the Management mooted the idea of setting up a special fund, with contributions from the Bank itself and the governments of the State participants, which would enable the Bank to extend its operations to sectors such as education, professional training, social activities, rural development, administrative infrastructures, which require financing granted on concessional terms, and the development of which is conditional to the economic «take off» of the member countries.

The negotiations pursued under the auspices of the Development Assistance Committee of OECD culminated, on November 1972, in the establishment of the African Development Fund. Out of the sixteen countries which participated in the negotiations for the Agreement establishing the Fund, fourteen have so far signed and ratified it; these are: Belgium, Brazil, Canada, Denmark, Finland, Japan, Norway, The Netherlands, Federal Republic of Germany, Spain, United Kingdom of Great Britain and Northern Ireland, Sweden, Switzerland and Yugoslavia.

The African Development Fund is a legal entity distinct from the African Development Bank. Its major organs are the Board of Governors, the Board of Directors and the President. But there is a close link between the Bank and the Fund as evidenced by the mixed composition of its organs. The President of the Bank is ex officio President of the Fund and chairs its Board of Directors. The Fund draws on the administrative and operational structures of the Bank and shares the same headquarters with it. Voting power is equally shared among the State participants and the African Development Bank.

The Regulations on loan policies and procedure of the African Development Fund lay down the principle of complementarity of the operations of the Fund and those of the Bank and gear the Fund's interventions towards the realization of social objectives in line with the national development plans. The Fund will be able to finance a reasonable share of local costs and to participate in projects and programmes directly benefiting the lowest strata of the population. All member countries of the

Bank are eligible to receive loans from the Fund on concessional terms: interest-free repayment over fifty years with a ten-year grace period.

Operations of the African Development Fund started on 1st August 1973 with potential resources of about 100 million dollars. Methods of appraising projects for financing by the Bank and the Fund follow the same criteria. With regard to the utilization of the Fund's resources, it has been decided to accord priority to the drought-stricken countries. The amount of resources to be commited during the current financial year is estimated at about 44 million dollars. In the light of projects in the pipeline, the amounts for 1975 and 1976 are expected to reach 66 and 88 million dollars respectively.

The replenishment of the African Development Fund's resources is therefore a topical issue with which the authorities of the Bank and the Fund are concerned. At the recent Annual Meeting of the Board of Governors of the Bank and the Fund held in Rabat in July, the matter was discussed and the President and the Board of Directors of the Fund were invited to take immediate steps to consult with the governments of the State participants and the Governments of interested third countries with a view to increasing the Fund's resources through additional contributions and participation by new members.

The reactions in this connexion have been encouraging. For instance, on 17 September 1974, the Government of the Swiss Confederation and the President of the Fund signed an Agreement under which a Special Swiss Fund for Africa, to be administered by the African Development Fund, has been established to aid the least favoured member countries of the African Development Bank. Negotiations are underway for the signing of similar agreements with other State participants. Contacts are also being made with some Arab, Socialist and Latin American countries in connexion with their possible participation in the Fund.

The African Development Fund has proved to be a successful venture, by the donors and the beneficiaries, for the joint administration of public development aid, the efficiency of which is often the subject of sharp controversies. It is to be hoped that a greater portion of public aid will be channeled through institutions such as the African Development Fund, which being familiar with development problems in Africa, can make more efficient use of it.

AFRICAN DEVELOPMENT FUND

STATEMENT OF SUBSCRIPTIONS AS AT 14.8.1974

1. African Development Bank	5,555,550 US Dollars
2. Belgium	3,333,330
3. Brazil	2,222,220
4. Canada	16,666,650
5. Denmark	5,555,550
6. Finland	2,222,220
7. Holland	4,444,440
8. Japan	16,666,650
9. Norway	5,555,550
10. Spain	2,222,220
11. Sweden	5,555,550
12. Switzerland	3,333,330
13. United Kingdom	5,790,461
14. West Germany	16,550,272
15. Yougoslavia	2,222,220
	97,896,213 US Dollars

SIFIDA

Société Internationale Financière pour les Investissements
et le Développement en Afrique S.A.
SIFIDA Investment Company S.A.
8e, av. de Champel, P.O. Box 396
CH 1211 Genève 12, Suisse

GENERAL OBJECTIVES OF SIFIDA

SIFIDA is multi-national investment company, established in Luxembourg with operational headquarters in Geneva. It was established on the initiative of the African Development Bank, which participates in its capital, as well as the International Finance Corporation of the World Bank Group. Its purpose is to promote private investment in the independent and developing African States. It considers that the international private sector has a very important role to play in the building up of the African economies, especially in the expansion of their private sectors and in the development of an African entrepreneurial class.

To this end, it is regarded necessary and desirable to promote new means on behalf of the African economies to support and supplement the efforts of international, regional and national organizations concerned with the problems of aid and cooperation with the African States. Through the multi-national composition of its capital — more than 120 banks and industries from Europe, North America and Japan participate in Sifida — and through the location of its headquarters in Geneva, the Company is at the center of international capabilities in finance, technology and entrepreneurial competence and can provide a very effective contribution to the development of the productive sectors of the African economies.

To achieve its objectives, SIFIDA is empowered to finance productive enterprises in course of establishment and any extension or diversification of the activities of existing productive enterprises. Financial assistance may be given in the form of capital participation, medium and long-term loans, but also through other means such as underwriting and the provision of guarantees. The corporation pays special attention to projects likely to promote the development of regional economies.

ACTIVITIES

Operations were started towards the end of 1971 and the Company has now passed the initial phase of organizing itself and finding its appropriate structure and identity. Good progress has been made in the effort to promote private enterprise and SIFIDA's activities have gained momentum, especially in those countries where economic policy favours the private sector. The demand for SIFIDA's financing is apparent in the fact that within three years it has committed the equivalent of its called up share capital to investments in Africa. There has never been a lack of projects from which good quality investments could be selected. SIFIDA's role as a catalyst in fostering economic and social development in Africa is supported by the fact that the total capital cost of the projects to which it has committ[illegible] (more) than [illegible] participation

SIFIDA approved investments during the three years of operation in twenty projects spread over nine African countries, for a total amount of US $12.7 million. Of this amount, US $3.9 million were in equity participation and US $8.8 million as medium and long-term loans. In sectoral distribution the major share went to «textiles and fibres» (37.8%), «agriculture and food processing» (23.7%), «cement and building materials» (14.1%), «machinery and metal working» (9.2%), «timber processing» (7%) and «tourism» (5.4%).

Special attention was given to development contribution resulting from SIFIDA's investments. In every case, the implementation of the projects led to foreign exchange earnings or savings. The twenty projects should create approximately 10.000 new employment opportunities, thus demonstrating the impact private investments can have on a developing country's economy.

SIFIDA'S experience during the last year was that the demand for the services the Company can offer steadily increased. The Projects Department produced full scale feasibility studies, arranged the syndication of additional finance, provided financial management, had to find technical know-how partners and for some projects also marketed part of the production. It can be expected that these services will play an increasingly important part in future.

AFRICAN DEVELOPMENT BANK: HISTORICAL EVENTS

1960:	Tunis All-African People's Conference. First public discussion of the idea of a continental development bank.
1961:	Feasibility-studies on the setting up of a regional bank by multinational panel of experts.
1962:	United Nations Economic Commission for Africa sets up Special Committee of nine member states to begin making arrangements to establish the African Development Bank.
1963, August:	Conference of African Ministers of Finance in Khartoum approves formation agreements of the Bank.
1964, September:	Formation agreement comes into force: 65 per cent of authorized capital stock subscribed.
November:	Inaugural meeting of Board of Governors held in Lagos, Nigeria. First President, Vice-Presidents and Directors elected and Abidjan, Ivory Coast, selected as the Headquarters of the Bank.
1965, March:	Installation of Bank's Headquarters in Abidjan.
1966, April:	Second annual meeting of Board of Governors in Abidjan.
July:	The Bank starts operations.
1967, August:	Third annual meeting of the Board of Governors held in Abidjan.
October:	Co-operative programme agreed with Food and Agricultural Organisation.
1968, August:	Fourth annual meeting of Board of Governors held in Nairobi, Kenya.
[illegible]	[illegible] with UNESCO

August: Fifth annual meeting of Board of Governors held in Freetown, Sierra Leone.

1970, August: Sixth annual meeting of Board of Governors held in Fort Lamy, Chad.

1971, March: Ratification by Board of Governors of Co-operation agreement between the Bank and Organisation of African Unity (OAU).

July: Seventh annual meeting of the Board of Governors held in Kampala, Uganda.

1972, April: Potential contributors to the AFRICAN DEVELOPMENT FUND met in Paris and approved the draft ADF Agreement.

July: Eighth annual meeting of Board of Governors held in Algiers, Algeria.
The Board of Governors adopted a declaration calling for an African Ministerial Conference to define a common African position on monetary problems and development.

November: Conference of Plenipotentiaries on the signature of the Agreement establishing the African Development Fund held in Abidjan.

1973, May: First African Ministerial Conference on Trade, Development and Monetary problems, organised jointly by the Bank, OUA, ECA and Association of African Central Banks, held in Abidjan.

July: Ninth annual meeting of the Board of Governors held in Lusaka, Zambia.
Inaugural meeting of the African Development Fund.

1974, March: African experts met at the Bank's headquarters to exchange views on the establishment of the proposed African Reinsurance Corporation and appointed a coordinating Committee of nine members to elaborate the final documents of the project.

June: Ratification by the Board of Governors of Co-operation agreement between ADB and WHO

July: Tenth annual meeting of Board of Governors held in Rabat, Morocco. Authorized capital of the Bank increased to U.A. 400 million.

1974, July: First annual meeting of the Board of Governors of African Development Fund held in Rabat, Morocco.

☆ 15 November: Celebration of the Tenth Anniversary of the African Development Bank

THE MEN WHO MANAGE THE AFRICAN DEVELOPMENT BANK

PRESIDENT: Mr. Abdelwahab Labidi, 45 years, of Tunisian nationality, holds a degree in Law. He started his banking career in 1957 as Assistant Inspector at the «Credit Industriel et Commercial» in Paris. From 1959 to 1960 he was a «Fondé de Pouvoir» at the Bank of Tunisia. He occupied a number of responsible posts at the Tunisian National Agricultural Bank from 1960 to 1964, becoming its Inspector General in 1962. In June 1964 he was appointed Manager of the «Société Tunisienne de Banque». On 1st September of the same yar he was seconded, under Tunisian Technical Assistance, to Niger as General Manager of that country's National Development Bank, a post he held till his election in June 1969 as Vice-President of the African Development Bank. After acting for a short period as President, following the resignation of Mr. Mamoun Beheiry, first President of the Bank, he was elected President in August 1970.

VICE-PRESIDENTS: Mr. Louis Pascal Negre, 46 years, of Malian nationality, was elected Vice-President of ADB at the First Annual Meeting of the Board of Governors of the Bank in 1964, but it was not until 1970 that he assumed permanent duty at the Bank. A former Administrator in the Overseas French Civil Service, Mr. Negre qualified from the «Ecole Nationale de la France d'Outre-Mer» and obtained a Degree in «Etudes Supérieures d'Economie Politique» from the University of Paris. From 1955 to 1960 he occupied a number of senior posts in the Senegalese Civil Service. After Mali's independence in 1960 he left the Colonial Civil Service to serve his country, where he occupied senior administrative posts, including, in particular, those of technical adviser at the Presidency of the Republic and Governor of the Bank of Mali. In 1960, he entered the Government as Minister of Finance and remained so till September 1970 adding, at various times, the portfolios of Planning, Trade or Economic Affairs to that of Finance. From 1967 to 1970 he chaired the African Group of the World Bank and the International Monetary Fund during the Annual Meetings of the two institutions, as well as the Ministerial Council of the West African Customs Union, the future West African Economic Community.

Mr. Salem Mohamed Omeish, 42 years, is a Libyan. He is a graduate in Economics from the University of Cairo and also holds a Masters Degree in the same subject from the American University (Washington). Mr. Omeish held senior posts in his country's Civil Service and in the Government. Before his election as ADB Vice-President, Mr. Omeish was Deputy Under-Secretary of State for Economic Affairs. He assumed duties at the Bank in December 1973.

Mr. Edwin Olorunlemi Obayan, 45 years, is of Nigerian nationality. He is a graduate in Economics from the Universities of London and Yale. After a teaching career, Mr. Obayan entered the Federal Civil Service and successively occupied the posts of Deputy Chief Planning Officer in the Federal Ministry of Economic Development and Reconstruction and of Deputy Permanent Secretary responsible for Foreign Exchange, Budget and Research in the Federal Ministry of Finance. Mr. Obayan assumed duties at the Bank in January 1974.

STATEMENT OF APPROVED LOANS AND INVESTIMENTS AS AT 30-9-74

(in Unit of Account of 0.88867088 gramme of fine gold)

REGION-COUNTRY	BORROWER OR BENEFICIARY	PROJECT	AGREEMENT SIGNED ON	AMOUNT	
				Million UC	Equivalent 000 US $ (1
NORTH AFRICA					
Algeria	Banque Algérienne de Développement	(i) Line of credit for financing a dairy herd and a dairy plant project	8.2.72	3.000	3.600
	"	(ii) Construction of El Golea-In Salah portion of Trans-Saharan Road	8.2.72	3.000	3.600
	"	(iii) Development of Bounamoussa Plain (phase 2)	10.3.74	2.400	2.880
		Total		**8.400**	**10.080**
Morocco	Government	(i) Reinforcement and extension of Jerada/Zaer power lines	28.7.70	2.800	3.360
	"	(ii) Extension of power lines	5.7.73	3.000	3.600
	Banque Nationale de Développement Economique	(iii) Line of credit for financing industrial projects	25.6.74	4.000	4.800
	Government	(iv) Enlarging of the Doukkala Canal and irrigation scheme		4.000	4.800
		Total		**13.800**	**16.560**
Sudan	Government	(i) Construction of livestock export quarantine stations	9.12.71	0.800	0.960
	"	(ii) Procurement and fabrication of rolling stock for Sudan Railways (phase 1)	9.12.71	2.800	3.360
	"	(iii) Rolling stock for Sudan Railways (phase 2)	12.3.74	3.000	3.600
	Central Electricity and Water Co.	(iv) Extension of power capacity	2.7.74	4.000	4.800
		Total		**10.600**	**12.720**
Tunisia	Government	(i) Irrigation of Medjerda Valley	2.8.68	2.750	3.300
	"	(ii) Construction of Nefta-Hassouna Road	17.7.72	0.900	1.080
	Société Nationale de Transports et Communications	(iii) Equipment (rolling stock)	3.7.74	3.000	4.080
	Government	(iv) Extension of the Sidi Salem irrigation project for the 3rd Region		0.300	0.360
		Total		**7.850**	**9.420**
Mauritania	Office du Gypse	Extension of the gypsum production facilities	15.3.73	0.850	1.020
		Total for North Africa		**41.500**	**49.800**
EAST AFRICA					
[illegible]	[illegible]	[illegible]	15.3.74	2.200	2.640
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Pan-African Paper Mills Co. Ltd.	(ii) Provision of part of working capital for the Company	15/9/70	1.202	1.442
	Government	(iii) Construction of Yala-Busia Road	9/12/71	3.000	3.600
	"	(iv) Construction of Makutano S gana Road	2/7/74	3.000	3.600
		Total		9.502	11.402
Malawi	Government	(i) Development of Tedzani falls hydroelectric system	3/ 9/70	3.000	3.600
	Malawi Development Corporation (MDC)	(ii) Line of credit to finance loans to subsidiary Companies	11/12/72	1.500	1.800
	"	(iii) Lilongwe Airport Study	1/ 7/74	0.500	0.600
		Total		5.000	6.000
Somalia	Government	(iii) Construction of Buwayo-Busia Road .	13/12/71	1.000	1.200
	"	(ii) Afgoi/Mobil Irrigation system	12/ 7/72	1.500	1.800
		Total		2.500	3.000
Swaziland	Government	(i) Extension of telecommunication network	8/ 5/73	1.500	1.800
	"	(ii) Power station transmission lines	2/ 7/74	1.500	1.800
		Total		3.000	3.600
Tanzania	Tanzanian Italian Petroleum Refining Co. . .	(i) Construction of a new pipeline and tankage facilities	17/ 3/72	3.000	3.600
	Tanzanian Investment Bank	(ii) Financial assistance for loan programme .	21/ 6/73	1.500	1.800
		Total		4.500	5.400
Uganda	Government	(i) Engineering studies for water supply . . .	6/ 9/69	0.300	0.360
	"	(ii) Construction of water supply system in 18 urban centres	29/ 8/70	3.000	3.600
	"	(iii) Construction of Buwayo-Busia Road .	12/ 1/73	1.000	1.200
		Total		4.300	5.160
Zambia	Rural Development Corporation of Zambia	(i) Large scale commercial farm project . . .	2/12/71	0.700	0.840
	Government	(ii) Mazabuka resettlement scheme	23/ 7/73	0.800	0.960
	Development Bank of Zambia	(iii) Equity	23/ 7/73	0.200	0.240
		(iv) Line of credit to finance lending operations 1973/1976	23/ 7/73	1.800	2.160
	Government	(v) Extension of telecommunication network	23/ 7/73	4.200	5.040
		Total		7.700	9.240
Multinational	East African Community (E.A.C.)	(i) Equity	26/ 7/69	1.000	1.200
		(ii) Line of credit to assist financing projects in the pipeline	1/ 3/72	2.000	2.400
		Total for EAC		3.000	3.600
	→	Total for East Africa		41.702	50.042

WEST AFRICA I					
Ghana	National Investment Bank	Financing Nasia Rice Development project	18/4/73	2.300	2.760
	Ghana Water and Sewerage Co.	Financing Accra-Tema Water supply system	-	4.000	4.800
		Total		6.300	7.560
Liberia	Public Utilities Authority (PUA)	(i) Purchase and Installation of a Gas Turbine	25/2/70	1.350	1.620
	Liberian Bank for Industrial Development and Investment	(ii) Line of credit to assist financing lending programme 1972/1974	18/7/72	0.500	0.600
	Public Utilities Authority	(iii) Improvement and increase of water supply system in Monrovia	21/2/73	0.950	1.140
	Liberian Bank for Development and Investment (former LBIDI)	(iv) Line of credit to assist financing lending programme 1974/1978	-	2.000	2.400
		Total		4.800	5.760
Nigeria	Nigeria Sugar Co. Ltd.	(i) Expansion programme of the Company Capacity	24/3/72	1.600	1.920
	Government	(ii) Reconstruction of Enugu Airport	24/3/72	3.400	4.080
	Government	(iii) Reconstruction of Calabar Airport	-	4.750	5.700
		Total		9.750	11.700
Sierra Leone	National Development Bank	(i) Equity	16/4/67	0.120	0.144
	Guma Valley Water Co.	(ii) Extension of Water supply network	27/5/70	1.500	1.800
	Government	(iii) Gambia-Mattru oil palm project	5/7/73	3.100	3.720
		Total		4.720	5.664
Multinational	Sierra Leone/ Liberia Government	Construction of Mano River Bridge and access roads	5/12/73	1.300	1.560
		Total		26,870	32,244
WEST AFRICA II					
Dahomey	Government	(i) Irrigation development (project of Ouemé Valley)	27/4/73	0.310	0.372
	Société dahoméenne d'Electricité et d'Eau	(ii) Power distribution lines	-	1.600	1.920
		Total	1.910	1.910	2.292
Guinea	Government	(i) Water supply	19/6/74	2.700	3.240
	"	(ii) Extension of telecommunication network	19/6/74	4.000	4.800
		Total		6.700	8.040
Ivory Coast	Société Ivoirienne d'Engrais (SIVENG)	(i) Construction of a fertilizer plant	4/2/72	0.360	0.432
	Régie des Chemins de fer Abidjan - Niger (RAN)	(ii) Financing of procurement of rolling stock	12/9/72	3.000	3.600
		(iii) Improvement of [illegible]			

Mali	Banque de Développement du Mali	Financial assistance for construction of a textile plant	6/7/70	0.540	0.648
Niger	Government	(i) Extension of telecommunication network	6.6.71	1.000	1.200
	"	(ii) Additional loan for financing extension of telecommunication network	19/7/72	0.400	0.480
		Total		1.400	1.680
Senegal	Union Sénégalaise de Banque	(i) Line of credit to assist financing programme of industrial and crafts projects	7/4/73	1.500	1.800
	Government	(ii) Construction of Diosmone - Fimela - N'Dangane Road	7/4/73	1.100	1.320
	"	(iii) Engineering studies and preparation of tender documents on Zinguinchor - Cap Skiring Road	-	0.200	0.240
		Total		2.800	3.360
Togo	Banque togolaise de Development	(i) Financing of 1972/1973 lending programme for industrial development	7/9/72	1.350	1.620
	Government	(ii) Extension of Lome area power station	-	2.800	3.360
		Total for Togo		4.150	4.980
Upper Volta	Banque Nationale de Développement	Line of credit for financing industrial projects	21/3/70	2.000	2.400
		Total for West Africa II		26.160	31.392
CENTRAL AFRICA					
Cameroon	Government	Airport Terminal Building	9/6/73	3.000	3.600
Central African Rep	Energie Centrafricaine	Extension of Boyogo power station capacity	8/7/73	1.000	1.200
Chad	Government	Financing of horticultural project	-	0.431	0.517
Congo	Société Nationale de distribution d'eau	(i) Extension of water supply system for Brazzaville	23/6/72	1.210	1.452
	Agence Transcongolaise des communications	(ii) Improvement of railway network and purchase of equipment	24/11/72	2.300	2.760
	"	(iii) River transport for timber transportation	27/11/73	3.000	3.600
		Total		6.510	7.812
Gabon	Government	Construction of the first portion Oxcando-Bone of Transgabonese Railways	-	4.000	4.800
Zaire	Government	(i) Construction of Kwango and Wamba Bridges	30/4/73	2.500	3.000
	"	(ii) Extension of Bas-Zaire telecommunications network	30/4/73	3.300	3.960
		Total Zaire		5.800	6.960
		Total for Central Africa		20.741	24.889
Multinational	Air Afrique	Co-financing of the purchase of one aircraft type DC 10-30	20/2/73	2.500	3.000
Multinational	SHIDA	Equity	5/70	0.500	0.600
		GRAND TOTAL ADB COMMITMENT		159.973	191.968

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Institution:	European Investment Bank
Location:	Luxembourg
Size:	12/31/75
Assets:	U. S. $6.4 billion
Capital:	Authorized Capital: U. S. $4.1 billion Paid-in-Capital: U. S. $471.9 million Capital Subscriptions Due: U. S. $177.0 million
Purpose:	The EIB was established by the Treaty of Roure in 1957 which also established the EEC. The members of the EIB are the nine member states of the EEC. The purpose of the EIB is to contribute to the balanced and orderly development of a common market among the member states. The EIB grants and guarantees long-term loans to finance projects which are related to the development of the less advanced regions of the Common Market or the development of its conversion areas, where traditional activities are being supplanted by newer economic activities which serve the common interests of several member states. By unanimous decision the EIB grants loans for projects outside the EEC.
Source of Funds:	The EIB finances its loans from the capital paid in by the member states, from internally generated funds and from borrowings in European and international capital markets.
Management Structure:	The EIB is administered and managed by (1) a Board of Governors composed of one government minister (usually the minister of finance) appointed by each member state; (2) a Board of Directors composed of 18 Directors and ten Alternative Directors each appointed by the Board of Governors for a 5 year term on nomination by the member states and the Commission of the European communities; (3) a Management Committee, consisting of a President and four Vice Presidents appointed for 6 years by the Board of Governors on recommendation of the Board of Directors.
Management of Funds:	Management of funds is internal, and the EIB has not experienced any defaults on its loans or guarantees.

Portfolio:	Loans and guarantees are made according to the following policy: (1) for projects that improve less developed regions of the EEC and that are of common interest to the member states (such projects preferably assist in the coordination of markets and the integration of the economies of member states), (2) for projects that are of sufficient size to avoid widespread dispersal of its resources; (3) loans made shall only supplement the resources otherwise available to the borrowers for such projects; (4) special attention is given to projects in which member countries' capital is invested. The EIB does not generally lend more than 40% of the cost of a project. At December 31, 1975 it had loans disbursed as follows: 30.5% energy projects; 24.8% industry; and 17.5% to transportation.
Capital Structure:	80% Funded Debt, 11% Capital, 9% Statutory Reserves. Subscribed capital is $4,129.5 million of which $648.9 is or will be paid in by members. Calls on subscribed capital are required to be in proportion to members' percentage of subscription obligations.
Income:	Income is appropriated to statutory reserve. EIB's assets and income are exempt from all direct taxes of the member states.

PROSPECTUS

$100,000,000

European Investment Bank

8⅝% Notes Due April 1, 1984

Interest payable on April 1 and October 1

The 8⅝% Notes Due April 1, 1984 (the "Notes") are unconditional, direct, general obligations of the European Investment Bank (the "EIB"), for the payment and performance of which the full faith and credit of the EIB is pledged. The Notes are not redeemable prior to maturity. Principal and interest on the Notes are payable in U. S. dollars in New York City and may also be payable in certain European cities, as set forth herein.

Application has been made to list the Notes on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	*Underwriting Discounts and Commissions(2)*	*Proceeds to the EIB(1)/(3)*
Per Unit	*99.75%*	*0.90%*	*98.85%*
Total	*$99,750,000*	*$900,000*	*$98,850,000*

(1) Plus accrued interest, if any, from April 1, 1976.

(2) The EIB has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

(3) Before deduction of expenses payable by the EIB estimated at $260,000, including $50,000 payable to the Underwriters in partial reimbursement of their expenses.

The Notes are offered by the several Underwriters when, as and if issued by the EIB and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that the Notes will be ready for delivery on or about April 1, 1976.

The First Boston Corporation

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Kuhn, Loeb & Co.

Lazard Frères & Co.

The date of this Prospectus is March 25, 1976.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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The EIB uses the European unit of account (the "UA") as the unit of measure for the capital accounts of the Member States and, for statistical and financial reporting purposes, as the common denominator for standardizing and comparing all its accounts. The UA provides a simple and convenient means to standardize and compare accounts in a variety of national currencies, and it is increasingly being used for accounting purposes within the EEC. In this Prospectus, United States dollar amounts have been presented solely for convenience at the rate at December 31, 1975, of $1.16528 per 1 UA. Such presentations should not be construed as a representation that the UA actually represents, or has been or could be converted into, U.S. dollars at this or any other rate. For a more complete description of the UA, reference is made to Note A to the Financial Statements.

At December 31, 1975, 1 UA = 1.16528 U.S. dollars; 3.05382 German marks; 46.0606 Belgian francs; 5.21981 French francs; 797.769 Italian lire; 46.0606 Luxembourg francs; 3.13120 Dutch guilders; 0.575973 United Kingdom pounds; 0.575039 Irish pounds; 7.19697 Danish crowns, and 3.05239 Swiss francs.

Since January 1, 1976, there have been significant changes in the relative values of such currencies. The value of the United Kingdom pound and the Italian lira declined in relation to the U.S. dollar and the German mark, and on March 15, 1976, France ceased to maintain specific parity relationships between the French franc and certain currencies. As a result of such currency changes, the value of the UA at March 19, 1976, was as follows: 1 UA = 1.12257 dollars; 2.85109 German marks; 44.0663 Belgian francs; 5.30999 French francs; 984.638 Italian lire; 44.0663 Luxembourg francs; 3.03000 Dutch guilders; 0.584124 United Kingdom pounds; 0.583970 Irish pounds; 6.87435 Danish crowns; and 2.85265 Swiss francs.

To date such changes in relative currency values have not had an adverse effect on the EIB's financial condition. The EIB is unable to predict any future effect of such currency conditions on its financial condition or the UA.

The middle market rates last reported in New York City on March 23, 1976, were as follows: 1 U.S. dollar = 2.56148 German marks (D.M.); 38.5060 Belgian francs (B. Fr.); 4.70644 French francs (F.F.); 837.873 Italian lire (Lit.); 38.5060 Luxembourg francs (L.Fr.); 2.70088 Dutch guilders (Fl.); 0.519076 United Kingdom pounds; 0.519076 Irish pounds; 6.12559 Danish crowns; and 2.56343 Swiss francs (S.Fr.).

THE EUROPEAN INVESTMENT BANK

The European Investment Bank (the "EIB"), an autonomous public institution, was created by the 1957 Treaty of Rome (the "Treaty of Rome") which established the European Economic Community (the "EEC"), often referred to as the Common Market. The EIB is governed by the provisions of the Treaty of Rome and the statute of the EIB, as amended (the "Statute"), which is annexed as a protocol to the Treaty of Rome. The members of the EIB are the nine member states of the EEC (the "Member States"), which together have subscribed to the EIB's entire capital. The Member States are:

The Kingdom of Belgium
The Kingdom of Denmark
The Federal Republic of Germany
The French Republic
Ireland
The Italian Republic
The Grand Duchy of Luxembourg
The Kingdom of the Netherlands
The United Kingdom of Great Britain and Northern Ireland

The basic purpose of the EIB is to contribute to the balanced and orderly development of a common market among the Member States. To that end the EIB grants and guarantees long-term loans to finance projects which are related to the development of the less advanced regions of the Common Market or the development of its conversion areas, where traditional activities are being supplanted by newer economic activities, or which serve the common interests of several Member States. In addition, upon unanimous decision by its Board of Governors, the EIB grants loans for projects outside the European territories of the Member States.

Since the EIB began operations in 1958, there have been no defaults by borrowers in payment of principal of or interest on loans made or guaranteed by the EIB. The EIB's loans and guarantees cover only part of the cost of any project, supplementing each borrower's own funds and credits from other sources. The EIB generally does not lend more than 40% of the cost of a project. At December 31, 1975, the EIB had the equivalent of $5,178.0 million of loans outstanding, including undisbursed portions, of which 30.5% were for energy projects, 24.8% were to industry and 17.5% were for transportation projects. The EIB conditions each loan on the guarantee of a Member State or on other adequate security.

At December 31, 1975 such loans were principally secured as follows:

Granted to or guaranteed by Member States	61.4%
Granted to or guaranteed by EEC associated states	1.9%
Granted to or guaranteed by public institutions of Member States	18.5%
Granted to or guaranteed by banks or financial institutions	7.9%
Guaranteed by companies controlled by Member States or public institutions	4.6%
Otherwise secured or guaranteed	5.7%
Total	100.0%

Loans are disbursed in currencies selected by the EIB among those actually held by it. The general policy of the EIB is not to convert funds obtained by it into other currencies but to have loans made by it, together with the interest thereon, repaid in the same currencies as those in which such loans were disbursed.

The EIB finances its lending program from the capital paid in by the Member States, from internally generated funds and from borrowings in the capital markets of the EEC and non-member countries and in the international capital markets. At December 31, 1975, the EIB had funded debt equivalent to $4,574.9 million; at such date, the capital subscribed by the Member States was equivalent to $4,129.5 million, of which $471.9 million had been paid in. Of the remaining $3,657.6 million, $177.0 million will be paid in and available for the disbursement of loans and $3,480.6 million is subject to call, as described below, to the extent required to meet EIB debt service requirements. No such calls have ever been made. At December 31, 1975, internally generated funds amounted to $429.4 million.

The EIB's offices are at 2, Place de Metz, Luxembourg, Grand Duchy of Luxembourg.

APPLICATION OF PROCEEDS

The net proceeds to the EIB from the sale of the Notes offered hereby will be used in the general operations of the EIB, including disbursements of loans heretofore or hereafter granted by the EIB. See *Ordinary Operations—Loan Policy.* No representation can be made as to the particular projects for which, or borrowers to which, loans will be made or as to the countries in which such projects will be located. See *Ordinary Operations—Loans Outstanding.*

STATUTORY PURPOSE

Under the Treaty of Rome the purpose of the EIB is to contribute to the balanced and steady development of a common market among the Member States. The EIB is to carry out this task, operating on a non-profit making basis, by granting loans and giving guarantees for the following types of projects in all sectors of the economy:

(a) projects for developing less developed regions;

(b) projects for modernizing or converting enterprises or for developing new activities called for by the progressive establishment of a common market where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States; and

(c) projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

CAPITALIZATION AND RESERVES

The capitalization of the EIB and the Statutory Reserve and Other Reserves at December 31, 1975, and as adjusted to reflect the issuance of the Notes, are as follows:

	Actual	As Adjusted
	(in millions of U.S. dollars)	
Funded debt(1)	$4,574.9	$4,674.9
Capital (subscribed $4,129.5 million, paid in $471.9 million, to be paid $177.0 million)	648.9	648.9
Statutory Reserve and Other Reserves(2)	429.4	429.4
	$5,653.2	$5,753.2

(1) Including $153.0 million maturing within one year.

(2) Including $69.2 million unallocated profit for the financial year ended December 31, 1975, and $26.9 million write-back of issuing charges previously amortized.

Subscribed Capital. Under the provisions of the Statute, the Board of Governors of the EIB may, from time to time, by unanimous vote, increase the subscribed capital. The initial subscribed capital of 1,000 million UA was increased by the Board of Governors to 1,500 million UA on April 26, 1971. Following the admission of Denmark, Ireland and the United Kingdom to the EEC on January 1, 1973, the EIB's subscribed capital was increased to 2,025 million UA. The Board of Governors again increased the subscribed capital to 3,543.75 million UA on July 10, 1975.

At December 31, 1975, the subscribed capital of the EIB was as follows:

	In UA	In U.S. dollars (December 31, 1975 conversion rate)
Germany	787,500,000	$ 917,658,000
France	787,500,000	917,658,000
United Kingdom	787,500,000	917,658,000
Italy	630,000,000	734,126,400
Belgium	207,375,000	241,649,940
Netherlands	207,375,000	241,649.940
Denmark	105,000,000	122,354,400
Ireland	26,250,000	30,588,600
Luxembourg	5,250,000	6,117,720
Total	3,543,750,000	$4,129,461,000

Paid In Capital and Callable Capital. Prior to July 10, 1975, 20% of subscribed capital was paid in by the Member States in their national currencies, in other convertible currencies or in gold. With respect to the July 10, 1975, increase in subscribed capital of 1,518.75 million UA, 10% is to be paid in through eight equal semiannual instalments beginning April 30, 1976. All subscribed capital not paid in is subject to call by the Board of Directors of the EIB to such extent as may be required to meet the EIB's debt service obligations. In the event of a call, payment may be made in the currency required to discharge the obligations of the EIB for the purpose of which the call is made.

Calls on the callable portion of subscribed capital are required to be uniform in percentage on each Member State's obligation. Failure of one Member State to make payments on any such calls does not excuse any other Member State from its obligation to make payment. However, no Member State can be required on any such call to pay more than the unpaid balance of the callable portion of its subscribed capital. No such calls have been made to date. There is no provision for withdrawal from the EIB by a Member State.

The Statute provides for adjustment in the amount of a Member State's paid in capital which has been paid in its national currency if the official parity of such currency changes in relation to the UA. However, in the event of a uniform proportionate change in the value of the currencies of all the Member States, the Board of Governors may decide that there shall be no adjustment. For information with respect to adjustments in such paid in capital, see Note A to the *Financial Statements*.

Statutory Reserve and Other Reserves. Under the provisions of the Statute the EIB is to accumulate progressively a reserve fund (the "Statutory Reserve") in an amount of up to 10% of its subscribed capital; at December 31, 1975, the Statutory Reserve amounted to 3.10% of subscribed capital, without giving effect to the proposed appropriation of the net income for the year ended December 31, 1975. The Board of Directors is also authorized to create additional reserves (the "Other Reserves"). The Statutory Reserve and Other Reserves are accumulated by appropriation of net income and contributions by new member states on accession. Other Reserves may be used to cover risks on loans and guarantees, to equalize interest on borrowings and issue costs, to cover monetary risks not otherwise accounted for and for building. The EIB has determined that the aggregate amount of its bank deposits and marketable securities should not be less than the amount of the Statutory Reserve.

FUNDED DEBT

The EIB borrows in whichever currency appears most advantageous to it and under the best conditions prevailing at the time in the capital markets in which the EIB operates. The following table sets forth a summary of the funded debt of the EIB at December 31, 1975:

Currency of Borrowing	Initial Amount		Amount Outstanding	
	In UA (millions)	In U.S. dollars (millions)	In UA (millions)	In U.S. dollars (millions)
U.S. dollar	1,656.3	$1,930.0	1,589.0	$1,851.6
Swiss franc	347.3	404.7	347.3	404.7
German mark	854.7	996.0	799.6	931.8
French franc	274.0	319.3	217.7	253.7
Italian lira.....	280.9	327.3	257.7	300.3
Belgian franc	235.9	274.9	216.7	252.5
Dutch guilder	268.3	312.6	254.3	296.9
Luxembourg franc	121.6	141.7	121.6	141.7
Other	125.6	146.4	121.6	141.7
Total	4,164.6	$4,852.9	3,926.0	$4,574.9

Such funded debt includes mandatory redemption premiums totaling 10.5 million UA, or $12.3 million, in addition to the amounts actually borrowed and outstanding. From January 1 to March 22, 1976, the EIB borrowed approximately $139.7 million in various currencies. In addition, the EIB presently plans to borrow 75 million Dutch guilders (approximately $27.9 million) pursuant to an offering of notes in Europe in March 1976.

There have been no defaults by the EIB on payment of principal of or interest on any of its debt.

A schedule containing information with respect to all outstanding borrowings of the EIB as of December 31, 1975, is set forth on pages 29 through 32 of this Prospectus. The EIB may from time to time hereafter issue additional bonds or notes in various currencies.

ORDINARY OPERATIONS

Loan Policy. The EIB grants loans, and guarantees loans made by others, to its Member States and to public and private enterprises for investment projects to be carried out within the European territories of the Member States to the extent that funds from other sources are not available to the borrowers on reasonable terms. The Statute requires that such projects contribute to the increase of general economic productivity and promote realization of a common market.

When granting a loan to an enterprise or to a body other than a Member State, the EIB is required to make such loan conditional on receiving either the guarantee from the Member State in whose territory the project will be carried out or other adequate guarantees. In addition, in the case of borrowers engaged in production, the Statute authorizes the EIB to grant loans and guarantees only if interest and amortization can be provided by the anticipated operating profits from the projects.

The total outstanding loans granted and loans guaranteed by the EIB may not exceed 250% of its subscribed capital. At December 31, 1975, the maximum amount of loans and guarantees by the EIB which could be outstanding was the equivalent of $10,324.0 million; the loans of the EIB, including undisbursed portions, amounted to the equivalent of $5,178.0 million; and the EIB had granted guarantees in the amount of the equivalent of $201.6 million.

The Board of Governors has prescribed the following loan policies for the EIB:

(a) The EIB shall devote a large part of its resources to the financing of projects designed to improve less developed regions of the Member States.

(b) The EIB shall finance projects of common interest to the Member States, particularly projects which are likely to assist in the co-ordination of markets and the integration of the economies of the Member States.

(c) In addition to the financial and economic standards set forth in the Treaty of Rome and the Statute, the EIB shall observe the following principles:

(i) The EIB shall finance projects of sufficient size to avoid widespread dispersal of its resources.

(ii) Loans made by the EIB shall only supplement the resources otherwise available to borrowers for their projects.

(iii) The EIB shall give special attention to projects in which capital from several Member States is invested.

As a result of such loan policies, the EIB's loan portfolio is widely diversified and not dependent upon any single industry, economic sector or country. Rather, the EIB's loans are used to finance a broad range of enterprises throughout the Member States, and the EIB has not experienced any defaults in respect of such loans.

The general policy of the EIB, as set forth in the Statute, is not to convert funds obtained by it into other currencies. Loans are disbursed by the EIB in the currencies available to it at the time disbursements are made, and loans must be repaid in the currencies in which they are received. Each Member State is obliged under the Statute to make available to the EIB's debtors the currency needed to pay the principal of and interest on loans granted or guaranteed by the EIB for projects located in the territory of that Member State.

From time to time the Board of Directors fixes, for indeterminate periods, the rates of interest at which the EIB loans its funds, which rates depend on general market conditions and the rates at which it can borrow funds. Since 1958, when the EIB began operations, loans have been granted by the EIB at interest rates ranging from 5.25% to 10.50%. Since February 10, 1976 interest rates on loans have been 9% for maturities not exceeding eight years and 9.50% for maturities of longer duration. The rate granted on a loan at the time of its approval remains constant for the entire term of such loan.

Borrowers may make application for loans directly to the EIB or through the Commission of the European Communities or the Member State in whose territory the project is to be located. The Management Committee of the EIB submits each application to the Board of Directors (to which it also submits its opinion), the Commission (if the application has not been made through the Commission) and the Member State concerned (if the application has not been made through such Member State). If a Member State opposes a project to be located in its territory, the EIB will not finance that project. If the Commission or the Management Committee gives an unfavorable opinion, the Board of Directors may approve a loan or guarantee only by unanimous vote (the Director nominated by the Commission abstaining if the Commission's opinion was unfavorable). If the Management Committee and the Commission both give unfavorable opinions, the loan or guarantee cannot be granted.

The EIB may sell participations in loans made by it. At December 31, 1975, participations so sold and outstanding totalled the equivalent of $49.4 million.

Extraterritorial Loans. On the recommendation of the Board of Directors, the Board of Governors may by a unanimous vote authorize the EIB to grant loans for projects to be carried out, in whole or in part, outside the European territories of the Member States. Such loans are in other respects made in conformity with the provisions of the Statute relating to loans within Member States as set forth above.

The EIB has thus far granted a number of such loans (frequently pursuant to financial protocols to agreements of association between the EEC and other states), including loans for projects in Greece, Turkey, several African states and in the overseas countries and territories of certain Member States.

The following table sets forth the U.S. dollar equivalent of extraterritorial loans of the EIB at December 31, 1975:

	Authorized Amount	Amount Granted(1)
	(in millions of U.S. dollars)	
Greece	$125.0	$125.0
Turkey	29.1	29.1
Other	198.1	161.3(2)
Total	$352.2	$315.4

(1) Includes portions not taken up and portions cancelled. For information relating to amounts of extra-territorial loans outstanding, including undisbursed portions, at December 31, 1975, see *Ordinary Operations—Loans Outstanding.*

(2) Includes $58.5 million granted for projects in Ivory Coast, $39.8 million granted for projects in Zaire and loans granted for projects in Cameroon, Congo, Gabon, Upper Volta, Mauritius, Senegal and New Caledonia. For information relating to loans outstanding at December 31, 1975, see Note C to the *Financial Statements.*

The EIB has also granted loans aggregating the equivalent of $73.5 million at December 31, 1975, including undisbursed portions, for projects in Austria relating to the supply of natural gas to France and Italy and for the development of an oil and gas field in the Norwegian zone of the North Sea which will provide energy to several Member States. Such loans are guaranteed by the Member States concerned.

During the next five years the EIB expects to develop its activities outside the EEC. Under the Lomé Convention, effective April 1, 1976, among the EEC and 46 African, Caribbean and Pacific countries, the EIB will lend from its own resources $466.1 million for projects situated in those countries, including $11.3 million for projects in certain overseas countries and territories of the Member States. Such loans will be secured by adequate governmental or commercial guarantees and, in addition, by the guarantees of the Member States whose aggregate liability will be limited to 30% of the total amount of the credits opened by the EIB under loan contracts. In addition, subject to signature of cooperation agreements between the EEC and each of the Maghreb countries (Algeria, Morocco and Tunisia) and Malta, the EIB will lend up to $213.3 million for projects in those countries. Such loans will be secured in the same manner and to the same extent as those made under the Lomé Convention. The EIB will also make loans up to $174.8 million for projects in Portugal, which will be fully guaranteed by the EEC. On March 15, 1976, the Board of Governors of the EIB decided that other commitments for loans outside the EEC during the next five years will be limited to 800 million UA ($932.2 million) in addition to those discussed above.

Loans Granted. From the commencement of operations in 1958 to December 31, 1975, the EIB had, within the sphere of its ordinary operations, granted 544 loans having an original aggregate principal amount equivalent, on the basis of the official parities in force on the date of grant, to 5,239.1 million UA ($6,105.0 million). Such loans represented 22.3% of the estimated total cost of 23,497.1 million UA ($27,380.7 million) of the various projects concerned at December 31, 1975.

The following table sets forth the number of projects and the amount of the loans granted by the EIB as a percentage of the estimated total cost of those projects on an annual basis since 1971 and on a cumulative basis since 1959, the year in which loans were first granted:

	Year ended December 31,				
	1971	1972	1973	1974(1)	1975
Annual					
Number of projects	47	33	55	75	72
Estimated total cost of projects (in millions of UA) (2)	2,953.0	2,115.2	3,003.2	4,073.0	4,481.7
Total amount of loans by EIB for such projects (in millions of UA)	454.9	500.0	738.8	1,034.0	966.5
Percentage of estimated total cost	15.4%	23.6%	24.6%	25.4%	21.6%
Cumulative since 1959					
Number of projects	309	342	397	472	544
Estimated total cost of projects (in millions of UA) (2)	9,824.0	11,939.2	14,942.4	19,015.4	23,497.1
Total amount of loans by EIB for such projects (in millions of UA)	1,999.8	2,499.8	3,238.6	4,272.6	5,239.1
Percentage of estimated total cost	20.4%	20.9%	21.7%	22.5%	22.3%

(1) For information concerning the changes in the method of valuing the UA, see Note A to the *Financial Statements.*

(2) Includes capital investment and working capital.

Loans Outstanding. At December 31, 1975, loans outstanding (loans granted, including undisbursed portions, less exchange adjustments, redemptions, cancelations and third party participations) were $5,178.0 million, with interest rates ranging from 5.25% to 10.50%, and a weighted average of 8.49%. The terms of such loans were generally between 8 and 12 years for industrial projects and up to 20 years for infrastructure projects, including any deferred repayment period, depending upon the nature of each project. The remaining average life of all outstanding loans was 7⅓ years.

The following table sets forth the EIB's loans outstanding by country at the dates indicated:

	December 31,									
	1971		1972		1973		1974		1975	
	Amount of Loans	% of Portfolio	Amount of Loans	% of Portfolio	Amount of Loans	% of Portfolio	Amount of Loans	% of Portfolio	Amount of Loans	% of Portfolio
	(in millions of UA)									
Member States										
Germany	205	11.4	264	12.2	445	16.3	584	16.2	553	12.4
France	385	21.4	516	23.9	681	24.9	877	24.4	1,022	23.0
United Kingdom(1)	—	—	—	—	72	2.6	212	5.9	536	12.1
Italy	975	54.3	1,137	52.6	1,266	46.3	1,491	41.4	1,810	40.7
Belgium	51	2.8	63	2.9	59	2.2	77	2.1	87	2.0
Netherlands	43	2.4	39	1.8	37	1.3	69	1.9	67	1.5
Denmark(1)	—	—	—	—	7	0.3	26	0.7	37	0.8
Ireland(1)	—	—	—	—	25	0.9	68	1.9	100	2.3
Luxembourg	7	0.4	7	0.3	6	0.2	6	0.2	6	0.1
Total	1,666	92.7	2,026	93.7	2,598	95.0	3,410	94.7	4,218	94.9
Greece	59	3.3	55	2.6	51	1.9	45	1.3	90	2.0
Other Associated States	71	4.0	80	3.7	86	3.1	145	4.0	136	3.1
Total	130	7.3	135	6.3	137	5.0	190	5.3	226	5.1
Total	1,796	100.0	2,161	100.0	2,735	100.0	3,600	100.0	4,444	100.0

(1) Member State since January 1, 1973.

The EIB's loans outstanding at December 31, 1975, were divided among the following economic sectors:

	Number of Projects		Amount (in millions of UA)		Amount (in millions of U.S. dollars)		Per cent.	
Infrastructure:								
Agricultural development	11		125.6		$ 146.4		2.8	
Energy, including	93		1,355.3		1,579.3		30.5	
Power stations		62		911.4		1,062.0		20.5
Gas pipelines		21		353.6		412.0		8.0
Other		10		90.3		105.3		2.0
Water supply and distribution	13		144.5		168.4		3.3	
Transport, including	56		776.5		904.8		17.5	
Railways		15		183.0		213.2		4.1
Roads and bridges, etc.		33		495.6		577.5		11.2
Sea and river transports, harbor facilities		4		53.6		62.5		1.2
Airlines		3		40.3		47.0		0.9
Other		1		4.0		4.6		0.1
Telecommunications	29		605.9		706.0		13.6	
Other	3		26.1		30.4		0.6	
Agriculture, industry and services:								
Agriculture, forestry, fishing	1		6.0		7.0		0.2	
Industry, including	256		1,105.5		1,288.2		24.8	
Extractive industries		6		42.0		48.9		0.9
Production and semiprocessing of metals		40		393.8		458.9		8.9
Construction materials		24		72.8		84.8		1.6
Timber		2		3.1		3.6		0.1
Glass and pottery		9		13.9		16.2		0.3
Chemicals		56		206.3		240.4		4.6
Metal working and engineering		26		71.6		83.4		1.6
Motor vehicles and transport equipment		11		95.4		111.2		2.1
Electrical engineering, electronics		14		45.8		53.4		1.0
Foodstuffs		36		101.0		117.7		2.3
Textiles and leather		19		25.6		29.8		0.6
Pulp and paper		3		4.3		5.0		0.1
Rubber and plastics processing		8		29.3		34.1		0.7
Other		2		0.6		0.8		
Services, including	5		8.5		9.9		0.2	
Tourism		3		4.1		4.8		0.1
Research and development		2		4.4		5.1		0.1
Global loans (1)	33		289.7		337.6		6.5	
Total	500		4,443.6		$5,178.0		100.0	

(1) Loans made to intermediary banks and financial institutions which allocate the funds so loaned, with the EIB's approval, to ultimate borrowers in connection with the financing of smaller undertakings than those ordinarily financed by the EIB.

SPECIAL OPERATIONS

Acting only as agent, the EIB has granted loans through its Special Section for the account of the original Member States for projects in Turkey amounting to the equivalent of $417.1 million at December 31, 1975. Also, through its Special Section, the EIB administers loans and capital contributions of the European Development Fund for projects in certain African states and in overseas countries and territories of certain Member States. At December 31, 1975, the loans and capital contributions outstanding aggregated $125.7 million (interest included). EIB Special Section activities do not make use of the funds or credit of the EIB.

LEGAL STATUS

The EIB has a legal personality and possesses in each Member State the most extensive legal capacity accorded to legal persons under the laws of such Member State. It may acquire and transfer property and sue and be sued in its own name.

The EIB and its assets, income and other property are exempt from all direct taxes of the Member States. The EIB is also exempt from any fiscal charges in respect of increases in its subscribed capital or paid in capital and from any related formalities in the Member State in which the EIB has its seat. The activities of the EIB carried out under the terms of the Statute may not be the subject of any turnover tax.

The Treaty of Rome provides that the Court of Justice of the European Communities in Luxembourg has exclusive jurisdiction in certain cases involving the fulfillment by Member States of their obligations under the Statute and the lawfulness of measures adopted by the Board of Governors and the Board of Directors. Any litigation between the EIB and its creditors or debtors, including claims based on guarantees made by Member States, may be determined by competent national courts. The property and assets of the EIB within the Member States are not, except by judicial decision and with the Court of Justice's authorization, subject to attachment or to seizure by way of execution. For information with respect to the courts in which litigation based on the Notes may be instituted, see *Description of the Notes.*

ADMINISTRATION

The EIB is administered and managed by a Board of Governors, a Board of Directors and a Management Committee.

The Board of Governors, which is composed of one government minister (usually the minister of finance) appointed by each Member State, has certain specific functions as set forth in the Statute. These include the appointment and removal of members of the Board of Directors and the Management Committee, the modification of the number of members of the Management Committee and the approval of the annual report of the Board of Directors and the annual balance sheet and profit and loss account. Disapproval of the annual report requires the resignation of the Board of Directors.

The Board of Directors is composed of eighteen Directors and ten Alternate Directors each appointed by the Board of Governors for a five year term, on nomination by the Member States and the Commission of the European Communities, as follows:

Three Directors nominated by the Federal Republic of Germany
Three Directors nominated by the French Republic
Three Directors nominated by the Italian Republic
Three Directors nominated by the United Kingdom of Great Britain and Northern Ireland
One Director nominated by the Kingdom of Belgium
One Director nominated by the Kingdom of Denmark
One Director nominated by Ireland
One Director nominated by the Grand Duchy of Luxembourg
One Director nominated by the Kingdom of the Netherlands
One Director nominated by the Commission
Two Alternate Directors nominated by the Federal Republic of Germany
Two Alternate Directors nominated by the French Republic
Two Alternate Directors nominated by the Italian Republic
Two Alternate Directors nominated by the United Kingdom of Great Britain and Northern Ireland
One Alternate Director nominated by common agreement of the Benelux countries
One Alternate Director nominated by the Commission.

The following are the Directors and Alternate Directors of the EIB:

Directors

Alfred Becker
Mitglied des Vorstandes der Kreditanstalt für Wiederaufbau, Frankfurt.

Giorgio Cappon
Presidente dell'Istituto Mobiliare Italiano, Rome.

André de Lattre
Président du Crédit National, Paris.

Raymond Denucé
Directeur Gérant Honoraire du Crédit Communal de Belgique, Brussels.

Salvatore Guidotti
Amministratore Delegato e Direttore Generale della Società Meridionale Finanziaria, Naples.

Pierre Guill
Président-Directeur de la Caisse d'Epargne de l'Etat, Luxembourg.

Jean-Yves Haberer
Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Economie et des Finances, Paris.

Erik Hoffmeyer
Formand for direktionen i Danmarks Nationalbank, Copenhagen.

Norman Jordan-Moss
Deputy Secretary (Overseas Finance A)
H.M. Treasury, London.

Anthony IJ. A. Looijen
Directeur van Buitenlandse Financiële Betrekkingen, Ministerie van Financiën, The Hague.

Ugo Mosca
Director General of Economic and Financial Affairs; Commission of the European Communities, Brussels.

Alfred Müller-Armack
Staatssekretär a.D., Professor an der Universität Köln, Cologne.

Sean F. Murray
Former Assistant Secretary, Department of Finance, Dublin.

Maurice Pérouse
Directeur Général de la Caisse des Dépôts et Consignations, Paris.

Raymond Prosser
Deputy Secretary, Department of Industry, London.

Rupert Raw
Former Adviser to Governor of the Bank of England, Chairman of Italian International Bank Ltd., London, Director of Banque Belge, London.

Ferdinando Ventriglia
Direttore Generale del Tesoro, Ministero del Tesoro, Rome.

Hans-Herbert Weber
Ministerialdirektor, Bundesministerium der Finanzen, Bonn.

Alternate Directors

Roger A. Barnes
Assistant Chief Cashier, Bank of England, London.

Michel Camdessus
Directeur Adjoint, Service des Activités Financières; Direction du Trésor, Paris.

Maurice Esselens
Directeur Generaal bij de Administratie der Thesaurie, Ministerie van Financiën, Brussels.

Lionello Fronzoni
Direttore della SA.DI.BA. (Scuola di Automazione per Dirigenti Bancari) Banca d'Italia, Perugia.

Geoffrey Littler
Under-Secretary for Finance (International Monetary), Treasury Chambers, London.

Rudolf Morawitz
Ministerialdirigent, Bundesministerium für Wirtschaft, Bonn.

Waldemar Müller-Enders
Ministerialdirigent, Bundesministerium der Finanzen, Bonn.

John Edward Nash
Director, Directorate General of Economic and Financial Affairs, Commission of the European Communities, Brussels.

Yves Roland-Billecart
Directeur Général Adjoint de la Caisse Centrale de Coopération Economique, Paris.

Savino Spinosi
Ispettore Generale, IRFE Ministero del Tesoro, Rome.

The Board of Directors is responsible for supervising and ensuring the sound administration of the EIB and for ensuring that the EIB is managed in conformity with the provisions of the Treaty of Rome and the Statute and with the general directives of the Board of Governors. It has exclusive power to authorize loans and guarantees, to establish interest rates and commissions thereon and to authorize borrowings by the EIB.

The Statute provides that the members of the Board of Directors are responsible only to the EIB. Each Director has one vote and may delegate his vote in all cases, according to the rules of procedure of the EIB. The Board ordinarily acts by a majority of the members of the Board entitled to vote but in certain cases a unanimous vote or a qualified majority (which requires twelve votes in favor) is required.

The Management Committee of the EIB consists of the President of the EIB and four of its Vice Presidents appointed for six years by the Board of Governors on the recommendation of the Board of Directors. The current members of the Management Committee and their respective positions with the EIB are as follows:

Management Committee Member	Position with the EIB
Yves Le Portz	President
Sjoerd Boomstra	Vice President
Luca Rosania	Vice President
Horst-Otto Steffe	Vice President
George Raymond Bell	Vice President

The Management Committee is responsible for the management of the current operations of the EIB under the authority of the President and the supervision of the Board of Directors. The Management Committee, by a majority vote, makes proposals to the Board of Directors for the granting of loans and guarantees and for borrowings. The President, or in his absence one of the Vice Presidents, serves as Chairman of the Board of Directors but has no vote. The Statute provides that the Management Committee and the staff of the EIB are responsible only to the EIB and are to be completely independent in the exercise of their functions.

An Audit Committee, which consists of three members appointed by the Board of Governors, annually verifies for each year that the operations of the EIB are properly conducted and that the books are properly kept and confirms that the balance sheet and profit and loss account are in conformity with the accounts and accurately reflect the assets and liabilities of the EIB. The members of the Audit Committee and their principal occupations are: Jørgen Bredsdorff (Chairman), Auditor General, Audit Department, Copenhagen; Emile Raus, Vice-President of the Council of State, Honorary Director-General of Posts and Telecommunications, Luxembourg; and Michael S. Jacob, Secretary and Director of Audit, Office of the Comptroller and Auditor-General, Dublin.

DESCRIPTION OF THE NOTES

The following summaries of certain of the terms and provisions of the Notes and the Fiscal Agency Agreement, copies of which are filed as exhibits to the Registration Statement of which this Prospectus constitutes a part, do not purport to be complete and are qualified in their entirety by reference to such exhibits.

General. The Notes will be issued in an aggregate principal amount of $100,000,000, will mature on April 1, 1984, and will bear interest at the rate set forth on the cover page of this Prospectus. Interest on the Notes will be payable semiannually on April 1 and October 1, with the initial payment on October 1, 1976. The Notes will be in coupon form, registrable as to principal, in the denomination of $1,000 and in fully registered form, without coupons, in denominations of $1,000 and multiples thereof. No service charge will be imposed on the holder of a Note in connection with exchanges, either in form or denomination, or transfers of Notes.

The Notes are not redeemable prior to maturity.

Payment. The principal of and interest on the Notes will be payable at the corporate trust office in New York City of Citibank, N.A., or its successor as Fiscal Agent, in such coin or currency of

the United States as at the time of payment is legal tender for payment of public and private debts. The EIB may designate agencies in the European territories of the Member States at which the principal of and interest on the Notes will also be payable, at the option of the holders. The EIB may change or terminate the designation of such agencies from time to time. Payments at such agencies will be subject to applicable laws and regulations, including any withholding or other taxes, and will be effected by check drawn on, or by transfer to an existing account with, a bank in New York City.

The Fiscal Agent is not a trustee for the holders of the Notes and does not have the same responsibilities or duties to act for such holders as would a trustee.

The Notes will provide that payment of the principal of and interest on the Notes in New York City shall be without deduction for and free of any present or future taxes, duties, fees or other charges levied or imposed on the Notes or the holders thereof by any present or future Member State or any political subdivision or taxing authority of any Member State.

Rank of the Notes. The Notes will be unconditional, direct, general obligations of the EIB, for the payment and performance of which the full faith and credit of the EIB will be pledged. The Notes will rank *pari passu*, without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, with all other indebtedness of the EIB for money borrowed, except for indebtedness (i) incurred for all or part of the purchase price of property purchased by the EIB and (ii) secured by a lien, pledge or other charge on such property but otherwise ranking *pari passu* with the Notes. No such indebtedness is currently outstanding. If the EIB shall in the future secure any present or future indebtedness for money borrowed by any lien, pledge or other charge on any of its present or future assets or revenues (other than liens, pledges or charges on property purchased by the EIB as security for all or part of the purchase price), the Notes will be secured by such lien, pledge or other charge equally and ratably with such indebtedness, and the instrument creating such lien, pledge or other charge will expressly so provide.

Default. In case of (i) default in any payment of the principal of or interest on any of the Notes and its continuance for a period of 30 days or (ii) default in the performance of any other covenant contained in the Notes and the continuance of such default for a period of 90 days after written notice shall have been given to the EIB and the Fiscal Agent thereof by the holders of not less than 25% in principal amount of the Notes then outstanding or (iii) default, as defined in any instrument evidencing, securing or protecting any indebtedness of the EIB, now or hereafter outstanding and maturing more than one year from the date of its creation, and the maturity of such indebtedness shall have been accelerated so that it shall have become due and payable and such acceleration shall not have been rescinded or annulled, then in any such case, the principal of all the Notes then outstanding may be declared to be due and payable immediately by written notice given to the EIB and the Fiscal Agent for the Notes by the holders of not less than a majority in principal amount of the Notes then outstanding. If, after such principal shall have been declared due and payable and before any judgment or decree for the payment of moneys due thereon shall have been entered, all arrears of interest upon all Notes and all other sums due in respect thereof, except any principal payments which shall not have matured by their terms, shall have been duly paid and all other defaults made good, the holders of not less than a majority in principal amount of the Notes then outstanding may rescind any such declaration.

It should be noted that the Fiscal Agency Agreement does not provide for the notification of the holders of the Notes of the occurrence of an event of default or for the right of a holder of Notes to examine the Note register. Moreover, since a substantial portion of the Notes may be held in bearer form, newspaper publication, as well as mailing, may be necessary to contact other holders of Notes.

The EIB may modify any of the terms or provisions contained in the Notes in any way, with the written consent of the holders of not less than 66⅔% in principal amount of the Notes at the time outstanding, provided that (i) if any such modification would change the terms of payment of the principal of or interest on any Note or the amount thereof or affect the rights of holders of less than all the Notes

at the time outstanding, the consent of the holders of all the Notes affected thereby is required and (ii) if any such modification would reduce the aforesaid percentage required for authorization of such modification, the consent of the holders of all outstanding Notes affected is required.

The Notes will be governed by, and construed in accordance with, the laws of the State of New York except as to matters relating to the authorization and execution of the Notes by the EIB, which shall be governed by the Treaty of Rome and the Statute. The EIB will appoint the Fiscal Agent as its authorized agent in New York City upon which process may be served in any action based on the Notes which may be instituted in any State or Federal court in New York City by the holder of a Note and will expressly accept the jurisdiction of such courts in respect of such action. Notwithstanding the foregoing, any action based on the Notes may be instituted by the holder of a Note in any competent court of the jurisdiction in which the EIB has its seat. The EIB will irrevocably waive any immunity from jurisdiction or execution to which it or its property might otherwise be entitled in any action based on the Notes which may be instituted by the holder of a Note in any State or Federal court in New York City.

Tax Status

The Notes and interest thereon will not be exempt from taxation generally.

As regards United States taxation, in the opinion of Messrs. Cravath, Swaine & Moore, special counsel to the EIB, interest on the Notes which is paid to an individual who is not a citizen or resident of the United States or to a corporation organized under the laws of a country other than the United States is not presently subject to United States Federal income tax or the withholding of such tax, except that, absent any special statutory or treaty exemption, (a) such interest when derived by such nonresident alien individual or foreign corporation in the active conduct of a banking, financing or similar business within the United States or when received by a corporation the principal business of which is trading in stock or securities for its own account, is subject to United States Federal income tax if such interest is attributable to an office or other fixed place of business within the United States and certain other conditions exist, and (b) a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to United States Federal income tax on interest received on the Notes if such interest is attributable to its United States business.

In addition, in the opinion of such special counsel, (a) interest paid by the EIB on its obligations constitutes income from sources without the United States and (b) unless a death tax convention provides otherwise, debt obligations of the EIB are deemed to be situated outside the United States for purposes of the United States Federal estate tax and are not includible in the gross estate for purposes of such tax in the case of the estate of a nonresident of the United States who was not a citizen of the United States.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the President
EUROPEAN INVESTMENT BANK
Luxembourg

We have examined the accompanying balance sheet of the European Investment Bank as of December 31, 1975 and the related Statement of Profit and Loss for the five financial years ended December 31, 1975. 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 Statement of Profit and Loss has been affected by a change in the new definition of the unit of account (UA) in 1974 for conversion of the currencies of the Member States, as described in Note A.

As explained in Note I, a supplementary amortization of certain issuing charges of 5,000,000 UA was made in 1974. Writing off of issuing charges during the year of issue is an accepted European accounting practice.

In our opinion, the financial statements examined by us present fairly the financial position of the European Investment Bank at December 31, 1975 and the results of its operations for the five financial years then ended in conformity with accounting principles generally accepted in the United States, except for the supplementary amortization of issuing charges in 1974 as described in the preceding paragraph. These principles have been consistently applied except for the change, with which we concur, as a result of the new definition of the UA for conversion of the currencies of the Member States as described above.

PRICE WATERHOUSE & Co.

March 2, 1976
Brussels, Belgium

EUROPEAN INVESTMENT BANK

BALANCE SHEET

At December 31, 1975

(In UA—see Note A to the financial statements)

ASSETS

Cash and bank deposits		
At sight and up to one year's notice		333,213,291
At more than one year's notice		4,243,267
		337,456,558
Investments (market value 154,933,777) (Note B)		
For not more than one year		7,531,472
For more than one year		144,704,332
		152,235,804
Borrowing proceeds to be received		40,939,011
Receivable from Member States for adjustment of capital (Notes A and E)		38,063,178
Receivable from Member States on account of capital to be paid (Note F)		151,875,000
Loans (Note C) of which undisbursed—264,808,983		4,443,553,712
Contra accounts to guarantees		
On loans under mandate excluding those on loans granted by third parties (19,647,523) and those on participations by third parties in the loans of the EIB (42,397,712)		110,926,643
Land and buildings		503,571
Accrued interest and commission		78,719,249
Unamortized issuing charges		65,214,634
Unamortized redemption premiums		5,096,433
		70,311,067
Special deposits for service of loans (Note D)		32,993,735
Miscellaneous (Note E)		11,904,024
		5,469,481,552
Memorandum accounts		
Commitment to guarantee loans granted by third parties	49,118,809	
Securities received as guarantee for loans under mandate	27,833,992	
Securities received on deposit	128,724,427	

EUROPEAN INVESTMENT BANK

BALANCE SHEET

At December 31, 1975

(In UA—see Note A to the financial statements)

CAPITAL AND LIABILITIES

Capital (Note F)	
Subscribed	3,543,750,000
Uncalled	2,986,875,000
	556,875,000
Statutory reserve	110,000,000
Other reserves	
For risks on loans and guarantees	117,982,653
For equalization of interest on borrowings	13,000,000
For monetary risks	29,000,000
For building	16,000,000
	175,982,653
Unallocated profit for the financial year ended December 31, 1975	59,395,074
Write-back of issuing charges previously amortized	23,127,079
Total capital	925,379,806
Staff pension fund	8,071,073
Payable to Member States for adjustment of capital (Notes A and E)	23,904,493
Borrowings (Note G)	
Bonds and notes	3,346,910,328
Other medium- and long-term borrowings	568,572,274
	3,915,482,602
Redemption premiums on bonds	10,526,141
	3,926,008,743
Short-term borrowings	16,372,936
Undisbursed balance of loans	264,808,983
Guarantees	
On loans under mandate excluding those on loans granted by third parties (19,647,523) and those on participations by third parties in the loans of the EIB (42,397,712)	110,926,643
Accrued interest and commission and interest received in advance	130,117,144
Coupons and liabilities due and not yet paid (Note D)	32,993,735
Miscellaneous (Note E)	30,897,996
	5,469,481,552

EUROPEAN INVESTMENT BANK

STATEMENT OF PROFIT AND LOSS

For the five financial years ended

December 31, 1975

(In UA—see Note A to the financial statements)

	1971	1972	1973	1974	1975
INCOME:					
Interest and commission on loans	83,318,923	118,811,368	160,010,213	212,651,511	312,485,485
Interest and commission on investments	24,370,849	16,851,366	30,238,494	51,965,392	33,974,876
Management commission (Note H)	1,149,014	1,385,803	1,573,263	1,885,773	2,228,327
Other income, net	3,068,549	914,702	(16,850)	1,351,559	5,023,851
Total income	111,907,335	137,963,239	191,805,120	267,854,235	353,712,539
OPERATING EXPENSES:					
Administrative expenses	5,356,214	6,034,013	8,339,009	13,339,398	14,175,391
Interest and charges on borrowings	82,183,528	104,570,351	143,040,680	197,798,267	274,821,383
Amortization of issuing charges and redemption premiums	4,239,837	5,581,925	6,942,417	8,099,950	9,602,463
Supplementary amortization of issuing charges	—	—	—	5,000,000	—
Depreciation on furniture, equipment and design fees	167,450	201,673	232,703	156,251	985,086
Exchange differences (Note A)	(555,002)	6,648,283	8,718,527	1,172,608	(790,943)
Total operating expenses	91,392,027	123,036,245	167,273,336	225,566,474	298,793,380
Operating income	20,515,308	14,926,994	24,531,784	42,287,761	54,919,159
Net increase (decrease) in value arising from revaluation of assets and liabilities of the EIB not subject to adjustment under Article 7 of the Statute (Note A)	—	2,846,744	1,324,294	(2,358,142)	4,475,915
Income before effect of adoption of a change in the rates for converting currencies	20,515,308	17,773,738	25,856,078	39,929,619	59,395,074
Effect of adoption of a change in the rates for converting currencies (Note A)	—	—	—	(3,633,424)	—
Net income	20,515,308	17,773,738	25,856,078	36,296,195	59,395,074*
LESS APPROPRIATIONS TO:					
Provision for risks on loans and guarantees	0,000	7,000,000	10,151,426	12,982,653	
Provision for equalization of interest on borrowings	—	—	976,941	—	
Provision for building	2,000,000	2,500,000	2,316,680	5,000,000	
Special provision	4,104,000	(4,104,000)	—	—	
Provision for monetary risks	—	7,500,000	6,301,308	6,000,000	
Balance appropriated to statutory reserve	6,411,308	4,877,738	6,109,723	12,313,542	

* Appropriations of net income to provisions and statutory reserve are made by decision of the Board of Governors, which has not acted as yet with respect to 1975.

EUROPEAN INVESTMENT BANK

NOTES TO THE FINANCIAL STATEMENTS
(In UA—see Note A)

Note A—Significant Accounting Policies

Unit of Account used for preparation of the financial tements and translation of currencies

Beginning in the financial year 1974, the EIB uses the E· pean unit of account (the "UA") as the unit of measure for the capital accounts of the Member States ... as the common denominator for presenting financial position and results of operations. The UA was adopted by the European Council of Ministers and is increasingly being used for accounting purposes within the EEC.

In financial years prior to 1974, the financial statements of the EIB are expressed in UA as defined in Article 4(1) of its Statute. The conversion rate between this UA and the various national currencies was based on the gold content of this UA and such currenc·s as reflected by official parities declared to the International Monetary Fund (the "IMF"); one UA originally equaled one U.S. dollar as well as, subsequently, one Special Drawing Right, the unit of acc·unt used by the IMF, all of which had an equal gold content of 0.88867088 grammes of fine gold. Conversion of the national currencies was effected at the official parity rates declared to the IMF as of the end of each year.

The Board of Governors decided in 1974 that the definition of the UA provided in Article 4(1) of its Statute, and the method for converting it into the national currencies of Member States as prescribed in Article 7(3), could no longer be applied as originally intended when the Statute was drafted. Therefore, on July 15, 1974 the Board of Governors decided to propose that the Statute be amended to enable them, acting unanimously, to introduce a new definition of the UA and to modify the system for converting sums expressed in UA into national currencies, and vice versa. Such amendment of the Statute is now before the Member States for their approval.

As an interim measure pending resolution of the matters indicated in the preceding paragraph, on March 18, 1975 the Board of Governors decided that beginning on December 31, 1974 the EIB would adopt as rates for converting Member States' currencies into UA, and vice versa, the rates used for converting these currencies into the European unit of account. The value of the UA is equal to the sum of the following amounts of Member States' currencies:

German marks	0.828	Dutch guilders	0.286
United Kingdom pounds	0.0885	Belgian francs	3.66
French francs	1.15	Luxembourg francs	0.14
Italian lire	109	Danish crowns	0.217
		Irish pounds	0.00759

This "basket" was so composed that on June 28, 1974 its value would have been equivalent to that of the IMF's Special Drawing Right. The conversion rates between Member States' currencies and the UA have been fixed by agreement between the EIB and the Commission of the EEC, taking as their basis market rates, it being understood that the Commission publishes these rates in the Official Journal of the European Communities. Moreover, the EIB is to apply these conversion rates in calculating the rates applicable to other currencies used for its operations.

The value of the UA is determined by the Commission of the EEC by converting the above amounts of currencies into Belgian francs on the Brussels market at the rates of exchange then in effect. In order to determine the equivalent value of the UA in terms of currencies other than the Belgian franc, the resulting value of the UA in Belgian francs is then converted into such other currencies at then prevailing rates.

The following rates were used for drawing up the balance sheet at December 31, 1975:

3.05382	German marks	0.575039	Irish pounds
5.21981	French francs	46.0606	Luxembourg francs
0.575973	United Kingdom pounds	1.16528	United States dollars
797.769	Italian lire	3.05239	Swiss francs
46.0606	Belgian francs	2.84328	Lebanese pounds
3.13120	Dutch guilders	260.991	CFA francs
7.19697	Danish crowns	354.312	Japanese yen

Beginning December 31, 1974, and for as long as the above interim measure remains in effect, the EIB's annual balance sheets will be drawn up and published on the basis of the conversion rates defined above. This change in conversion rates resulted in a charge to the 1974 Statement of Profit and Loss of 3,633,424 which was reported as "Effect of adoption of a change in the rates for converting currencies".

Adjustments of paid in capital

Article 7(1) and (2) of the Statute provide for adjustments of the amount of a Member State's paid in capital which has been paid in its national currency, if the official parity of such currency changes in relation to the UA. The only material adjustment during the five financial years resulted from the decision of the Board of Governors to adopt, beginning December 31, 1974, as rates for converting Member States' currencies in UA, and vice versa, the rates used for converting these currencies into the European unit of account. This has been recorded as if this were a change in official parities. Settlement of these amounts will be effected when the previously described amendment to the Statute proposed by the Board of Governors on July 15, 1974 is adopted. See Note E for payable and receivable balances at December 31, 1975. See also *Capitalization and Reserves—Paid in Capital and Callable Capital* elsewhere in this Prospectus.

Exchange differences and net increase (decrease) in value arising from revaluation of assets and liabilities

Exchange differences of (555,002) in 1971; 6,648,283 in 1972; 8,718,527 in 1973; 1,172,608 in 1974 and (790,943) in 1975 represent the net gain or loss arising from financial operations during the year. These amounts are determined using the official parity rates in effect during the period. Devaluation of the dollar was the principal reason for the losses in 1972 and 1973.

In 1972, EIB determined that it was necessary to recognize in its financial statements the differences in value of its net assets which would result from the use of current market rates for translations of currencies instead of the use of official rates as required by the Statute. These differences have been reflected in the Statement of Profit and Loss as "Net increase (decrease) arising from revaluation of assets and liabilities" of 2,846,744 in 1972; 1,324,294 in 1973; (2,358,142) in 1974 and 4,475,915 in 1975. Excluded from such determinations are assets in each Member State's currency in an amount equal to the Member State's capital contribution to the EIB in its own currency because such amounts are the subject of "Adjustments of paid in capital" as discussed previously.

Other Matters

Fixed Assets:

Office furniture, fixtures, machines and motor vehicles are written off in the year of acquisition.
Design fees for the new headquarters are being expensed as incurred.
Land is carried at cost.

Issuing Charges and Redemption Premiums:

Except as explained in Note I, issuing charges and redemption premiums are amortized over the lives of the borrowings based on the principal amounts outstanding.

Loans:

In determining net income, no provision for possible losses is made as none is considered necessary.

Staff Pension Fund:

Amounts set aside are based on actuarial valuations determined generally once every two to three years.

A statement of changes in financial position has not been presented.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)
(In UA—see Note A)

Note B—Investments

Investments include:

(a) government bonds, notes and bonds at the lowest of cost, nominal or market value	130,788,247
(b) the EIB's own bonds at their redemption cost	21,018,475
(c) bank bills at their nominal value	429,082

The breakdown, according to maturity, is as follows:

not exceeding 3 months	5,593,789
over 3 months but not exceeding 6 months	300,389
over 6 months but not exceeding 12 months	1,637,294
over 12 months	144,704,332

Note C—Analysis of Loans outstanding at December 31, 1975

Countries and Territories in Which Loans Have Been Granted(1)	Number of Loans	Amount Disbursed	Amount Undisbursed	Total	%
Germany	65	553,137,475	—	553,137,475	12.45
France	90	988,903,875	33,516,737	1,022,420,612	23.01
United Kingdom	31	459,051,552	77,434,185	536,485,737	12.07
Italy	219	1,744,423,802	66,032,899	1,810,456,701	40.74
Belgium	8	87,051,382	—	87,051,382	1.96
Netherlands	7	66,592,648	—	66,592,648	1.50
Denmark	12	31,052,793	5,495,368	36,548,161	0.82
Ireland	11	100,083,757	—	100,083,757	2.25
Luxembourg	3	5,583,101	—	5,583,101	0.13
Greece	21	53,326,242	36,619,525	89,945,767	2.02
Cameroon	9	12,227,931	—	12,227,931	0.28
Congo	1	7,370,061	—	7,370,061	0.17
Ivory Coast	9	29,230,344	20,166,397	49,396,741	1.11
Gabon	4	3,873,414	—	3,873,414	0.09
Upper Volta	1	379,875	—	379,875	0.01
Mauritius	1	—	1,750,000	1,750,000	0.04
Senegal	2	2,511,586	—	2,511,586	0.06
Zaire	3	13,202,330	16,600,000	29,802,330	0.67
New Caledonia	1	1,518,403	—	1,518,403	0.03
Turkey	2	19,224,158	7,193,872	26,418,030	0.59
Total	500	4,178,744,729	264,808,983	4,443,553,712	100.00

(1) Currencies in which loans are repayable:

Currency:	Amount
Currencies of the Member States	2,334,155,459
Option of the EIB among the currencies of the original Member States	11,207,500
Other currencies	1,833,381,770
Disbursed portion of loans	4,178,744,729
Add undisbursed portion of loans	264,808,983
	4,443,553,712

(2) Breakdown of loans at December 31, 1975 by principal form of guarantee*

Loans granted to or guaranteed by Member States	2,729,980,641
Loans granted to or guaranteed by public institutions in the EEC	819,869,154
Loans granted to banks including certain long-term credit institutions or guaranteed by them	351,957,659
Loans guaranteed by non-bank companies under majority control of Member States or public institutions in the EEC	202,479,671
Loans secured by fixed charge on real estate	114,572,146
Loans guaranteed by non-bank companies in the private sector	104,790,300
Loans granted to associated states or guaranteed by them	85,866,877
Loans secured by fixed charge on other property or other security	34,037,264
	4,443,553,712

(3) Original amount of ordinary loans calculated on the basis of the official parities notified to the IMF and in effect on the date of signature 5,239,068,195

Less:

(a) terminations and cancellations	80,223,069	
(b) exchange adjustments	41,022,081	
(c) principal repayments to the EIB	631,871,621	
(d) third party participations in loans	42,397,712	
		795,514,483
Ordinary loans outstanding		4,443,553,712

The total volume of loans and guarantees granted by the EIB, which under Article 18(5) of the Statute must not exceed 250% of its subscribed capital, amounted at December 31, 1975 to:

ordinary loans	4,443,553,712
guarantees given:	
in respect of loans under mandate	110,926,643
in respect of loans granted by third parties	19,647,523
in respect of third party participations in the loans of the EIB	42,397,712
	172,971,878
	4,616,525,590

Note D—Special deposits for service of loans

This item, which appears as a contra item in the liabilities under the heading "Coupons and liabilities due and not yet paid", represents the amount of coupons and bonds due but not yet presented for payment 32,993,735

Note E—Miscellaneous balance sheet accounts

These accounts include:

(a) on the assets side:	
sundry debtors	6,259,281
currencies to be received from exchange contracts outstanding at December 31, 1975	5,644,743
	11,904,024

* Certain loans are covered by several types of guarantee or security.

(b) on the liabilities side:	
accrued expenses and sundry creditors	25,296,411
currencies to be delivered under exchange contracts outstanding at December 31, 1975	5,601,585
	30,897,996

At December 31, 1975 amounts receivable from or payable to Member States for adjustment of paid in capital pursuant to Article 7(1) and (2) of the Statute are as follows:

Receivable from:		
United Kingdom		24,892,729
Italy		12,344,216
Ireland		826,233
		38,063,178
Payable to:		
Germany	14,143,048	
1961 revaluation balance	49,044	14,192,092
France		4,564,261
Belgium		1,564,600
Netherlands	3,002,119	
1961 revaluation balance	35,534	3,037,653
Denmark		505,262
Luxembourg		40,625
		23,904,493

See Note A for an explanation of the origin of these amounts.

Note F—Capital

Subscriptions to the EIB's capital at December 31, 1975 are as follows:

Member States	Subscribed Capital	Uncalled Capital(1)	Paid in (in thousands)	To be Paid
Germany	787,500	663,750	90,000	33,750
France	787,500	663,750	90,000	33,750
United Kingdom	787,500	663,750	90,000	33,750
Italy	630,000	531,000	72,000	27,000
Belgium	207,375	174,787.5	23,700	8,887.5
Netherlands	207,375	174,787.5	23,700	8,887.5
Denmark	105,000	88,500	12,000	4,500
Ireland	26,250	22,125	3,000	1,125
Luxembourg	5,250	4,425	600	225
Total	3,543,750	2,986,875	405,000	151,875

(1) Callable by decision of the Board of Directors to the extent required to meet the EIB's obligations towards lenders in respect of borrowings.

The balance of the profit and loss account available for appropriation to the statutory and other reserves amounted to 59,395,074 in 1975, as against 36,296,195 in 1974. The Management Committee has decided to recommend that the Board of Directors propose to the Board of Governors that the balance from 1975 be appropriated among:

(a) 20,000,000 to the statutory reserve;

(b) 25,919,159 to the reserve for risks on loans and guarantees;

(c) 4,475,915 to the reserve for monetary risks;

(d) 9,000,000 to the building reserve, to meet the projected expenses for the construction of new premises.

See *Capitalization and Reserves—Statutory Reserve and Other Reserves* elsewhere in this Prospectus.

In 1973, the United Kingdom, Denmark and Ireland joined the EIB as Member States and contributed the following amounts to the EIB's capital—Called capital—105,000,000; Statutory reserve—23,025,908; Reserve for risks on loans and guarantees—23,848,574; Reserve for equalization of interest on borrowings—3,023,059; Reserve for monetary risks—4,198,692; Reserve for building—2,183,320.

By a decision of the Board of Directors on July 10, 1975 the subscribed capital of the EIB was increased from 2,025,000,000 to 3,543,750,000. The Member States will pay 10% of this additional amount in their respective currencies i.e. the equivalent of a total amount of 151,875,000 in eight equal instalments of 18,984,375 on April 30 and October 31 of each year from 1976 to 1979. The only other transactions in the capital accounts in the five financial years were the appropriations to reserves as shown in the Statement of Profit and Loss.

Note G—Statement of funded debt at December 31, 1975

		Operations During the Financial Year			Borrowings at December 31, 1975		
Payable in	Borrowings at December 31, 1974	Borrowings	Redemptions	Exchange Adjustments	Amounts (1)	Rate of Interest (Weighted Averages)	Due Dates
German marks	653,966,213	180,829,190	26,817,485	— 8,323,714	799,654,204	7.46%	1976-1988
French francs	146,016,123	66,768,791	10,493,075	+ 10,322,298	212,614,137	7.92	1976-1988
Italian lire	252,967,627		5,975,648	+ 5,602,068	252,594,047	6.57	1976-1988
Belgian francs	192,305,406	33,303,360	5,825,870	— 3,430,960	216,351,936	7.61	1976-1993
Dutch guilders	204,884,429	71,808,682	22,140,219	+ 253,572	254,806,464	7.71	1976-1990
Luxembourg francs	112,300,914	11,101,120		— 1,823,071	121,578,963	7.52	1976-1988
U.S. dollars	1,243,948,014	298,904,958	58,595,459	+104,774,308	1,589,031,821	8.69	1976-1990
Swiss francs	199,888,316	133,769,079		+ 13,611,467	347,268,862	7.40	1977-1990
Lebanese pounds	16,802,880		612,389	+ 251,787	16,442,278	7.13	1976-1985
Japanese yen		17,204,252		— 270,025	16,934,227	8.5	1978
Other	90,159,418		2,022,260	+ 68,505	88,205,663	8.13	1976-1989
	3,113,239,340	813,689,432	132,482,405	+121,036,235	3,915,482,602		
Redemption premiums	10,604,592		551,735	+ 473,284	10,526,141		
Total	3,123,843,932	813,689,432	133,034,140	+121,509,519	3,926,008,743		

(1) The following table shows the total capital sums required for redemption of the loans during the five years following the date of this statement:

	1976	1977	1978	1979	1980
Amount	131,270,282	213,678,695	262,234,671	282,312,073	480,057,355

Note H—Management commission

This item represents the remuneration for the management of loans for the account of and under mandate from the Member States and the EEC. Included are the loans discussed under *Special Operations* elsewhere in this Prospectus.

Note I—Supplementary amortization of issuing charges

An amount of 5,000,000 from exceptional income resulting from investment of proceeds of dollar denominated loans issued in 1974 was used for supplementary amortization of the corresponding issuing charges.

SUPPLEMENTARY TABLES

SCHEDULE OF THE ANNUAL AMORTIZATION ON FUNDED DEBT OUTSTANDING OF THE EUROPEAN INVESTMENT BANK

At December 31, 1975
(in thousands)

Period	U.S.$	D.M.	F.F.	Lit.	Fl. (in UA)	B. Fr.	L. Fr.	S. Fr.	Other(1)	Total Amortization	Total Amortization (in U.S.$)
1976	65,467.5	27,572.0	18,169.9	6,687.0	5,764.6	6,243.9	249.7	—	1,115.7	131,270.3	152,966.7
1977	63,107.6	40,670.4	13,018.7	28,282.6	8,159.8	7,233.9	2,420.7	49,141.8	1,643.2	213,678.7	248,995.5
1978	55,040.8	86,514.6	22,136.1	13,935.3	12,950.3	13,792.7	9,802.3	29,485.1	18,577.5	262,234.7	305,576.9
1979	82,931.1	52,224.9	20,327.2	20,772.9	36,982.6	8,538.7	18,595.0	40,296.3	1,643.3	282,312.0	328,972.5
1980	184,795.0	137,855.4	19,010.6	21,488.6	21,014.3	9,550.5	24,131.3	59,953.0	2,258.6	480,057.3	559,401.2
1981/1985 ...	920,953.0	412,902.1	93,678.7	119,426.8	123,227.5	138,825.8	49,554.3	124,820.2	13,139.5	1,996,527.9	2,326,514.0
Thereafter ..	216,736.8	67,604.0	51,420.9	55,833.6	56,450.7	41,008.1	17,771.9	43,572.4	9,529.4	559,927.8	652,472.7
Total	1,589,031.8	825,343.4	237,762.1	266,426.8	264,549.8	225,193.6	122,525.2	347,268.8	47,907.2	3,926,008.7	4,574,899.5

(1) Includes Lebanese pounds and Japanese yen and the United Kingdom pound, Danish crown and Irish pound components of loans with value determined by certain fixed proportions of the currencies of the Member States.

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE EUROPEAN INVESTMENT BANK

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975 (in currency of loan)	Amount Outstanding at December 31, 1975 (in U.S. dollars)
U.S. Dollar					
1964	5½%	12-15-1970/84	$ 25,000,000	$ 14,998,000	$ 14,998,000
1965	6 %	9-15-1971/85	20,000,000	13,330,000	13,330,000
1966	6½%	5- 1-1967/76	25,000,000	8,750,000	8,750,000
1966	6½%	8- 1-1972/86	15,000,000	11,000,000	11,000,000
1967	6½%	2- 1-1973/82	25,000,000	21,250,000	21,250,000
1967	6½%	6- 1-1973/87	25,000,000	19,999,000	19,999,000
1967	6½%	9-15-1973/82	25,000,000	21,250,000	21,250,000
1968	6¾%	3- 1-1971/80	25,000,000	20,000,000	20,000,000
1969	7½%	11- 1-1972/84	25,000,000	23,000,000	23,000,000
1971	float	1-15-1976	7,500,000	7,500,000	7,500,000
1971	float	3- 1-1976	7,500,000	7,500,000	7,500,000
1971	8¾%	1- 1-1974/86	30,000,000	27,000,000	27,000,000
1971	8½%	5-15-1974/86	25,000,000	23,000,000	23,000,000
1971	7¾%	5-15-1978	25,000,000	25,000,000	25,000,000
1971	float	1- 7-1976	6,250,000	6,250,000	6,250,000
1971	float	8-15-1976	6,250,000	6,250,000	6,250,000
1971	float	10- 1-1976	6,250,000	6,250,000	6,250,000
1971	float	11-15-1976	6,250,000	6,250,000	6,250,000
1972	float	1- 1-1977	6,250,000	6,250,000	6,250,000
1972	float	2-15-1977	6,250,000	6,250,000	6,250,000
1972	float	4- 1-1977	6,250,000	6,250,000	6,250,000
1972	float	5-15-1977	6,250,000	6,250,000	6,250,000
1972	7½%	2-15-1977/90	50,000,000	50,000,000	50,000,000
1972	7¾%	7-15-1978/87	20,000,000	20,000,000	20,000,000
1972	float	8- 1-1977	5,000,000	5,000,000	5,000,000
1972	float	9-15-1977	5,000,000	5,000,000	5,000,000
1972	float	11- 1-1977	5,000,000	5,000,000	5,000,000
1972	float	12-15-1977	5,000,000	5,000,000	5,000,000
1972	7¼%	10-15-1973/87	50,000,000	47,000,000	47,000,000
1972	7 %	12-15-1974/87	75,000,000	67,890,000	67,890,000
1973	7¼%	2-15-1974/87	75,000,000	71,000,000	71,000,000
1973	8 %	10-15-1974/88	60,000,000	60,000,000	60,000,000
1973	8½%	12-15-1987	30,000,000	28,200,000	28,200,000
1974	8⅝%	3- 1-1984	20,000,000	20,000,000	20,000,000
1974	8¾%	4- 1-1980/84	50,000,000	50,000,000	50,000,000
1974	8¾%	4-15-1975/82	40,000,000	39,000,000	39,000,000
1974	float	5-15-1979	10,000,000	10,000,000	10,000,000
1974	float	6-15-1979	10,000,000	10,000,000	10,000,000
1974	float	7-15-1979	10,000,000	10,000,000	10,000,000
1974	float	8-15-1979	10,000,000	10,000,000	10,000,000
1974	float	9-15-1979	10,000,000	10,000,000	10,000,000
1974	9½%	5-30-1982	100,000,000	100,000,000	100,000,000
1974	9½%	5-30-1984	100,000,000	100,000,000	100,000,000
1974	9½%	6- 7-1980/84	100,000,000	100,000,000	100,000,000
1974	10 %	9-16-1982/84	300,000,000	300,000,000	300,000,000
1974	10 %	12- 5-1978/84	25,000,000	25,000,000	25,000,000
1974	10 %	12-15-1982/84	50,000,000	50,000,000	50,000,000
1975	9½%	3-15-1975/85	60,000,000	60,000,000	60,000,000
1975	9 %	9-15-1980	100,000,000	100,000,000	100,000,000
1975	float	10-15-1980	7,500,000	7,500,000	7,500,000
1975	float	12- 1-1980	7,500,000	7,500,000	7,500,000
1976	float	1-15-1981	7,500,000	7,500,000	7,500,000
1976	float	3- 1-1981	7,500,000	7,500,000	7,500,000
1975	9 %	11- 1-1981	75,000,000	75,000,000	75,000,000
1975	9 %	12- 1-1982	25,000,000	25,000,000	25,000,000
1975	9 %	12-15-1976/82	50,000,000	50,000,000	50,000,000
1976	9 %	1-15-1982	20,000,000	20,000,000	20,000,000
			$1,930,000,000	$1,851,667,000	$1,851,667,000

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE EUROPEAN INVESTMENT BANK—(Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975 (in currency of loan)	(in U.S. dollars)
German Mark					
1967	6½%	9-15-1977	D.M. 20,000,000	D.M. 20,000,000	$ 7,631,622
1968	6½%	2-15-1971/80	100,000,000	50,000,000	19,079,055
1968	6½%	6- 1-1978	100,000,000	100,000,000	38,158,110
1968	6½%	7- 1-1974/83	50,000,000	40,000,000	15,263,244
1968	6¾%	7- 1-1974/83	50,000,000	40,000,000	15,263,244
1968	6¼%	12-20-1974/83	25,000,000	20,000,000	7,631,622
1968	6¼%	12- 2-1978	50,000,000	50,000,000	19,079,055
1968	6¼%	11-15-1973/84	25,000,000	19,000,000	7,250,041
1969	6 %	3- 1-1975/84	120,000,000	108,000,000	41,210,759
1968	6½%	6- 1-1975/84	100,000,000	90,000,000	34,342,300
1969	6¾%	6- 1-1975/84	25,000,000	22,500,000	8,585,575
1969	6¾%	6- 1-1975/84	25,000,000	22,500,000	8,585,575
1969	6½%	6- 1-1975/84	30,000,000	27,000,000	10,302,690
1969	6½%	6- 1-1975/84	20,000,000	18,000,000	6,868,460
1969	6½%	6- 1-1972/81	100,000,000	60,000,000	22,894,866
1969	7 %	11- 1-1975/84	100,000,000	90,000,000	34,342,300
1969	7 %	11-15-1975/84	50,000,000	45,000,000	17,171,150
1970	8 %	5- 2-1980	100,000,000	100,000,000	38,158,110
1971	7¾%	2- 1-1981	100,000,000	100,000,000	38,158,110
1971	7½%	3- 1-1977/86	100,000,000	100,000,000	38,158,110
1971	7¾%	10- 1-1977/86	100,000,000	100,000,000	38,158,110
1972	6½%	3- 1-1978/87	100,000,000	100,000,000	38,158,110
1972	6 %	9- 1-1980/87	100,000,000	100,000,000	38,158,110
1973	6¾%	2- 1-1979/88	100,000,000	100,000,000	38,158,110
1973	7 %	3- 1-1983	50,000,000	50,000,000	19,079,055
1973	7⅛%	3- 1-1979/88	50,000,000	50,000,000	19,079,055
1973	7 %	7- 1-1979/88	150,000,000	150,000,000	57,237,165
1974	10 %	9- 1-1981	20,000,000	20,000,000	7,631,622
1974	9½%	2- 1-1981/85	100,000,000	100,000,000	38,158,110
1975	9½%	1- 1-1981/83	150,000,000	150,000,000	57,237,165
1975	9½%	2- 1-1981/85	100,000,000	100,000,000	38,158,110
1975	9½%	2-15-1985	50,000,000	50,000,000	19,079,055
1975	8 %	12- 1-1980	150,000,000	150,000,000	57,237,165
1975	8¾%	12-15-1979/85	100,000,000	100,000,000	38,158,110
	Total		D.M. 2,610,000,000	D.M. 2,442,000,000	$ 931,821,050
French Franc					
1963	5 %	12-20-1968, 1973, 1978, 1983	F.F. 60,000,000	F.F. 7,198,400	$ 1,606,984
1966	6¼%	7-15-1969, 1972, 1975, 1978, 1981	200,000,000	80,000,000	17,859,347
1967	6¼%	10- 5-1970, 1973, 1976, 1979, 1982, 1985	200,000,000	133,334,000	29,765,728
1970	8½%	10-15-1971/88	111,000,000	94,273,000	21,045,678
1971	7¼%	12-10-1972/81	100,000,000	84,000,000	18,752,315
1972	7¼%	1- 8-1977/87	175,000,000	175,000,000	39,067,322
1973	7¼%	5-15-1974/88	200,000,000	186,000,000	41,522,983
1975	9.10%	10-31-1980	200,000,000	200,000,000	44,648,369
1975	10.20%	11- 7-1981/85	150,000,000	150,000,000	33,489,276
	Redemption Premiums on Borrowings in French Francs		34,000,000	26,666,880	5,953,163
	Total		F.F. 1,430,000,000	F.F. 1,136,472,280	$ 253,708,163

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE EUROPEAN INVESTMENT BANK—(Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975 (in currency of loan)	Amount Outstanding at December 31, 1975 (in U.S. dollars)
Italian Lira					
1962	5 %	2- 1-1977	Lit. 15,000,000,000	Lit. 15,000,000,000	$ 21,910,102
1965	6 %	10- 1-1969/85	15,000,000,000	10,537,500,000	15,391,847
1966	6 %	7- 1-1970/86	15,000,000,000	11,300,000,000	16,505,610
1966	6 %	10- 1-1972/86	15,000,000,000	11,000,000,000	16,067,408
1967	6 %	12- 1-1971/87	15,000,000,000	12,000,000,000	17,528,081
1968	6 %	12- 1-1972/88	15,000,000,000	12,674,200,000	18,512,868
1971	7 %	6- 1-1975/86	20,000,000,000	19,000,000,000	27,752,796
1971	7 %	12- 1-1977/86	20,000,000,000	20,000,000,000	29,213,469
1972	7 %	3- 1-1978/87	20,000,000,000	20,000,000,000	29,213,469
1972	7 %	8- 1-1978/87	20,000,000,000	20,000,000,000	29,213,469
1973	7 %	2- 1-1979/88	25,000,000,000	25,000,000,000	36,516,836
1973	7 %	12- 1-1979/88	25,000,000,000	25,000,000,000	36,516,836
		Redemption Premiums on Borrowings in Italian Lire	4,072,000,000	4,062,000,000	5,933,256
		Total	Lit. 224,072,000,000	Lit. 205,573,700,000	$300,276,047
Dutch Guilder					
1961	4½%	7-15-1967/81	Fl. 50,000,000	Fl. 19,850,000	$ 7,387,202
1962	4¾%	12-15-1973/82	30,000,000	21,000,000	7,815,176
1964	5¾%	9-15-1975/84	30,000,000	27,000,000	10,048,084
1965	5¾%	5-15-1976/90	40,000,000	40,000,000	14,886,050
1968	6¾%	6-15-1979/88	40,000,000	40,000,000	14,886,050
1971	7¾%	3-15-1977/86	75,000,000	75,000,000	27,911,344
1972	7¾%	9- 1-1978/87	50,000,000	50,000,000	18,607,563
1972	6 %	9-15-1978/82	50,000,000	50,000,000	18,607,563
1973	7⅝%	3- 1-1979/88	100,000,000	100,000,000	37,215,125
1973	7⅞%	6-25-1979/88	100,000,000	100,000,000	37,215,125
1974	9½%	6- 1-1979	50,000,000	50,000,000	18,607,563
1975	9 %	3- 1-1982	75,000,000	75,000,000	27,911,344
1975	8¾%	5- 1-1981/90	75,000,000	75,000,000	27,911,344
1975	9 %	10-15-1976/90	75,000,000	75,000,000	27,911,344
		Total	Fl. 840,000,000	Fl. 797,850,000	$296,920,877
Belgian Franc					
1963	6 %	12-10-1969/87	B.Fr. 400,000,000	B.Fr. 300,800,000	$ 7,609,893
1965	6½%	11- 2-1969/77	500,000,000	137,000,000	3,465,942
1966	7 %	12- 5-1972/78	500,000,000	380,000,000	9,613,561
1967	7 %	11- 2-1973/82	750,000,000	682,500,000	17,266,462
1968	6¾%	11-20-1974/82	750,000,000	675,000,000	17,076,721
1970	8½%	11- 3-1974/82	750,000,000	690,000,000	17,456,203
1971	7¾%	4-22-1975/83	1,000,000,000	960,000,000	24,286,892
1971	8 %	11-15-1977/86	500,000,000	500,000,000	12,649,423
1972	7½%	2- 1-1979/87	400,000,000	400,000,000	10,119,538
1972	6¾%	12- 7-1978/87	1,200,000,000	1,200,000,000	30,358,614
1973	7¾%	3- 1-1979/93	750,000,000	750,000,000	18,974,134
1973	7½%	4-30-1979/88	350,000,000	350,000,000	8,854,596
1973	7¾%	11- 7-1985	1,500,000,000	1,440,000,000	36,430,337
1975	8¾%	6-15-1976/85	1,500,000,000	1,500,000,000	37,948,268
		Redemption Premiums on Borrowings in Belgian Francs	15,000,000	15,000,000	379,483
		Total	B.Fr. 10,865,000,000	B.Fr. 9,980,300,000	$252,490,667

SCHEDULE OF OUTSTANDING BORROWINGS OF THE EUROPEAN INVESTMENT BANK (Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975 (in currency of loan)	Amount Outstanding at December 31, 1975 (in U.S. dollars)
Luxembourg Franc					
1971	7.90%	3-11-1978	L.Fr. 300,000,000	L.Fr. 300,000,000	$ 7,589,654
1971	7.85%	3-22-1979	300,000,000	300,000,000	7,589,654
1971	7¾%	5-15-1977/81	300,000,000	300,000,000	7,589,654
1971	7 %	10-15-1977/86	400,000,000	400,000,000	10,119,538
1972	7½%	2- 1-1979/82	400,000,000	400,000,000	10,119,538
1972	7 %	9-15-1980	500,000,000	500,000,000	12,649,423
1972	6¾%	12-15-1978/87	400,000,000	400,000,000	10,119,538
1973	7 %	2- 1-1979/88	800,000,000	800,000,000	20,239,076
1973	7 %	6- 1-1979/88	800,000,000	800,000,000	20,239,076
1973	7 %	8- 1-1979/88	500,000,000	500,000,000	12,649,423
1974	10 %	11-15-1979/81	400,000,000	400,000,000	10,119,538
1975	8¾%	5-23-1976/85	500,000,000	500,000,000	12,649,423
	Total		L.Fr. 5,600,000,000	L.Fr. 5,600,000,000	$141,673,535
Swiss Franc					
1971	7½%	2- 5-1977	S.Fr. 100,000,000	S.Fr. 100,000,000	$ 38,175,987
1971	6½%	10- 1-1982/86	80,000,000	80,000,000	30,540,789
1971	7 %	11-15-1978	40,000,000	40,000,000	15,270,395
1972	6¼%	12-15-1977	50,000,000	50,000,000	19,087,993
1972	6½%	12-15-1979	50,000,000	50,000,000	19,087,993
1973	6¼%	6-18-1978	50,000,000	50,000,000	19,087,993
1973	6½%	6-18-1980	50,000,000	50,000,000	19,087,993
1973	6½%	10-15-1984/88	100,000,000	100,000,000	38,175,987
1974	7¾%	2-11-1979	20,000,000	20,000,000	7,635,198
1974	7⅞%	2-15-1980	20,000,000	20,000,000	7,635,198
1974	8 %	2-15-1981	20,000,000	20,000,000	7,635,198
1974	9⅜%	12-18-1979	50,000,000	50,000,000	19,087,993
1975	8½%	5-20-1982	50,000,000	50,000,000	19,087,993
1975	8 %	9-11-1980/83	100,000,000	100,000,000	38,175,987
1975	7¾%	7-17-1979/90	80,000,000	80,000,000	30,540,789
1975	8 %	10-24-1980/83	100,000,000	100,000,000	38,175,987
1975	7¾%	11-24-1980	50,000,000	50,000,000	19,087,993
1975	7⅞%	11-28-1980/82	50,000,000	50,000,000	19,087,993
	Total		S.Fr. 1,060,000,000	S.Fr. 1,060,000,000	$404,665,459
Other					
1973(1)	7⅛%	9-14-1974/85	£L. 50,000,000	£L. 46,750,000	$ 19,159,858
1973(2)	8⅜%	9-27-1974/88	₽ 30,000,000	₽ 29,167,000	34,392,712
1974(2)	8 %	1-18-1975/89	₽ 60,000,000	₽ 58,000,000	68,391,582
1975(3)	8½%	3-31-1977	¥6,000,000,000	¥6,000,000,000	19,733,117
					$ 141,677,269
	Total Outstanding Funded Debt				$4,574,899,469

(1) In Lebanese pounds.

(2) Loans with value determined by certain fixed proportions of the currencies of the Member States.

(3) In Japanese yen.

UNDERWRITING

The Underwriters named below have severally agreed to purchase from the EIB the following respective principal amounts of the Notes:

Underwriter	Principal Amount
The First Boston Corporation	$ 7,475,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	7,475,000
Kuhn, Loeb & Co.	7,475,000
Lazard Frères & Co.	7,475,000
ABD Securities Corporation	1,000,000
A. E. Ames & Co. Incorporated	500,000
Arnhold and S. Bleichroeder, Inc.	1,000,000
Bache Halsey Stuart Inc.	1,900,000
Robert W. Baird & Co. Incorporated	500,000
Banca Commerciale Italiana	1,000,000
Banque Générale du Luxembourg S. A.	1,000,000
Banque Internationale à Luxembourg S. A.	1,000,000
Basle Securities Corporation	1,000,000
William Blair & Company	500,000
Blunt Ellis & Simmons Incorporated	500,000
Blyth Eastman Dillon & Co. Incorporated	1,900,000
Alex. Brown & Sons	1,000,000
Butcher & Singer	500,000
Crédit Commercial de France	1,000,000
Crowell, Weedon & Co.	500,000
Dain, Kalman & Quail, Incorporated	500,000
Dillon, Read & Co. Inc.	1,900,000
Drexel Burnham & Co. Incorporated	1,900,000
A. G. Edwards & Sons, Inc.	500,000
EuroPartners Securities Corporation	1,000,000
Goldman, Sachs & Co.	2,400,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,900,000
E. F. Hutton & Company Inc.	1,900,000
Kidder, Peabody & Co. Incorporated	1,900,000
Kredietbank S. A. Luxembourgeoise	1,000,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc.	500,000
Lehman Brothers Incorporated	1,900,000
Loeb, Rhoades & Co.	1,900,000
Loewi & Co. Incorporated	500,000
McDonald & Company	$ 500,000
Morgan Stanley & Co. Incorporated	2,400,000
Moseley, Hallgarten & Estabrook Inc.	1,000,000
New Court Securities Corporation	1,000,000
Paine, Webber, Jackson & Curtis Incorporated	1,900,000
Piper, Jaffray & Hopwood Incorporated	500,000
Wm. E. Pollock & Co., Inc.	1,000,000
Prescott, Ball & Turben	500,000
R. W. Pressprich & Co. Incorporated	1,000,000
Rauscher Pierce Securities Corporation	500,000
Reynolds Securities Inc.	1,900,000
The Robinson-Humphrey Company, Inc.	500,000
Rotan Mosle Inc.	500,000
Salomon Brothers	2,400,000
Shields Model Roland Securities Incorporated	1,000,000
Shuman, Agnew & Co., Inc.	500,000
Smith Barney, Harris Upham & Co. Incorporated	1,900,000
SoGen-Swiss International Corporation	1,000,000
Stuart Brothers	500,000
Suez American Corporation	500,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	1,000,000
Spencer Trask & Co. Incorporated	1,000,000
Tucker, Anthony & R. L. Day, Inc.	1,000,000
UBS-DB Corporation	1,000,000
Warburg Paribas Becker Inc.	1,900,000
Weeden & Co. Incorporated	1,000,000
Wertheim & Co., Inc.	1,900,000
Wheat, First Securities, Inc.	500,000
White, Weld & Co. Incorporated	1,900,000
Dean Witter & Co. Incorporated	1,900,000
Wood Gundy Incorporated	500,000
Wood, Struthers & Winthrop Inc.	1,000,000
Total	$100,000,000

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

The EIB has been advised by The First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Kuhn, Loeb & Co. and Lazard Frères & Co., as Representatives of the Underwriters, that the Underwriters propose to offer the Notes to the public initially at the offering price set forth on the cover page of this Prospectus and, through the Representatives, to certain dealers at such price less a concession of 0.50% of the principal amount of the Notes; that the Underwriters and such dealers may allow a discount of 0.50% of such principal amount on sales to other dealers; and that the public offering price and concession and discount to dealers may be changed by the Representatives. Dealers outside the United States may include non-U.S. institutional investors who are entitled to receive a discount in their respective countries.

LEGAL OPINIONS

The legality of the Notes will be passed upon for the EIB by Mr. J. Nicolaas van den Houten, Manager of the Legal Department of the EIB, and by Messrs. Cravath, Swaine & Moore, special counsel for the EIB, and for the Underwriters by Messrs. Sullivan & Cromwell. All statements in the Prospectus with respect to the Treaty of Rome, the Statute and the laws of the Member States have been passed upon by Mr. van den Houten and are included upon his authority. In rendering their opinions, Messrs. Cravath, Swaine & Moore and Messrs. Sullivan & Cromwell will rely as to matters of European law upon the opinion of Mr. van den Houten.

EXPERTS

The financial statements included in this Prospectus have been so included in reliance on the report of Price Waterhouse & Co., independent accountants, and on their authority as experts in auditing and accounting.

AUTHORIZED AGENT IN THE UNITED STATES

The Authorized Agent of the EIB in the United States is:

FERNAND SPAAK
2100 M Street, N.W.
Washington, D.C. 20037

The information set forth herein, except the information appearing under the heading "Underwriting", is stated on the authority of the President of the EIB, in his duly authorized official capacity as President.

EUROPEAN INVESTMENT BANK

by Yves Le Portz
President

No dealer, salesman or other person has been authorized to give any information or to make any representations not contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the EIB or by any Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby in any state or other jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction. The delivery of this Prospectus does not imply that the information herein is correct as of any time subsequent to its date.

European Investment Bank

$100,000,000

8⅝% Notes Due April 1, 1984

PROSPECTUS

The First Boston Corporation

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Kuhn, Loeb & Co.

Lazard Frères & Co.

Dated March 25, 1976

Den Europæiske Investeringsbank

Europäische Investitionsbank

European Investment Bank

Banque Européenne d'Investissement

Banca Europea per gli Investimenti

Europese Investeringsbank

European Investment Bank

European Investment Bank Operations under the Lomé Convention

1976

European
Investment Bank

European Investment Bank Operations
under the Lomé Convention

The Banking Institution of the European Community

The European Investment Bank (EIB) was created under the Treaty of Rome, which came into force on 1 January 1958 establishing the European Economic Community. The Bank is an independent public institution within the Community and operates on a non-profit-making basis. Its capital, standing at about 3 500 million units of account (u.a.)(1) is subscribed by the nine Member States of the Community. The Bank borrows most of the funds required to carry out its operations on the capital markets.

The EIB's basic activity is to make loans to enterprises, public authorities and financial institutions within the Community for financing projects which favour the development of less advanced regions and conversion areas, or which serve the interests of the Community as a whole.

The Bank's activities were initially confined to the territory of the Member States. Between 1958 and 1974, 432 financing operations involving some 4 000 million u.a. were mounted in support of projects located in, or directly benefitting, the Community.

However, the EIB's activities have gradually been extended and diversified under the Association Agreements with Greece and Turkey and the two Yaounde Conventions signed between the EEC and the Associated African States, Madagascar and Mauritius (AASMM).

(1) This unit of account has the same value as that adopted for the Lome Convention; its equivalent in the various national currencies is determined daily. At 1 July 1975 it was equivalent to US $1.28

The Bank's activities in these countries have not been confined solely to making loans from its own resources; it also arranges and manages special operations, under mandate from the Member States or the Community, financed from the resources of Member States, as in the case of Turkey, or from the European Development Fund (EDF), as in the AASMM (1).

Operations outside the Community began in 1963 and totalled 652.6 million u.a. by the end of 1974.

* * *

The purpose of this brochure is to explain the exact nature of the European Investment Bank's operations in the African, Caribbean and Pacific (ACP) countries (see list appended) over the period 1976-80 under the Lomé Convention.

More detailed information on the Bank's general activities can be obtained from the Head Office of the

European Investment Bank
2, Place de Metz – Boîte Postale 2005
Luxembourg
Tel. 43 50 11 – Telex 3530 bankeu lu

or from its

Representative Office in Brussels
Rue Royale 60 – Bte 1
B – 1000 Brussels
Tel. 513 40 00 – Telex 21 721 bankeu b

(1) See annexes for details of operations under the two Yaounde Conventions (loans from the Bank's own resources, loans on special conditions and contributions to the formation of risk capital from the resources of the EDF).

A. Details of European Investment Bank (EIB) financing under the Lomé Convention

The Lomé Convention, signed on 28 February 1975 between the European Economic Community and 46 African, Caribbean and Pacific (ACP) countries considerably extends the Bank's activities outside the Community.

Financial aid to be provided by the Community is as follows:

— Aid from Member States to be drawn from EDF resources	
Grants	2 100 m u.a.
Special loans	430 m u.a.
Risk capital	95 m u.a.
Transfers for the stabilisation of export earnings under Title II of the Convention	375 m u.a.
— Loans from the EIB's own resources	390 m u.a.
Total:	3 390 m u.a.

Of the total of 3 390 million u.a., the Bank will be responsible for making available 585 million u.a., as follows:

(i) 390 million u.a. in the form of loans from its own resources, normally attracting interest subsidies for which 100 million u.a. has been set aside from the EDF grant allocation.

(ii) 95 million u.a. in the form of contributions to the formation of risk capital, also to be provided from EDF resources.

In line with the division of responsibilities between the Commission of the European Communities and the Bank, productive projects in the industrial, mining and tourism sectors should be submitted to the Bank for appraisal. Such projects will be given priority financing by means of loans and risk capital provided by the Bank. However, this does not exclude the Bank from making loans from its own resources for viable infrastructure projects where this is warranted by the stage of development and economic and financial position of the countries concerned.

Bank representatives will participate with the Commission in programming missions sent by the Community to ACP countries to prepare indicative aid programmes, which will then be agreed by the competent Community authorities and the ACP countries.

B. Financing facilities: scope and conditions

I. Loans from the resources of the European Investment Bank

The European Investment Bank assesses the eligibility of projects and makes loans from its own resources in accordance with the provisions of its Statute; these are much the same as those applicable to other international long-term credit institutions.

In view of the numerous types of Community financing facilities provided for under the Lomé Convention and the scale of aid available on very favourable conditions, loans from the Bank will, in accordance with its Statute, be granted exclusively for projects offering a satisfactory and assured rate of return. The project's operating results or the resources directly generated by it must normally be such as to cover loan repayments and interest due. The EIB will, in each case, take account of the economic and financial position of the ACP country concerned and any factor guaranteeing servicing of the loan.

Loans by the Bank for specific projects may be made available either directly to a private, public or semi-public enterprise, or to a government or public authority. Finance can also be provided through the medium of development banks or other development financing bodies.

Interest rates

The Bank's lending rate is based on three criteria: trends in the cost of its borrowing on the capital markets inside and outside the Community, the fact that it is a non-profit-making institution and the need to cover its expenses and to build up sufficient reserves and provisions. According to its basic function, the Bank seeks to offer its borrowers the most favourable conditions which these constraints will allow. Its rate of interest is close to the average rate charged on its borrowings and is independent of the type of project financed, the status of the borrower and the country concerned. The rate applicable to each loan is that in force on the date of signature of the contract and is not subject to revision. At 1 October 1975, the rate of interest stood at 9 ½ % per annum; it changed frequently over the previous two years in line with capital market trends.

Interest subsidies

The Lomé Convention provides for an exception to the above rule in the case of ACP countries in that the interest rate charged by the Bank will normally be reduced by 3 % through an interest subsidy provided from the 100 million u.a. set aside for this purpose from the EDF.

It is also laid down in the Lomé Convention that the effective rate of interest borne by the borrower will be neither less than 5 % nor more than 8 %. The interest subsidy will, if necessary, be adjusted accordingly, following any major changes in the Bank's lending rate.

There is no provision for interest subsidies in the case of loans for projects in the petroleum sector, regardless of location, or for projects in the mining sector unless such projects are located in one of the least developed countries cited in Article 48 of the Convention (see list appended). Further exceptions may be decided subsequently by the Council of Ministers established under the Convention.

Term

The term of EIB loans depends upon the nature of the project concerned and, in particular, the normal depreciation period for the plant and equipment financed. For industrial projects, the term is generally between 7 and 12 years; it may be as much as 20 years in the case of infrastructure projects. Repayment of principal can be deferred, at least until the end of the construction period.

Security

Like any lender whose resources consist of funds borrowed on the capital markets, the Bank must have appropriate security for its loans in order to maintain its

own credit standing and to obtain the most favourable conditions possible for its borrowings. The country in which the project is located may be required to stand guarantor, although other guarantees (from banks or foreign promoters) may be deemed acceptable.

Currency

EIB finance contracts are drawn up in units of account. Loans are generally disbursed in several currencies which the Bank selects in the light of its own holdings, after consulting the borrowers as to which of these currencies they would prefer to receive. Currencies disbursed are those of the EEC Member States as well as other currencies used in international transactions.

Each loan repayment and payment of interest must be made in the same currencies and in the same proportions as the original disbursement.

Utilisation of loans

Loans granted by the Bank may be used for payments in any country, including local expenditure. The Bank requires that tenders for orders, supply contracts and work financed by its loans be invited on an international basis, covering at least EEC Member States and the ACP countries.

Financial scope

EIB loans cover only part of the cost of the project, supplementing the borrower's own funds and credits from other sources. The Bank rarely lends more than 40 % of the cost of the fixed assets. The amount of the loan is based on the total fixed cost of the project and not solely on the cost of materials imported for the project. Although there are no strict legal limits the Bank very rarely makes loans of less than 500 000 u.a. or of more than 15 million u.a.

The Bank keeps in constant touch with the Commission of the European Communities concerning all operations financed from the EDF. Where co-financing is called for, the Bank collaborates with financial institutions in the Member States of the European Community, in the ACP and other countries, as well as with international development aid organisations.

II. Risk capital assistance from EDF resources (1)

In order to foster co-operation between the Community and the ACP countries and to promote bank operations in the industrial, mining and tourism sectors where its main responsibility lies, the Bank was given the task, under the Lomé Convention, of acting on behalf of the Community, and at the Community's risk, in providing a relatively new type of financial aid, known as risk capital assistance, particularly suited to financing projects in these sectors.

(1) In contrast to the procedure adopted under the two Yaoundé Conventions, special loans from EDF resources provided for under the Lomé Convention will be appraised and approved exclusively by the Commission. The Bank's role as regards this type of aid will be to act on the Community's behalf in ensuring recovery of funds.

This assistance can be used either as a direct contribution towards increasing the equity capital of an enterprise or to provide quasi-capital assistance for financing its investment programme.

A shareholding may be acquired in the capital of an enterprise in the sectors concerned with a view to increasing its equity base and establishing a more balanced financing plan for the project. Funds may be provided in one of two forms:

(i) Acting on behalf of the Community, the Bank may acquire a minority holding in the capital of an enterprise; operations of this kind will generally be mounted along with a loan from the Bank and the holding will be transferred, preferably to nationals or institutions of the ACP country concerned, as soon as this is deemed appropriate;

(ii) quasi-capital assistance may be granted to an ACP country or to a national development financing institution to enable it to acquire a stake in the capital of an enterprise in one of the sectors concerned, provided that the operation relates to new productive investments and is supplemented by a further Community financing operation provided for under the Lomé Convention.

Apart from contributing to the share capital of an enterprise, risk capital may also be granted in the form of quasi-capital assistance for financing investment. It may take the form of:

(i) subordinated loans which are repayable only after priority loans have been paid off;

(ii) conditional loans which are repayable only after fulfilment of certain conditions, indicating that the project has overcome its teething troubles or has achieved a certain level of profitability.

Quasi-capital assistance may also be granted for financing specific preinvestment studies or as aid to enterprises during the start-up period of a project. Where such assistance is granted to a firm of consultants, the amount will normally be included in the capital or quasi-capital assistance extended to the promoter in support of the project, if implemented.

C. Community aid planning and submission of financing applications to the Bank

The Lomé Convention provides that following a programming mission sent to each ACP country to study the targets and priorities proposed by the country concerned, an indicative programme will be drawn up by mutual agreement between the competent Community authorities and the individual ACP country. This aid programme may be revised during the lifetime of the Convention to take account of any changes in the economic position of the various ACP countries concerned and any amendments to their original priorities.

Each project included, or eligible to be included, in the indicative programme may be submitted to the Community by the ACP countries themselves or, with their agreement, by individual applicants.

Preliminary contacts regarding all projects in the industrial, tourism and mining sectors should be made with the European Investment Bank.

The Bank should be kept informed, as far as possible from the beginning, of all preparatory work on the project file. It will then be able to discuss with potential borrowers the types of financing which would appear, a

priori, most suited to the project in question and advise on preliminary action and studies necessary to accelerate commencement of the appraisal procedure.

The final choice as to the type of financing for a particular project can be made only at a later stage of appraisal.

Files on projects eligible for a loan, whether subsidised or not, from the European Investment Bank, or for finance in the form of risk capital, should be addressed to:

European Investment Bank
Department for Operations outside the Community
2, Place de Metz – Boîte postale 2005
Luxembourg
Grand Duchy of Luxembourg

D. Project appraisals and decisions on financing

The European Investment Bank works on the basis of its Statute, the Lomé Convention and related agreements when appraising and making financing decisions on projects which appear eligible for either ordinary loans from its own resources, whether subsidised or not, or for finance in the form of risk capital.

Under the Community aid planning arrangements, the Bank seeks the favourable opinion of the competent authorities in the ACP country concerned. In accordance with its Statute, it must also obtain the opinion of the Commission of the European Communities and of a Committee consisting of representatives of Member States' Governments together with a representative of the Commission.

The Commission is responsible for appraising and deciding whether and how to finance projects eligible for other forms of aid provided from EDF resources (grants and special loans) after an opinion has been delivered by a Committee consisting of representatives of Member States' Governments together with a representative of the Bank.

Details to be submitted to the European Investment Bank

The layout and contents of documents in the project file submitted to the Bank are the responsibility of the borrower who may, if necessary, seek outside help with their preparation.

The range and diversity of potential projects make it difficult to impose any strict standardisation as regards documents to be submitted to the Bank. Consequently, the Bank does not require its borrowers to complete set forms or questionnaires, but allows them to use their own initiative in compiling as detailed information as possible to permit the technical, economic, financial and legal appraisal of the project.

The following list of details to be submitted to the Bank is therefore meant merely as a guide; during appraisal of a project, the Bank keeps in close touch with the ACP country, enterprise or administrative body concerned in order to obtain any additional information necessary and to discuss the main problems likely to arise before and after commissioning of the project.

For **industrial, mining or tourism projects**, the documentation must cover the following main points:

1. General and legal information about the enterprise, its principal partners or promoters

— The enterprise: memorandum and articles of association, shareholders, tax regime, certificate of incorporation, concessions, activities, accounting and administrative structure, balance sheets, trading accounts, profit and loss accounts, movement of funds

statement for the last three financial years, details of short, medium and long-term liabilities.

— Principal partners and promoters: articles of association, shareholders, activities, references, balance sheets and profit and loss accounts for the last three financial years.

2. Technical data

— General: purpose, location, factors of production, rated and forecast production capacities.

— Technical description: technology, site and site development, buildings, production and storage plant, general services, conveyance systems and equipment, measures to protect the environment.

— Study and implementation: organisation, consultants (if any), procedures for awarding orders and contracts, supervision, works schedule.

— Detailed estimate of investments, itemising site and plant expenditure, provision for contingencies and price rises, interest on capital during construction, initial and start-up expenses, together with a cost breakdown in foreign and local currencies.

— Operation: raw materials and products, flowcharts, consumption and output levels, managerial staff and workers, management organisation, technical assistance where applicable.

3. Economic data

— Market: statistics showing present and forecast trends in supply, demand and prices.

— Production outlets: sales policy and organisation, position of company in relation to main competitors, domestic and export sales.

Jobs created: permanent and seasonal jobs, numbers of expatriates and nationals, professional training, projected replacement of staff (if any).

— Part played by the project in the development programme of the country concerned.

— Data used for calculating the economic rate of return of the project and assessing its contribution to the economic development of the country concerned, its impact on the balance of payments and public finance.

4. Financial data

— Breakdown of operating costs, depreciation and overheads.

— Projected trading accounts until the project comes fully on stream (with previous trading accounts, if any).

— Estimate of working capital needed and changing requirements over the same period: stocks of raw materials, finished products, credits to customers, suppliers' credits.

— Projected balance sheets and financial statements for the same period (with previous balance sheets, if any).

— Financing plan for the project and schedule of projected expenditure.

— Security offered.

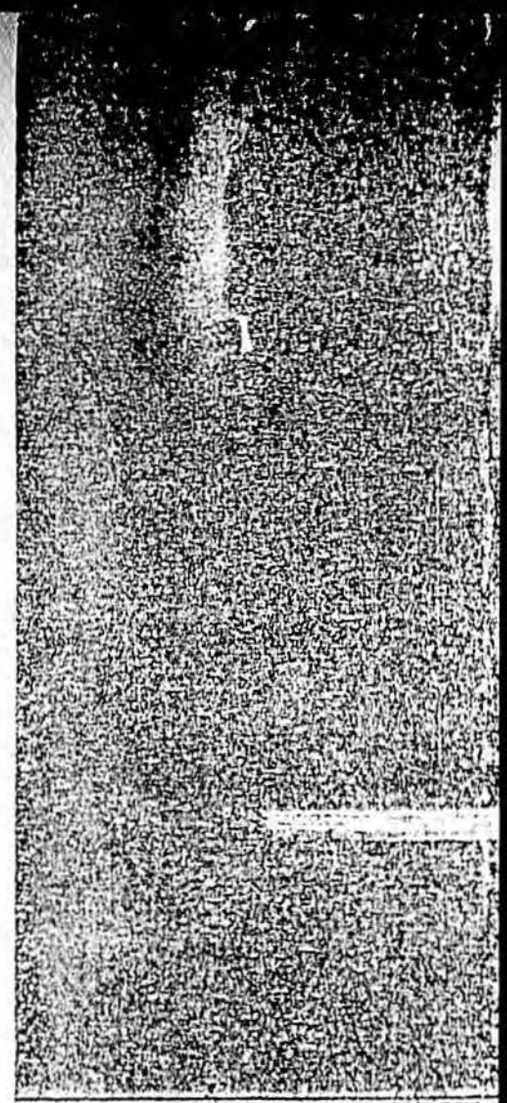
— Policy concerning return on the capital of the enterprise.

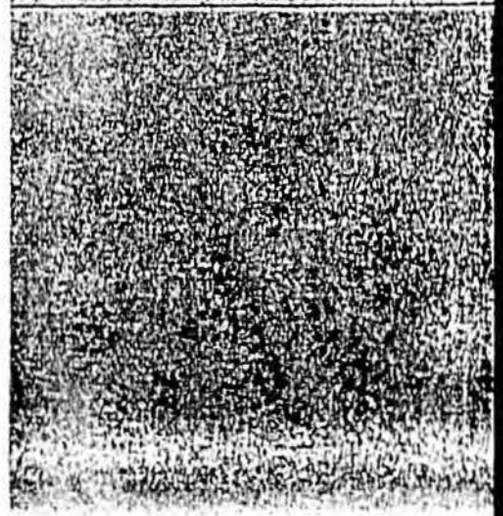
• • •

For infrastructure or energy projects, the information to be supplied must be tailored to the precise nature of the enterprise and the project. Additional details must be given on what needs the project is fulfilling, its implementation, potential use, pricing principles and methods, and the social costs and benefits to the community.

• • •

For all applications, it is also helpful if project files include mention of the names and addresses of those responsible for preparing the technical, economic, legal and financial aspects of the project.





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B-1000 Brussels
Tel. 513 40 00 - Telex 217 21 bankeu b

Office for Operations in Italy
Via Sardegna, 38
I-00187 Rome
Tel. 48 36 51 - Telex 621 30 bankeuro

Amounts in m u.a. — Number of loans in brackets

Country \ Sector	Industrial projects				Agri-culture	Infra-structure	Total		
	Energy	Agricultural and foodstuffs industry	Textile industry	Other industries			Total	of which industrial projects	% of total
Benin		3.28(1)					3.28(1)	3.28(1)	3.1
Ivory Coast		5.32(2)			9.32(2)	18.97(4)	33.61(8)	5.32(2)	32.1
Cameroon		15.33(2)		3.04(2)		5.00(1)	23.37(5)	18.37(4)	22.4
Congo						3.06(2)	3.06(2)	—	2.9
Gabon						3.26(2)	3.26(2)	—	3.1
Upper-Volta		5.04(1)					5.04(1)	5.04(1)	4.8
Madagascar		1.86(1)					1.86(1)	1.86(1)	1.8
Mauritania						2.75(1)	2.75(1)	—	2.6
Senegal			0.97(1)				0.97(1)	0.97(1)	0.9
Chad			1.22(1)				1.22(1)	1.22(1)	1.2
Zaire	9.00(1)					5.80(1)	14.80(2)	9.00(1)	14.2
TOTAL AASMM	9.00(1)	30.83(7)	2.19(2)	3.04(2)	9.32(2)	38.84(11)	93.22(25)	45.06(12)	89.1
as %	9.7%	33.1%	2.3%	3.3%	10.0%	41.6%	100.0%	48.6%	
Netherlands Antilles						4.38(1)	4.38(1)		4.2
New Caledonia						1.00(1)	1.00(1)	—	1.0
Surinam						1.86(1)	1.86(1)	—	1.8
Guadeloupe						0.72(1)	0.72(1)	—	0.7
Martinique						0.63(1)	0.63(1)	—	0.6
Reunion					0.67(1)	2.12(1)	2.79(2)	—	2.6
GRAND TOTAL	9.00(1)	30.83(7)	2.19(2)	3.04(2)	9.99(3)	49.55(17)	104.60(32)	45.06(12)	100.0%
as %	8.6%	29.5%	2.1%	2.9%	9.5%	47.4%	100.0%	43.1%	

Table 2

(*) Under its Special Section.

List of ACP Countries signatories to the Lomé Convention with the European Economic Community

(31.12.1975)

Africa		Caribbean	Pacific
Benin*	Malawi*	the Bahamas	Fiji
Botswana*	Mali*	Barbados	Tonga*
Burundi*	Mauritania*	Grenada	Western Samoa*
Cameroon	Mauritius	Guyana	
Central African Rep*	Niger*	Jamaica	
Chad*	Nigeria	Trinidad and Tobago	
Congo	Rwanda*		
Equatorial Guinea	Senegal		
Ethiopia*	Sierra Leone		
Gabon	Somalia*		
the Gambia*	Sudan*		
Ghana	Swaziland*		
Guinea*	Tanzania*		
Guinea-Bissau*	Togo*		
Ivory Coast	Uganda*		
Kenya	Upper Volta*		
Lesotho*	Zaire		
Liberia	Zambia		
Madagascar			

* The least developed ACP Countries as defined in Article 32 of the Convention

Contributions to the formation of risk capital granted under the Yaoundé II Convention by the EIB on behalf of the Community from the resources of the European Development Fund

(Position as at 31.12.1975)

Country	Sector	Project	Amount (m u.a.)
Cameroon	Agricultural and foodstuffs ind.	Ex ension of sugar refinery and sugar-cane plantations at Mbandjock (.)SUCAM)	0.541
Ivory Coast	Textile ind.	onstruction of first stage of a spinning and weaving mill at)mbokro (UTEXI)	0.991
Senegal	Infrastructure	Feasibility study for the construction of a projected repair-yard for large-tonnage ships at Dakar (DAKARMARINE)	0.972(1)
TOTAL			2.504

Table 3

(1) Of which 0.108 m u.a. in the form of an equity participation and 0.864 m u.a. quasi-capital assistance.

Ordinary loans from the EIB's own resources made within the AASMM and OCT(*) under the Yaoundé I and Yaounde II Conventions

(Position as at 31.12.1975)

Amount in m u.a. — Number of loans in brackets

Sector / Country	Industrial projects							Tourism	Infrastructure	Total		
	Energy	Mining and quarrying	Agricultural and foodstuffs industry	Metallurgy	Fertilizers	Textile industry	Other ind.			Grand total	Of which industrial projects	% of total
Ivory Coast			11.64(4)			9.90(2)			29.64(4)	51.18(10)	21.54(6)	37.9
Cameroon	7.55(2)		3.82(2)	1.22(1)		4.03(3)	0.65(1)			17.27(9)	17.27(9)	12.8
Congo		9.00(1)								9.00(1)	9.00(1)	6.6
Gabon			0.51(1)			0.40(1)		1.19(1)	2.33(1)	4.43(4)	0.91(2)	3.3
Upper Volta			0.45(1)							0.45(1)	0.45(1)	0.3
Mauritius	1.75(1)									1.75(1)	1.75(1)	1.3
Mauritania		11.00(1)								11.00(1)	11.00(1)	8.1
Senegal					2.43(1)			1.44(1)		3.87(2)	2.43(1)	2.9
Zaire		32.60(2)				1.60(1)				34.20(3)	34.20(3)	25.3
TOTAL AASMM	9.30(3)	52.60(4)	16.42(8)	1.22(1)	2.43(1)	15.93(7)	0.65(1)	2.63(2)	31.97(5)	133.15(32)	98.55(25)	98.5
as %	7.0%	39.5%	12.3%	0.9%	1.8%	12.0%	0.5%	2.0%	24.0%	100%	74%	
New Caledonia		2.03(1)								2.03(1)	2.03(1)	1.5
GRAND TOTA	9.30(3)	54.63(5)	16.42(8)	1.22(1)	2.43(1)	15.93(7)	0.65(1)	2.63(2)	31.97(5)	135.18(33)	100.58(26)	100%
as %	6.9%	40.4%	12.1%	0.9%	1.8%	11.8%	0.5%	2.0%	23.6%	100%	74.4%	

Table 4

(*) Parallel with the Conventions of Association with the AASMM, similar financial aid has been provided to the dependent Overseas Countries and Territories (OCT) of France and the Netherlands.

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European Investment Bank

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Board of Governors

Chairman	Denis HEALEY, Chancellor of the Exchequer (United Kingdom)	
BELGIUM	Willy DE CLERCQ, Minister of Finance	
DENMARK	Anders ANDERSEN, Minister of Finance	*until February 1975*
	Knud HEINESEN, Minister of Finance	*from February 1975*
GERMANY	Hans APEL, Minister of Finance	
FRANCE	Jean-Pierre FOURCADE, Minister for Economic Affairs and Finance	
IRELAND	Richie RYAN, Minister for Finance	
ITALY	Emilio COLOMBO, Minister of the Treasury	
LUXEMBOURG	Raymond VOUEL, Deputy Prime Minister, Minister of Finance	
NETHERLANDS	Willem F. DUISENBERG, Minister of Finance	
UNITED KINGDOM	Denis HEALEY, Chancellor of the Exchequer	

Audit Committee

Chairman	Jørgen BREDSDORFF, Auditor-General, Audit Department, Copenhagen	
Members	Émile RAUS, President of the Council of State, Honorary Director-General of Posts and Telecommunications, Luxembourg	
	Roger LÉONARD, Honorary First President of the Cour des Comptes, Paris	*until June 1975*
	Michael JACOB, Secretary and Director of Audit, Office of the Comptroller and Auditor-General, Dublin	*from June 1975*

Board of Directors

Chairman
Yves LE PORTZ

Vice-Chairmen
Sjoerd BOOMSTRA
Luca ROSANIA
Horst-Otto STEFFE
Sir Raymond BELL

Directors

Alfred BECKER	Member of the Management Committee, Kreditanstalt für Wiederaufbau, Frankfurt	
Giorgio CAPPON	President, Istituto Mobiliare Italiano, Rome	
André de LATTRE	President, Crédit National, Paris	
Raymond DENUCÉ	Honorary Managing Director, Crédit Communal de Belgique, Brussels;	
Christopher FOGARTY	Deputy Secretary (Overseas Finance A), H.M. Treasury, London	*until January 1976*
Salvatore GUIDOTTI	Executive Director and Managing Director, Società Meridionale Finanziaria, Naples	
Pierre GUILL	Managing Director, Caisse d'Epargne de l'Etat, Luxembourg	
Jean-Yves HABERER	Head of the International Affairs Department, Directorate of the Treasury, Ministry of Economic Affairs and Finance, Paris	
Erik HOFFMEYER	Chairman of the Board of Governors, National Bank of Denmark, Copenhagen	
Norman JORDAN-MOSS	Deputy Secretary (Overseas Finance A), H.M. Treasury, London	*from January 1976*
Anthony IJ. A. LOOIJEN	Director of External Financial Relations, Ministry of Finance, The Hague	
Gastone MICONI	Director-General of the Treasury, Ministry of the Treasury, Rome	*until October 1975*
Ugo MOSCA	Director-General of Economic and Financial Affairs, Commission of the European Communities, Brussels	
Alfred MÜLLER-ARMACK	Former State Secretary, Cologne;	
Sean F. MURRAY	Former Assistant Secretary, Department of Finance, Dublin	
Maurice PÉROUSE	Director-General, Caisse des Dépôts et Consignations, Paris	
Raymond PROSSER	Deputy Secretary, Department of Industry, London	
Rupert RAW	Former Adviser to the Governor of the Bank of England, Chairman of the Italian International Bank Ltd., Director of the Banque Belge Ltd., London	
Ferdinando VENTRIGLIA	Director-General of the Treasury, Ministry of the Treasury, Rome	*from October 1975*
Hans-Herbert WEBER	Director, Federal Ministry of Finance, Bonn	

Alternates

Roger BARNES	Assistant Chief Cashier, Bank of England, London	*from July 1975*
Michel CAMDESSUS	Deputy Director (Financial Activities Department), Directorate of the Treasury, Ministry of Economic Affairs and Finance, Paris	
Maurits ESSELNS	Director-General (Treasury), Ministry of Finance, Brussels	
Lionello FRONZONI	Manager, Banca d'Italia, Perugia	
J. Geoffrey LITTLER	Under-Secretary Finance (International Monetary), H.M. Treasury, London	
Rudolf MORAWITZ	Divisional Head, Federal Ministry of Economy, Bonn	
Waldemar MÜLLER-ENDERS	Divisional Head, Federal Ministry of Finance, Bonn	
John Edward NASH	Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels	
David NENDICK	Assistant Chief Cashier, Bank of England, London	*until July 1975*
Yves ROLAND-BILLECART	Assistant General Manager, Caisse Centrale de Coopération Economique, Paris	
Savino SPINOSI	Inspector General, IRFE, Ministry of the Treasury, Rome	

Management Committee

Yves LE PORTZ, President
Sjoerd BOOMSTRA, Vice-President
Luca ROSANIA, Vice-President
Horst-Otto STEFFE, Vice-President
Sir Raymond BELL, Vice-President

Departments

General Administration Department Henri LENAERT, Secretary-General, Manager	Staff and Administration	Hans HITZLBERGER, Deputy Manager
	Secretariat	Michel LAUCHE, Adviser
	Information	Karl Georg SCHMIDT, Adviser
	Representative Office in Brussels	Manfred TEICHERT, Adviser
Department for Operations in the Community Romeo dalla CHIESA, Manager	Operations in Italy, Rome	Giorgio RATTI, Principal Adviser
	Operations in the other Member Countries : Energy and heavy industry	Helmuth CRAMER, Deputy Manager Luciano ROTONDI, Adviser
	Operations in the other Member Countries : Other infrastructure and manufacturing industries	Dennis KIRBY, Deputy Manager Gérard [illegible]ERM, Adviser Thoma[illegible] HALBE, Adviser Manfr[illegible]d THOMSEN, Adviser
	Monitoring	Marc de BUYER, Deputy Manager
Department for Operations outside the Community Dieter HARTWICH, Manager	Operations in the Mediterranean countries	Eugenio GREPPI, Deputy Manager Jean-Pierre LACAILLE, Adviser
	Operations in the ACP-OCTD	Jacques SILVAIN, Deputy Manager Robert CORNEZ, Adviser Jean-Marie PAYEN, Adviser Christopher LETHBRIDGE, Adviser
	Monitoring	Robert ALLOO, Adviser Alfred KAWAN, Adviser
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	Treasury	John VAN SCHIL, Deputy Manager
	General Accountancy	Anthon PETERSEN, Adviser
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	Financial Research	Desmond G. McCLELAND, Deputy Manager
	Documentation and Library	Francis THOUVENEL, Adviser
Legal Department J. Nicolaas van den HOUTEN, Manager		Jörg KÄSER, Principal Adviser Bruno EYNARD, Adviser Xavier HERLIN, Adviser Michael KONSTAM, Adviser
Technical Advisers' Department Marcello GOFFI, Manager *with 30 April 1976*		Hellmuth BERGMANN Giuseppe DURANTE Jacques FAUDON Robert LECLERCQ Ernst-Helmut LINDER Walter LOWENSTEIN-LOM Robert VERMEERSCH

Unit of account

Equivalent in national currencies

The Statute of the European Investment Bank defines the unit of account to be used by the Bank in terms of gold and provides that the conversion rates between this unit and national currencies should be calculated by reference to the gold parities communicated to the International Monetary Fund. Fundamental changes in the international monetary system in recent years have increasingly shown that the changing role of gold and consequently of gold parities was impeding application of these provisions of the Bank's Statute in the manner originally intended. Consequently, on 15 July 1974 the Governors of the Bank decided to propose that the Statute be amended to empower them, acting unanimously, to modify the definition of the unit of account to be used by the EIB and the method of conversion of this unit of account into national currencies and vice versa. The proposed amendment involved modifying the Treaty of Rome of which the Statute forms an integral part, and on 10 July 1975, after receiving a favourable opinion from the Council of Ministers which had consulted the European Parliament and the Commission of the European Communities, the Member States approved the Treaty amending these provisions of the Bank's Statute; this Treaty is at present being ratified by each of the nine Member States. As an amendment to the Statute is a lengthy process, the Board of Governors of the Bank decided at its meeting on 18 March 1975 to authorise the EIB to use new conversion rates with effect from 30 December 1974 and until the amendment is ratified.

The new conversion rates applied by the Bank are based on the rates of conversion between national currencies and the new European Unit of Account which is equal to the sum of the following amounts of Member States' currencies :

DM	0.828	Bfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	Dkr	0.217
Lit	109.0	£ Ir	0.00759
Fl	0.286		

The composition of this basket of currencies is such that at 28 June 1974, the sum of the component currencies would have been equal in value to the International Monetary Fund's Special Drawing Right when calculated on the same basis as the latter and hence the same as the Bank's statutory unit of account by virtue of the common gold content of the unit of account and the SDR, i.e. the equivalent at that date of $ 1.20635.

The rates adopted for converting the unit of account into Member States' national currencies and other currencies used by the Bank for its operations (e.g. the US dollar and Swiss franc), and vice versa, are determined each working day by the Commission of the European Communities and published in the Official Journal.

In practice, the conversion rates adopted by the Bank for statistical purposes during each quarter are those obtaining on the last day of the previous quarter and, in 1975, were as follows :

	1st quarter 1975	2nd quarter 1975	3rd quarter 1975	4th quarter 1975
1 unit of account =				
DM	3.01774	3.04474	3.02333	3.07061
£	0.534530	0.538633	0.583942	0.564620
Ffrs	5.57964	5.48706	5.18942	5.24197
Lit	815.517	821.313	809.278	793.118
Fl	3.13445	3.11230	3.13108	3.15973
Bfrs	45.4137	45.0405	45.2730	46.1746
Lfrs	45.4137	45.0405	45.2730	46.1746
Dkr	7.06637	7.09212	7.03769	7.175[illegible]
£ Ir	0.534530	0.538633	0.584093	0.564482
Dr	37.6488	39.1639	38.8667	39.9761
TL	17.3812	17.9967	17.9808	17.1993
$	1.25496	1.29940	1.28434	1.15451
Sfrs	3.15176	3.28236	3.21336	3.17242
Yen	377.190	375.807	377.275	348.751

European Investment Bank

General background

The European Investment Bank (EIB) was created by the Treaty of Rome, which came into force on 1 January 1958 establishing the European Economic Community.

The Bank is an independent public institution within the Community and operates on a non-profit-making basis.

Its basic function is to contribute to the balanced development of the Common Market.

The EIB grants long-term loans and gives its guarantee to enterprises, public authorities and financial institutions to finance projects which favour the development of less advanced regions and conversion areas or which serve the interests of the Community as a whole.

The members of the European Investment Bank are the nine Member States of the Community, who have all subscribed to the Bank's capital which was raised from 2 025 million to 3 543.75 million units of account by decision of its Board of Governors on 10 July 1975.

The Bank borrows the funds required to carry out its tasks on the capital markets of the Community and non-member countries, and on international markets.

The Bank's activities were initially confined to the territory of the Member States of the European Economic Community, but have gradually been extended under agreements to Greece, the seventeen Associated African States, Madagascar and Mauritius (AASMM), certain Overseas Countries, Territories and Departments (OCTD), Turkey and most recently the 46 African, Caribbean and Pacific States, including the AASMM, which are signatories of the Lomé Convention, and Portugal, Malta, Algeria, Morocco and Tunisia. Apart from its ordinary loans, generally attracting interest subsidies, the Bank grants loans on special conditions to most of these countries through its Special Section under mandate from and for the account of the Member States or the European Economic Community (special operations). Moreover, with special authorisation from its Board of Governors, the Bank may also provide financing in non-member countries, if the projects concerned are of direct interest to the Member Countries of the Community.

Enterprises, public authorities or financial institutions wishing to get in touch with the European Investment Bank should apply directly to the Head Office of the Bank or, in the case of projects located in Italy, to its Rome Office. Contact with the Bank may also be made through the promoter's own bank.

2, Place de Metz - Boîte postale 2005 - Luxembourg
Office for Operations in Italy : Via Sardegna, 38 — I-00187 Rome
Representative Office in Brussels : Rue Royale, 60-Bte 1
B-1000 Brussels

European Investment Bank

Financing terms and conditions

The Bank may grant loans from its own resources and give its guarantee (ordinary operations) to private or public enterprises, irrespective of their legal status, and to public authorities to finance projects which conform with the conditions of Article 130 of the Treaty of Rome or the Association Agreements. The provision of finance is not dependent on the nationality of the borrower.

The Bank's loans are intended to cover only part of the cost of a project, supplementing the borrower's own funds and credits from other sources. The Bank rarely lends more than 40 % of the cost of the fixed assets.

The Bank's loans generally range between 2 and 20 million units of account and have so far never exceeded 30 million units of account. Some large projects have received more than one loan but the cumulative total does not normally exceed 45 million units of account.

Loans to finance specific projects may be made directly to an enterprise or public authority or through a financial institution. In addition to these "individual loans", the Bank also grants "global loans" to financial institutions, which extend sub-loans for small or medium-scale industrial ventures in agreement with the Bank in each instance (allocations from global loans).

The Bank disburses its loans in several currencies which it chooses in the light of its own holdings, after consulting the borrowers as to which of these currencies they would prefer to receive; repayments and payment of interest are made in the currencies of the original loans.

The Bank's lending rates are decided by the Board of Directors. As the Bank operates on a non-profit-making basis, its interest rates are close to the average rates charged on the financial markets where it obtains its funds. The rate charged on each loan is generally that in force on the date when the contract is concluded and is not subject to revision. It is independent of the currencies in which the loan is disbursed and the country in which the project is situated. The rate in force in May 1976 was 9 % per annum for loans up to 8 years and 9.5 % per annum for loans over 8 years. The term of each loan and the grace period depend upon the nature of the project concerned.

The Bank makes the granting of its loans conditional on the guarantee of a Member State or other adequate security.

The conditions under which the Bank conducts its operations in Greece, Turkey, the States which signed the Lomé Convention, the OCTD, Portugal, Malta and the Maghreb countries are governed by the relevant agreements or Community decisions.

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New loan contracts signed by the European Investment Bank in 1975 totalled 1 006.5 million units of account (1), compared with 996.4 million in 1974.

Despite the scale of the worldwide economic recession, the Bank's financing operations were thus maintained at a high level. In the industrial countries contracting demand and production led to productive capacity being seriously underutilised and to widespread unemployment and short-time working. Generally speaking, the rate of inflation eased, though less in certain countries than in others; some suffered both a sharp fall in economic activity and a large rise in consumer prices. Declining consumption of petroleum products reduced the earnings of the producer countries. Their imports increased rapidly however, and this factor, combined with a fall in most raw material prices and a slowing down of imports caused by the recession, led to a marked improvement in the balance of payments of most industrial countries. An upturn in economic activity became apparent in the United States and Japan towards the middle of the year and in certain European countries later in the year, but had not led to any lower unemployment by the end of the year. Those developing countries that produced no petroleum of their own were the worst affected by the crisis.

On the **capital markets** the tendency for short-term interest rates to fall, which started at the end of 1974, was maintained in 1975, encouraged by a gradual relaxation of monetary policies in most countries where efforts were concentrated on combatting recession and unemployment. The general fall in short-term interest rates, together with the unexpected scale of private saving prompted by the uncertain economic situation, brought about a distinct improvement on most long-term capital markets which nevertheless had to meet heavy demands from the public sector for funding deficits and programmes to restimulate the economy. On the whole, long-term yields tended to fall and the volume of funds raised by new issues increased substantially. Nevertheless pressures built up in the middle of the year especially in Germany where they caused the market to be closed briefly, while on other markets interest rates hardened temporarily. Finally, in the last quarter a tendency towards longer maturities for new issues became apparent so that at the end of 1975 conditions on the capital markets were more favourable than for nearly two years.

The **Community's** gross domestic product fell by around 2.5 % (2) in 1975 while the volume of trade within the Community shrank appreciably. Galloping inflation and the policies adopted to counter it were the main causes of the crisis which first showed itself in 1974 in flagging economic growth; the oil crisis was a further contributory factor, pushing up costs, dampening demand in certain sectors and making for structural adjustments.

Demand from outside the Community fell while private consumption and business investment within the Community also declined. The result was a reduction of more than 10 % in total industrial production with a consequent disturbing deterioration in the employment situation : widespread short-time working and some 5 million — 4.3 % of the working population — unemployed in the autumn. Despite the recession, there was little sign of inflation slowing down and this gave cause for concern at a time when the improvement in the economies of the United States and Japan and the effect of expansionary budgetary policies held out the hope that the economic recovery, which had be-

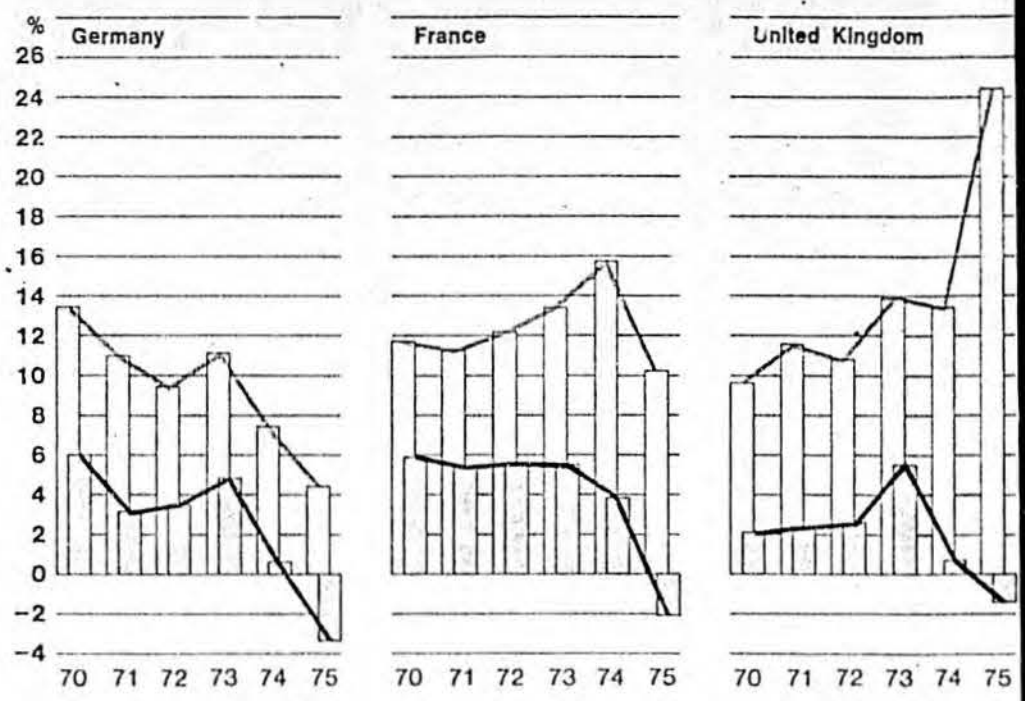
(1) Except where otherwise indicated, all the amounts quoted are expressed in units of account (see page 6). Differences between the totals shown and the sum of individual amounts are due to rounding.
(2) Except where otherwise indicated, all the rates quoted in this chapter refer to volume.

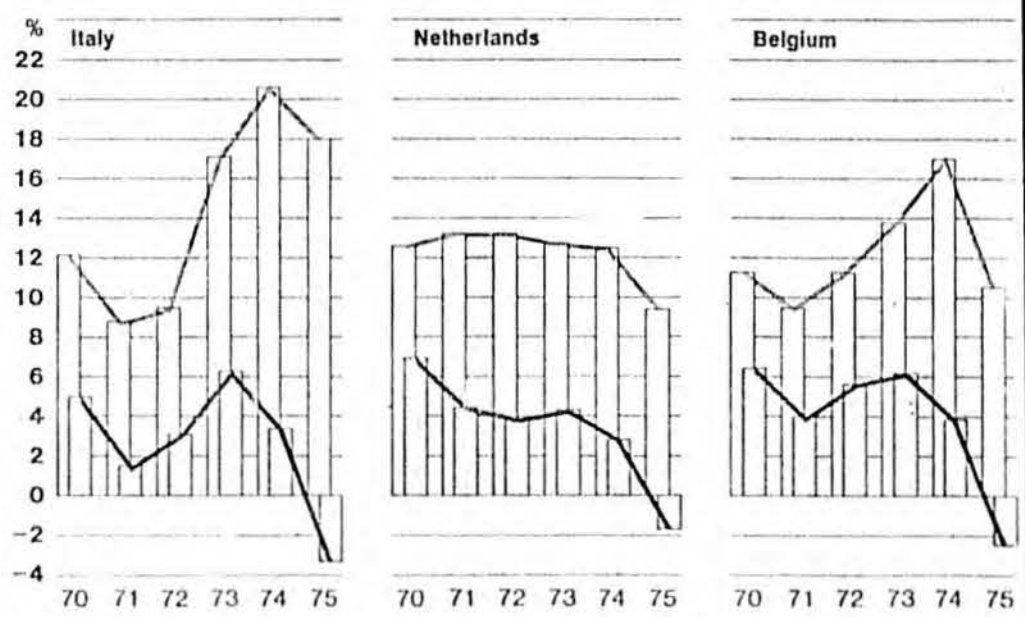
Gross domestic product in the Community

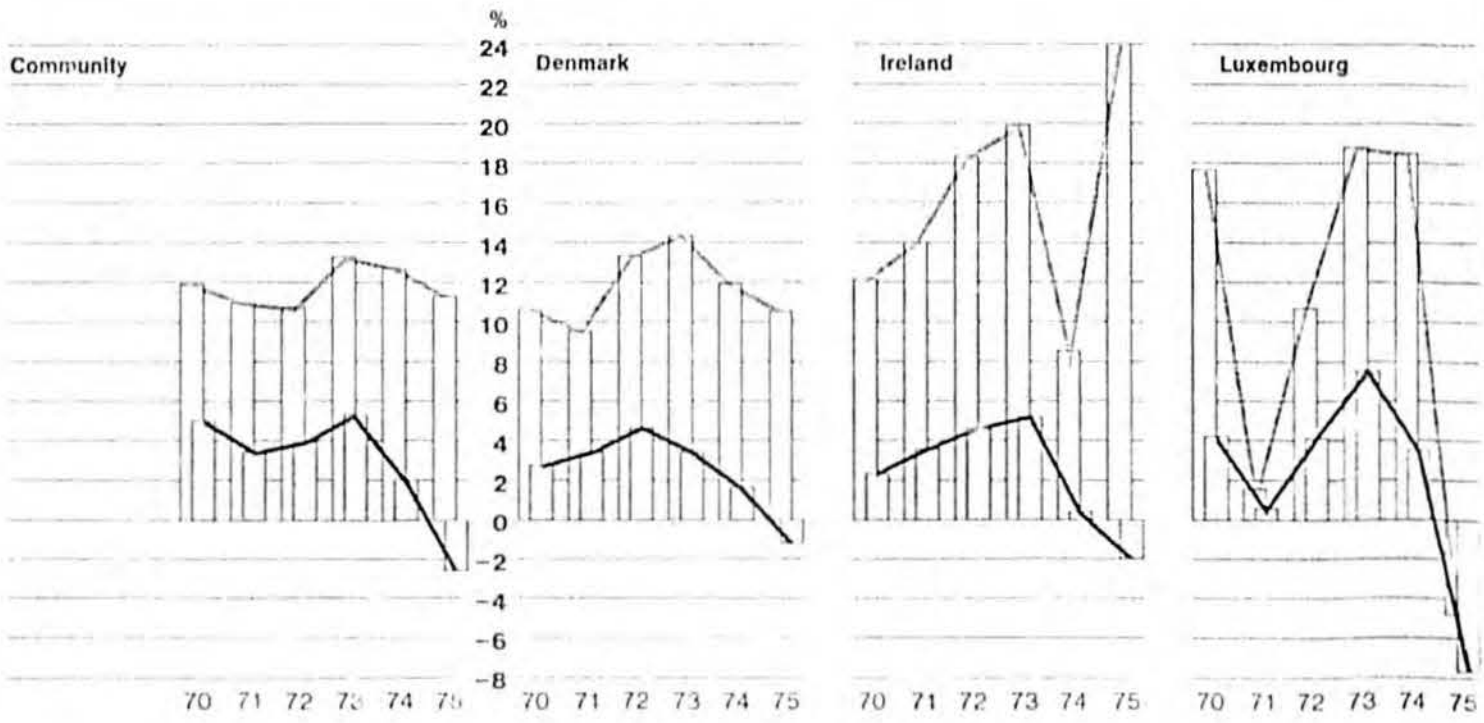
% variations by comparison with previous year

at current prices

at constant prices







come apparent at the end of the year in Germany and to a lesser degree in France, would become more widespread.

In **Germany** a substantial fall in exports, a reduction in private consumption and rapidly diminishing investment, in spite of fiscal incentives and a large programme of supplementary budgetary expenditure, led in the first half of the year to a sharp drop in gross national product and, more especially, in industrial production. In the second half of the year, more buoyant demand from abroad, stimulated by the relatively more favourable trend of unit costs, led to a certain recovery which an expansionary monetary and budgetary policy helped to maintain. This policy fostered an increase in bank liquidity and a reduction in interest rates. Nevertheless the high level of unemployment persisted : at the end of the year, notwithstanding the departure of a number of foreign workers, over 4 % of the working population was still without employment. Productive capacity continued to be underutilised and the extent of the recovery appeared to be largely dependent on the trend of business investment and on higher private consumption

In **France** the pace of economic activity slowed sharply during the first half of the year and then more gradually during the third quarter. A slight recovery began at the end of the year; the policy of maintaining incomes finally led to some increase in private consumption despite a propensity to save heightened by fear of unemployment. The effectiveness of measures in support of productive investment was however weakened by the cautious attitude of firms with excess capacity, while the plan for reviving the economy led to a more rapid rate of public sector investment, including investment by nationalised industry. Despite this, unemployment continued to rise; in the autumn, more than 4 % of the working population was affected. The unemployed may not be re-absorbed very quickly as the decline in industrial production was greater than the fall in hours worked in industry, one result being a large drop in productivity. Although the rise in prices slowed down appreciably, the rate of increase was still relatively brisk with the risk that this might tend to accelerate again if the pressures which economic revival is likely to place on wages and on the restoration of profit margins are not fully contained. The upward movement of the franc continued during the first half of the year, but was then reversed in the autumn.

In the **United Kingdom** the recession already discernible at the end of 1974 became more pronounced during the first half of 1975 with economic activity then settling at a low level. Unemployment worsened, nearly 5 % of the working population being without employment by the end of the year. Despite slowing down somewhat during the summer, the rate of inflation was still one of the highest in the Community. The reduction in imports caused by the recessionary conditions made it possible to reduce the deficit in the balance of trade and the balance of payments on current account to more normal proportions. Nevertheless, the deficit remained considerable and the consequence was a further decline in the value of the pound. The problems facing the authorities responsible for economic policy were made all the more difficult by the fact that the public sector deficit had already reached a high level. Priority continues to be given to combatting inflation. From July onwards, the Government, with the support of the trade unions, introduced a set of measures aimed at reducing the annual rate of price increases to 10 % in the third quarter of 1976. Other steps were taken to reduce unemployment and particularly to provide work for school-leavers.

In **Italy** the recessionary phase which began in the second half of 1974

showed no sign of coming to an end by the close of 1975. The sharp fall in domestic demand, affecting particularly investment in fixed assets, and the absence of any increase in the volume of exports led to a general decline in economic activity and, especially, in industrial output. An improvement in the balance of payments on current account made possible the early repayment of certain foreign debts.

The trend of demand and prices on the international markets led to a certain stabilisation of wholesale prices as well as to a marked reduction in the rate of increase of retail prices, which for the year as a whole was about the same as the average for all Member Countries. Economic policy became positively expansionist through the use of budgetary and monetary instruments. In particular, it was decided to bring forward the financing of various large projects in the Mezzogiorno. Productive capacity, in fact, continued to be seriously underutilised; this had especially disturbing implications for employment since, as a result of agreements reached between management and workers with a view to holding down the number of redundancies, underemployment was reflected less in an increase in the numbers of unemployed than in an increase in short-time working. In consequence, unit labour costs rose much more steeply than wholesale prices, undermining the financial position of many businesses.

In the **Netherlands,** similarly, there was an appreciable fall in production, which was slow to recover despite a budgetary policy aimed at maintaining domestic demand. The upward trend of prices and wages continued despite a rate of unemployment approaching 5 %. The current balance remained in surplus.

In **Belgium** the effects of the recession were similar, but appeared slightly later. Unemployment was still more serious, affecting around 6 % of the working population at the end of the year.

In **Luxembourg** the contraction in private building construction was to some extent offset by the expansion in public works programmes : it was primarily the recession in the iron and steel industry, the country's principal industrial sector, that was responsible for the sharp decline in activity and this is unlikely to end until the economic recovery in neighbouring countries is assured.

In **Denmark** economic activity remained at a low ebb despite measures adopted at the beginning of the year and in the autumn to stimulate a revival. Unemployment increased still further, but the rise in prices slowed down and it was possible to reduce the balance of payments deficit on current account.

In **Ireland** the serious contraction in demand, and especially in inventories, led to an appreciable reduction in imports with a consequent improvement in the balance of payments on current account, which was also helped by good farming results and tourism. Unemployment, affecting around 10 % of the working population, continued to give the greatest concern. The rate of increase in prices slowed down somewhat but remained excessive.

The **developing countries** linked to the European Economic Community by financial cooperation agreements, especially the **African States, Madagascar and Mauritius** and the other **African, Caribbean and Pacific States,** signatories to the Lomé Convention, were very severely affected as a group by the world crisis.

Their terms of trade, which had already worsened in 1974 as a result of the increase in the cost of petroleum products, deteriorated further

in 1975 because of the persistent rise in the price of goods and services supplied by the industrial countries. The contraction in international trade resulting from the world crisis also bore heavily on the export earnings of the developing countries, leading to a further deterioration in the deficit in their balance of payments on current account, increased borrowing abroad on commercial terms, a reduction in foreign currency reserves and, in many cases, delays in the implementation of development programmes. Even those few exceptional countries, such as Nigeria and Gabon, which have large petroleum reserves of their own, did not escape the effects of these developments, although they were better able to support them. Those countries which produced no petroleum, but had managed to achieve a rapid rate of growth in recent years thanks to expanding exports and the sharp rise in commodity prices were badly affected. The poorer countries whose export sectors are weak and narrowly based had no choice but to restrict consumption, which was already at a very low level, and to forego investments essential to their development. This serves to underline the importance of the prospects of financial, technical and industrial cooperation opened up by the Lomé Convention.

In **Turkey** good harvests and sustained activity in the industrial sector made it possible to maintain a rate of growth in GNP of around 8 %. Despite expanding consumer demand and the maintenance of a large budgetary deficit, necessitating greater recourse to short-term credits from the Central Bank, inflation was limited to about 10 % for wholesale prices and 15 % for retail prices. The balance of payments, on the other hand, came under severe pressure. Contracting external demand and the diminished competitiveness of Turkish products, particularly of agricultural products, reduced export earnings appreciably, while the value of imports rose rapidly to meet the country's needs for capital goods and the growing demand for consumer goods. The worsening trade balance and a reduction in remittances from Turkish workers abroad, attributable to the recession within the Community, had the effect of trebling the deficit on the balance of payments on current account. Despite recourse to International Monetary Fund special drawing rights and the oil facility, as well as to the short-term capital market, some 600 million dollars had to be drawn from the foreign currency reserves; at the end of the year, these reserves covered only three months' imports.

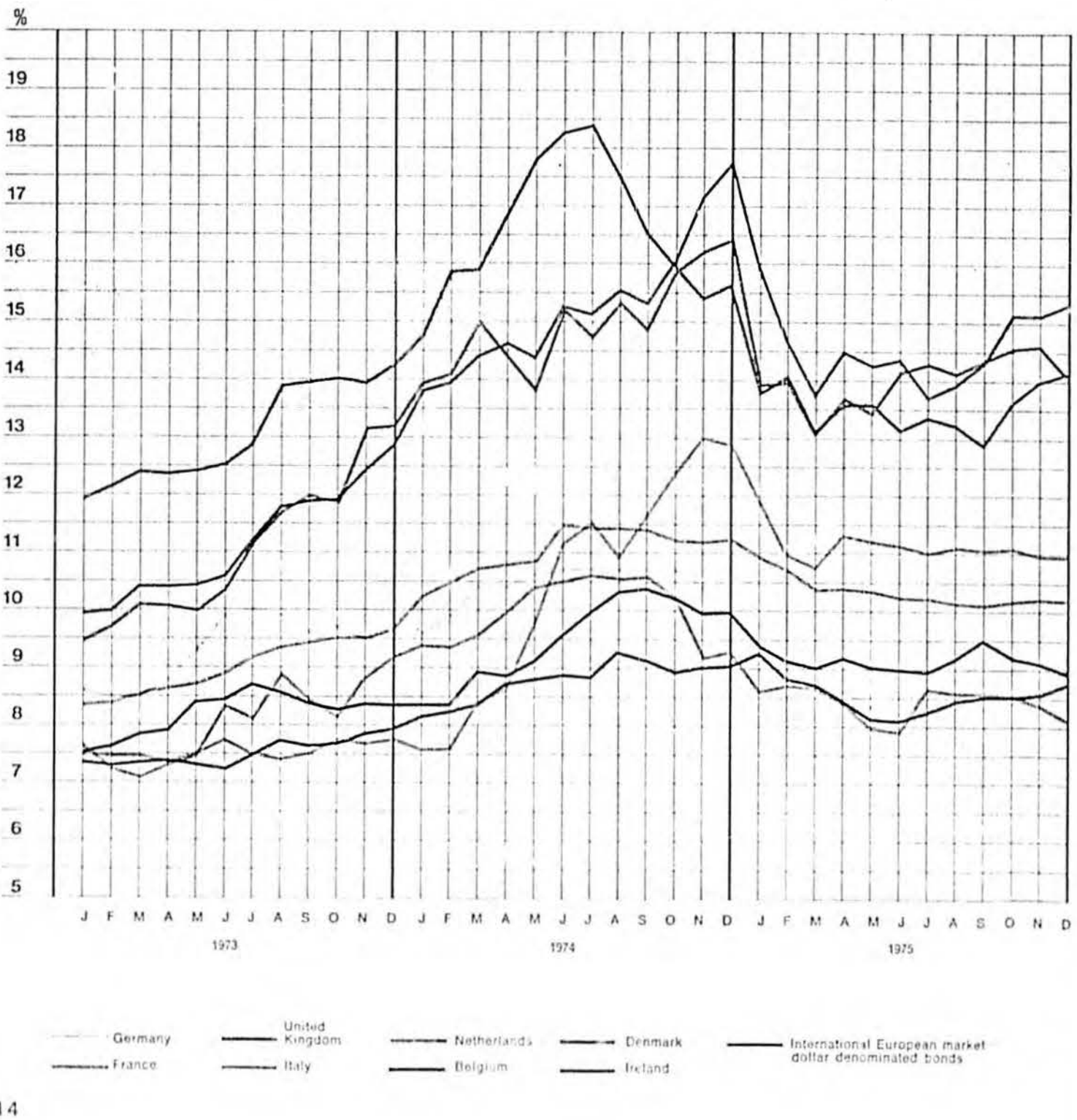
In **Greece**, following the decline in activity in 1974, signs of a very slight recovery appeared in 1975 with a rate of increase in GNP of probably less than 1 %. Private consumption and investment rose only slightly but public sector expenditure showed a sharp increase. The increase in retail prices was around 15 %. Exports and imports rose only moderately so that a trade deficit comparable with that for 1974 was recorded. The deficit on the balance of payments on current account was nevertheless somewhat reduced, thanks mainly to an increase in earnings from tourism; in addition, loans contracted abroad produced an increase in foreign currency reserves which, at the end of the year, amounted to the equivalent of two and a half months' imports.

In 1975 **Community economic policies** made headway, chiefly in two areas directly related to the Bank's activity : regional development in Member Countries and cooperation in the development of a growing number of countries outside the Community.

The Council of Ministers of the European Communities decided on 18 March 1975 to establish a **European Regional Development Fund** and a **Regional Policy Committee.** A representative of the Bank sits in as an observer at meetings of the Fund's

Gross yields on bonds

quoted on the various financial markets in the Community which offer the closest comparison with those issued by the European Investment Bank. For the United Kingdom, Ireland and Denmark yields have been calculated, for purpose of comparison, on the basis of an annual rather than a semi-annual compounding of interest.



Management Committee and the Regional Policy Committee; this constitutes one means of participating in the coordination of support for regional development within the Community. Grants from the Fund in 1975 amounted to 300 million units of account, of which 119.8 million was for investments in industry, craft activities or services, and 180.2 million for infrastructures located in regions eligible for state aid for regional development. More than 75 % of these amounts related to projects in Italy, Ireland and the United Kingdom. Certain projects received both aid from the Fund and EIB loans. However, the provisions whereby Fund aid in respect of infrastructure investments may, wholly or partly, take the form of an interest subsidy of three percentage points on loans granted by the EIB in regions eligible for such aid have not yet been employed.

Progress in other areas of Community policy, particularly in the energy sector or other industrial sectors, has been in the preparatory and study stages rather than in the decision-making and implementation stages. This was notably the case with the Euratom proposals for financing in the nuclear power sector.

On the other hand, 1975 and the beginning of 1976 opened up broad prospects for economic and financial cooperation between the Community and an increasing number of countries outside the Community.

Firstly, the Lomé Convention, signed on 28 February 1975, between the European Economic Community and 46 **African, Caribbean and Pacific States** (ACP) (1) and coming into force on 1 April 1976, considerably extends the scope for Bank activity outside the Community. As part of total financial aid of 3 390 million units of account to be granted by the Community to this group of countries up to 1 March 1980, the Bank has been requested to make 585 million available, mainly in the form of loans from its own resources (in an amount of up to 390 million), generally carrying an interest subsidy of three percentage points for which 100 million have been earmarked from the amount of European Development Fund (EDF) grant aid, and contributions to the formation of risk capital (95 million) also to come from EDF resources.

Under the terms of a decision due to be taken by the Council of Ministers, the Bank will contribute on similar conditions to the Community's financial aid (160 million units of account) in favour of the Overseas Countries, Territories and Departments (OCTD) (2); of this sum 5 million will go towards risk capital and up to 10 million may take the form of loans from the EIB's own resources, which will generally also carry interest subsidies.

In accordance with the division of responsibilities established between the Commission of the European Communities and the Bank, projects in the industrial, mining and tourism sectors are to be submitted to the Bank for appraisal; projects in these sectors will receive priority in the use

(1) The ACP States comprise :
— 17 African States, Madagascar and Mauritius associated with the EEC under the Yaoundé Convention (AASMM) : Benin, Burundi, Cameroon, the Central African Republic, Chad, Congo, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.
— 21 Commonwealth countries comprising : **In Africa :** Kenya, Tanzania and Uganda (already linked with the EEC under the Arusha Agreement of 24.9.69), Botswana, the Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland and Zambia;
In the Caribbean : the Bahamas, Barbados, Grenada, Guyana, Jamaica and Trinidad and Tobago;
In the Pacific : Fiji, Tonga and Western Samoa.
— 6 other African countries : Equatorial Guinea, Ethiopia, Guinea, Guinea Bissau, Liberia and Sudan.
(2) Overseas Countries, Territories and Departments : dependencies of France, the Netherlands and the United Kingdom.

of the resources available to the Bank (loans from own resources and contributions to risk capital from EDF resources), but this understanding does not preclude the Bank from granting loans for viable infrastructure projects in countries where this form of financing would be appropriate.

The Bank participates in the preparatory work and planning missions undertaken by the Commission in the ACP countries in connection with the implementation of the Convention's provisions.

The Community's policy of cooperation with the **Mediterranean countries** has developed in a number of important ways since the beginning of the last quarter of 1975.

On 7 October 1975, the Council of Ministers decided to grant **Portugal** exceptional emergency aid for a total of 180 million units of account during 1976 and 1977. This aid will take the form of ordinary loans from the Bank's own resources for an amount of up to 150 million, and an interest subsidy of three percentage points at a cost of about 30 million to the European Community budget, which will also guarantee in full the Bank's loans.

At the end of 1975 and the beginning of January 1976, negotiations between the Community, on the one hand, and **Malta, Tunisia, Morocco and Algeria,** on the other, led to the finalisation of four agreements covering financial cooperation for the period 1977-198[illegible]

It is foreseeen that financial aid in these countries will total 365 million units of account as shown below.

The indicated amounts for financing loans from the Bank's resources in Malta and the three Maghreb countries between now and 1981 represent ceilings for Bank operations, which together total 183 million units of account. These loans will generally carry an interest subsidy of two percentage points which will be financed out of the amounts earmarked for grant aid.

In January 1976, the Council of the Communities announced its agreement, in so far as it was concerned, for Yugoslavia to have access to normal EIB loans, up to a certain amount, for financing projects of common interest.

Negotiations have also begun or are due to begin on a second financial protocol with **Greece** and on a third financial protocol with **Turkey,** it being understood that following enlargement of the Community the Supplementary Protocol with Turkey, providing for additional loans totalling 47 million units of account, remains to be ratified. Lastly, it is expected that a financial protocol with Portugal will follow on the exceptional emergency aid to be provided for 1976 and 1977.

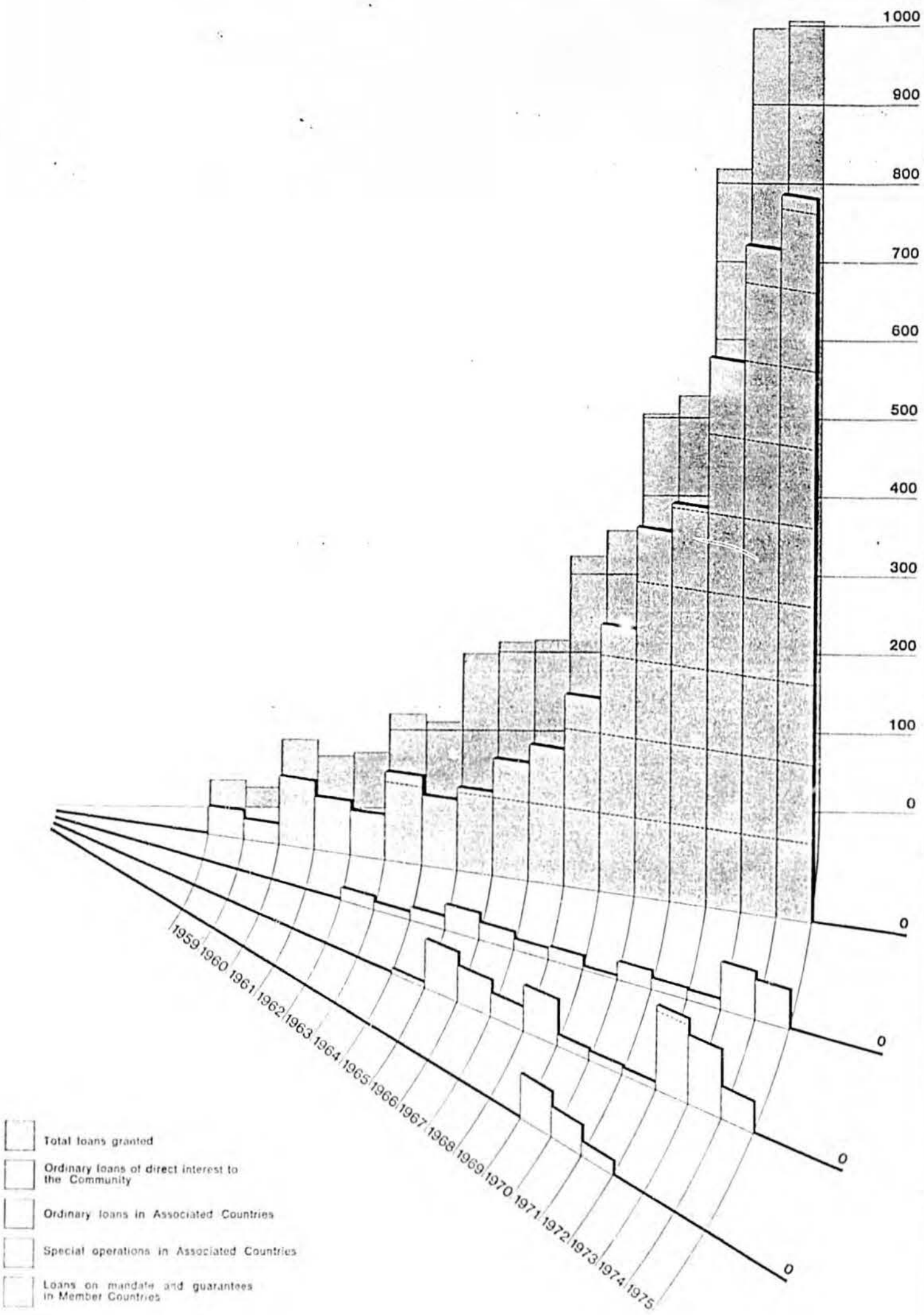
Increasing demands are therefore being made on the Bank to con-

	Loans from EIB resources (maximum)	Loans on special conditions	Grant aid	Total
Morocco	56	58	16	130
Algeria	70	19	25	114
Tunisia	41	39	15	95
Total Maghreb countries	167	116	56	339
Malta	16	5	5	26
Grand total	183	121	61	365

tribute to the implementation of a policy of economic and financial cooperation which the Community is now extending to a growing number of developing African, Caribbean, Pacific and Mediterranean countries. In order to assist the Bank to mobilise in favour of the economic development of these countries the first class credit which it enjoys on the capital markets, the Member States of the Community provide it with adequate guarantees and, as required, soften the financial conditions of its loans by meeting the cost of an appropriate system of interest subsidies. The Bank must consequently allocate for lending outside the Community appreciably more than the approximate 5 % which it has so far devoted to them on average.

To do so must not affect its main activity which is within the Community. In an economic situation which threatens to remain quite difficult for some time to come the correction of regional imbalances, the creation of infrastructure of common interest, investments necessary to bring about structural changes and the provision of energy supplies on a more regular, independent and cheaper basis, all call considerable financial resources. To mobilise them the EIB must pursue and intensify its activity in keeping with the task entrusted to it under the Treaty of Rome.

Development of the Bank's activities
(million u.a.)



Loans granted in 1975

New lending exceeds one thousand million u.a.

In 1975 the European Investment Bank signed 77 loan contracts for a total of 1 006.5 million, compared with 84 contracts for 996.4 million in 1974. This contributed towards a total investment of around 4 400 million.

Ordinary loans from the Bank's own resources rose from 910.7 million in 1974 to 966.4 million in 1975, of which 917.5 million (95 %) was lent in Member Countries and 48.9 million in Associated Countries, for the most part in Greece. In addition 40.1 million, as against 85.7 million in 1974, went for loans on special conditions. Of this figure, 35 million was drawn from the resources of Member States for lending in Turkey, and 5.1 million from the resources of the European Development Fund for the Netherlands Antilles and the French overseas department of Guadeloupe.

The balance outstanding on loans from the Bank's own resources, plus guarantees provided, rose by 22.8 % between 31 December 1974 and 31 December 1975, from 3 759.6 million to 4 616.6 million.

LOANS WITHIN THE COMMUNITY

917.5 million for loans in Member Countries

In 1975 the Bank granted 64 loans in the Member Countries of the Community for a total amount of 917.5 million, compared with 70 loans totalling 849.7 million in 1974. Such operations showed an 8 % increase over 1974, and accounted for 91.1 % of the Bank's activity for the year.

This broad trend, however, masks an uneven distribution of lending in individual countries : financing operations in the United Kingdom more than doubled, and in Italy rose by 29 %, while in all other Member Countries there was a downturn, often considerable.

mainly Italy and the United Kingdom

This made for a heavy concentration of operations in Italy and the United Kingdom, which took 39.1 % and 36.5 % respectively of all finance granted within the Community. Loans in France still accounted for 17.2 % of the total, while those granted in Ireland, Denmark and Belgium together accounted for only 7.2 %. No loans at all were granted in Germany, the Netherlands or Luxembourg, as a result of the relatively low level of interest rates obtaining in those countries. An undertaking has been given, however, to guarantee loans of 49.1 million units of account for the Gundremmingen nuclear power station in Germany.

The geographical spread of loans influenced the pattern of lending in terms of economic policy objectives as laid down in Article 130 of the Treaty of Rome (see Table 6, p. 71 and Graph, p. 22).

Three-quarters in less favoured regions

Loans in the less favoured regions of the Community increased by 24 % to 670.6 million, covering 73 % of all finance granted in Member Countries. This figure includes operations that not only helped to alleviate regional problems, but also served the common interests of more than one Member Country, in particular by improving the Community's energy supplies. About 88 % of these loans related to projects in Italy, the United Kingdom and Ireland, where regional problems are most acute.

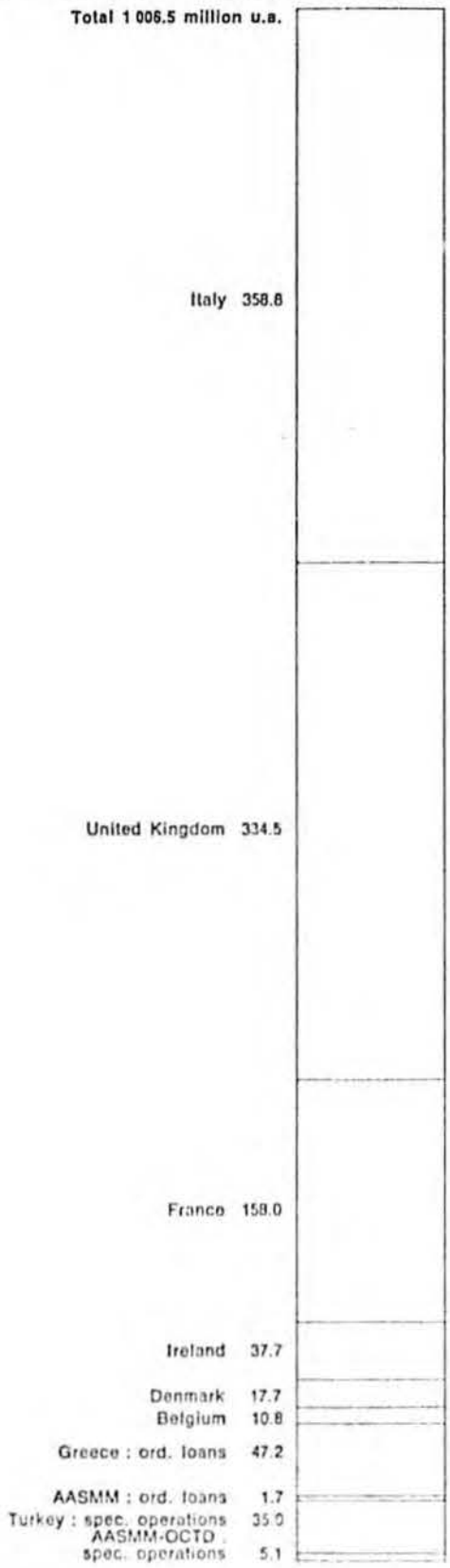


Table 1 : Loans granted in 1975

Breakdown by country

Country	Number of loans	Amount (million u.a.)	% of grand total	% of Member Countries
Ordinary operations				
Member Countries				
Belgium	1	10.8	1.1	1.2
Denmark	6	17.7	1.8	1.9
France	11	158.0	15.7	17.2
Ireland	2	37.7	3.7	4.1
Italy	26	358.8	35.6	39.1
United Kingdom	18	334.5	33.2	36.5
Total	**64**	**917.5**	**91.1**	**100.0**
Associated Countries				
Greece	7	47.2	4.7	
AASMM				
Mauritius	1	1.7	0.2	
Total	**8**	**48.9**	**4.9**	
Ordinary operations total	**72**	**966.4**	**96.0**	
Special operations (1)				
Turkey	3	35.0	3.5	
AASMM-OCTD				
Netherlands Antilles	1	4.4	0.4	
Guadeloupe	1	0.7	0.1	
Total	**5**	**40.1**	**4.0**	
Grand total	**77**	**1 006.5**	**100.0**	

(1) Loans on special conditions financed by Member States (Turkey) and by the European Development Fund (AASMM-OCTD) accounted for in the Bank's Special Section.

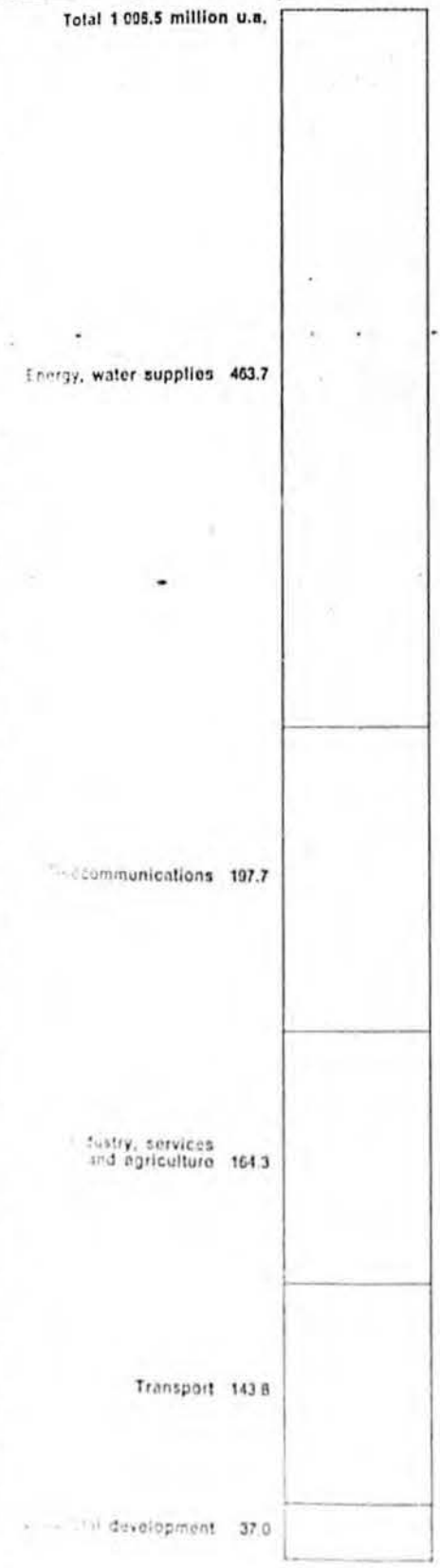


Table 2 : Loans granted in 1975

Sectoral breakdown

Sector	In the Community			In the Associated Countries		
	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%
Infrastructure	**39**	**779.3**	**84.9**	**6**	**62.9**	**70.6**
Agricultural development	—	—	—	2	37.0	41.6
Energy	19	327.9	35.7	2	20.8	23.3
Nuclear power stations	*6*	*121.8*	*13.3*	—	—	—
Thermal power stations	—	—	—	*2*	*20.8*	*23.3*
Power lines	*2*	*35.4*	*3.9*	—	—	—
Development of oil and natural gas deposits	*4*	*52.4*	*5.7*	—	—	—
Coal mining	*1*	*13.4*	*1.4*	—	—	—
Gaslines	*6*	*104.8*	*11.4*	—	—	—
Water supply and distribution	7	115.0	12.5	—	—	—
Transport	6	138.7	15.1	2	5.1	5.7
Railways	*2*	*38.5*	*4.2*	—	—	—
Roads, bridges and tunnels	*3*	*70.3*	*7.6*	—	—	—
Shipping	*1*	*29.9*	*3.3*	*1*	*0.7*	*0.8*
Airlines	—	—	—	*1*	*4.4*	*4.9*
Telecommunications	7	197.7	21.6	—	—	—
Agriculture, Industry and Services	**154(1)**	**138.2**	**15.1**	**28(3)**	**26.1**	**29.4**
Agriculture, forestry, fishing	3	1.3	0.1	—	—	—
Industry	150	135.3	14.7	28	26.1	29.4
*Mining and quarrying**	*1*	*0.6*	*0.1*	—	—	—
*Metal production and semi-processing**	*13*	*47.9*	*5.2*	*1*	*1.4*	*1.6*
*Construction materials**	*13*	*14.1*	*1.5*	*3*	*11.3*	*12.7*
Woodworking	*11*	*5.0*	*0.5*	*1*	*0.7*	*0.8*
Glass and ceramics	*3*	*2.2*	*0.2*	*2*	*1.9*	*2.2*
*Chemicals**	*13*	*36.5*	*4.0*	*1*	*3.0*	*3.4*
Metalworking and mechanical engineering	*26*	*17.2*	*1.9*	*4*	*1.8*	*2.0*
Motor vehicles, transport equipment	*7*	*2.1*	*0.2*	—	—	—
Electrical engineering, electronics	*8*	*12.8*	*1.4*	*4*	*6.3*	*7.1*
Foodstuffs	*30*	*42.8*	*4.7*	*3*	*3.1*	*3.4*
Textiles and leather	*7*	*1.6*	*0.2*	*6*	*6.2*	*6.9*
*Paper pulp, paper**	*3*	*1.1*	*0.1*	*1*	*1.5*	*1.7*
Rubber and plastics processing	*8*	*2.6*	*0.3*	—	—	—
Other	*3*	*1.7*	*0.2*	—	—	—
Global loans	*4*	*– 52.9(2)*	*– 5.8*	*2*	*– 11.1(4)*	*– 12.4*
Services (Research and development)	1	1.6	0.2	—	—	—
Grand total	**193(1)**	**917.5**	**100.0**	**34(3)**	**89.0**	**100.0**
* basic industries	43	100.2	10.9	6	17.2	16.0

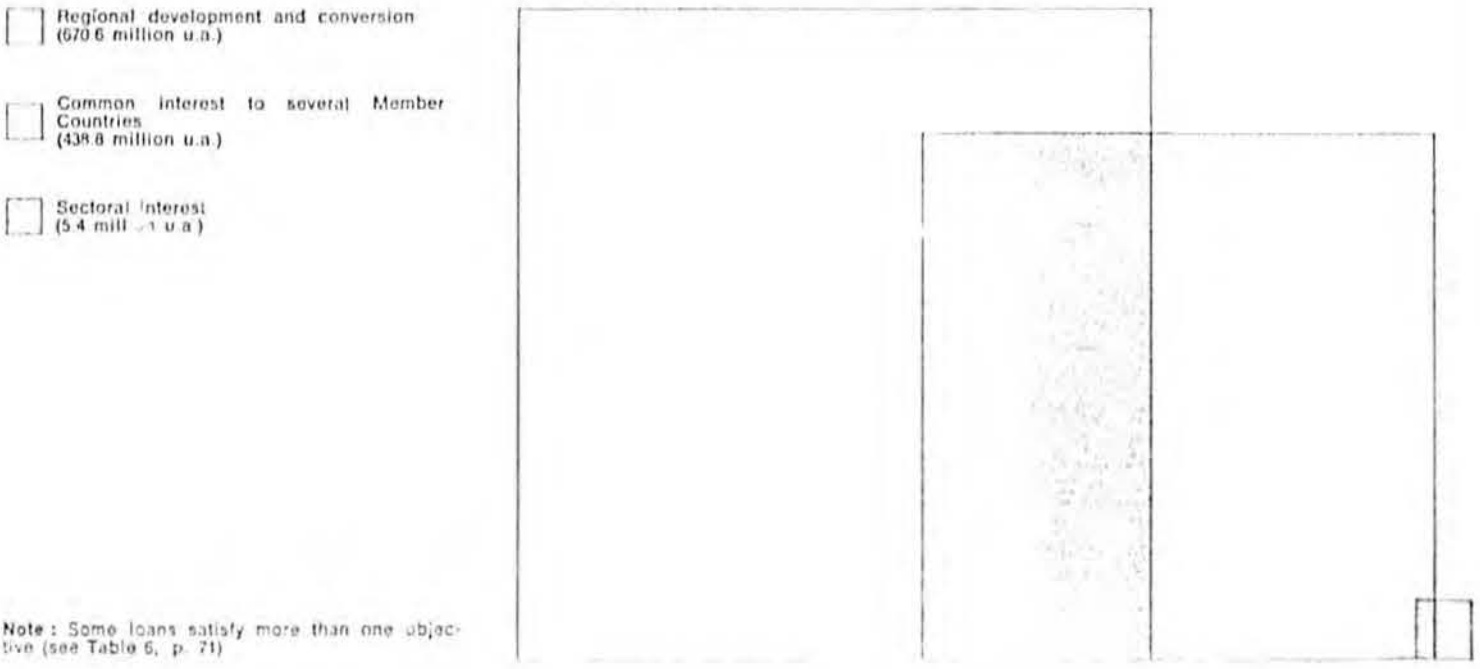
(1) Including 129 global loan allocations.
(2) Difference between the sum of the 4 global loans granted in 1975 (10.2 million) and the sum of the allocations from current global loans (63.1 million) approved in 1975.
(3) Including 21 global loan allocations.
(4) Difference between the sum of the 2 global loans granted in 1975 (12.7 million) and the sum of the allocations from current global loans (23.8 million) approved in 1975.

Major support for common energy and communications projects

Loans for projects of common interest totalled 438.8 million, about the same as in 1974; this figure including operations also justified on grounds of regional interest. Over three-quarters of these loans — 338 million — were granted in respect of investments aimed at improving energy supplies in the Community. There were seven loans for construction and equipment of nuclear power stations in the United Kingdom, Italy and France (126.3 million), and a number of loans for gaslines in the United Kingdom, Italy and Belgium (104.8 million), various investments in oil and natural gas development in Italy, the United Kingdom, Denmark and France (82.4 million), and coal mining in the United Kingdom (24.5 million). Finance for infrastructure to improve road and telecommunications links between Member Countries totalled 100.8 million.

Also of sectoral interest, although accounting for only a small proportion of lending in Member Countries, were two projects in Denmark and France. The first concerned the modernisation of an agro-industrial undertaking, and the second the production of advanced-technology undersea pipe-line welding equipment.

Financing operations in the Community in 1975
Breakdown by economic policy objective



Note : Some loans satisfy more than one objective (see Table 6, p. 71)

15 % of loans for industrial projects

The sectoral pattern of lending was in 1975 considerably influenced by the economic crisis. Widespread under-utilisation of capacity and a low propensity of companies to invest meant that loans for industrial projects were down by more than half. Global loan allocations included, finance totalling 138.2 million was advanced for 154 ventures under this heading, i.e. only 15 % of lending within the Community, compared with 36 % in 1974 and 40 % in 1973. Almost all the projects financed were situated in the less developed areas.

and 85 % for infrastructure

On the other hand the Bank was able to give active support to the policy of expanding public investment pursued in most Member Countries both in order to restimulate economic activity and to improve energy supplies. The consequent increase in finance for infrastructure projects was close to 43 %, giving a total of 779.3 million, or 85 % of all financing in the Community. Almost three-quarters of these loans were made for projects located in problem areas.

Lending for infrastructure continued to show a heavy bias in favour of energy projects, for which 19 loans were granted, amounting to 327.9 million or 35.7 % of all finance channelled into Member Countries. Increases were also recorded in the Bank's lending for transport infrastructure (138.8 million) and for projects to improve water supplies in North-East England, Brittany and the Mezzogiorno, and to reduce pollution in the Gulf of Naples (115 million). The Bank's continuing support for the extension and modernisation of telecommunications took the form of 7 loans, for a total of 197.7 million.

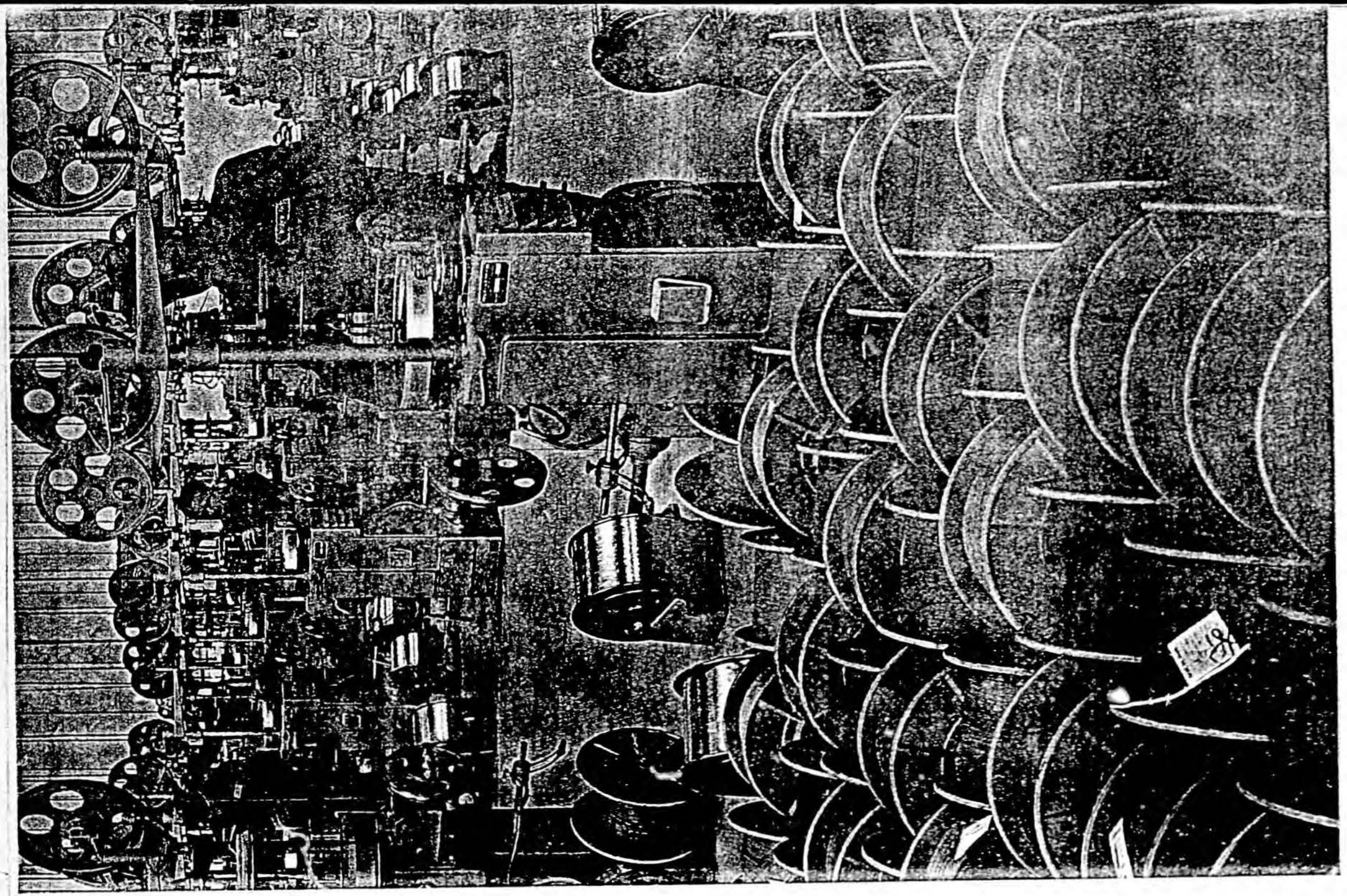
In the productive sector, the major beneficiaries were metal production and semi processing, in particular coated sheet and tube manufacturing, the foodstuffs and chemical industries. Some way behind these came mechanical engineering, construction materials and electrical engineering.

Fresh support for smaller industrial ventures

Only four global loans, amounting to 10.2 million, were granted to intermediary institutions for financing small and medium-scale ventures. Indeed, a number of such loans granted in previous years were terminated before all the funds had been exhausted, either because of lack of demand for credit, or because of downturns in interest rates subsequent to the setting of the rate on these loans, in spite of which intermediary institutions drew down 63.1 million from global loans still operative on behalf of 129 industrial ventures. This represented something of a decline in comparison with 1974, when 187 allocations were made for a total of 76.2 million, but was still far higher than the 1973 showing (24.5 million for 39 ventures). The global loan is a particularly effective form of financing for regional development, conducive to industrial diversification, largely in labour-intensive sectors. In 1975, for instance, the capital outlay for each job created by ventures financed through global loans was only about 23 000 units of account, compared with an average of 98 000 units of account for larger scale industrial projects receiving individual loans.

Taken together, the projects financed by the Bank in the industrial sector in 1975 led to the creation of almost 12 000 jobs and safeguarded a further 4 000.

Against an economic background of high unemployment, it is worth noting that building the major infrastructures for which loans were made led to the creation of a large number of temporary jobs, estimated to be in the region of 80 000.



In 1975, as in previous years, the bulk of the Bank's lending went to projects in the least developed regions of the Community - 670.6 million units of account in all, or nearly three-quarters of total finance provided in Member Countries. 129 smaller industrial ventures, half of these located in the Italian Mezzogiorno, received between them 63.1 million units of account in allocations from global loans granted to intermediary institutions.

358.3 million for loans in Italy, concentrated in the Mezzogiorno

The figure for lending in **Italy** rose by 29 % compared with 1974 to 358.6 million, i.e. Lit 289 800 million or almost 40 % of all financing within the Community.

Two-thirds of the loans in question were granted for projects of regional benefit, mainly in the Mezzogiorno, and the remaining Lit 104 000 million was advanced for infrastructure serving the interests of the Community as a whole.

ENEL received two loans, totalling Lit 36 200 million, for construction of the Caorso nuclear power station near Piacenza in Emilia Romagna, the rated capacity of which will be 840 MWe. Two loans for the same amount were made available to AGIP of the ENI Group, to develop a major, deep-lying oil and natural gas deposit in the Po Valley near Malossa. All four loans will help to improve the energy situation in Italy and the Community at large.

The Alessandria-Santhià, Piedmont section of the "Tunnels Motorway" and the transalpine Fréjus Tunnel linking Piedmont with Savoy, the French phase of which had been part-financed in 1974, received funds from the Bank totalling slightly more than Lit 30 000 million. These road links came under the heading of investment programmes aimed at improving the movement of people and goods between Italy and the rest of the Community.

mainly to finance major Cassa per il Mezzogiorno "special projects"

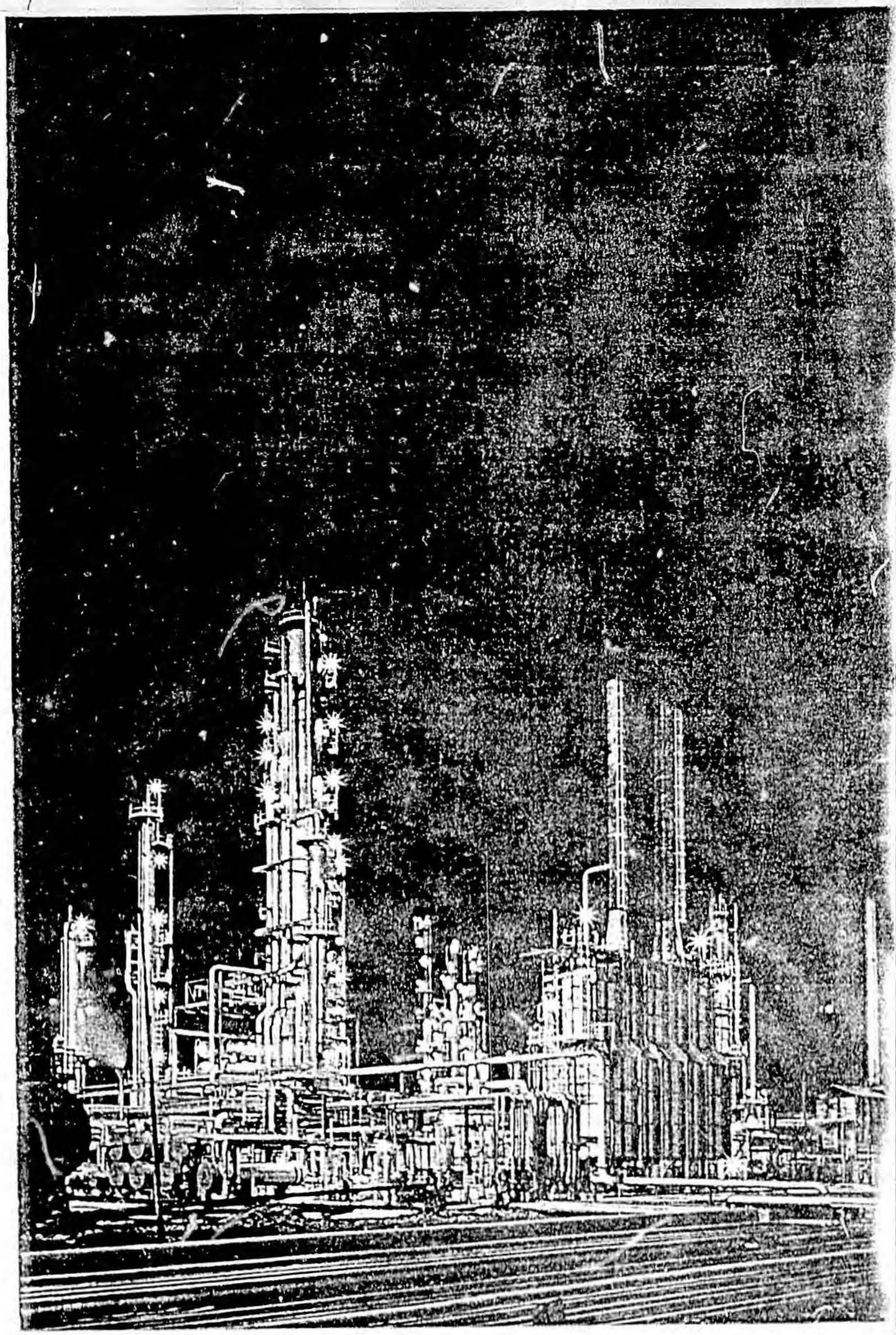
Most of the loans granted for reasons of regional interest went towards financing major infrastructure works, such as water and natural gas supplies and telecommunications installations, essential for the economic take-off of the country's least developed regions. Seven such projects received loans totalling Lit 143 500 million. In addition, the Bank lent Lit 42 300 million for nine industrial projects, chiefly in the chemicals sector.

EIB lending was largely confined to a few regions of the Mezzogiorno : Lit 72 000 million in Apulia and Basilicata, Lit 35 200 million in Campania, Lit 34 500 million in Sicily and close on Lit 17 000 million in Molise and Abruzzi. In these regions over half the loans for infrastructure were made in respect of "special projects" sponsored by the Cassa per il Mezzogiorno.

These "special projects", as defined by law in 1971, emanate from the authorities' concern to narrow the economic gap between the Mezzogiorno and the rest of the country by measures to make key infrastructure works of intersectoral and inter-regional importance, and thereby to stimulate the growth of productive activity, the use of natural resources and conservation of the environment.

water supplies in Apulia and Basilicata

One of these projects is designed to utilise the water resources of Basilicata and Apulia to put an end to a shortage that has long impeded the economic development of this part of the country. Two loans for a total of Lit 40 000 million will be used to part-finance two major public works. The first of these is a new section of the Pertusillo Aqueduct, which links up with the Pugliese Aqueduct to supply water from the Pertusillo Dam on the Agri in Basilicata to a number of towns in the heel of Italy. The second comprises construction of a dam and 450 million cu.m. reservoir at Monte Cotugno in Basilicata, and an aqueduct which will make the waters of the Sinni available for various uses, especially crop irrigation, in the Alto Metapontino. A loan was granted for the development of the Metaponto coastal plain in 1966.



Financing operations in Italy reached 358.8 million units of account. The Bank supported essential infrastructure projects (energy, telecommunications and water supplies) and measures taken to combat pollution, chiefly in the Mezzogiorno, where it also helped to finance a variety of industrial projects, in such sectors as chemicals and steel semi-processing.

reducing pollution in the Gulf of Naples

Another of the special projects which attracted an EIB loan, for Lit 24 000 million, was an ambitious scheme for reducing pollution in the Gulf of Naples, the shores and hinterland of which are at present one of the most heavily polluted areas of Italy. The work in hand to reduce pollution will not only help to improve the health situation but also enhance the agricultural, industrial and tourist potential of this part of Campania.

A further EIB loan was made for extensions to the gas pipeline network for distribution in Calabria of natural gas from the recently discovered fields in the Mezzogiorno, in particular the "Campo di Luna" offshore deposit near Crotone, for which two loans were granted in 1974.

Three loans totalling Lit 63 500 million will be used to part-finance extension and modernisation of telephone installations in Sicily, Abruzzi and Molise, and in certain less developed areas of Trentino-Alto Adige and Veneto.

finance for chemicals and iron and steel projects

All the industrial projects for which the EIB has made loans are located in the Mezzogiorno. Chemicals and steel production and semi-finishing attracted the largest share of finance, Lit 25 800 million and Lit 9 000 million respectively. Once again, the EIB helped to finance petrochemicals installations by ANIC of the ENI Group, this time at Gela in Sicily, and the construction of a plant to produce base materials for polyurethane manufacturing in the Montedison complex at Brindisi in Apulia. Loans were also granted for extensions to a chemicals factory being undertaken by the same group at Bussi in Abruzzi, and expansion of a pharmaceuticals factory for the Lepetit Group in Latium.

Two companies in the FINSIDER Group received finance to expand and modernise their tube plants at Taranto in Apulia and Torre Annunziata in Campania. These plants draw their supplies of steel from works in the Mezzogiorno, in particular the Taranto steel complex, which has already received a series of loans from the Bank.

The EIB also provided part of the funds for expanding a fluorescent tubes and vapour lamps factory at Bari in Apulia, for a graphite electrodes plant at Caserta in Campania, and for a metallurgical research centre near Rome.

Finally, the EIB approved 63 allocations, totalling about Lit 30 000 million, for small and medium-scale ventures in the Mezzogiorno, from global loans granted in previous years to Istituto Mobiliare Italiano (IMI), Banca Nazionale del Lavoro, Istituto per lo Sviluppo Economico nell'Italia Meridionale (ISVEIMER), Credito Industriale Sardo (CIS) and Istituto Regionale per il Finanziamento alle Industrie Finally, the EIB approved 63 allocations, totalling about Lit 30 000 million, for and will lead directly to the creation of 3 800 jobs.

334.5 million for U.K. loans in Scotland, Wales and the North

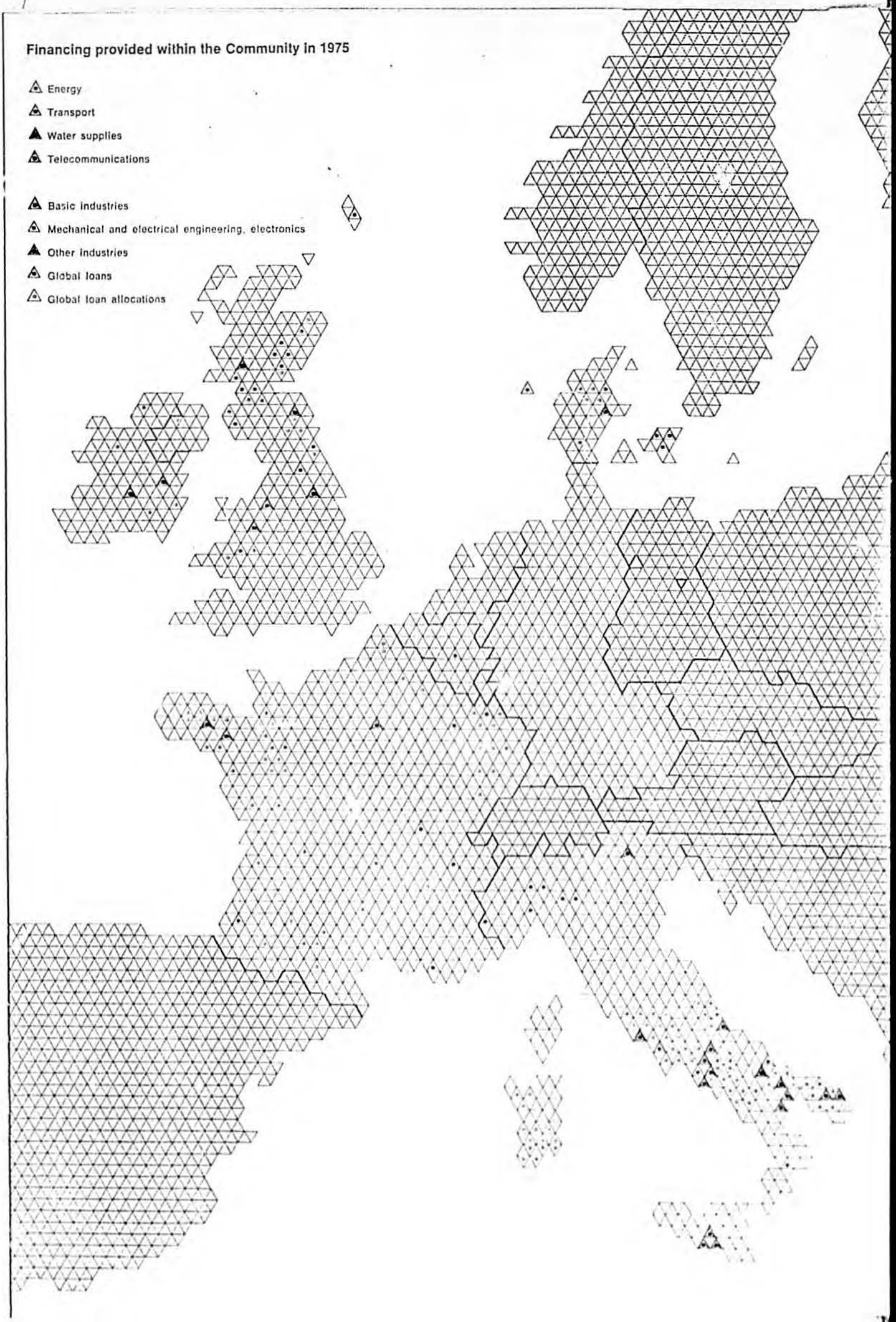
In the **United Kingdom** the Bank granted loans totalling 334.5 million units of account — £186.5 million —, more than double the 1974 figure.

The fifteen projects financed are all located in regions facing conversion and development problems, particularly in Scotland and the North of England, which attracted almost three-quarters of the credit made available, and Wales. Most of these were infrastructure projects, mainly in the energy sector and connected with the development of North Sea oil and natural gas fields.

Financing provided within the Community in 1975

- Energy
- Transport
- Water supplies
- Telecommunications

- Basic industries
- Mechanical and electrical engineering, electronics
- Other industries
- Global loans
- Global loan allocations



development of North Sea oil and gas

A number of loans amounting in all to £47.8 million were granted to the British Gas Corporation, for extending the gas pipeline network bringing Frigg natural gas from the North Sea to central Scotland, North-West and North-East England, via the coastal terminal at St Fergus. A further EIB loan for £16.9 million was made to finance construction of the petroleum harbour at Sullom Voe in the Shetland Islands. This will be used for transferring crude piped from the Brent and Ninian fields to tankers for shipping mainly to refineries in the United Kingdom and the European mainland.

two nuclear power stations

The development of the North Sea oil and gas fields has brought prospects of economic development that call for increased electricity supplies in Scotland and the North of England. Loans worth more than £50 million were advanced for the nuclear power stations at Hunterston in Scotland and Hartlepool in the North-East, and for high-tension transmission lines to link the Peterhead and Inverkip power stations with the Scottish grid.

Two loans were granted in support of coal production and utilisation, one to the National Coal Board for opening two coal mines in Yorkshire and Humberside and South Wales and developing a number of mines in the Midlands, and the other to the British Railways Board for the acquisition of over 2 000 specially designed wagons to deliver coal direct from the mine to the power station.

telecommunications and water supplies

The Bank also part-financed two general infrastructure projects in development and conversion areas, one concerning the extension and modernisation of telecommunications in Wales and the other for improving water supplies in North-East England.

and industrial projects

Four industrial projects received loans totalling £32.1 million, and will lead directly to the creation of some 1 500 jobs, as well as safeguarding over 700 others. The largest loan (£17.5 million) went to the British Steel Corporation for the installation of three new sheet coating lines at Shotton, in an area of Wales especially prone to employment problems. This financing operation brought to £67 million the total so far advanced towards the British Steel Corporation's Ten-Year Development Strategy.

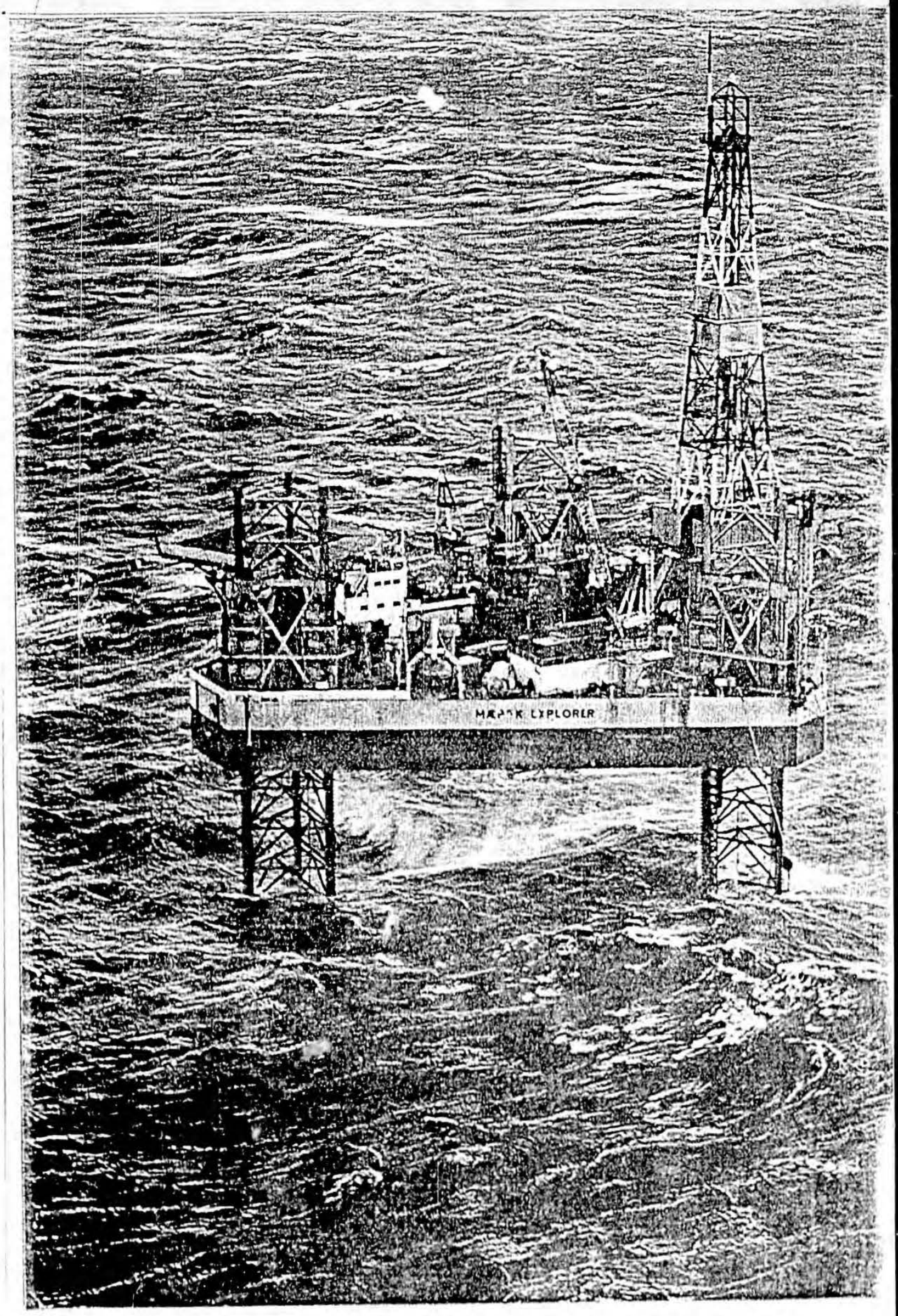
The other loans in the industrial sector helped to finance a whisky distilling, maturing and bottling plant at Shieldhall, a semi-portable typewriters factory in Glasgow, and a plant to produce glucose for the food and brewing industries at Howden in Yorkshire and Humberside.

Under the global loans granted in previous years to Industrial and Commercial Finance Corporation Limited (ICFC), the Bank approved 12 allocations involving a total of £2.4 million, in support of small and medium-scale ventures entailing the creation of about a thousand new jobs.

153 million for loans in France, chiefly telecommunications

Eleven loans were granted in **France**, for a total of 158 million units of account — Ffrs 845.7 million —, mainly for infrastructure in the fields of energy, transport, water supplies and telecommunications.

Two loans amounting to Ffrs 325.7 million went in support of the extension and modernisation of international telecommunications equipment (exchanges,


MÆRSK EXPLORER

Lending for projects which will help to increase and diversify the Community's energy resources amounted to 327.9 million units of account, or more than one-third of all financing in Member Countries. The Bank again played a role in the development of oil and natural gas fields in Italy, in the Po Valley, and in the Danish sector of the North Sea.

microwave links, telex etc.) and the improvement of telecommunications in Brittany. Since 1967 the EIB has advanced a total of Ffrs 1 200 million for projects designed to offset the relative lack of equipment in this sector suffered by the less developed regions of the country.

water

The Breton departments of Finistère, Morbihan and Ille-et-Vilaine also received loans totalling Ffrs 50 million to finance modernisation and extension of water mains networks, to improve supplies to many rural communes and further the development of agriculture, industry and tourism. Four loans were granted in 1973 for similar investments.

transport

Two loans were granted for transport infrastructure, one for Ffrs 150 million to increase the traffic capacity and improve operating conditions on the Paris-Bordeaux-Hendaye-Spanish frontier railway line serving the Atlantic seaboard, and the other for Ffrs 165 million to finance the Verdun-Rheims section of the Paris-Lorraine-Germany motorway. A loan for the Verdun-Metz section of this road was granted in 1974.

and nuclear energy

Three loans totalling Ffrs 135 million helped to finance projects aimed at improving the Community's energy supplies. The largest of these, for Ffrs 100 million, went towards construction of the fourth stage of Bugey nuclear power station at St Vulbas on the Rhône, bringing total bank finance in support of this project to Ffrs 618.6 million.

The second loan went to Framatome for a factory at Chalon-sur-Saône producing pressure vessels and steam generators for nuclear power stations, and the third part-financed construction of advanced technology undersea pipeline welding equipment to be used initially in the North Sea.

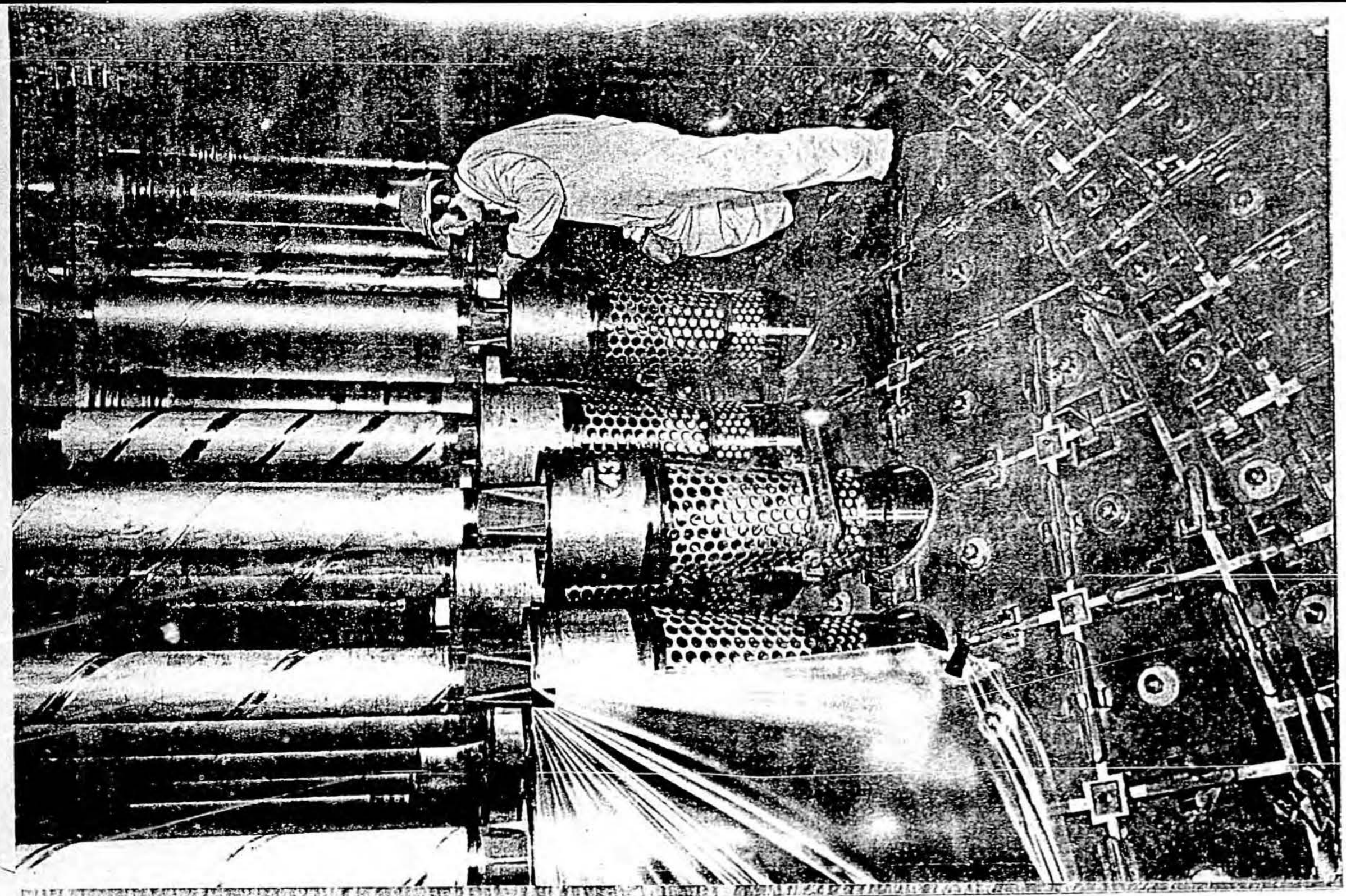
Société Lorraine de Développement et d'Expansion (LORDEX) received a second global loan, for Ffrs 20 million, for extending operations in support of small and medium-scale industrial ventures.

In 1975, 46 allocations worth more than Ffrs 100 million to help to finance fixed assets totalling some Ffrs 300 million were drawn down for small or medium-scale ventures from global loans previously granted to Crédit National, Caisse Centrale de Crédit Hôtelier, Commercial et Industriel and Société de Développement Régional de la Bretagne, and to LORDEX. These investments will lead to the direct creation of over 2 500 jobs and safeguard 1 500 others.

In Ireland 37.7 million for two regional development projects

In Ireland two loans totalling 37.7 million (£ Ir 22 million) were granted in favour of regional development projects, one for extending a cement works at Platin in County Meath, supplementing the loan granted in 1974, the other in furtherance of the five-year telecommunications extension programme for which the EIB had already provided finance over the previous two years.

The Bank also approved allocation of three sub-loans for £ Ir 1 million from a global loan granted in 1974 to the Agricultural Credit Corporation Limited (ACC); the ventures financed will lead to the creation of 360 jobs.



Finance provided for investments in the United Kingdom amounted to 334.5 million units of account. All the projects in question were located in regions facing development or conversion problems and most of them concerned energy supplies. As in Italy and France, the Bank helped to finance nuclear power stations; it also advanced considerable sums for extension of the network of major pipelines to transport natural gas produced from North Sea fields.

In Denmark 17.7 million for the development of oil deposits

Six loans were granted in **Denmark** for a total of 17.7 million (Dkr 125.4 million). The largest of these, worth Dkr 43 million, will contribute to the acquisition and installation of two oil production platforms for the Dan field in the Danish sector of the North Sea. Two further operations supported extension of an electric motors factory in the least developed area of North Jutland and construction of a very modern, high capacity pig slaughterhouse run by a farmers' cooperative in South-East Jutland which will benefit the cooperative's 4 000 members. These three projects will lead to the direct creation of more than 500 jobs and safeguard around 300 others.

and industrial projects

The Bank also granted three global loans worth Dkr 47.4 million, one to Finansieringsinstituttet for Industri og Håndværk A/S and two to the Danish Government acting through Egnsudviklingsdirektoratet, the Directorate for Regional Development. Five allocations totalling Dkr 10 million were approved from these loans for financing small and medium-scale ventures providing jobs for over 500 workers in less developed areas of the country.

10.8 million for a gasline in Belgium

In **Belgium** a loan for 10.8 million (Bfrs 500 million) went to Société Européenne du Gazoduc Est-Ouest (SEGEO) for laying a pipeline for conveying natural gas from fields in the North Sea and the Netherlands to southern Belgium and northern France. This gasline will form part of the European network, which has received several loans from the EIB in previous years.

LOANS OUTSIDE THE COMMUNITY

GREECE

In Greece 47.2 million for loans from the EIB's own resources

Following reactivation of the Financial Protocol with **Greece**, which had been suspended in 1967, the entire balance of funds provided for under this Protocol was committed in the form of seven loans totalling $ 55.8 million (1) (47.2 million units of account), or Dr 1 878 million, financed from the EIB's own resources.

for irrigation work in the Serres plain

The largest of these loans, for $ 30 million, or Dr 1 039.8 million, contributed towards irrigation work in the Serres Plain in Eastern Macedonia. It attracted the interest subsidy of three percentage points financed by Member States which signed the Financial Protocol and reserved for certain infrastructure projects showing an indirect or long-term return. The project forms a key part of the programme to increase the total irrigated area of the country by approximately one third. Flood control on the river Strymon and irrigation of a further 20 000 ha will make for a marked rise in agricultural production and considerably improve the employment situation on irrigated farms.

(1) The Financial Protocol provided for loans from the Bank for the equivalent of $ 125 million.

and several industrial projects

In the industrial sector, the Bank channelled funds to five projects. Two loan went to projects in Boeotia for constructing a cement works at Kamari and factory at Oenophyta producing flat-rolled aluminium products. The othe three loans went to a new electrical and telecommunications cables factory at Volos in Thessaly; an integrated cotton spinning and weaving plant at Yannitsa in Macedonia and a plant producing nylon filament yarn near Athens. Funds for the first four projects were granted through the intermediary of the Hellenic Industrial Development Bank (ETBA) and for the fifth through the National Investment Bank for Industrial Development (NIBID). These projects will create around 1 500 jobs.

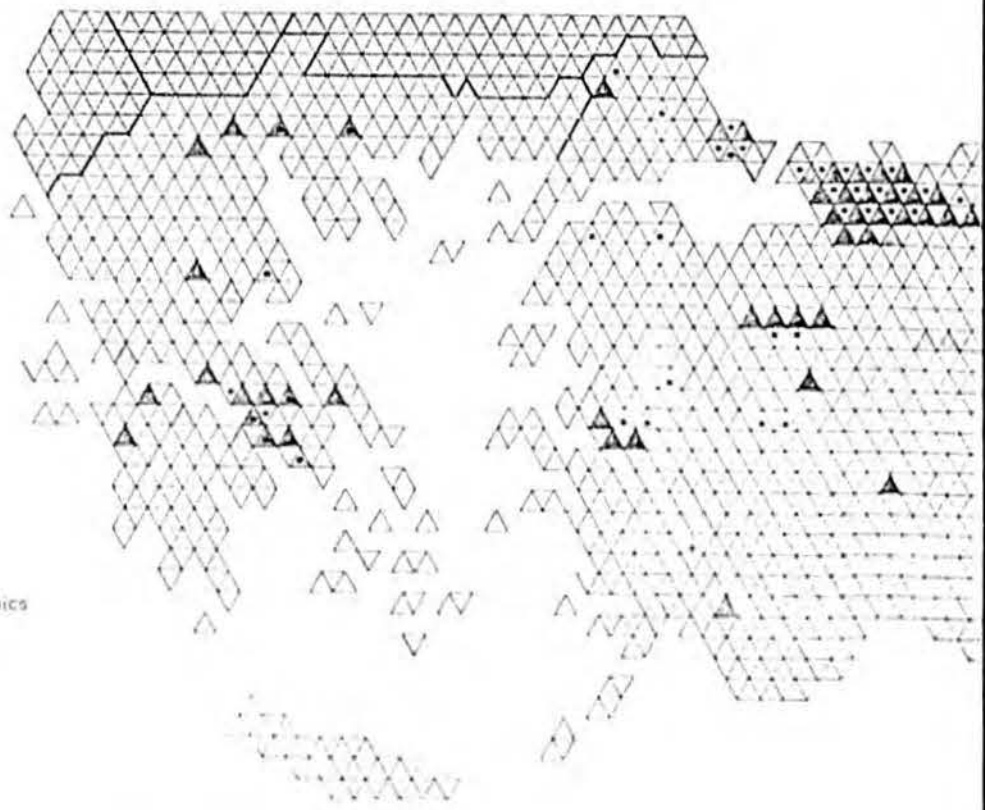
A global loan was also granted to NIBID for financing smaller-scale industrial ventures, in agreement with the EIB. Two allocations were approved in 1975, effectively creating and safeguarding over 200 jobs.

TURKEY

In Turkey 35 million for special loans, mainly for Elbistan power station

In Turkey three loans on special conditions totalling 35 million (TL 605.4 million) were granted by the Bank from funds provided by Member States.

Financing provided in Greece and Turkey



Two large infrastructure projects attracted the bulk of these funds. Finance totalling 77 million was approved for the Elbistan thermal power station project in Eastern Anatolia in 1974 when the first loan (58 million or TL 1 008 million) was made available. The second loan for 19 million (TL 330.2 million) was granted in 1975.

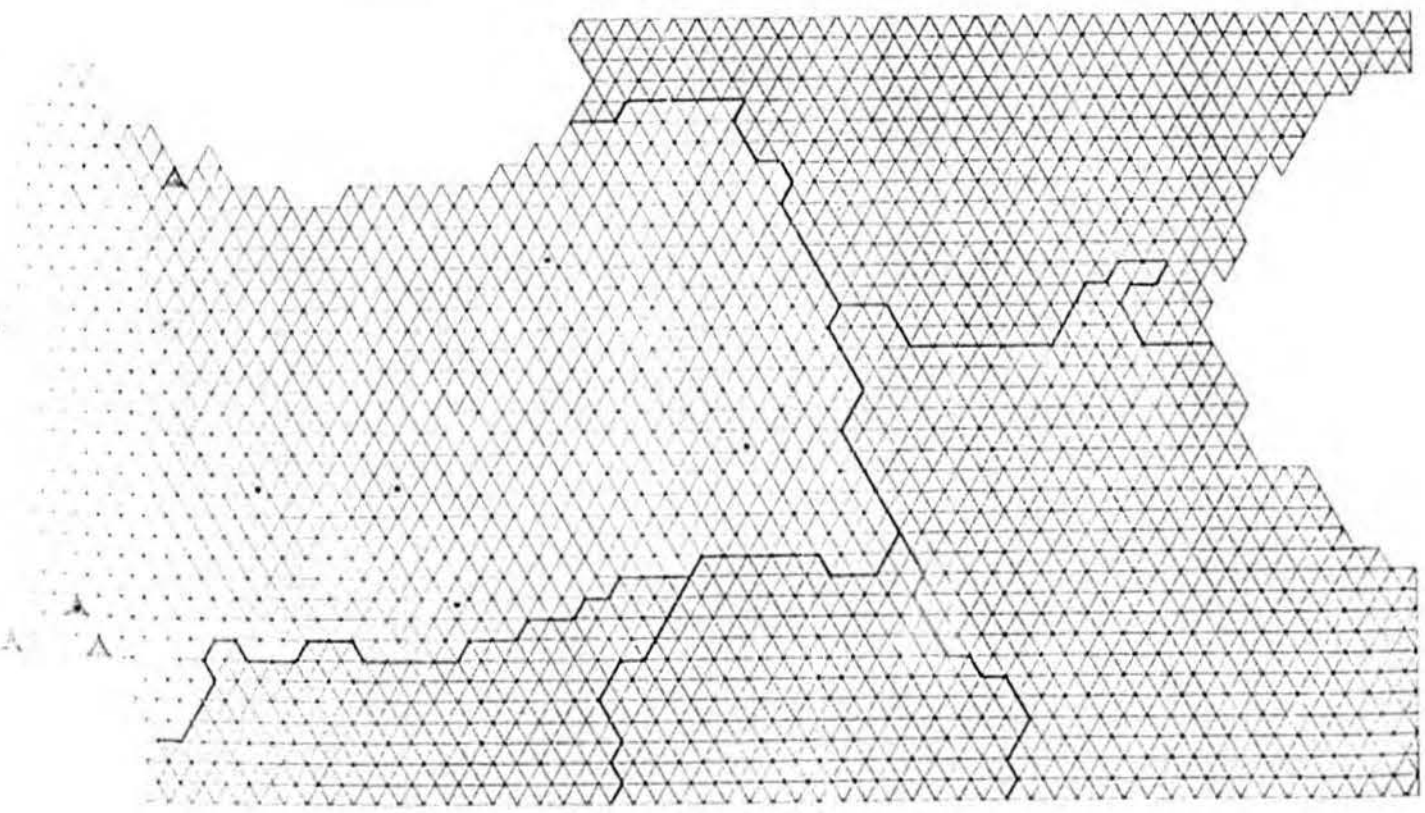
and irrigation of the Berdan Valley

A loan for 11 million (TL 189 million) helped to finance irrigation of 14 000 ha of land in the Berdan Valley in Southern Anatolia. The project comprises an 87 million cu.m. reservoir, and an entire irrigation, drainage and road system; it will also mean improved drinking water supplies for the town of Mersin.

The Industrial Investment and Credit Bank (SYKB) received a further global loan of 5 million (TL 86 million) for financing small and medium-scale ventures.

The Bank also approved 19 allocations totalling 22.3 million (TL 390 million) from the 25 million in lines of credit from its own resources granted to SYKB in 1974 for financing smaller-scale industrial projects and to the Turkish Industrial Development Bank (TSKB) for loans to private industry.

These allocations will lead to the direct creation of around 3 000 jobs as well as safeguarding some 1 700 others. The largest venture concerns a cement works at Yozgat in Central Anatolia which received a loan of 6.4 million through TSKB. The project is being implemented by a joint stock company established with a view to enabling workers who are natives of the town, but working abroad, to channel savings into productive investment in their home province.



1.75 million from the EIB's own resources in Mauritius

An ordinary loan of 1.75 million (Mau Rs 13.6 million) from the Bank's **own resources** was granted for uprating Fort Victoria thermal power station in **Mauritius.** This operation will help to bring about a significant improvement in the island's electricity supplies.

5.1 million for loans on special conditions from the EDF

Two loans on **special conditions** granted from the European Development Fund (EDF) and managed by the Bank under its Special Section as agent for the Community went towards financing infrastructure projects in the Netherlands Antilles and Guadeloupe.

In the Netherlands Antilles and Guadeloupe

In the **Netherlands Antilles** a loan for 4.4 million (Ant. Fl 9.1 million) will help to finance construction of additional infrastructure to enable large aircraft to land at Curaçao international airport.

The French overseas department of **Guadeloupe** received a loan of 0.7 million (Ffrs 4 million) for constructing a new mixed cargo wharf and various port installations at Pointe-à-Pitre.

Operations between 1958 and 1975

Between 1958, when it was established, and 31 December 1975, the European Investment Bank signed 641 contracts providing total financing of 5 660.9 million at current prices, or some 7 950 million at 1975 prices (1). The total cost of capital investments for which the Bank has extended long-term finance amounts to some 35 000 million at 1975 prices (2), corresponding to an average contribution of 22.4 %.

The different phases of development in Bank activity are illustrated in the graph on page 18 based on current prices. Following the initial phase, during which new loan commitments rarely exceeded 100 million, the annual volume of Bank lending progressively increased from just under 200 million in 1966 to 500 million in 1972. Enlargement of the Community led to a rise in Bank operations to more than 800 million in 1973 and to around 1 000 million in both 1974 and 1975.

Leaving aside the initial phase of activity, these trends correspond to an average annual growth rate, over the period 1966-1975, of around 12 % at constant prices, or considerably more than twice the rate of increase in gross fixed capital formation in the Community over the same period. Graph A on this page shows the growth in amount and volume of Bank operations financed from own resources and brings out the combined effect of spiralling inflation and enlargement of the Community on activity during the 1970s. The level of activity in 1975, however, was no higher, in real terms, than in 1973.

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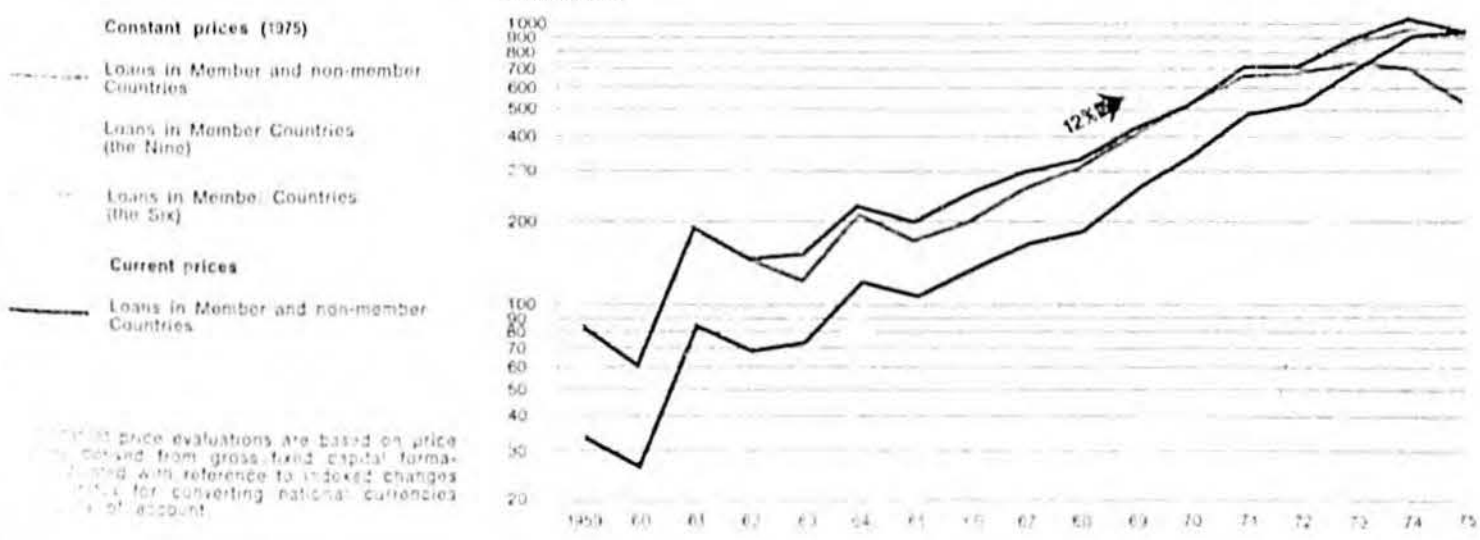
(1) Constant price evaluations are based on national price indices derived from gross fixed capital formation, adjusted to take account of changes in the rates for converting national currencies into units of account.
(2) This represents the total amount of fixed investments in respect of all projects backed by the Bank, calculated from data used in establishing the promoters' financing plans at the date when the Bank's Board of Directors approved the relevant financing operations.

Graph A **Loans from EIB own resources, 1959-1975 (at 1975 constant prices) (1)**

(million u.a.)

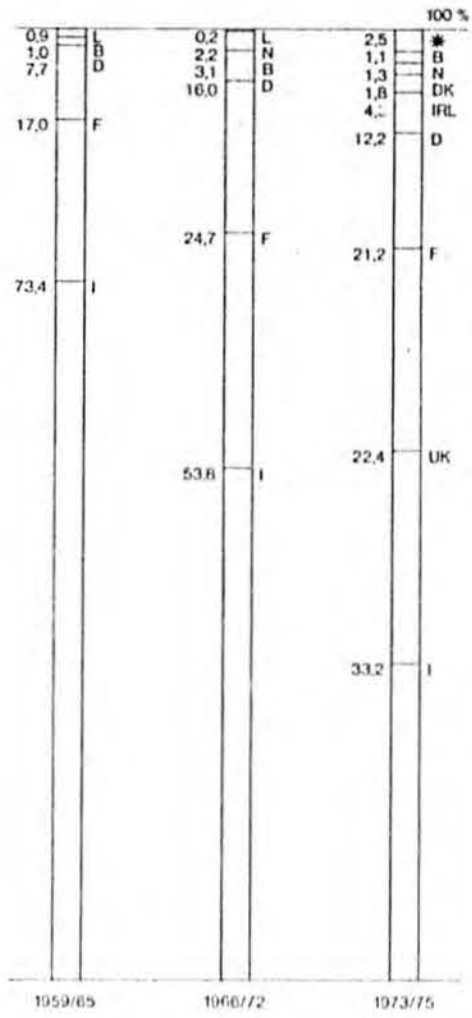


(1) Constant price evaluations are based on price indices derived from gross fixed capital formation, adjusted with reference to indexed changes in the rates for converting national currencies into units of account.

Graph B

Financing provided within the Community from 1958 to 1975

Breakdown by country

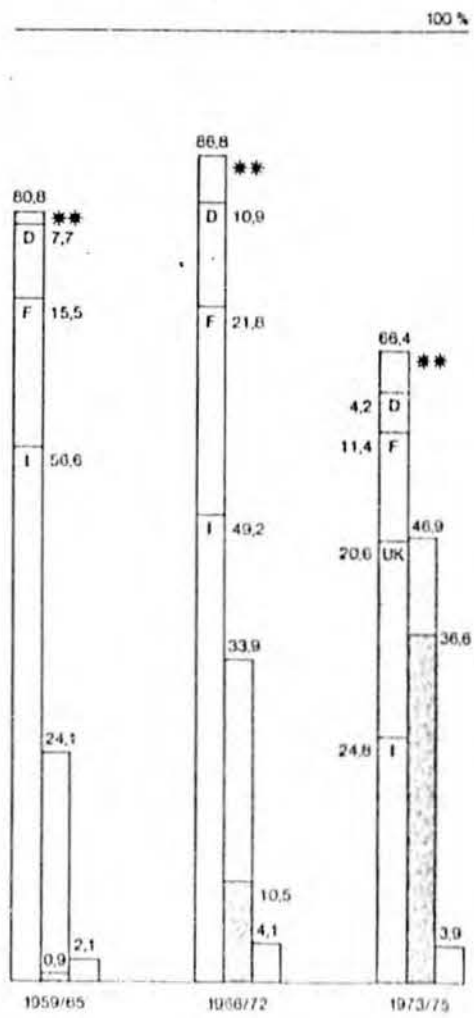


* Outside Community

Graph C

Financing provided within the Community between 1958 and 1975

Breakdown by economic policy objective



Regional interest

Common interest

of which : Energy

Sectoral interest

** Other countries

Indices of Bank activity
(average annual amounts at 1975 prices)

	1958-65	1966-72	1973-75
Member C[illegible]s	100	310	650
Italy	100	210	290

Indices of Bank activity according to economic policy objective
(average annual amounts at 1975 prices)

	1958-65	1966-72	1973-75
Regional interest	100	240	540
Common interest to several Member Countries	100	440	1 260
Sectoral interest	100	660	1 300

OPERATIONS IN THE COMMUNITY

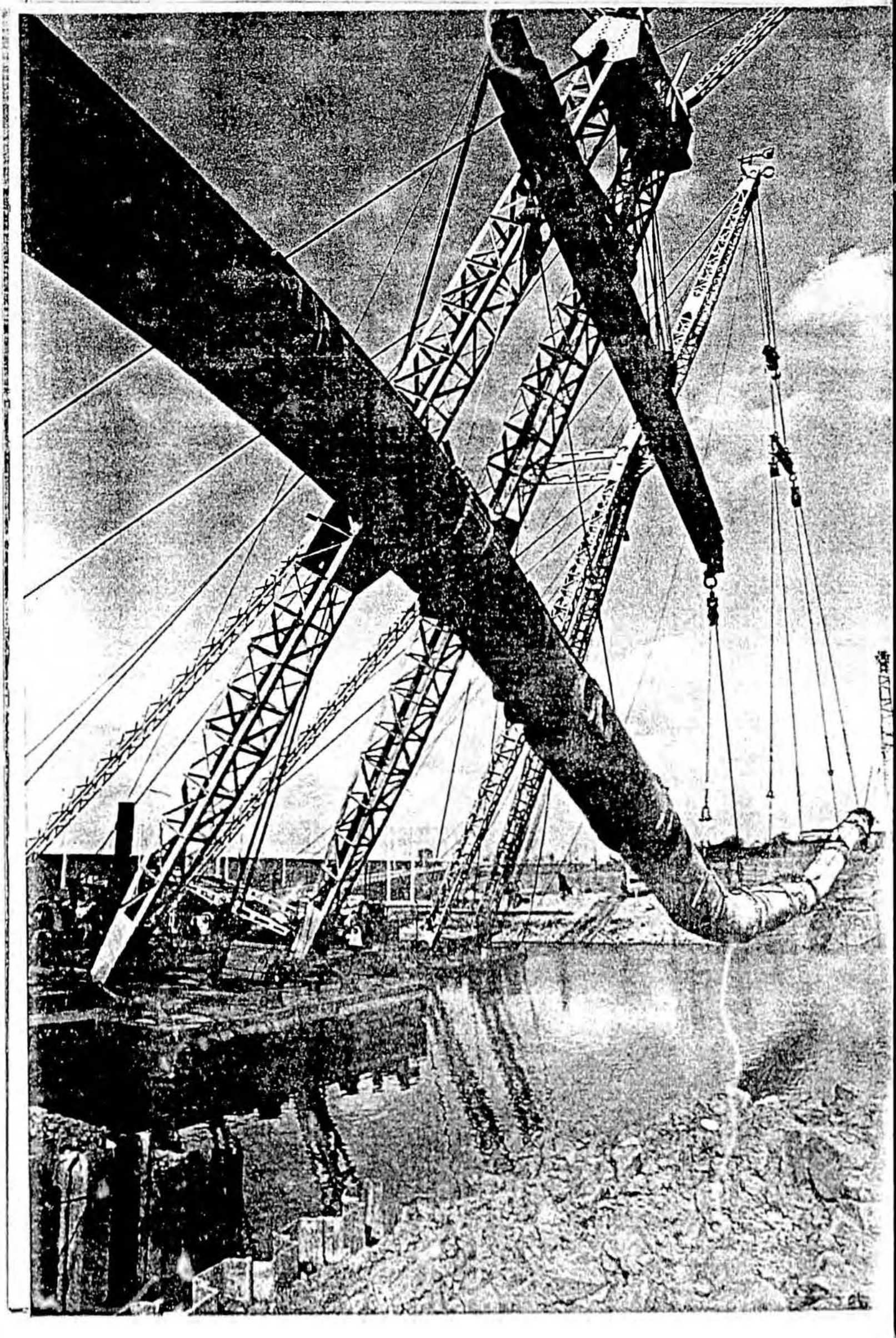
By far the greater part of the finance granted by the Bank has gone to Member Countries. 496 operations in support of projects located in the Community or of direct benefit to Member Countries totalled around 6 870 million at 1975 prices (4 919.4 million at current prices), or 87 % of the total. The Bank thereby contributed towards capital investments totalling around 30 000 million at 1975 prices, leading to the direct creation of 109 000 jobs and safeguarding 44 000 others.

In accordance with the Bank's main object of financing regional development and in view of the economic backwardness of the entire Mezzogiorno, Italy has been by far the leading beneficiary of EIB financing, having received 45 % of total Bank lending in Member Countries. Next come France with 22 %, Germany with 13 % and the Benelux countries with 4 %, while, of the new Member Countries, the United Kingdom has received 11 %, Ireland 2 % and Denmark 1 %. The remaining 1 % relates to loans for projects which although located outside the Member Countries, are of importance to the Community's energy supplies.

Graph B shows trends in the breakdown of financing by country. Although the volume of loans to Italy has continued to increase, its share of total Bank lending within the Community, where it remains the leading beneficiary, has progressively declined. The proportion of funds granted in France and Germany tended to increase, at least until Bank activity was extended to the new Member Countries of the Community. The percentages shown for the first three years of Bank lending in the new Member Countries are probably somewhat below what will be typical when operations are fully under way.

Most of the finance provided by the Bank within the Community since its foundation has benefited the less developed regions or areas facing conversion problems (see Table 5, p. 70). It can be seen from Graph C (1) that the share of lending in support of regional development has tended to decline, in spite of the fact that the average annual amount of such operations increased more than fivefold between the periods 1958-1965 and 1973-1975. In contrast, projects of common interest to several Member Countries have assumed increasing importance and, although originally concerning mainly transport infrastructure (roads, railways, etc.), within the Community, now cover a wider spectrum of activities. Between 1973 and 1975, more than 75 % of funds for projects of common interest helped to improve the Community's energy supplies, e.g. nuclear and hydroelectric power stations, gaslines and equipment for exploiting oil and natural gas. The share of loans for advanced technology and industrial modernisation or conversion ventures has doubled since the initial phase of activity, but remains relatively small.

(1) N.B. : Some loans satisfy more than one objective.

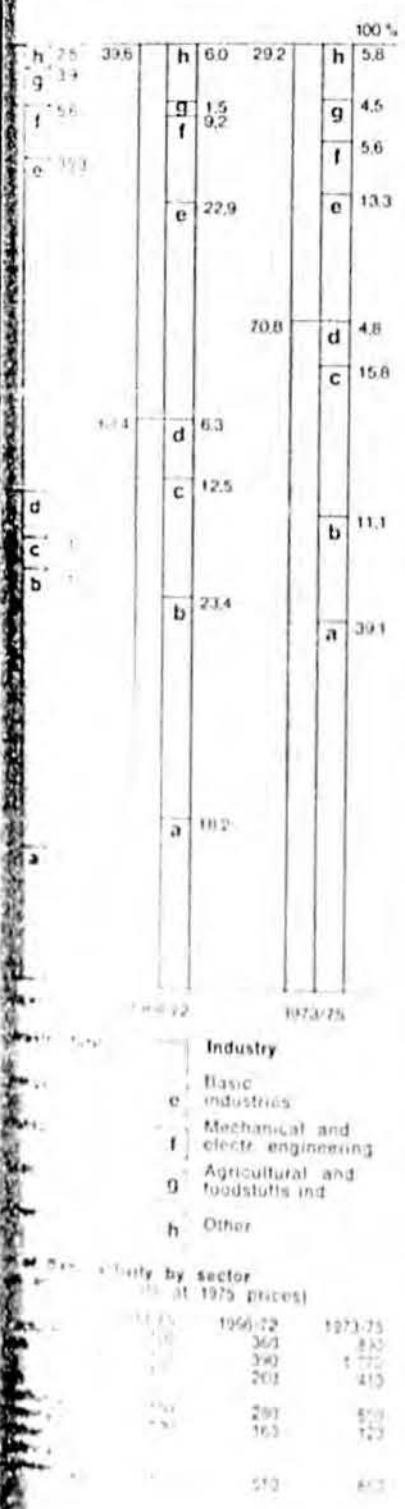


Bank mounted a number of operain support of natural gas transmiswhich is of growing importance in Community's energy supply pattern. were granted not only for the d Kingdom network, but also in Italy r distribution, in Calabria, of natural rom the Campo di Luna field — and elgium, towards the laying of a line will bring natural gas from the Sea and the Netherlands to southern um and northern France.

h D

cing provided within the Community 1958 to 1975

l breakdown



ly by sector
at 1975 prices)

	1958-72	1973-75
	365	843
	340	1 [illegible]
	203	415
	291	5[illegible]
	163	1[illegible]
	512	8[illegible]

A sectoral breakdown of Bank activity within the Community since 1958 shows infrastructure projects topping the list with 197 projects receiving 64.9 % of total commitments (see Table 7, p. 72). Graph D makes it clear that the predominance of finance for infrastructure has become more marked and that the breakdown of operations according to type of project financed has substantially changed over the years.

The share of lending for transport infrastructure, although still considerable, is tending to decline in favour of telecommunications and, more especially, energy projects, the latter receiving more than 55 % of all funds channelled into infrastructure works between 1973 and 1975. Between 1967 and 1975 a total of around 620 million at 1975 prices was granted for 13 nuclear power stations in Belgium, France, Germany, Italy and the United Kingdom.

Almost 35 % of all loans granted since 1958 has gone to productive enterprise. Its share of total Bank lending has however steadly diminished (see Graph D), particularly over the past two years with the slackening pace of economic activity. Nevertheless, the volume of funds earmarked each year for productive enterprise increased more than fourfold between the initial phase (1958-1965) and 1973-1975, with the Bank providing finance for 767 ventures. This high number is attributable to the application, since 1969, of the formula of global loans to banks and other intermediary financing institutions which draw on the proceeds, in agreement with the EIB, to make sub-loans for small and medium-scale industrial ventures in less favoured areas.

Between 1968 and 1975, 32 global loans totalling 440 million at 1975 prices were made available to the financing institutions listed in Table 12, page 76. Up to 31 December 1975, 257 million had been onlent towards 468 smaller scale industrial ventures, more than half of this over the past two years alone. Projects financed from global loan allocations are located in the Community's problem areas (see map, p. 28). The average size of allocations was 0.55 million over the 1969-1975 period; they directly improved employment in these areas by creating 30 700 jobs and safeguarding a further 10 500. The global loan formula has enabled the Bank to help in financing investments totalling 810 million at 1975 prices. The capital outlay for each job created averaged 26 000 units of account for global loan projects as against 96 000 units of account for industrial projects receiving individual loans.

The main industrial recipients of individual loans and allocations from global loans were the metals sector (production and semi-processing), followed by the chemicals indust[illegible] and, some way behind, the mechanical engineering and transport equipment industries. A substantial number of global loan allocations benefited mechanical and electrical engineering projects, the foodstuffs industry, the construction materials sector and the woodworking and paper industries. The effect of these sub-loans, coupled with a fall in lending to the chemicals industry, has been to produce a change in the breakdown of finance by industrial sector : the share of loans to the basic sectors, the main recipients, is tending to diminish, with a higher proportion of finance going to the foodstuffs and processing industries (see Graph D).

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Saudi Development Fund
Location:	Riyadh, Saudi Arabia
Size:	
Capital:	SR 10 billion (Saudi Riyals)
Purpose:	Established in September 1974, the SDF participates in financing development projects in the developing states by providing loans.
Source of Funds:	Believed to be direct contribution from Saudi Arabian revenues.
Management Structure:	The Fund is managed by a six man Board of Directors comprised of a Deputy Chairman, the Minister of Finance and National Economy, and four other members selected for three year terms of office by the Council of Ministers.
Management of Funds:	Internal
Portfolio:	The Fund will grant loans to projects of economic or social benefit to the recipient state on the condition that the loan is repaid in Saudi Riyals and that any one loan does not exceed 5% of the Fund's capital or 50% of the overall cost of the project being financed. In addition, any one country may not be extended loans totalling more than 10% of the Fund's capital. To date the Fund has extended more than fifty loans to a large cross-section of developing countries including Indonesia, Egypt, North Yemen, People's Republic of Congo and Niger.
Capital Structure:	N.A.
Income:	Believed to be retained.

SAUDI DEVELOPMENT FUND

Established September 1974.

Saudi Development Fund,
P.O. Box 5711,
Riyadh.
SAUDI ARABIA.

Telephone number: 21045

Managing director: Mahsoun Jalal.

Capital:

Authorised SR 10,000,000,000.

The Saudi Development Fund was set up under Royal Decree No.M/48 of 14 Sha'ban 1394(September 1st 1974) capitalised at SR 10 billion.

The Fund is managed by a six man Board of Directors and comprising a Deputy Chairman, the Minister of Finance and National Economy, and four other members selected for three year terms of office by the Council of Ministers.

The Fund will grant loans to projects of economic or social benefit to the recipient state on the condition that the loan is repaid in Saudi riyals and that any one loan does not exceed 5% of the Fund's capital or 50% of the overall cost of the project being financed.

In addition any one country may not be extended loans totalling more than 10% of the Fund's capital.

To date the Fund has already extended more than fifty loans to a large selection of developing countries that include Indonesia, Egypt, Noth Yemen, Peoples Congo, Niger etc.

STATUTES OF THE SAUDI DEVELOPMENT FUND

(The following is a translation from the original Arabic text of the statutes of the newly-created Saudi Development Fund, as published in the 20 September 1974 issue of the Saudi official gazette Umm al-Qura)

Article 1

There shall be established in accordance with these statutes a public organization called "The Saudi Development Fund," headquartered in the city of Riyadh, which shall enjoy corporate status and financial independence and shall participate in financing development projects in the developing states by providing loans to such states.

Article 2

The capital of the Fund shall be fixed at SR 10,000 million* half of which will be covered during the next three years in accordance with the budget allocations, and the remainder will be covered thereafter in accordance with the amounts specified in the State's General Budget each year.

The Fund's capital may be increased by a decision of the Council of Ministers.

Article 3

The Fund shall be administered by a Board of Directors, under the chairmanship of the Minister of Finance and National Economy, and composed of the following members:

(a) Deputy Chairman and Managing Director, who shall be appointed by a decision of the Council of Ministers upon the proposal of the Minister of Finance and National Economy. The decision shall also determine his remuneration and stipulate the conditions of his employment and termination.

(b) Four other members with expertise and specialized qualifications whose selection will be made by a decision of the Council of Ministers upon the proposal of the Minister of Finance and National Economy. The period of office of the aforementioned members shall be for three years, and it shall always be possible to reselect them following the expiry of their term of office.

The Board of Directors shall meet at the invitation of the Chairman or Deputy Chairman, whenever the need arises, and a quorum shall be constituted by the attendance of the majority of the members.

Without prejudice to any particular provision, the Board's decisions shall become effective by the approval of a simple majority of the members present; and in event of a tie, the view of the side which includes the Chairman shall prevail.

* 1 US $ = SR 3.55

Article 4

The Board of Directors of the Fund is the authority that controls the Fund's affairs and carries out its business, and for this purpose the Board shall:

(1) Approve the regulations and conditions for granting and recovering loans in accordance with the provisions of these statutes.

(2) Approve the granting of loans for projects which the Board sees fit to finance.

(3) Approve the investment of the Fund's unutilized monies in various investment fields.

(4) Approve the Fund's employees' regulations in agreement with the General Employees Bureau.

(5) Approve the Fund's administrative and financial regulations.

(6) Approve the Fund's administrative and general draft budgets and closed accounts.

Article 5

The Deputy Chairman and Managing Director shall be responsible for the executive management of the Fund and shall represent it in the courts and in its relations with other parties. He shall also be responsible for the implementation of the decisions of the Board of Directors.

Article 6

The Fund, prior to the granting of a loan, must investigate the loan's profitability and repayment guarantees taking into consideration the following:

(a) The financial capacity of the state requesting the loan as regards the size of the loan and the adequacy of the economic and financial resources available for its repayment.

(b) The importance of the project for which the loan is to be obtained, its priority rating with regard to other projects, and the extent to which it complements the other economic facilities of the borrowing state.

(c) The adequacy of the feasibility and evaluation studies for the project from the economic and technical points of view.

(d) The availability of the funds necessary for the implementation of the project in the borrowing state in addition to the amount of the loan.

Article 7

The Fund shall grant loans subject to the following conditions:

(a) That the economic or social benefits for the borrowing country of the project to be financed shall be established by the Fund.

(b) That the loan shall be paid out and repaid in Saudi Riyals.

(c) That the amount of the loan for any project shall not exceed five percent of the Fund's capital or 50 percent of the total cost of the project for which the loan is being granted.

(d) That the total amount of loans granted to any country at any one time shall not exceed 10 percent of the Fund's capital.

The Council of Ministers, upon the recommendation of the Board of Directors and the proposal of the Minister of Finance and National Economy, may waive any one of these conditions whenever there is justification for so doing.

Article 8

All loan agreements concluded by the Fund with a recipient country should provide for the following:

(a) The whole amount of the loan shall be allocated to the project for which the loan is being made, and the Fund shall be advised how the sum is being spent and being coordinated with the other sources of finance.

(b) All information and facilities requested by the Fund regarding the progress of work on the project for which the loan has been granted shall be made available from the date of the signature of the contract until the loan has been fully repaid.

(c) Every facility shall be accorded to employees who are assigned duties by the Fund in connection with the loan in the recipient country, together with immunities similar to those of diplomatic missions.

(d) All the Fund's financial activities in the recipient country shall be facilitated. Also the loan and assets of the Fund in the said country shall be exempted from all direct and indirect restrictions related to controls on the transfer of funds, currencies and cheques, to the extent of the value of the loan.

(e) All the Fund's transactions and income in the recipient country shall be exempted from all taxes, fees and duties in whatever form.

(f) All the assets of the Fund in the recipient country, regardless of their nature, shall be immune from all kinds of expropriation, nationalization or sequestration as well as seizure or attachment.

(g) All the documents, records and correspondence of the Fund shall be treated as confidential, and total immunity shall be accorded to the Fund in the recipient country in respect of censorship and inspection of publications.

Article 9

The Fund may, as it deems fit, request from the borrower adequate guarantees for the loan.

Article 10

Without prejudice to the rights of the Fund in respect of the loan agreement, principles of public law or international practice, the Fund may - in the event that the recipient state violates any of the obligations stipulated in the loan agreement - suspend payment of the outstanding installments of the loan, consider that the installments already paid are due for repayment with immediate effect, and recover such sums together with all costs specified in the loan agreement without notice or warning or resort to legal action.

Article 11

The financial year of the Fund is the State's fiscal year, and at the end of each financial year the Minister of Finance and National Economy shall submit to the Council of Ministers:

(a) A detailed annual report on the Fund's activities which shall include a comprehensive review of the Fund's operations during the year and plans for the following year.

(b) The Fund's general budget and closed accounts.

Article 12

Without prejudice to the authority of the Comptroller General of State Accounts, the Board of Directors of the Fund may appoint one or more auditors or licensed accountants.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Arab Bank for Economic Development in Africa
Location:	Khartoum, Sudan
Size:	Authorized and subscribed capital: U. S. $231 million
Purpose:	Established in 1974 under aegis of Saudi Arabia and League of Arab States. Operations commenced in 1975. Membership consists of 18 Arab states which have contributed from U. S. $50 million (Saudi Arabia) to U. S. $1 million (Jordan, Bahrain, Sudan, Syria, Egypt, Mauritania, Palestine) to initial capital. Purpose is threefold: (1) assist in financing economic development in African countries; (2) stimulate the contribution of Arab capital to African development; (3) help provide technical assistance required by Africa's economic development.
Source of Funds:	Anticipated to be capital subscriptions by member states, plus borrowings (up to a limit of 2x paid in capital and reserves), deposits and retained earnings. Special funds also authorized.
Management Structure:	Board of Governors (one from each member country) oversees general operations and policies. Initiation and implementation of policies and direction of management via Board of Directors (12, based on share ownership) through President (Chairman of Board of Directors) and staff.
Management of Fund:	Internal policies prohibit disbursement of funds without prior provision for supervision of related project by bank staff.
Portfolio:	Operations of bank may take the form of (1) loans and guarantees granted to development financing institutions; (2) participation in financing of major economic projects, especially agriculture and industry, to make up any deficit from external sources of financing; (3) technical and financial assistance aimed at identifying and structuring economic development projects, especially Afro-Arab projects; (4) technical and financial aid with respect to technological development. Eligible recipients limited to (1) African governments and agencies; (2) public and private companies, organizations and projects in African

Portfolio: (cont'd.)	countries, majority owned by Aftrican governmerts or citizens; (3) mixed, African or Afro-Arab economic development companies. Present portfolio believed to consist of 20-25 loans in 20 African states. Maximum participation by Bank in any one project to be lesser of U. S. $10 million or 50%; term of loans to vary based on project; and interest charges to vary from 1% to 6%. All loans and investments must be guaranteed.
Capital Structure:	See "Source of Funds" above.
Income:	Allocated to reserves or members' capital accounts by Board of Governors.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA.

Established February 1974.

Arab Bank for Economic Development in Africa,
Baladia Road,
P.O. Box 2640,
Khartoum.
SUDAN.

Telephone numbers: 73645-7.

Telex number: KM 248.

Directors: Dr. Shazali Al Ayari (Chairman)
There are eleven other directors each of whom under Article 22 of the 'General Agreement' is entitled to hold the office for a period of four years renewable.

Authorised capital: Ø 231 million - to be increased.

GENERAL AGREEMENT

establishing the

ARAB BANK FOR ECONOMIC

DEVELOPMENT IN AFRICA

(A.B.E.D.I.A.)

THE GOVERNMENTS of the Arab League States on whose behalf this Agreement is signed,

Believing in the need to strengthen the ties between African States and the Arab Nation,

Seeking to further the economis development of African countries within a framework of solidarity and mutual interest,

Recognizing that coordinated efforts aimed at bringing about the economic independence of African countries are a crucial factor in achieving our national goals,

Seeking to give African-Arab solidarity a concrete and efficient shape, based on equality and friendship,

Being convinced that the establishment of a financial institution to support the economic development requirements of African countries constitues a major step towards stimulating Arab-African cooperation, and

Pursuant to the decisions of the VIth Arab Summit of Algiers, taken at its session of 26th November 1973, and to the recommendations made by the Economic Council at its session of 5th December 1973,

AGREE AS FOLLOWS :

Chapter I

GENERAL PROVISIONS

Article One : FORMATION OF THE BANK

An Arab financial institution is hereby established. Its name shall be :

THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

(hereinafter called « The Bank »)

Article 2 : PRINCIPAL OFFICE

The principal office of the Bank shall be at Khartoum.

The Bank may establish subsidiaries, branches or offices in member countries or in any other country, as its operations may require.

Article 3 : LEGAL STATUS

I. The Bank is an independent international institution enjoying full international legal status and complete autonomy in administrative and financial matters.

II. The Bank is governed by the provisions of this Agreement and the principles of international law.

Article 4 : PURPOSE AND FUNCTIONS

The purpose of the Bank is to foster economic, financial and technical cooperation between African countries and countries in the Arab world. In carrying out this purpose, the Bank shall .

I. Assist in financing economic development in African countries.

II. Stimulate the contribution of Arab capital to African development.

III. Help provide the technical assistance required for Africa's development.

Article 5 : MEMBERSHIP

I. The states on whose behalf this Agreement is signed are original members of the Bank.

II. Any Arab state is entitled to become a party to t Agreement establishing the Bank by sending a noti to that effect in writing to the Secretary General of t League of Arab states. The Secretary General sh notify member countries and the Chairman of the Boc of Directors of the Bank of such membership inst ment.

III. No member shall be liable, by reason of its membe ship, for obligations of the Bank, except within t limits provided in this Agreement. Nevertheless, ea member's liability extends to that portion of its sub cription that has not been paid in.

Chapter II

FINANCIAL RESOURCES

Article 6 : SUBSCRIBED CAPITAL

I. The capital stock of the Bank, as initially subscribe shall be Two Hundred and Thirty One Million US Do lars, divided into Two Thousand Three Hundred ar Ten registered shares, having a par value of One Hu dred Thousand US Dollars each, to be allocated in a cordance with the Subscription List attached heret

II. The price of the shares subscribed by members sha be payable in four equal successive installments. Eac member bound by this Agreement shall pay the amou of the first installment into the account of the Ban opened with the party designated at the first meeti of the Board of Governors, within thirty days from th date the Board of Governors shall have made such de signation.

Those countries that have deposited their ratificatio instruments after the effective date of this Agreemer shall make payment within thirty days from the depo siting of such instruments. Subsequent installment shall be paid into the Bank's account opened with the party designated by the Board of Directors. The capita shall be fully paid up within a period not exceeding two years after the effective date of this Agreement.

III. No less than Ten Shares may be subscribed.

IV. The amount of installments due shall be paid in United States dollars.

Article 7 : TRANSFERS OF SHARES

Shares shall be transferable only to the Bank, in accordance with the provisions of Article 43 in respect of withdrawals.

Article 8 : INCREASE OF CAPITAL

I. The capital of the Bank shall be increased by the amount of the subscriptions of new members or by the amount of additional subscriptions by any member, in addition to such member's initial subscription.

II. The amount of capital stock may be increased as required by a decision of the Board of Governors taken by a three-fourths majority of the total voting power. Such increase shall be binding upon all members that have agreed thereto.

III. In the event of an increase of capital stock as provided in the two preceding paragraphs, the Bank's financial management procedures shall establish the criteria to be used in determining the amount to be paid by each member in consideration for its subscription for new shares.

Article 9 : BORROWING

I. The Bank shall endeavour to increase its resources by borrowing, obtaining sureties and long and medium term deposits, issuing securities in national and international financial markets, at such times as it can start this type of transaction without jeopardizing either its solvability or its purpose and function with regard to development financing.

II. The Bank shall always secure the prior approval of any country in whose territory the Bank proposes to obtain additional financing.

III. The aggregate amount of funds borrowed by the Bank shall not at any given time exceed Two Hundred percent of the sum of paid-in capital plus reserves, except as the Board of Governors may otherwise expressly resolve. This limitation is not applicable to deposits.

Chapter III

OPERATIONS

Article 10 : OPERATIONAL PRINCIPLES

The operations of the Bank shall be conducted in accordance with the following principles :

I. The Bank may not take part in any operation whatsoever that is contrary to, or likely to restrict or modify its purpose or functions.

II. The Bank may not undertake any operation in an African country if the country concerned objects to it.

III. The Bank shall apply generally accepted principles to development financing on favourable terms without jeopardizing its overall solvability.

IV. The Bank shall undertake its financing operations upon such terms as are deemed appropriate to the nature and circumstances of each operation.

When determining the conditions governing its activities in the less developed African countries, the Bank shall take into consideration the general situation of those countries, as well as their requirements for financing on more favourable terms.

V. In its financing operations, the Bank shall take into consideration the ability of the recipient, or, as the case may be, of the recipient's guarantor to fulfill its obligations.

VI. The Bank shall take any and all steps necessary to ensure that the loans made are used exclusively for the purpose for which they were made available, due regard being paid to economy considerations in costs and to efficieny considerations in implementation.

VII. Any loan granted by the Bank to provide finance for a particular project shall be subject to international bid procedures in African and Arab countries for the procurement of goods and services produced in those countries.

The Board of Directors may, whenever it deems it expedient, authorize the purchase of goods and services from any other country. Similarly, it may waive the international bid requirement.

Article 11 : **FORMS OF OPERATIONS**

The Bank shall conduct its operations in such form or forms as the Board of Directors may deem appropriate to the purpose of the Bank.

Priority shall be given to the following operations :

I. Loans and sureties granted to development financing institutions of a local, mixed or regional nature.

II. Participation in the financing of major economic projects, especially in industry and agriculture, in order to make up any deficit from external sources of financing

III. Technical and financial assistance aimed at identifying opportunities conducive to economic development, preparing related programmes and projects, drawing up their financing schedules and ensuring that they are implemented, especially as concerns Arab-African joint ventures.

IV. Technical and financial aid neccessary to acquire modern production techniques and know-how.

Article 12 : **RECIPIENTS**

The parties that may take advantage of the Bank's operations pursuant to this Agreement are as follows :

I. The Government of African countries, including any province, agency or organization thereof.

II. Public or private companies, organizations and projects carrying out their business in African countries and in whose capital the governments or citizens of those countries have a majority holding.

III. Mixed, African or Arab-African companies whose purpose is economic development and that need financing for a specific project.

Article 13 : **SPECIAL FUNDS**

I. The Bank may undertake the management of any financial resources whose utilisation is compatible with its purpose and functions.

II. Such resources shall constitue special funds that are distinct from other accounts of the Bank.

III. The Board of Directors of the Bank shall establish the procedures and make the recommendations necessary for the management of such funds.

Article 14 : IMPLEMENTATION OF OPERATIONS

I. The Bank shall conduct its operations in accordance with such conditions as the Board of Directors may deem appropriate for each case, in such manner that no project shall receive financing until it has been reviewed and its plan of operation has been completed and until its importance for the national economy of the recipient country has been demonstrated.

II. The Board of Directors shall establish the necessary rules and regulations for each type of operation undertaken by the Bank.

Article 15 : LIQUID ASSETS

The Bank shall investits liquid assets in finance bills and banks deposits, pursuant to a decision taken by the Board of Directors. Such investments shall, to the extent possible, be made in Arab and African countries, due regard being paid to safety, liquidity, convertibility and diversification standards and to the best returns obtainable.

Article 6 : LIMITATIONS ON FINANCIAL OPERATIONS

The Board of Directors shall establish the rules for the maximum amount of loans and guarantees granted, at any given time, as well as the rules for the maximum level of each individual financing granted, due regard being paid to the situation of the Bank's resources and to the requirements of its solvability.

Chapter IV

THE BOARD OF GOVERNORS

Article 17 : **COMPOSITION**

Each member of the Bank shall appoint a Governor and Alternate Governor to act as its representative on the Board of Governors. No Alternate Governor may vote except in the absence of his principal.

Article 18 : **POWERS**

I. All the powers of the Bank shall be vested in the Board of Governors.

II. The Board of Governors shall give the Board of Directors any and all directions relative to the general policy of the Bank. The Board of Governors may delegate to the Board of Directors authority to exercices any of its powers, except the power to :

a) increase the capital stock of the Bank pursuant to Paragraph (II), Article 8

b) appoint the Chairman of the Board of Directors and President of the Bank

c) approve the Bank's financial management procedures as proposed by the Board of Directors

d) appoint auditors for the Bank, and determine the amount of their compensation

e) approve the budget of the Bank and its operating accounts, after having taken cognizance of the Board of Directors' reports and the Auditors' report

f) allocate the net income for the financial year

g) interpret and amend the provisions of this Agreement .

h) suspend a member

i) decide to suspend permanently the operations of the Bank and to distribute its assets.

III The Board of Governors shall keep the right to exercise all the powers it shall have delegated to the Board of Directors under the preceding paragraph.

Article 19 : **MEETINGS**

I. The Board of Governors shall hold an annual meeting and such other meetings as it may decide to hold or as called by the Board of Directors. The Board of Directors shall call a meeting of the Board of Governors whenever five of the members of the Bank shall so request.

II. A quorum for any meeting of the Board of Governors shall be a majority of members exercising not less than two-thirds of the total voting power.

III. At its annual meeting, the Board of Governors shall select one of the Governors as Chairman of the Board of Governors. The Chairman so selected shall hold office until his successor has been elected.

IIV. The Board of Governors may by regulation establish a procedure whereby the Board of Directors, when it deems it desirable, may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.

V. The Secretary General of the League of Arab States shall, as an observer, attend the meetings of the Board of Governors.
The Secretary General or his delegate shall have the right to participate in the debates of the Board of Governors but shall not vote at such meetings. All decisions of the Board of Governors shall be notified to the Secretary General.

VI The Secretary General of the Organization for African Unity shall attend, as an observer, the meetings of the Board of Governors.
He or his delegate shall be entitled to participate in the debates of the Board of Governors but shall not vote at such meetings.

Article 20 : **VOTING**

I. During voting at the Board of Governors, each member shall have two hundred votes in its own right plus one additional vote for each share of stock held.

II. Each Governor, or Alternate Governor (in the event of the absence of the former), shall be entitled to cast the number of votes which the member by which he was so appointed is entitled to cast.

III. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the votes represented at the meeting.

Chapter V

THE BOARD OF DIRECTORS

Article 21 : **COMPOSITION**

I. The management of the business of the Bank shall be

vested in a Board of Directors composed of one Chairman and 11 Directors.

II. Any member holding two undred shares or more has one seat on the Board of Directors. The other members of the Bank shall, according to their voting power in the Board of Governors, jointly select the remaining Directors.

III. Any Bank member not represented on the Board of Directors shall have the right to delegate a representative to attend meetings of he Board of Directors and participate in such meeting without being entitled to vote thereat.

IV. In the event of the absence of their Chairman, the Directors shall select one of their number to preside over the meeting.

Article 22 : TERM OF OFFICE OF THE DIRECTORS

I. Directors shall hold office for a term of four years renewable.
Directors shall continue in office until their successors have duly assumed office.

II. The Bank shall bear the costs necessary for the participation of the Directors and Auditors in the meetings of the Board.

Article 23 : VACANCY OF A DIRECTORS'S OFFICE

If a seat on the Board of Directors becomes available for use by those countries whose individual capital stock holding is less than two hundred shares, the candidate who shall have received the largest number of votes at the election of the representatives of those countries shall occupy said seat. Should there be no such candidate, the countries referred to above shall designate a representative to occupy the vacant seat.
A Director that is appointed to replace another shall hold office only for the remainder of the term of his predecessor.

Article 24 : MEETINGS

I. Meetings of the Board of Directors shall be held at the principal office of the Bank or at ony other location that the Board of Directors may designate.

II. The Board of Directors shall meet every four months or whenever the business of the Bank may so require.
Meetings of the Board shall be convened by its Chairman or by two Directors.

III. A quorum shall be a majority of the Directors.

Article 25 : POWERS

All the powers necessary to conduct the business and affairs of the Bank, except such powers as are reserved for the Board of Governors, shall be vested in the Board of Directors.

The powers of the Board of Directors include the following :

I. To lay down the general policy of the Bank and follow up its implementation, pursuant to the provisions of this Agreement and to the directions of the Board of Governors.

II. To establish standards and rules and adopt measures necessary to the smooth functioning of the business of the Bank, due regard being given to economy considerations in expenditures and efficiency considerations in implementation.

III. To develop a plan of operations identifying the level of transactions and the procedures to be followed.

IV. To approve loans and guarantees granted by the Bank.

V. To take decisions relating to borrowing and the issuance of securities.

VI. To prepare the meetings of the Board of Governors and the documents to be submitted to it, including an annual report on the activity of the Bank.

VII. To establish branches, subsidiaires and offices of the Bank, as required by the business of the Bank.

Article 26 : DECISIONS

I. The decisions of the Board of Directors shall be taken by a majority of the members present, except as otherwise provided in this Agreement. Each member shall have one vote only.

II. The Chairman of the Board of Directors shall have no vote, except a deciding vote in case of an equal division.

Chapter VI

OFFICERS AND STAFF

Article 27 : THE PRESIDENT OF THE BANK

I. The Chairman of the Board of Directors shall be the President of the Bank.
He shall be appointed for a period of five years renewable. He shall hold office until his successor duly takes over.

II. The President shall be the chief of the operating staff of the Bank. Under the direction of the Board of Directors, he shall conduct the ordinary business of the Bank.
The President shall be responsible for the organization, appointment and dismissal of the operating staff, in accordance with the recommendations that the Board of Directors may make in this respect.

III. The President shall be the legal representative of the Bank.

Article 28 : VICE-PRESIDENTS

I. The Board of Directors shall have the power, on the recommendation of the President, to appoint vice-presidents who are not directors. The Board of Directors shall determine the powers and duties of each such vice-president.

II. Vice-presidents may participate in the meetings of the Board of Directors but shall not vote at such meetings.

Article 29 : OFFICERS AND STAFF

Subject to the paramount importance of securing the highest standards of efficiency and of technical competence, due regard shall be paid, in appointing the officers and staff of the Bank, to the importance of making maximum use of Arab and African capabilities, on as wide a geographical basis as possible.

Article 30 : INTERNATIONAL STATUS OF OFFICERS AND STAFF

I. The officers and staff, in the discharge of their offices owe their duty entirely to the Bank and to no other authority. They shall refrain from any act that is contrary to the international nature of their duties or to their independence.

II. Each member of the Bank shall respect the international character of this duty and shall refrain from all attemps to influence any of them in the discharge of their duties.

Article 31 : SALARIES AND COMPENSATION

When establishing the level of the salaries and compensation for the personnel of the Bank, the Board of Directors shall pay due regard to the need for the Bank to attract the personnel it requires.

Chapter VII

FINANCIAL PROVISIONS

Article 32 : FINANCIAL YEAR

The financial year shall start on the first of January and end on the thirty first of December of each calendar year.

The Board of Directors shall determine the duration of the first financial period.

Article 33 : OPERATING BUDGET

The President shall submit to the Board of Directors, not later than 30 th September of each year, estimates of the operating accounts for the next financial period.

Article 34 : ANNUAL ACCOUNTS AND REPORTS

I. The President shall cause to be kept true books of account faithfully reflecting the financial position of the Bank and showing its operations in detail.

II. The Board of Directors shall submit to the annual meeting of the Board of Governors an annual report containing an audited statement of the Bank's accounts, including a summary statement of its general budget, a statement of the origin and utilization of its resources and a profit and loss account. The Board of Directors shall determine the form of these statements and the extent of detail in each such statement. A copy of this report shall be sent to the Secretary General of the League of Arab States for submission to the appropriate bodies of the League.

Article 35 : AUDITING

The Bank's accounts shall be audited by a reputable firm of auditors to be designated annually by the Board of Governors.

Article 36 : PROFITS AND RESERVES

The Board of Governors shall, on the recommendation of the Board of Directors, allocate the Bank's net earnings by transferring them to reserves, or integratig them into the capital account proportionately to each member's stockholding, or in any other manner conducive to the purposes of the Bank.

Chapter VIII

IMMUNITIES AND PRIVILEGES

Article 37 : IMMUNITY OF THE BANK'S ASSETS

The Bank, its funds, property and assets shall be immune, in the territories of its members, from nationalization, attachment, expropriation, seizure, search and any other form of enforcement as a result of a decision by the executive or judicial powers.

The funds of the Bank shall be free from any foreign exchange controls.

The immunities set forth above shall be equally applicable to the deposits of the Bank.

Article 38 : IMMUNITY OF ARCHIVES

The archives of the Bank shall be inviolable.

Article 39 : IMMUNITY AND PRIVILEGE FOR COMMUNICATIONS

The communications of the Bank shall enjoy immunity in the territory of any and all members. They shall be accorded by each member all the privileges that are accorded to the official communications of other members

Article 40 : IMMUNITIES FROM TAXATION

I. The subscription of members in the capital stock of the Bank, the Bank's funds, monies, earnings, operations, and the deposits it receives and the securities it issues by whomsoever held, as well as the transactions authorized by this Agreement, shall be immune

from all taxation and all customs duties in the territories of members. The Bank shall also be free from restrictions on imports of goods necessary to carry out its functions and from any customs duties in respect thereof; however, this shall not apply to any dues payable for services actually rendered to the Bank. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

Article 41 : JUDICIAL PROCESS

Actions may be brought against the Bank in courts of competent jurisdiction in the territoriês of a member in which the Bank has a branch, an agency or an office, or has issued or guaranteed securities.

Article 42 : IMMUNITIES AND PRIVILEGES OF OFFICERS AND EMPLOYEES

I. In the territories of all members, the Governors, Alternate Governors, Directors, officers and employees of the Bank :

a) shall be immune from legal process with respect to acts performed by them in their official capacity;

b) shall be accorded the same immunities from immigration restrictions and alien registration requirements, and the same facilities as regards exchange presentatives of comparable rank of other members ;

c) shall be immune from taxation on or in respect of salaries and emoluments paid by the Bank;

d) shall be granted the same treatment in respect of travelling facilities as is accorded by members to the representatives of comparable rank of other members.

II. The privileges, immunities and facilities set forth in this Article shall be accorded exclusively in connection with the discharge of the Bank's official functions.

Chapter IX

WITHDRAWAL AND SUSPENSION OF MEMBERSHIP

Article 43 : WITHDRAWAL

I. No member may withdraw from membership in the

Bank until five years have lapsed since the date it became a member of the Bank. Withdrawal is effected by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective either upon the date such notice is received, or upon any later date fixed by such notice, which shall in any event be within six months thereof.

II. The Bank shall repurchase the shares of stock of the withdrawing member at a price equal either to their net book value at the end of the year preceding the date of notice of withdrawal or to their value at par, whichever is smaller.

III. The Board of Directors shall determine the period of payment of the value of the shares repurchased, taking into account the financial position of the Bank. Such period shall not exceed ten years from the date of the notice of withdrawal, subject to the provisions of Paragraph (v) of this Article.
In no event shall any amount due to the withdrawing member be paid until six months after the date of its withdrawal.

IV. The payment of the price of the capital stock shall be made in United States dollars.

V. Payment shall be withheld so long as the withdrawing member or any of its agencies remains liable to the Bank either as a debtor or as a guarantor. In that event, the Bank may deduct the amounts due to the member from any obligation to the Bank as it becomes payable.

Article 44 : SUSPENSION

I. If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of the Board of Governors, by a two-thirds majority of the total voting power.

II. The member so suspended shall automatically cease to be a member one year from the date of its suspension, unless a decision is taken by the same majority of the Board of Governors to restore the member to good standing.

III. When under suspension, a member shall not be entitled to exercice any rights under this Agreement, except the rights identified in the special provisions on with-

drawal and the settlement of disputes. However, it shall remain subject to all its obligations to the Bank, as a member, as a debtor, as a guarantor or in any other capacity.

IV. The provisions on the repurchase of the capital stock of a withdrawing member shall be applicable to a suspended member which has ceased to be a member.

Chapter X

PROVISIONAL SUSPENSION OF OPERATIONS AND LIQUIDATION

Article 45 : PROVISIONAL SUSPENSION OF OPERATIONS

The Board of Directors may, under exceptional circumstances, provisionally suspend any new activity of the Bank, until the Board of Governors has had an opportunity to look into the matter and take a decision in respect thereof.

Article 46 : LIQUIDATON

I. Not less than four months after a written notice to that effect has been sent to the members, the Board of Governors may decide, by a majority of three-fourths of the votes, to permanently suspend the operations of, and liquidate, the Bank.

II. The Board of Directors shall take all necessary action for liquidation either by itself or through a committee of liquidators to be appointed by the Board of Governors on the recommendation of the Board of Directors.

III. No distribution of assets shall be made to members until all liabilities of the Bank shall have been discharged or provided for.

IV. The Bank shall distribute the assets of the Bank to members pro rata in proportion to capital stock held by each of them. Such distribution shall be made at such times and upon such terms as the Board of Governors may determine.

Chapter XI

MISCELLANEOUS

I. Any question of interpretation or implementation of

the provisions of this Agreement arising between any member and the Bank or between two or more members shall be settled by the Board of Governors.

II. For the purposes of interpretation and implementation of the provisions of this Agreement, the term « Arab State » shall mean any country that is a member of the Arabe League; and the term « African State » shall mean any other country that is a member of the Organization for African Unity.

Article 48 : ARBITRATION

I. Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member after the decision to suspend the operations of the Bank has been taken, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. The Claimant shall advise the other party to the dispute of the nature of the disagreement and of the name of the arbitrator appointed by it; and the defendant shall appoint the second arbitrator within thirty days from the date of the notice. If the defendant fails to do so, the claimant shall have the right to request the Secretary General of the League of Arab States to appoint the second arbitrator.

The umpire shall be appointed jointly by the Parties in dispute within sixty days of the date of said notice. In the event that the parties do not agree upon his appointment within the period stipulated, the Secretary General of the Arab League shall appoint said umpire at the request of either party.

II. The decisions of the arbitration tribunal shall be taken by a majority of votes. Such decisions shall be final and binding upon the parties.

III. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article 49 : AMENDMENTS

I. The provisions of this Agreement may be amended by decision of the Board of Governors, taken by a majority of three fourths of the total voting power.

III. Any member, or the Board of Directors, may make a proposal to amend this Agreement. The proposal shall be communicated to all members not less three months prior to the date of the meeting of the Board of Governors dealing with the proposed amendment.

IV. Amendements shall enter into force for all members three months after the date of their adoption by the Board of Governors.

Article 50 : CHANNEL OF COMMUNICATION

Each member shall designate an appropriate official authority with which the Bank may communicate in connection with any matter arising under this Agreement, and any statements made by such authority to the Bank shall be deemed to have been made by the member concerned.

Article 51 : WORKING LANGUAGE

The basic working language of the Bank shall be Arabic, and the use of French and English alongside Arabic, as circumstances may require, shall be permitted.

Article 52 : POLITICAL ACTIVITY PROHIBITED

The Bank and all its officers and staff shall not interfere in the political affairs of any member, of any country benefiting from the Bank's operations or of any country in which the Bank is carrying out its activity.

Article 53 : RELATIONS WITH OTHER ORGANIZATIONS

I. The Bank shall, within the limits of the powers vested in it under this Agreement, cooperate with national, regional and international organizations in the fields of development and international assistance.

II. The Bank may, pursuant to the decisions of the Board of Directors, enter into agreements with such organizations aimed at furthering such cooperation.

Chapter XII

FINAL PROVISIONS

Article 54 : SIGNATURE AND DEPOSIT

I. This Agreement shall be drawn up in a single original

copy in the Arabic language, ready to be signed on behalf of the Governments of the countries shown on the Subscription List attached hereto. This Agreement shall be deposited with the General Secretariate of the Arab League and remain open for signature not later than 13th March 1974.

Article 55 : **RATIFICATION. ACCEPTANCE. ADOPTION**

This Agreement shall be submitted to the signatories for ratification, acceptance or adoption.

The instruments of ratification, acceptance or adoption shall be deposited with the General Secretariate of the League of Arab States within not more than thirty days of the date of ratification, acceptance or adoption.

The General Secretariate of the Arab League shall notify all other members of each instrument deposited and of the date of such deposit.

Article 56 : **ENTRY INTO FORCE**

This Agreement shall enter into force when the instruments of ratification, acceptance or adoption have been deposited on behalf of not less than five countries whose subscriptions comprise not less than 50 percent of the capital stock of the Bank. The Secretary General of the Arab League shall declare that this Agreement has entered into force upon the fulfilment of this requirement.

Article 57 : **RESERVATIONS**

No reservations may be made to this Agreement when it is signed, ratified, accepted or adopted or when a country becomes a member of the Bank.

Article 58 : **FIRST MEETING OF THE BOARD OF GOVERNORS**

The Secretary General of the Arab League shall call the first meeting of the Board of Governors within thirty days from the date this Agreement shall have been declared to have entered into force.

Article 59 : **BEGINNING OF OPERATIONS**

The Board of Directors shall notify all members of the date when the Bank shall begin operations.

IN WITNESS WHEREOF, the duly authorized representatives of the following governments have hereunto set their hands :

The Hashemite Kingdom of Jordan

The United Arab Emirates

The State of Bahrain

The Tunisian Republic

The Democratic and Popular Republic of Algeria

The Kingdom of Saudi Arabia

The Democratic Republic of Sudan

The Syrian Arab Republic

The Republic of Iraq

The Sultanate of Oman

The State of Qatar

The State of Kuwait

The Lebanese Republic

The Libyan Arab Republic

The Arab Republic of Egypt

The Kingdom of Morocco

The Islamic Republic of Mauritania

Palestine

This Agreement was drawn up on Monday 26th Muharram 1394 Hegira corresponding to 18 th February 1974 A.D. in a single original copy in the Arabic language which shall remain deposited with the General Secretariate of the League of Arab States, and of which a true copy has been issued to each party.

SUBSCRIPTIONS OF MEMBERS TO THE CAPITAL STOCK OF THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Country	Amount (in United States dollars)
The Hashemite Kingdom of Jordan	1,000,000
The United Arab Emirates	20,000,000
The State of Bahrain	1,000,000
The Tunisian Republic	5,000,000
The Democratic and Popular Republic of Algeria	20,000,000
The Kingdom of Saudi Arabia	50,000,000
The Democratic Republic of Sudan	1,000,000
The Syrian Arab Republic	1,000,000
The Republic of Iraq	30,000,000
The Sultanate of Oman	4,000,000
The State of Qatar	20,000,000
The State of Kuwait	20,000,000
The Lebanese Republic	5,000,000
The Libyan Arab Republic	40,000,000
The Arabe Republic of Egypt	1,000,000
The Kingdom of Morocco	10,000,000
The Islamic Republic of Mauritania	1,000,000
Palestine.	1,000,000
TOTAL :	231,000,000

Principles Governing the Bank's Policy on the Financing of Development Projects in Africa

The General Agreement establishing the Arab Bank fr Economic Development in Africa sets forth the following :

The Governments of the Arab League States on whos behalf this Agreement is signed :

Believing in the need to strengthen the ties between Afr can States and the Arab Nation,

Seeking to further the economic development of Africa countries within a framework of solidarity and mutual interest

Recognizing that coordinated efforts aimed at bringing about the economic independence of African countries are a crucial factor in achieving our national goals,

Seeking to give African-Arab solidarity a concrete and efficient shape, based on equality and friendship,

Being convinced that the establishment of a financial institution to support the economic development requirements of African countries constitutes a major step towards stimulating Arab-African cooperation

Pursuant to the decisions of the VIth Arab Summit meeting at Algiers from 26 th 28 th November 1973...

In carrying out this purpose, the Arab Bank for Economic Development in Africa shall :

— Assist in financing economic development in African countries

— Stimulate the contribution of Arab capital to African development

— Help provide the technical assistance required for Africa's development.

The debates and decisions of the Bank's Board of Governors, meeting at Cairo on 11th January 1975, have demonstrated unequivocally the will of Arab States to proceed with strengthening cooperation with the African continent.

In actual fact, Arab-African cooperation did not start only with the establishment of this Bank. The cooperation programmes of Arab countries in general, and of the oil exporters among them in particular, have for many years now been directed increasingly to Africa.

The contribution of Arab public and private capital to the financing of development projets in Africa is expanding daily, whereas the international community has not been able to transfer the financial resources required for a sound development of Africa. On the other hand, the provision of special aid to non-oil exporting African countries and of special assistance to famine-stricken African countries is further proof of Arab-African solidarity in difficult times.

It is our duty to point out here that it is not the Arab's exclusive responsability, particularly as the extent of their resources does not allow them to substitute for the international community, to shoulder the burden of providing development finance for Africa.

At a time when the flow of capital from advanced European countries to developing countries did not exceed 0.5% of the National Product of these rich countries, (a percentage that is much lower than the percentage set for the United Nations Second Development Decade), the aid granted by Arab countries to the Third World (Africa, Asia and Latin America) was over 10 % of their GNP. While Arab countries are willing to strengthen their cooperation with all the needy countries provided that this is permitted by the trends of the world economic order, it is nevertheless obvious that international cooperation for the benefit of underdeveloped countries is the responsibility of everyone and the responsibility of the international community, including the Arab States.

Within this general framework of joint concertation and solidarity, the Arab countries have demonstrated their readiness to contribute to the development of the poorer countries in general and of Africa in particular, within the limits of the actual resources available to Arab countries due regard being paid to the Arab's urgent requirements for their own domestic development. If we consider for instance that the trend in oil prices is an integral part of the prices of the raw materials, foodstuffs and capital equipment that Arab countries import at a very high cost, we reject all attempts to integrate oil-exporting Arab countries into the so-called Rich Third World, on which the international community imposes the duty of carrying by itself the bur-

den of financing the development of the poorer Third Worl christened « Fourth World » for the occasion.

That was the conclusion of the Extraordinary Session o the UN General Assembly of May 1975 on raw materials. This session developed a philosophy and laid the principles of a fairer and better-balanced new world economic order. The setting-up of the Arab Bank for Economic Development in Africa is therefore not a fortuitous event ; nor is this institution, as has been alleged, a gift from the Arab to the African countries as a token of gratitude for the daring stands taken by the latter on the Palestinian issue and for their condemnation of the Zionist enemy whose expansionist manoeuvres remind African States of a still too recent past.

While the Arabs had already started to cooperate with the African States well before the establishment of this Bank, they are now in a position to further strengthen their coopération with Africa, thanks to the new resources that have become available to them.

Let us then be fair to the Arabs.

It was in the very year in which they acquired new revenue from oil that the Arab States granted financial assistance well in excess of that extended by western and eastern industrialized countries. Therefore the establisment of the Arab Bank for Economic Development in Africa falls within the scope of the new concept of international relations that the Arabs have committed themselves to promote through every means and with every resource at their disposal. The Arab States are fully aware of the significance of the challenge represented by Arab-African cooperation.

Similarly African countries place great hopes on this coopération so that if some set-back were to hinder this effort, it would result — and the Arab States are convinced of this — in a catastrophe with unpredictable political consequences. In the light of all these considerations, we are submitting here an outline of the leading principles that should govern ABEDIA's policy on the financing of development projects in Africa. These principles will be embodied, within the next few months, in practical steps to be submitted to the Board of Directors. However, in the present circumstances and in order to allow the Bank to affirm ist existence, it is necessary that the Board of Directors review the general principles that should govern its activities.

All these principles are based on the wish of the leaders of the Arab World to provide this Bank with an efficient practical mission.

That was what emerged from the discussions that we recently had with the officials of a number of Arab countries.

These principles also draw upon the experience of economic and financial cooperation between the developed countries and/or international organizations, on the one hand, and the developing countries on the other.

However before tackling these principles, we should define the nature of this Bank and thus avoid assigning it tasks that do not belong to it.

ABEDIA is not a commercial bank in the classic meaning of this term. It is not designed to finance purchasing and selling activities. Its primary purpose is not to drew maximum profit from dispositing its assets with foreign banks or from its investments in developed countries.

Neither is this institution a benevolent society giving alms to African countries. It is a reconstruction and development Bank as we will attempt to demonstrate through the seven principles set forth below :

1) FINANCING OF PROJECTS, TO THE EXCLUSION OF TREASURIES AND BALANCES OF PAYMENT

ABEDIA's aid is designed to finance specific development projects and cannot be used to replenish the Treasuries or the balances of payments of African countries. Admittedly, it is necessary to be familiar with the overall economic and financial condition of any African country submitting a project to the Bank and to take it into account when determining the amount and terms of the finance to be provided for the project submitted to the Bank. But this does not, in any event, mean that ABEDIA makes direct grants to the Treasury or the balance of payments of the African country submitting the project : otherwise, the Bank would be turned into a supplemental Treasury for the African country concerned and would then no longer be able to keep a check on the utilization of the funds it has lent.

In fact, oil exporting Arab countries have set up a Special Fund to assist those African countries that are suffering from the successive rises in oil prices. The purpose of this aid is to alleviate the balance of payments deficits of the countries concerned.

It would have been the normal thing to entrust ABEDIA with the administration of this Special Fund so that it be kept aware of all aspects of development in Africa and so that its activities be complementary. In this way ABEDIA's development-oriented operations would be separate from this Fund, subject to particular terms and directed to the implementation of specific economic projects.

2) PLANNED PROJECTS

The Bank takes into consideration planned projects, i.e. those projects that fall within an order of priorities and are classified according to the needs of the African countries concerned within the framework of national economic plans and programmes.

Our position with regard to planning and programming is not a rigid one, and we impose no special form of planning on any African country. However, it is necessary for the Bank to know how to relate the project submitted to it to other projects and to look into the prospects presented by the project with regard, for instance, to job creation if employment is one of the goals of African development plans or, to the exportation of African goods if this is a primary target in the programmes of the African countries concerned. The Bank also takes into consideration those projects that help assure an economic and social equilibrium between the various regions and population segments of the African countries involved. This does not necessarily mean that the priorities submitted to the Bank by a given African country will be accepted as such. We know that, in certain cases, non-economic factors have an effect on the selection of projects to be submitted for external financing ; but the Bank cannot take them into consideration since its major concern is to select development projects submitted by African countries on the basis of their rational development plans and programmes. In this way the Bank keeps its freedom of choice without interfering with the sovereignty of any African State. On the contrary, ABEDIA hopes to arrive at the most desirable solutions through concertation, the exchange of views and cooperation with the authorities of African countries.

Similarly to certain international financial institutions and certain ndustrialized countries, ABEDIA can set a level of financing for a given country as part of its contribution to the implementation of well-defined economic programmes and plans. However, this commitment to contribute to the financing of such

plans and programmes cannot be given concrete shape until African States submit economically viable projects.

3) THE PRINCIPLE OF INTERNATIONAL BIDDING

The Bank intends to avoid financing projects that are isolated entities in the nation's economy and have no relation to other projects or to the economic and social life of the national community.

There is no doubt that there are many such projects in Africa, and it is well known that what encourages the establishment of projects that bear no relation to the nation's life is a certain kind of bilateral financing agreements and of external commercial loans entered into with, or granted to, African countries at rigorous terms that are detrimental to the national economy and in exchange for commitments which do not serve the public interest of those countries. This is the case with the so-called « tied » loans, i.e. financing that imposes the nature, the shape and the conditions of the project without taking into consideration the recipient's national needs.

In order to avoid all this the Bank will use the principle of international bidding procedures, i.e. after having approved a particular project, it will require international competition between all the suppliers of goods and services.

4) FOLLOW-UP ON PROJECT IMPLEMENTATION

The Bank shall, in agreement with the African local authorities and with any entity contributing to the financing of the projects approved, establish the procedures to follow up, and keep a check, on the implementation of the project financed. In fact, the Bank is accountable for the proper utilization of the funds it administers. It must ensure, on the one hand, that they be used to finance viable projects and on the other, that they be repayed in accordance with the terms initially agreed upon. Moreover, the supervision if the projects financed is in the best interest of the recipient countries themselves, since it ensures for them good management and economic viability. This supervision should be interpreted as technical assistance provided by the Bank and the other financing institutions to the African countries.

5) DIVERSIFICATION OF CREDIT TERMS

The Bank shall diversify and adjust credit terms according to the specific features of the Project, due regard being paid

to the economic and financial situation prevailing in the country concerned. Although loan agreements have to be entered into with African governmental authorities and must be guaranteed by them, the funds are paid directly to specific projects having their own characteristics, their own norms and their specific rates of return. By means of this diversification of credit terms, the Bank is able to :

— ensure maximum returns for the utilization of its resources

— urge African countries, if need be, to reconsider some of their priorities.

6) INCENTIVE ROLE

ABEDIA plays an incentive and encouragement role that consists in attracting into Africa Arab capital from any and all sources. This is an important role, since one of the functions of the Bank is to provide a framework for the investment of Arab capital in Africa. ABEDIA will no doubt set up for the benefit of Arab investors a division of economic and financial information data in order to encourage them to contribute to the development effort in Africa, all the more so as the rates of return, profits and guarantees offered for investments in Africa exceed, generally speaking, those to be found in other countries.

7) RELATION WITH OTHER INSTITUTIONS

The Arab Bank for Economic Develpment in Africa is determined to safeguard its identity, its personality and its freedom of operation and choice. However, it is necessary that ABEDIA cooperate with the other institutions, with the national and international Funds and Banks that are partly or wholly involved with development in Africa. Among these, specific mention should be made of the Arab Development Funds, the Arab League, the African Development Bank, the Organization for African Unity, the World Bank and its agencies, the United Nations specialist agencies (such the UN Development Programme, UNIDO, ECA) and the EEC.

Such a cooperation finds its justification in the factors set forth below :

a) ABEDIA must be given a little time to get to know Africa's economic situation and its development programmes. In order to do this, it has to draw on the experience of the institutions referred to above which have a good knowledge of Afri-

co and of its needs and have available absolutely indispensable information data, such as general and sectoral studies and various analyses relating to economic projects.

b) The determination of Arab States to have ABEDIA contribute forthwith to the financing of economic projects in Africa forces them to turn their attention to existing projects which have already been reviewed and whose viability has already been demonstrated. The Bank can therefore help finance them, which allows it to start its actual operations within the shortest time.

c) The formula of contracts between ABEDIA and other financial institutions, whereby their respective contributions to the financing of projects already drawn-up are identified, also allows the Bank to help with vast industrial or agricultural projects in Africa which otherwise would be beyond its sole means.

d) Such a cooperation permits a coordination of ABEDIA's efforts with those of the other institutions with regard to their activities in Africa, which ensures a better use of funds available.

We should like to stress here the need for coordination and concertation between ABEDIA and other Funds with financing programmes in Africa, on the one hand, and the various Arab banks and institutions, on the other. We suggest that the Presidents of these banks meet every year to consult together on their proposed activity and investment programmes in Africa in order to ensure for the Arab capital that is invested in this continent the best return possible.

e) Cooperation with all these organizations enables ABEDIA to draw on their experience and resolve thereby a difficult problem it is faced with, i.e. that of experts and professional people, which has been more fully dealt with in another document entitled « Provisional Staff Regulations ».

In practice, this target may be achieved through the signing of general agreements between ABEDIA and these institutions and of special agreements covering the projects to be financed. These agreements will be submitted for review to ABEDIA's Board of Directors prior to their performance. It should be emphasized here that this cooperation with other organizations does not at all mean that ABEDIA will be granting financial aid to these institutions, as the latter is not designed to finance other banks. But all the agreements to be entered into will obviously deal with ABEDIA's contribution to the financing of specific projects.

Those projects that will be approved by the Bank will be implemented in its name. ABEDIA can examine a project submitted to it and request, as the case may be, that it be amended. To that end, the Bank will call upon the services of highly competent experts.

Those were the seven principles that should serve as a basis for ABEDIA's activities with regard to Arab-African cooperation. These principles are to be embodied in the rules of procedure that the Bank will soon be drafting.

FINANCIAL REGULATIONS
OF THE
ARAB BANK FOR ECONOMIC DEVELOPMENT
IN AFRICA

The Financial Regulations of ABEDIA consist of seve chapters :

— General Provisions
— Operations
— Administrative Budget
— Financial Statements
— Investment of Funds
— Auditing
— Final Provisions

Chapter One
GENERAL PROVISIONS

Article One : SCOPE

These regulations include the general framework an the basic guidelines adopted by the Arab Bank for Eco nomic Development in Africa, with regard to the organ zation and management of its financial activities.

Acticle 2 : TRADE PRACTICES

The Bank shall, in connection with its developmer mission, follow trade practices as the basis of the orgc nization of its departments and of the performance c its tasks, particularly in relation to their financial aspects

Article 3 : **FINANCIAL YEAR**

The financial year of the Bank shall start on the first of January and end on the thirty first of December of each calendar year.

Chapter II

OPERATIONS

Article 4 : **ORGANIZATION OF OPERATIONS**

a) The Board of Directors shall, on the recommendation of the President of the Bank, establish general provisions designed to identify the financial aspects of such operations as the Bank shall be conducting in implementation of the purposes set forth in Article 10 of the General Agreement establishing the Bank.

b) The provisions of Paragraph (a) of this Article apply in particular to the financial terms relating to loan, guarantee and technical assistance operations, to the extension of loan repayment periods, to the procedures and conditions of drawing on loans, to the organization of the procedures to be followed when resorting to financial markets as a means of increasing the Bank's resources. These provisions shall take into consideration the need for the Board of Directors to identify loan operations conducted by the Bank in recipient countries as well as the issuing of securities by said Bank.

Chapter III

ADMINISTRATIVE BUDGET

Article 5 : **SCOPE OF THE BUDGET**

a) The President of the Bank shall, for each financial year, prepare an administrative budget that includes the following information :

(i) An estimate of administrative expenditures for the next financial year, and a distribution of said expenditures over the various categories and items

corresponding to the nature of the Bank's activities.

(ii) An estimate of foreseeable resources that will supply cash funds.

(iii) A reserve for contingencies, to meet unforeseen expenditures.

(iv) An item for outstanding commitments from the preceding financial year.

b) The administrative budget shall be accompanied by any explanations necessary to clarify its various items and bring out essential differences that distinguish the new budget from that of the preceding financial year.

Article 6 : **ADOPTION OF THE BUDGET**

a) The draft Administrative Budget shall be submitted to the Board of Directors, for consideration and adoption not later than 15th October of each year.

b) The Administrative Budget shall be transmitted to the members of the Board of Governors within not less than thirty days prior to the Board's annual meeting.

Article 7 : **AUTHORITY TO MAKE EXPENDITURES**

a) The adoption of the Administrative Budget by the Board of Directors shall mean that the President of the Bank is thereby given authority to make such expenditures as are required for the purposes and within the limits identified therein.

b) In the event that, for any reason whatsoever, the Board of Directors shall not have adopted the administrative budget by 31st December, the President of the Bank shall be allowed to make expenditures for the purposes and within the limits prescribed in the administrative budget for the preceding year, provided that said expenditures shall be deducted from the funds allocated to the corresponding categories and items of the current budget subsequent to its adoption.

Article 8 : **RULES AND INSTRUCTIONS**

The President of the Bank shall establish such rules and instructions as he may deem desirable with regard to the guidelines and procedures for expenditures charged

to the various categories and items of the Administrative Budget.

Chapter IV

FINANCIAL STATEMENTS

Article 9 : SCOPE OF FINANCIAL STATEMENTS

a) The financial statements prepared by the Bank shall include :

(i) An operating account, indicating, for each financial year, the actual income and expenses.

(ii) The Balance Sheet of the Bank, setting forth its assets and its liabilities at year end.

(iii) The reserves account, showing the portion of profit allocated to general reserve, as provided under Article 36 of the General Agreement establishing the Bank and any other reserves and allocations under this account.

b) The three statements referred to above shall be accompanied by any comments and explanations that may make their contents more clear.

Article 10 : DEFINITION OF FINANCIAL STATEMENTS

The President of the Bank shall determine the form, the content and the degree of detail of each of the above financial statements, due consideration being given to the provisions of Article 2 of these Regulations, to the structures of the Administrative Budget, and, generally speaking, to the need for presenting accurately the financial position of the Bank, in conformity with generally accepted accounting principles.

Article 11 : APPROVAL OF FINANCIAL STATEMENTS

a) The appropriate departments shall prepare the financial statements in acordance with the directions of the President of the Bank and under his responsibility.

b) The financial statements shall, after their examination by the auditors, be submitted to the Board of Directors not later than the end of February of each year.

c) The financial statements shall be submitted to the Board of Governors and transmitted to its members not later than thirty days prior to the date of the Board's annual meeting.

d) A report by the Directors on the year's activities and the financial position of the Bank shall be attached to the financial statements. This report shall include any and all appropriate information that will help in assessing fully the Bank's financial position.

e) The Board of Governors shall pass a resolution approving the financial statements submitted to it.

Chapter V

INVESTMENT OF FUNDS

Article 12 : MANAGEMENT OF FUNDS

a) The President of the Bank shall, within the limits set by the Board of Directors, be responsible for the management of the Bank's financial resources, as well as for their investment in financial paper or bank deposits, due regard being paid to estimates of expenditures, payments and commitments arising out of the Bank's activites.

b) In the investment of financial resources, the President of the Bank shall take into account the following criteria and conciliate them to the extent possible :

— invesments selected should be sound

— the currency used in investments should be freely convertible

— the liquidity of the assets in which the investment is made should be guaranteed

— due regard being paid to the three considerations above, investments should have a maximum rate of return.

The Bank's operations should be in conformity with the following principles :

(i) The Bank may not take part in any operation whatsoe-

ver that is contrary to, or likely to restrict or modify, its purpose of functions

(ii) The Bank may not undertake any operation in an African country if the country concerned objects to it

(iii) The Bank shall apply generally accepted principles for development financing on favourable terms without jeopardizing its overall solvability

(iv) The Bank shall undertake its financing operations upon such terms as are deemed appropriate to the nature and circumstances of each operation. When determining the terms governing its activities in the less developed African countries, the Bank shall take into consideration the general situation of those countries as well as their requirements for financing on easier terms.

(V) In its financing operations, the Bank shall take into consideration the ability of the recipient or, as the case may be, of the recipient's guarantor, to fulfil its obligations.

(vi) The Bank shall take any and all steps necessary to ensure that the amounts of any financing granted are used exclusively for the purposes for which they were made available, due regard being paid to economy considerations in costs and to efficiency considerations in implementation.

(vii) The amounts of any loan granted by the Bank to provide finance for a specific project shall be subject to international bid procedures in African and Arab countries for the procurement of goods and services produced in those countries.

The Board of Directors may, whenever it deems it expedient, authorize the procurement of goods and services from countries other than the above, or waive the international bid requirement.

Article 13 : **FINANCIAL INVESTMENT COMMITTEE**

a) The President of the Bank shall appoint a Financial Investment Committee whose function is to give its opinion on the management, investment and utilization of financial resources available.

b) The Financial Investment Committee shall include Bank employees selected by the President and Arab, African or other experts on investment.

Article 14 : **REPORTS**

The President of the Bank shall prepare quarterly reports on the Bank's portfolio, showing financial investments and deposits, and transmit them to the Directors.

Chapter VI

AUDITING

Article 15 : **INTERNAL AUDIT**

a) The Bank shall, in order to present its financial position, keep appropriate records and books of account on all the operations it undertakes and all commitments it enters into, as well as on its assets and liabilities.

b) The President of the Bank shall establish the procedures necessary to carry out the internal audit of the financial activities and accounts of the Bank.

Article 16 : **EXTERNAL AUDIT**

a) The Board of Governors shall designate a reputable firm to audit the Bank's accounts.

b) This firm shall carry out an audit of the Bank's accounts subsequent to the closing of the books at the end of each financial year. It shall examine and check all the Bank's accounts and operations and ascertain the trueness of the books and the authenticity of supportive documents, in accordance with internationally accepted auditing standards.

c) The representatives of the firm shall, in order to carry out their task, have access to the Bank's books, records and supportive documents and have the right to ask for explanations and information from any Bank employee.

d) The Auditors shall prepare a detailed report on the performance of their mission, with regard to :

— The trueness of the accounting books, records and supportive documents

— The agreement of the financial statements with such books, records and supportive documents

— The conformity of actual administrative expenditures with the rules of financial management adopted by the Bank and with the limits prescribed in the Administrative Budget.

e) The Auditors' Report shall be attached to the financial statements, to be submitted together with such statements to the Board of Directors and the Board of Governors.

Chapter VII

FINAL PROVISIONS

Article 17 : INTERPRETATION

The Board of Directors, acting on the recommendation of the President of the Bank, shall settle any issue relating to the intepretation of the provisions of these Regulations.

Article 18 : AMENDMENT

The Board of Directors shall have the authority to amend the provisions of these Regulations. Such amendments become effective as soon as adopted. They shall be notified to the members of the Board of Governors.

Appendix

DEFINITIONS

Whenever used in this document, the terms set forth below shall mean :

The Bank : The Arab Bank for Economic Development in Africa

The Board of Governors : The Board of Governors of the Bank

The Board of Directors : The Board of Directors of the Bank

The President of the Bank : The Chairman of the Board of Directors and President of the Bank.

Arab Bank for Economic Development in Africa

Rules governing the Financial Operations of the Bank

KHARTOUM
(Sudan)

The carrying out of ABEDIA's financial policy is governed by the following rules for financial operations :

— General Provisions

— Lending, participation and guarantees

— Borrowing

— Technical cooperation

Chapter I

GENERAL PROVISIONS

THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA,

— Recalling the philosophy and principles of action of ABEDIA, as set forth in a number of basic documents

— Referring to Articles 4, 11, 12, 13, 14, 15 and 16 of the General Agreement establishing the Bank

— Confirming the determination of Arab League member states to give concrete shape to Arab-African cooperation by means of positive action programmes for the benefit of economic development in African countries which are not members of the League of Arab States

— Convinced of the need for the contribution of Arab States to strengthening the financial resources available for the development of the African States referred to above

— Convinced that a rapid and well-ordered development of African economies can only be achieved through a rational and scientific allocation of available development resources.

— Believing that all the financial operations it carries out in Africa should be based on an accurate assessment of the general economic situation of the African countries concerned, on economic and financial studies of the projects submitted for financing and on the setting up of an efficient machinery for the follow-up of projects financed

— Confident that real financial cooperation takes place under a joint financing formula grouping two or more parties, in order to provide the best guarantees and the best opportunities for a viable investment of resources available

— Believing that technical cooperation is likely to improve the ability of Africa's Economy to absorb increasing development investments, and that it makes up, thereby, one of the privileged areas of Arab-African cooperation.

— Recalling the substance of Articles 8 and 9 of the General Agreement establishing the Bank, with regard to increasing its resources through capital increases of borrowing,

GIVES THE FOLLOWING DEFINITION of the operations by which the Bank will implement its financial policy :

Chapter II

LENDING, PARTICIPATION AND GUARANTEES

Article 1 : NATURE OF LENDING, PARTICIPATION AND GUARANTEE TRANSACTIONS

In this area, the Bank shall carry out the following operations :

(A) direct financing of development projects in Africa either independently or jointly with one or more African, Arab or other partners, or with public or private international, regional or national development and finance institutions

(B) granting loans to finance and development institutions, with special reference to African development banks, international development institutions and development funds, provided that such loans be used for the financing of development projects and programmes in Africa that have received ABEDIA's approval

(C) participation in the capital of public and private enterprise in Africa with a view to the implementation of development projects approved by ABEDIA

(D) contribution to long-term loans for the benefit of States and of mixed, public or private financial institutions in Africa, provided that the funds borrowed be used for development projects approved by ABEDIA

(E) issuing guarantees for the benefit of African, Arab or mixed institutions in order to promote the investment of public and private funds in the implementation of African development projects, regardless of ABEDIA's participation or non-participation in their financing.

Article 2 : NATURE OF DEVELOPMENT PROJECTS AND PROGRAMMES

Being aware of the need to promote development activities that have priority for Africa's development, ABEDIA, will stimulate the following sectors :

(A) farming and agricultural and food industries.

(B) exploitation of natural resources.

C) infrastructure.

(D) industries that include an adequate percentage of African value added.

(E) training of African personnel.

(F) development-related services, such as transport and tourism.

Article 3 : EVALUATION OF DEVELOPMENT PROJECTS AND PROGRAMMES

Prior any financial operation, ABEDIA, shal collect the data listed below :

(A) recent studies on the economies and development systems of Africa

(B) medium and long term plans or programmes, or any other information available that shows the development prospects of the African countries concerned

(C) adequate studies on the economic, financial and social profitability of the projects submitted to the Bank for financing.

(D) full economic, financial and accounting information on those African and other institutions with which ABEDIA will be having financial transactions

(E) any and all information and guarantees on the management methods of projects or institutions in which ABEDIA is to participate.

Article 4 : RECIPIENTS

The parties that may take advantage of the Bank's operations pursuant to this Chapter are :

(A) The Governments of African countries that are not members of the League or Arab States, as provided in Article

12 of the General Agreement establishing the Bank.

(B) Public and private financial and development institutions, in the African countries referred to above.

(C) Arab-African financial and development institutions.

(D) Any other financial and development organizations and institutions carrying out economic projects in Africa.

Article 5 : MAXIMUM AMOUNT OF ABEDIA'S FINANCIAL COMMITMENTS

In order to ensure profitability in the allocation of its resources and a balanced distribution of its financing activities, ABEDIA sets the following maximum limits to its financial commitments :

(A) The Bank's contribution to any one of the operations referred to in Article One shall not exceed Ten (10) Million United States dollars, and the Bank shall in all cases be involved in the follow-up of project implementation, in accordance with the terms and procedures agreed between the various parties concerned.

(B) In special cases to be submitted to the Board of Directors, the Bank may contribute to the financing of projetcs for an amount exceeding US $ 10 Million.

(C) The Bank's participation in any financial operation shall be matched by a reasonable contribution from the recipient, and, wherever possible, from public and private African or non-African financial and development institutions which have some experience and knowledge of African development.

Article 6 : CURRENCIES USED

(A) The United States dollar is the currency used in the Bank's operations. However, the problems arising out of the changes in the parity of the dollar should be examined by ABDIA's Board Directors.

(B) Nevertheless, the recipient may draw the loan in any other currency, subject to the prior authorization of ABEDIA's Board of Directors, and excluding the national currencies of the recipient countries, except the special cases referred in Paragraph (C) of this Article.

(C) Since it provides assistance for procurement abroad and not for local expenditures, the Bank does not finance the

local currency costs of a given project. However, in exceptional cases owing to the nature of the project or to the circumstances of the recipient African country, the latter may be authorized to draw part of the loan in local currency, subject to the conditions set forth in the loan agreement.

Article 7 : TERMS FOR FINANCIAL OPERATIONS

When defining the terms for its financial operations, the Bank shall take into account the cost of its resources (especially those it has borrowed on financial markets), and safeguard its worldwide reputation as a sound financial institution. It shall also take into consideration the need of recipient countries and organizations to find finance that is compatible with the country's general situation and with the nature of the project financed.

To this end, the Bank has decided the following :

(A) for the interest applied to the financial operations referred to in Paragraphs 1 and 2 of Article One, the Central Interest Rates shall vary from 1 % to 6 % according to the general economic situation of the African country concerned and to the nature of the project

(B) the rate of interest applied to the financial operations referred to in Paragraphs 3, 4 and 5 of Article One shall be set according to the nature of the operation

(C) with regard to the repayment terms for the loans granted under the financial operations mentioned in Paragraphs 1 and 2 of Article One, the setting of the repayment schedule, including the grace period, shall be a function of the situation of the recipient country, compatible with the nature of the project, and consistent with the benefits granted by the other lenders to the same project.

However, recipients that wish to make anticipated repayments of their debts can do so in inverse order to the maturity dates.

Article 8 : DRAWING CONDITIONS

(A) The Bank shall stipulate that the loan must be used to achieve the goals for which it is granted. The Bank's departments must keep a careful check on this use and, to this effect, the loan agreement shall set forth the requirements that have to be met prior to the drawing of any amount of principal, so that such drawing shall take place according to a schedule

corresponding to the actual needs of the project, up to the maximum amount of such needs and in such a manner as to permit the Bank to keep an efficient and continuous check thereon.

(B) The Bank may reject any application to draw from a borrower that has violated the requirement relating to the use of the loan for the purposes for which it was granted. It may also terminate the loan agreement and demand the return of amounts drawn, if the borrower does not comply with the Bank's request to correct the situation arising out of the violation of the requirements referred to above.

Article 9 : PROCUREMENT METHOD

(A) In connection with transactions for the procurement of goods and services, ABEDIA advocates the formula of international tenders, provided that the suppliers are not companies boycotted by Arab States.

(B) In exceptional cases by reason of the volume or nature of the purchases, ABEDIA may waive the requirement for the borrower to use international tenders.

(C) When the service quality and performance ability are comparable, the Bank shall, in its procurements, show preference for Arab, African or mixed enterprises, provided that the difference in cost shall not exceed 10 percent.

(D) Goods and services including a certain percentage of Arab, African or mixed value added shall be deemed to be of Arab, African or mixed Arab-African origin, the percentage required being set by the Board of Directors on the basis of the cases submitted to it.

(E) In the event of co-financing with other institutions, the Bank shall correlate the provisions of this Article with the procedures applied by such other institutions.

Article 10 : GUARANTEES

(A) All the operations carried out by the Bank under Article One hereof shall be guaranteed by the African governments themselves or by authorities representing them.

(B) All the guarantees required shall be set forth in the loan agreement or in a separate guarantee agreement.

(C) Guarantees shall relate to every aspect of the implementation plan of the project and of the repayment of the

amounts borrowed, their interest and all the expenses to be charged to the recipient, as provided in the relevant agreement.

(D) No disbursement may be made on the loan until such time as the guarantee agreement becomes effective.

(E) In the event of the financing of projects common to two or more African countries, each of these countries shall furnish guarantees commensurate with its participation in the project. However, guarantees in excess of their share in the common project may be given by one or more of those countries.

(F) In addition to the above guarantees, ABEDIA may request additionnal guarantees for its contribution to special projects.

(G) In the event of non-compliance with any of the conditions covered by the guarantee, such guarantee shall become due ; and, in the event of a dispute between the borrower and ABEDIA, they shall resort to Arbitration as provided in the loan agreement.

Chapter III

BORROWING

Article 11 :

As required in order to increase its resources, the Bank may, pursuant to Article 9 of the General Agreement establishing it, borrow funds from Arab, non-Arab and international monetary markets, as well as from banks.

Article 12 :

In accordance with Paragraph 3 of Article 9 of the General Agreement establishing ABEDIA, the funds borrowed may not at any time exceed Two Hundred (200) percent of the sum of paid-up capital plus reserves, except as may be expressly resolved to the contrary by the Board of Governors. This restriction does not apply to deposits made with ABEDIA.

Article 13 :

Borrowings made by the Bank shall be medium and long term, and, exceptionally, short term, according to its needs and to the situation on the monetary market.

Article 14 :

The Bank may borrow funds through any means, including by means of :

(A) special issues

(B) public issues.

When resorting to any one of these means of borrowing, the Bank shall make every attempt to minimize costs, while being flexible in the selection of the means of borrowing, in order to be able to carry out all its purposes.

Article 15 :

When borrowing funds, the Bank shall not give any special guarantee that may commit its équity assets ; however, it can agree to the insertion of a clause involving a negative undertaking that none of its debts shall be preferred.

Chapter IV

TECHNICAL COOPERATION

Article 16 :

The Bank shall provide assistance to African countries and institutions in the area of technical cooperation.

Article 17 :

Technical cooperation programmes shall include general and sectoral economic studies, the preparation of development plans and programmes, the assessment of development projects, the financing of development-related scientific research, etc.

Article 18 :

Technical cooperation programmes may be financed, as the case may be, as part of the financial assistance extended by the Bank to the project covered by this technical cooperation, or separately, under a special finance contract the terms of which shall be agreed jointly by the Bank and the recipients.

Article 19 :

The Bank shall have the authority to establish within it any administrative unit it may deem necessary for the reinforcement of technical cooperation for the benefit of African countries.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Arab Fund for Economic and Social Development
Location:	Kuwait City, Kuwait
Size:	Authorized Capital: KD 400 million (KD = Kuwaiti Dinars)
Purpose:	The AFESD was organized by the Arab Council of the Arab League in 1968. Operations did not commence until 1973 at which time the Fund had acquired 21 country members. The purpose of the Fund is to participate in financing economic and development projects in all Arab member states through: (1) financing economic development projects on easy terms to governments and to public or private organizations and institutions, giving preference to economic projects vital to overall Arab development and to joint Arab projects; (2) encouraging directly or indirectly the investment of public or private capital in such a manner as to ensure the development and growth of the Arab economy; (3) providing technical expertise and assistance to the various fields of economic development.
Source of Funds:	Believed to be solely member subscriptions at present.
Management Structure:	Believed to be internal.
Management of Funds:	Internal. Interest rates for loans made during 1975 ranged from 4% - 6%.
Portfolio:	Loan criteria emphasizes those projects that (1) assist less developed Arab countries in narrowing existing income differentials; (2) have infrastructures that link Arab countries; (3) facilitate cross-border funds flows; (4) intensify exploitation of agricultrual resources; (5) contain new ideas for public and private co-operation investment projects. Since 1973 the Fund has granted loans totalling KD 93.2 million for eighteen projects in nine countries. During 1976 AFESD is planning a major expansion of activities with cumulative loan commitments projected to rise to KD 177 million.
Capital Structure:	Of the KD 400 million committed capital, KD 102 million was paid up by the member states as of February 1976. The outstanding balance is to be paid over the next three years.
Income:	No information available on disposition of income.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

Established December 1971.

Arab Fund for Economic and Social Development,
P.O. Box 2193,
Kuwait City,
KUWAIT.

Telephone number: 43180

Telex number: INMARABI 2153 KT.

Cable address: INMARABI KUWAIT.

Directors: Hachemi Larabi.
Amin Awadalla.
Hameed Al-Samir
Abdullatif Y. Al-Hamad.

President: Saeb Jaroudi.

Chairman: Dr. Khalil Salem.

Capital:

Authorised KD 400,000,000.

Paid-up KD 102,000,000.

The oustanding balance is to paid over a period of three years:

1977	KD	139.25 million.
1978	KD	176.50 million.
1979	KD	213.75 million.

The Arab Fund for Economic and Social Development(AFESD) was originally set up by the Arab Economic Council of the Arab League way back in May 1968.

Operations did not commence until April 1973 by which time the Fund had acquired twenty-one members.

State.	Number of shares.	% of capital.
Kuwait	3,000.	29.40
Saudi Arabia	1,880.	18.42
Libya	1,200.	11.76
Egypt	1,050.	10.29
Iraq	750.	7.35
United Arab Emirates	500.	4.90
Algeria	400.	3.91
Syria	300.	2.94
Oman	204.	2.00
Jordan	200.	1.96
Morocco	200.	1.96
Sudan	150.	1.47
Qatar	100.	0.98
Lebanon	100.	0.98
North Yemen	50.	0.49
Tunisia	50.	0.49
Bahrain	50.	0.49
Mauritania	10.	0.10
Somali Rep.	5.	0.05
Palestine	5.	0.05
South Yemen	1.	0.01

The original Capital of the Fund was set at KD 100 million but was subsequently increased to KD 102,050,000 divided into 10,205

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each with a value of KD 10,000. At the beginning of 1975 it was decided to increase the Fund's Capital to KD 400 million of which KD 102 million was paid-up by February 1976. The outstanding balance is to be paid over the next three years according to the figures outlined on the front-piece.

The basic purpose of the Fund is to participate in the financing of economic and developments projects in all Arab member states through:

(a) financing economic projects of an investment character by means of loans granted on easy terms to governments and to public or private organisations and institutions, giving preference to economic projects vital to overall Arab development and to joint Arab projects.

(b) encouraging directly or indirectly the investment of public or private capital in such a manner as to ensure the development and growth of the Arab economy.

(c) providing technial expertise and assistance to the various fields of economic development.

Since operations commenced in the financial year 1973 until the conclusion of the 1975 year the Fund had granted loans totalling KD 93.2 million for eighteen projects in nine countries.
During the course of the present financial year AFESD is planning a major expansion of activities with cumulative loan commitments projected to rise to a level of KD 177 million from the KD 93.2 million.

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Foremost amongst the gaols of the AFESD at present in a serious effort to accelerate the pace of regional development are:

1. the need to provide special assistance to the less developed Arab countries in order to narrow existing income differentials.
2. the completion of the necessary infrastructural projects in an effort to link Arab economies and to provide complementarity.
3. to facilitate the flow of funds across national boundaries.
4. an intensification of the exploitation of agricultural resources.
5. the development of new ideas for private and public co-operation in investment projects.

With regards to these points the AFESD has been the prime motivation behind the establishment of the Arab Authority for Agricultural Investment and Development in Khartoum with an Authorised Capital of KD150 million. The creation of this organisation was the result of a year's special work conducted with the assistance of a number of International development institutions and involves a ten year Plan totalling one hundred projects worth over $ 4 billion.

The AFESD is also undertaking in conjunction with the United Nations Development Programme a $ 19 million project for the 'identification and preparation of inter-country investment projects'. The UNDP has drawn attention to the need for this programme as a stimulus to regional co-operation in a number of specific fields of production. The task assigned to the Fund is to draw up master plans for the major sectors in the Arab world and to provide the financial and technical assistance required for such trans-national projects.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT.

Loans in the 1974 financial year.

Country.	Project.	Loan in KD millions.
Algeria	Terminal facilities at the port of Arzew	6.0 at 6%
Egypt	Second fertiliser plant at Talkha	6.5 at 6%
Sudan	Gadaref - Kassala highway	8.0 at 4%
Syria	Fuel storage tanks	2.0 at 6%
	Ghab cattle breeding station	5.4 at 6%
Tunisia	Electric power generating plant	2.0 at 6%
N.Yemen	Electric power network connectin the cities of Sanaa, Taiz and Hodeida	4.0 at 4%
S.Yemen	Fish meal/fish oil/commodity export project	3.2 at 4%
		37.1

ARAB FUND FOR SOCIAL AND ECONOMIC DEVELOPMENT.

Loans in the 1975 financial year.

Country.	Project.	Loan in KD millions.
Algeria/ Morocco	Telecommunications project	3.3 at 6%
Egypt	Tourah cement plant	6.7 at 6%
	Fostat water supply scheme	9.7 at 6%
	Helwan sewerage project	8.3 at 6%
Jordan	Northern road entrance to Amman	5.0 at 6%
Sudan	Telecommunications project	4.8 at 4%
	Al Rahad road project	4.4 at 4%
Tunisia	El Borma gas project	4.0 at 6%
N.Yemen	Hodeida water and sewerage project	6.0 at 4%
S.Yemen	Aden port redevelopment	3.9 at 4%
		56.1

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Abu Dhabi Fund for Arab Economic Development
Location:	Abu Dhabi, United Arab Eurates
Size:	Authorized Capital: DH 2 billion; Paid-in-Capital DH 1 billion (DH - Dirhams)
Purpose:	To offer economic aid to Arab countries in support of their economic development through loans, participations, or guarantees. Also economic aid to African, Asian and other Islamic countries.
Source of Funds:	Believed to be internal allocation from Abu Dhabi revenues.
Management Structure:	N.A.
Management of Funds:	Believed to be internal.
Portfolio:	Loans outstanding to 11 countries totalling $500 million at December 1975. Mostly connected with industry and manufacturing.
Capital Structure:	Believed to be solely paid-in-capital at present.
Income:	No information available with respect to distribution of income.

ABU DHABI FUND FOR ARAB ECONOMIC

DEVELOPMENT

Established July 1971.

Abu Dhabi Fund for Arab Economic Development,
1st Floor,
Sheikh Hamad Al Thani Building,
P.O. Box 814,
Abu Dhabi.
UNITED ARAB EMIRATES.

Telephone number: 22865.

Telex number: 2287 AH.

Cable address: FUND ABU DHABI.

Director: Dr. Hassan Abbas.

Chairman: Mohammed Habroush Al Soweidi.

Deputy Chairman: Nasir Al-Nuwaisi.

Capital:

Authorised	DH 2,000,000,000.
Paid-up	DH 1,000,000,000.

Under Article(2) of Law No.(3) of 1971 stated the object of the Fund was to 'offer economic aid to Arab countries in support of their economic development. That is, in the form of loans or participation in projects or guarantees or in other forms that shall be defined by the regulations of the Fund'.
However under Article(1) of Law No.(7) of 1975 the object of the Fund was changed and was confined thus:

1. Offering economic aid to Arab countries in support of its economic development, in the form of loans or of participation in projects.
2. Offering economic aid to the African, Asian and other Islamic countries in support of its development in the form of loans or, of participation in projects.
3. Organising, or participating in forming financial establishments which complement the purpose of the Fund and function to create and support a financial market in Abu Dhabi.
4. Issuing guarantees and other such undertakings as specified by the executive table, which complete the purpose of the Fund.
5. Employment of temporary available liquidity in the various rewarding means of investment.
6. Providing experience and technical aids within the various fields of economic development.
7. Performing any other activities or services that may be necessary for the realisation of the object of the Fund.

The Abu Dhabi Fund was established in July 1971 along the lines of KFAED to provide concessional economic development assistance to Arab countries. Loans are provided at a rate varying between 3% and 6% and are usually repayable over eight to twenty years.

The ADFAED co-operates with the World Bank together with other Arab aid agencies but has had a tendency to be rather secretative with regards to information relating to loan commitments until such time as the information is rather out of date. Thus the latest detailed break-down of loans extended relates only to the 1975/5 financial year.

However up until the end of March ADFAED had concluded loan agreements worth a total of DH 566.7 million covering sixteen projects in nine Arab, African and Asian states.

ADFAED intends to extend some DH 400 million to fifteen states during the course of the current year according to Nasir Al-Nuwaisi, the Dputy Chairman according to a recent statement.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Institution:	Islamic Development Bank
Location:	Jeddah, Saudi Arabia
Size:	ID = Islamic Dinars (equal to 1 Special Drawing Right of the International Monetary Fund)
Capital:	Authorized Capital: ID 2 billion Paid-in-Capital: ID 755 million
Purpose:	Bank established in 1975 based on agreement signed by members of Islamic conference in 1974. Purpose is to foster economic development and social progress of member and Muslim communities in accordance with Islamic principals. Present membership 29 countries. Bank permitted under agreement to (1) purchase equity in productive projects in member countries, (2) participate in economic and social infrastructure projects in member countries; (3) make loans to public and private sectors for project financing in member countries; (4) establish and operate trust or special funds; (5) accept deposits and borrow funds; (6) assist members in matters relating to development, foreign trade and economic co-operation; (7) invest surplus funds. Bank is to be non-political and governed by economic considerations only.
Source of Funds:	Members' capital subscriptions. Leverage permitted, but not yet used. Cash flow and income will also be used to fund activities of Bank in future.
Management Structure:	Board of Governors, composed of one from each member state, to appoint Executive Directors and President, to be responsible for operations and selection of personnel. All officers of Bank must be from member states. Executive Directors approve all loans.
Management of Funds:	All contracts will provide for internal follow-up and inspection by Bank.

Portfolio:	Selection and determination of investments to be based on the following criteria: (1) due regard to be paid to safeguarding interests of Bank, including obtaining guarantees; (2) the ability of recipient and/or guarantor to meet obligations to Bank; (3) consistency with principles of promotion of complimentary economic development among members, promotion of social and economic well being in member states and enlargement of employment opportunities; (4) avoidance of concentration of loans and investments in one country and maintenance of reasonable relation of loans and equity investments in each country; (5) reasonable diversification of equity investments; (6) in all cases, priority to be given to co-operative economic projects. Loans to be for terms based on project requirements. In view of interest prohibition under Islamic law, service fee to be charged.
Capital Structure:	Presently all member states' equity.
Income:	May be distributed to members after general reserve equals 25% of subscribed capital.

ISLAMIC DEVELOPMENT BANK

Established August 1974.

Islamic Development Bank,
P.O. Box 5925,
Jeddah.
SAUDI ARABIA.

Telephone numbers: 33994-5.

Telex number: 40137 BISLAMI JEDDAH.

Cable address: BANKISLAMI JEDDAH.

Board of Directors: The Board is composed of ten members. Four of them represent the largest subscribers to the capital stock - Kuwait, Libya, Saudi Arabia and the United Arab Emirates. The remaining six are elected by all the Governors of the Bank excluding the four representing the above four countries. They are - Algeria, Egypt, Guinea, Malaysia, Niger and Pakistan.
Each members term is renewable at the end of three years.

Capital:

Authorised	ID 2,000,000,000.
Subscribed	ID 757,500,000.

MIDDLE EAST

The Islamic Development Bank

—SYED NAJIULLAH

The anxiety of the leaders of the Islamic World to strengthen the bonds of their unity and steel their determination to stand by one another, come what may, both in the political arena and in the economic field, is seen better by hindsight today than at Lahore in February, 1974 when they all gathered here at the joint invitation of King Faisal and Prime Minister Zulfikar Ali Bhutto. The idea of an Islamic Development Bank and many similar institutions with varying orientations had been broached some years before that. But after the Lahore Conference, that is to say in the wake of the Ramazan War and the oil price rise, most of these ideas were pursued with more than due determination to set up the institutions they had proposed.

The Islamic Development Bank which was merely a theoretical concept with a research orientation of how to elimnate Riba from transactions in banking in Islamic countries particularly in development banking and institutional lending where the lenders and the borrowers would mainly be Islamic States, is now on the ground and has started functioning with effect from October 20, 1975 in Jeddah. The capital of the Bank is not a very large sum —a bare SDRs 750 million (750 million Islamic dinars against an authorised capital of SDRs two billion. I am not in any doubt, however, that like every bank, whether commercial or development, it is the moneys that come in as deposits that go out as loans. And since the viability of this Bank is assured not only by the solvency of the Bank itself but because of the creditworthiness of the States backing it, there is no limit to the amount of money that can come in as deposits into this Bank, if it goes for deposit mobilisation.

FUNDS FROM EUROPE & AMERICA

There might be some difficulty in attracting away some of the funds from Europe and America because of the competing rates of return offered by investments there; but enough funds can still be generated to meet the demands of this Bank. In this Bank there are two windows and one special fund. In each of these three, money can, and perhaps will be, disbursed at low rates of interest by some kind of subsidization which will have to be done in the form of grants by the States backing the lending operations; In that view of the matter, the terms of lending will compare favourably with some of the softer loans in the regional and even the larger international development banks, if that is attempted.

Anyhow the idea is that any financing that is done should be either a low-interest financing or if possible equity nancing. The concept of the Islamic Bank is to emphasise more and more on equity financing so that it is not difficult to switch over gradually to a purist Islamic system of financing which will take away loan financing altogether, to be substituted by equities and other forms of share-holding and financial partnership with appropriate guarantees and with support from international development financing as well as the backing of technology exports from developed countries and equipment supplies, whatever their source.

BALANCE OF PAYMENTS SUPPORT

Direct loan financing for balance of payments support can also be done not necessarily free of interest; at least in the beginning, because in these days of world inflation, one has to protect one's investment from the effects of world inflation by some kind of compensating mechanism which would resemble interest in some form which is not totally barred by the Islamic Shariah. Equity finance would naturally have to be a very carefully planned and thoroughly examined operation; some form of planning the enterprises and locating them in appropriate market regions may also come in at some stage.

The third window of the Islamic Bank is its special fund. It is specifically provided for in the charter for the uplift of Muslims living as minority groups in different non-Muslim countries where they have acute and chronic problems because of their poverty, indigence and lack of proper education in the skills most in demand. How this money is going to be utilised and how it is going to be amortized are matters of detail which will have to be worked out before this kind of financing is attempted in practice. Take for example, a community living in Philippines which wants assistance from the Islamic Development Bank. Such a community will, perhaps, have to organize itself into a communal association which can and will endeavour to set up with the help, or at least patronage of the Government of the interested country, such projects as will in the long run be able to repay the investment with or without some kind of return on capital: these could be industries which will pay dividends and compensate at least for the depreciation of the purchasing power of the repayment received; these could also be just educational institutions being run on grants for a given period of time until the local communities are able to finance the cost of running them.

Pakistan Economist

But the most important aspect of the functions of the Islamic Development Bank, at present reckoning, is going to be its equity financing. The schemes that could attract such finance would have to be financially viable and economically feasible in the grand pattern of trade obtaining in the world today. If a petrochemical complex is set up, say, in a place like Pakistan most of the technology would have to be imported under licence from the West; but the semi-finished products might go into countries quite close by, like, India, Afghanistan, Burma, Bangladesh, Sri Lanka and Singapore, for final processing. If the export market is assured and local consumption buttresses it, almost any consumer industry including that of consumer durables can be set up in the region extending from the north and west of Africa to the Archipelago of Indonesia.

It is not difficult to see that the capital for many of these projects would not be difficult in mobilising. Supposing there are 10 countries which want to bid for tenders of such a project; the Bank, as one of the promoter shareholders can call for tenders and ask the countries from which the tenders originate to subscribe loans or make deposits in the Bank for financing the purchases from their country. Thus some projects can be very easily floated without the Islamic Development Bank itself having to contribute little more than a nominal sum in equity. Many such methods and contrivances can be devised to attract investment from abroad into the developing countries when the Bank itself will be required to subscribe no more than the seed capital and underwrite the remainder by giving a guarantee of soundness of the project and the ability of the borrower to pay back from out of the incomes generated. At worst, some subsidization of the interest part may have to be met from grants by member States if the venture cannot afford the market rate of interest.

It is for this reason that many Western countries and even some of the developing countries are suspicious of the Islamic Development Bank. Moreover, with a country as dedicated as Saudi Arabia stoutly behind it, the Bank will be in a position to work out very easily many different means and modes of helping Islamic countries with or without direct and in any case large participation either from Saudi finances or the Bank's own finances or even private savings in member countries siphoned into the Bank. The influence of Saudi Arabia today in the executive echelons of world banking and stock exchanges is such that if an individual Saudi Arabian merchant were to guarantee a loan to a Western State, the European banks will probably underwrite and subscribe the whole of it on no more than a bare notice in a Western paper. Given this credibility, therefore, the Bank's operations have a promising future.

INTEREST-FREE LENDING

The Islamic Development Bank is not an institution set up merely for the sake of prestige. It is going to be a novel institution which will initiate research and evolve methods of lending free of interest but at the same time covering the risk of bad debts as well as the cost of inflation; how this is going to be done is for the research team that will have to be assembled very soon within the Bank, to determine. In the meantime, with the amount of capital that it has, it can attract any amount of development finance at market rates of interest and terms of amortization provided the projects selected are viable and the marketability of the goods produced is assured and the technology and capital equipment needed is available. And in most cases, as suggested above, all this can be done without the Bank itself investing any of its own money. In other cases where softer terms are required, member countries might very well come forward to subsidize interest rates even if the borrowing has to be from countries outside the pale of the membership of the Bank, indeed from the open market. The Bank itself may well not be able to attract the most up-to-date technology and capital equipment, or even expertise, as easily as it is possible for the World Bank or some of the regional institutions to do so; to compensate for this handicap, the Bank will have the opportunity of contracting triangular deals in which the Bank can offer the finance, the country possessing the technology can offer the equipment and technology, as part of the loan finance or equity or both, and the country that is going to attract both of these will find the suitable location and skilled labour, the domestic facilities and the local currency investment needed for it. Another approach would be to depend more and more on technology resources pooled from developing countries themselves under the auspices of the Bank.

In the two years of OPEC, the great powers have not been able to break up either the Third World unity or the OPEC itself. OPEC's unity depends to a large extent on the lack of similar unity in the developed consumer countries; to some extent it is also because the unity within the cartel of the oil companies (which is sustained by the West's own vested interests and is benefitted more by the unity of the OPEC than the OPEC itself) has much deeper roots than that in the politicalised OECD. It is also possible that it suits all the great powers to see a strong OPEC at the centre of the world's economic stage with a moderate leadership not too hostile to the vested interests of the industrial countries, in order to continue to exploit the rest of the Third World both for meeting the increased cost of their imports from the OPEC countries and to maintain the standard of living and the average rate of growth in their own economies during the past decade. And through the OPEC, the oil-poor Third World countries can also be kept both under control and in good humour at least for as long as the illusion lasts.

In the OPEC itself, no member is attempting to run before it can toddle. In this situation, Institutions like the Islamic Development

Bank which take a humble beginning are not going to be frowned upon by the mighty; on the contrary, there might even be some cooperation from the many different and often unexpected quarters in the name of a bold initiative for international cooperation for development. The beginning of this new institution with its new hopes and fears because of its novel nature has, therefore, to be humble. It is one of the many institutions that will have to be built in the Third World to see that it develops along the direction of its ambitions.

ISLAMIC DEVELOPMENT BANK

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AGREEMENT ESTABLISHING THE ISLAMIC DEVELOPMENT BANK

THE GOVERNMENTS ON WHOSE BEHALF THIS AGREEMENT IS SIGNED

RECOGNIZING the need for fostering the well-being of the peoples of the Muslim countries and for achieving a harmonious and balanced development of these countries on the basis of Islamic principles and ideals ;

CONSIDERING that such development can be best advanced through mutual financial and economic cooperation among the Muslim states which are members of the Islamic Conference ;

NOTING that one of the objectives of the Islamic Conference as expressed in its Charter is to promote and strengthen cooperation among member states in the economic, social and other fields of activities ;

REALIZING the need for mobilizing financial and other resources both from within and outside the member countries and for promoting domestic savings and investment and a greater flow of development funds into member countries.

BEING convinced, in this context, of the desirability of establishing an international financial institution which shall be development, investment and welfare oriented, based on Islamic principles and ideals, and a practical expression of the unity and solidarity of the Muslim Ummah ;

DO HEREBY AGREE to establish an international financial institution to be known in Arabic as البنك الاسلامي للتنمية in English as the "ISLAMIC DEVELOPMENT BANK", and in French as "BANQUE ISLAMIQUE DE DEVELOPPEMENT" which shall operate in accordance with the following provisions :

ARTICLES OF AGREEMENT

CHAPTER I

PURPOSE, FUNCTIONS, POWERS AND MEMBERSHIP

Article 1

PURPOSE

The purpose of the Islamic Development Bank (hereinafter called the Bank), shall be to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the Shari'ah.

Article 2

FUNCTIONS AND POWERS

To fulfill its purpose the Bank shall have the following functions and powers :

(i) to participate in equity capital of productive projects and enterprises in member countries ;

(ii) to invest in economic and social infrastructure projects in member countries by way of participation or other financial arrangements ;

(iii) to make loans to the private and public sectors for the financing of productive projects, enterprises and programmes in member countries ;

(iv) to establish and operate Special Funds for specific purposes including a Fund for assistance to Muslim communities in non-member countries ;

(v) to operate Trust Funds ;

(vi) to accept deposits and to raise funds in any other manner ;

(vii) to assist in the promotion of foreign trade, especially in capital goods, among member countries ;

(viii) to invest suitably funds not needed in its operations ;

(ix) to provide technical assistance to member countries ;

(x) to extend training facilities for personnel engaged in development activities in member countries ;

(xi) to undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to the Shari'ah ;

(xii) to cooperate, subject to this Agreement, in such a manner as the Bank may deem appropriate, with all bodies, institutions and organizations having similar purposes, in pursuance of international economic cooperation ;

(xiii) to undertake any other activities which may advance its purpose.

Article 3

MEMBERSHIP

1 The founder members of the Bank shall be those members of the Islamic Conference listed in Annexure 'A' hereto which, on or before the date specified in Article 66, shall have signed this Agreement and shall have fulfilled all other conditions of membership within six (6) months of such date.

2. Any other state which is a member of the Islamic Conference may apply and be admitted as a member after the coming into force of this Agreement upon such terms and conditions as may be decided by the affirmative vote of the majority of the total number of Governors representing a majority of the total voting power of the members.

CHAPTER II

FINANCIAL RESOURCES

Article 4

AUTHORIZED AND SUBSCRIBED CAPITAL

1. (a) The unit of account of the Bank shall be known as the Islamic Dinar, the value of which shall be equivalent to one Special Drawing Right of the International Monetary Fund.

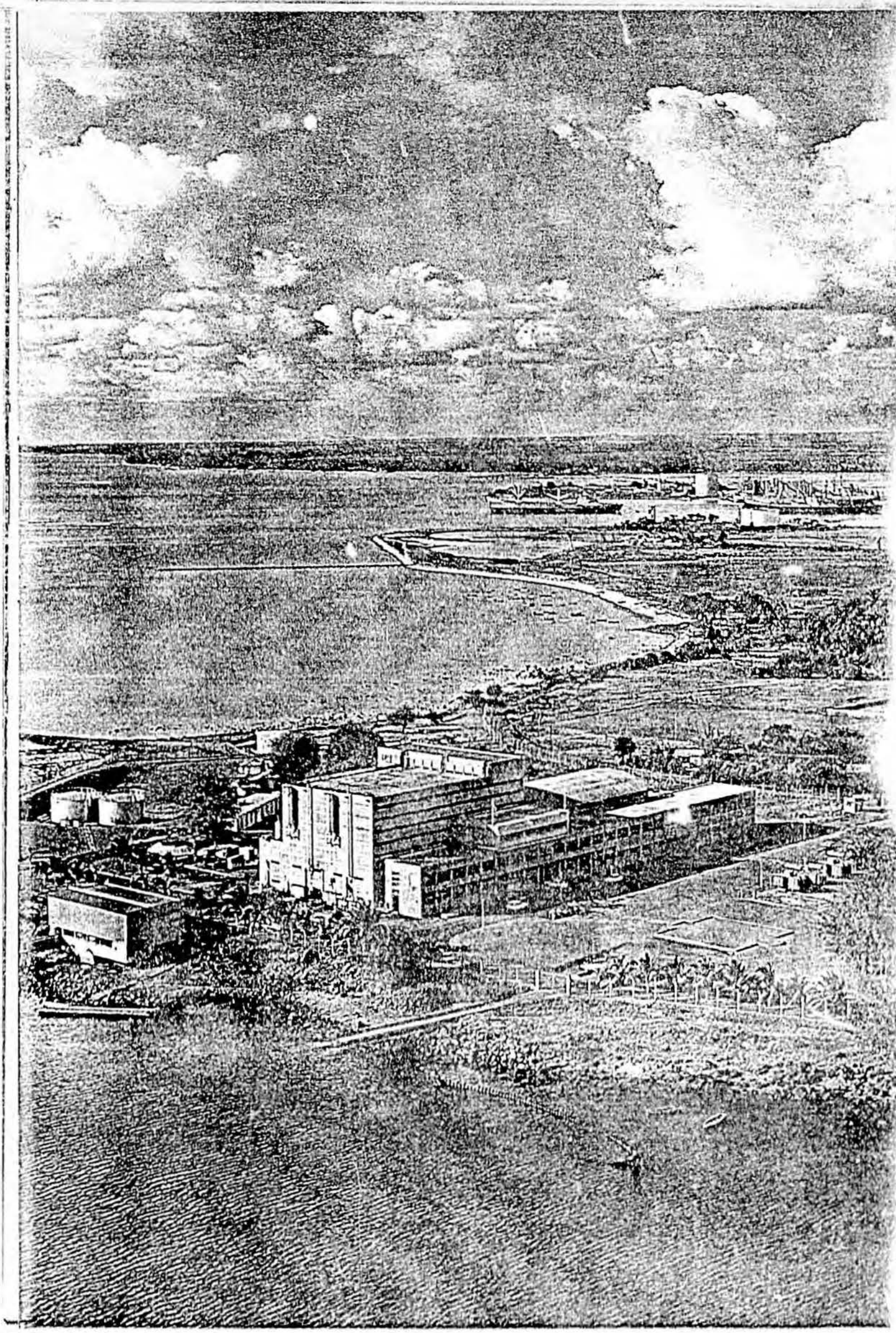
(b) The authorized capital stock of the Bank shall be two thousand million ((2,000,000,000) Islamic Dinars divided into two hundred thousand (200,000) shares having a par value of ten thousand (10,000) Islamic Dinars each, which shall be available for subscription by members in accordance with the provisions of Article (5) The subscribed capital of the Bank shall be initially seven hundred and fifty million (750,000,000) Islamic Dinars.

2. The authorized capital stock of the Bank may be increased by the Board of Governors, at such time and upon such terms and conditions as it may deem advisable, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting powers of the members.

Article 5

SUBSCRIPTION AND ALLOCATION OF SHARES

1. Each member shall subscribe to the capital stock of the Bank. The



The Bank's operations in the Associated Countries totalled 89 million units of account, of which 48.9 million were in the form of ordinary loans from the EIB's own resources. In Mauritius, the Bank part-financed the enlargement of a power station. Loans on special conditions, drawn from the resources of the European Development Fund, were granted in the Netherlands Antilles and Guadeloupe.

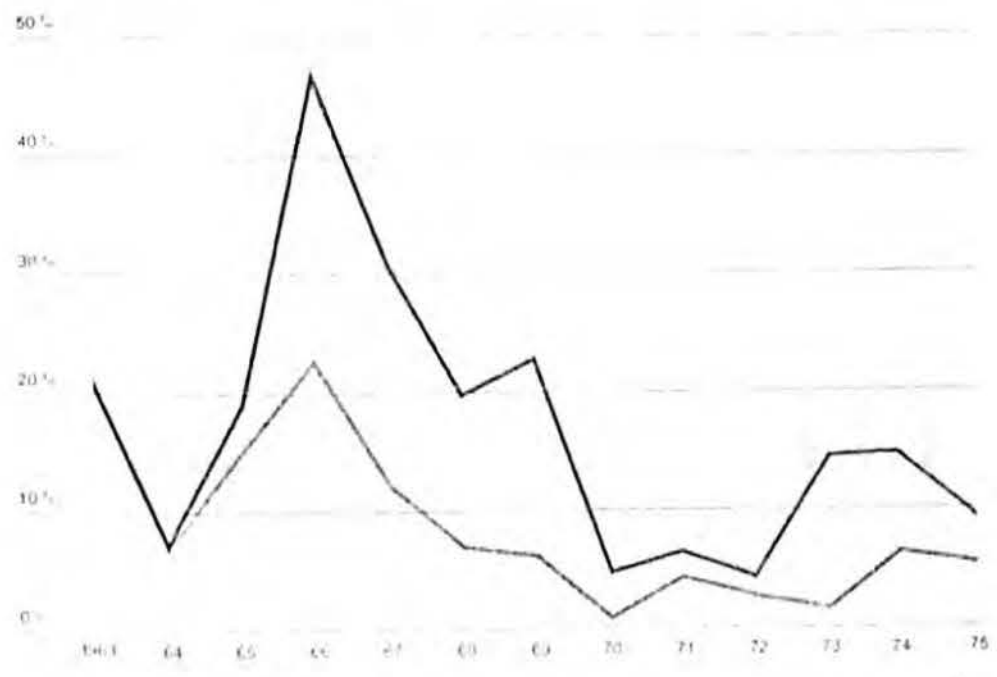
OPERATIONS OUTSIDE THE COMMUNITY (1)

Operations in the Associated Countries began only in 1963 following entry into force of Association Agreements and Financial Protocols signed between the Community, and Greece, Turkey, the Associated African States, Madagascar and Mauritius (AASMM) and the Overseas Countries, Territories and Departments (OCTD). These countries have together received 741.4 million at current prices, of which 276.6 million was provided from the EIB's own resources, and 464.8 million from the resources of Member States and the European Development Fund (2), i.e. 13.6 % of total funds made available by the Bank and 5.5 % of all finance provided from EIB own resources over the period 1963-1975. The 145 contracts signed in support of projects in the various Associated Countries were distributed between Turkey (382.7 million, or 52 % of finance granted outside the Community), the AASMM and OCTD (242.3 million, or 33 %) and Greece (116.4 million, or 15 %).

Bank activity outside the Community has shown marked fluctuations as a percentage of total lending, and has declined over the past decade, mainly because of the institutional factors governing this type of operation arranged under agreements concluded for five years and subject to rather lengthy ratifica-

(1) The amounts given below are based on current prices. It was not possible to establish suitable indices for computing lending in each of the countries concerned in real terms.
(2) Loans on special conditions and contributions to the formation of risk capital made by the Bank acting as agent for, and on mandate from, the Member States and the European Economic Community (European Development Fund), and accounted under its Special Section (see Statement on page 65).

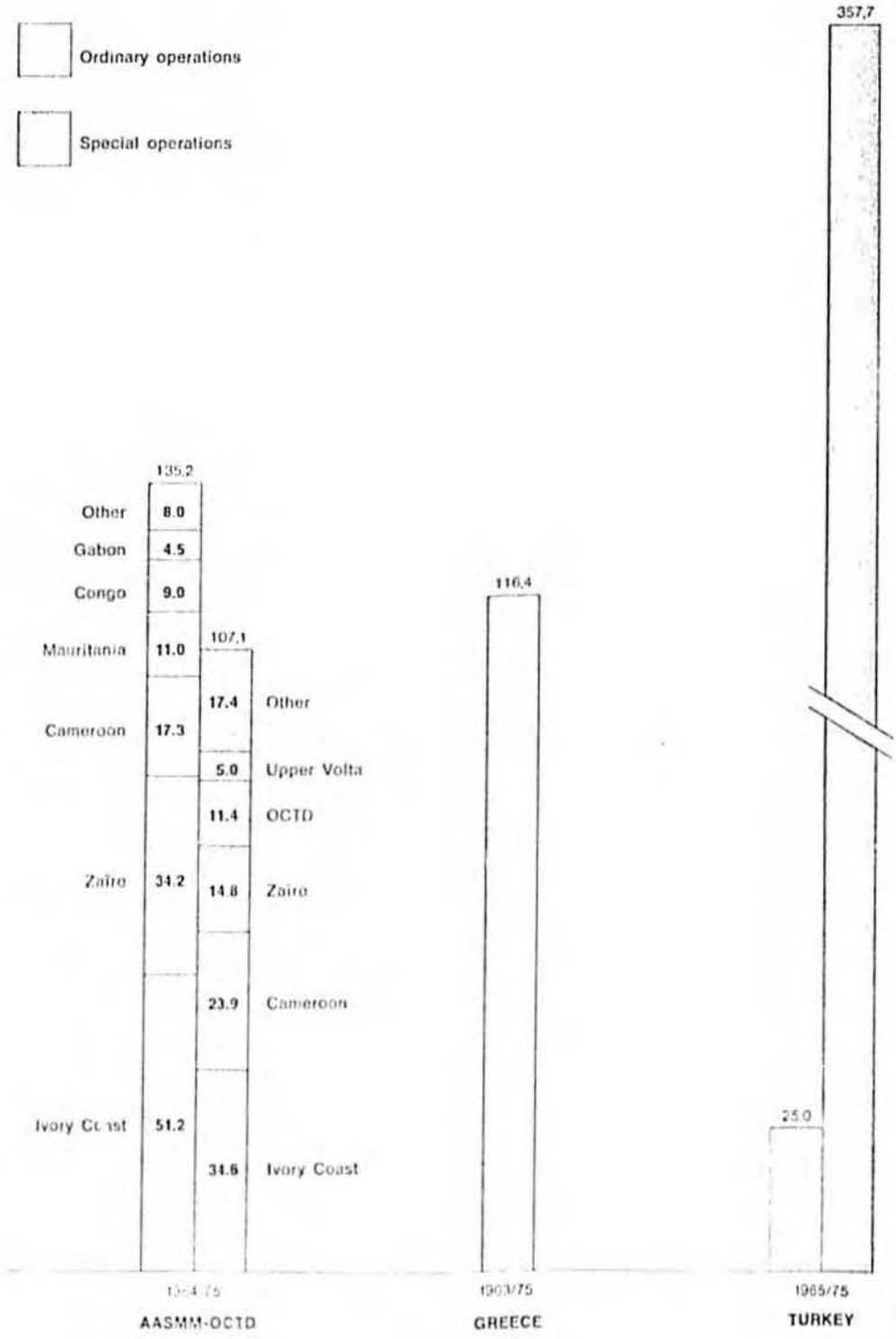
Graph 5: **EIB activity outside the Community in relation to the Bank's overall activity between 1963 and 1975**



Graph F

Financing outside the Community

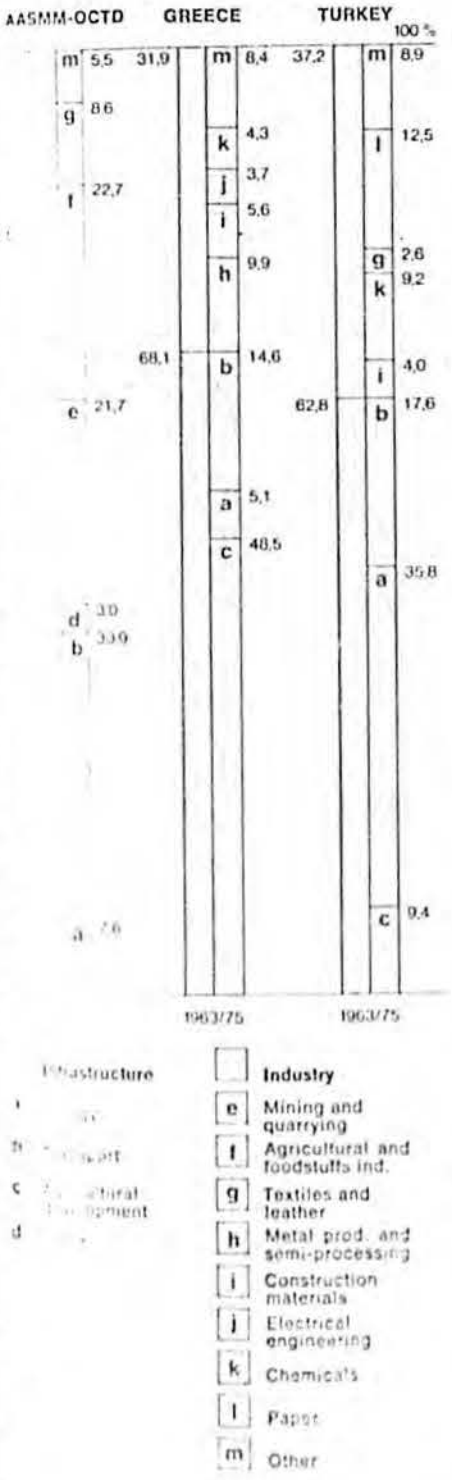
Breakdown by country and type of financing
(million u.a.)



Graph G

Financing provided outside the Community between 1963 and 1975

Sectoral breakdown



tion procedures. Present developments in Community financial cooperation policy will doubtless lead to a marked increase in operations outside the Community, in real as well as in absolute terms. Funds provided by the Bank from its own resources under the terms of financial cooperation with non-member countries always carry the guarantee of Member States or the Community.

The two Yaoundé Conventions and the two Decision concerning the **AASMM** and **OCTD** fixed a ceiling of 170 million for operations financed from the Bank's own resources and an amount of 140.5 million for loans on special conditions or contributions to the formation of risk capital financed from the European Development Fund.

Between 1 June 1964, the date of entry into effect of the first Convention of Association and Decision, and 31 December 1975, the Bank signed 68 contracts for projects located in these countries. These contracts related to 33 ordinary loans amounting to 135.2 million from the Bank's own resources and 35 special operations totalling 107.1 million financed from the European Development Fund; the special operations comprised 32 loans on special conditions worth 104.6 million and three contributions to the formation of risk capital for 2.5 million. Graphs F and G provide a breakdown by sector and by country of these operations which contributed towards investments totalling almost 1 100 million, leading to the direct creation of around 50 000 jobs.

Loans for infrastructure projects accounted for 42 % of total lending in the AASMM and OCTD (transport 31 %, energy supplies 7.5 %).

Productive enterprise absorbed 58 % of funds granted : 21.7 % went to projects in the mining and quarrying sector, while the foodstuffs industry attracted 18.8 % and textiles 8.6 %.

The first and second Financial Protocols concluded with **Turkey** provided for the granting of loans on special conditions by the Bank acting as agent for, and on mandate from, the Member States, for a total of 370 million, with a further 47 million to be made available under the Supplementary Protocol (see p. 16). Provision was also made for loans from the Bank's own resources up to a maximum of 25 million. Between 1965 and 1975, the Bank granted 55 loans for a total of 382.8 million, of which 357.7 million was committed in the form of loans on special conditions from budgetary funds provided by Member States and 25 million in ordinary loans from the Bank's own resources (see map, p. 34).

Graph G gives a sectoral breakdown of finance granted and shows the preponderance of loans for industry (37.2 %) and energy (35.8 %). One quarter of all finance in support of industrial investments was provided in the form of global loans to Türkiye Sinai Kalkinma Bankasi (TSKB) and Sinai Yatirim ve Kredi Bankasi (SYKB) which onlend the funds, with the agreement of the EIB, for small and medium-scale ventures.

Since 1965, this procedure has enabled the EIB to help in financing fixed investments totalling 2 600 million at current prices, leading to the direct creation of 20 600 jobs and reducing seasonal underemployment in certain agricultural areas.

The first Financial Protocol with **Greece** which came into effect in 1963, but was suspended in 1967, was reactivated in December 1974. Between 1963

and 1975, the Bank granted 22 loans for a total of 116.4 million ($ 125 million — the ceiling fixed under the first Financial Protocol) of which 68.1 % went to infrastructure, particularly for agricultural development (56.3 million), roads (17 million) and energy transmission lines. The remaining 37.1 million was channelled into industrial projects mainly in the metals semi-processing and construction materials sectors, and the chemical and textile industries. A global loan was made available to the National Investment Bank for Industrial Development (NIBID) for financing small and medium-scale ventures in agreement with the EIB. These operations will together lead to the direct creation of around 7 000 jobs and help to improve the employment situation in areas covered by irrigation projects (see map, p. 34).

Loans for infrastructure projects, i.e. about two-thirds of the total amount lent, attracted an interest subsidy of three percentage points financed by the Member States which signed the Protocol and which also provide their guarantee for all funds granted.

Resources

Resources increased to nearly 4 700 million

The Bank's total resources at 31 December 1975 (comprising paid-up capital, net income appropriated to the statutory and other reserves and borrowings) amounted to 4 665.8 million compared with 3 804.2 million at 31 December 1974.

This increase was made up of an additional 802.2 million in borrowings, taking into account variations in conversion rates, and 59.4 million in net income appropriated to the statutory and other reserves.

830.7 million raised on capital markets

In 1975, the Bank made calls on the financial markets for a total of 830.7 million, including 17 million from the sale to third parties of participations in loans by the Bank, compared with 825.5 million in 1974 and 612.3 million in 1973.

The return to a more normal relationship between world short and long-term interest rates, coupled with the onset of a general downtrend in rates, enabled the Bank to borrow a variety of currencies on a number of different markets. Twelve issues in five currencies of Member States raised 363.8 million, as against 64.5 million in 1974. Nine of these, totalling 241.3 million (1974 : 41.9 million), were placed on the capital markets of Member States.

As in previous years, subscriptions were in most cases payable in United States dollars (258.9 million), although the exceptionally high proportion attained in 1974 (665 million out of a total of 825.5 million, or more than 75 %), was far from matched in 1975.

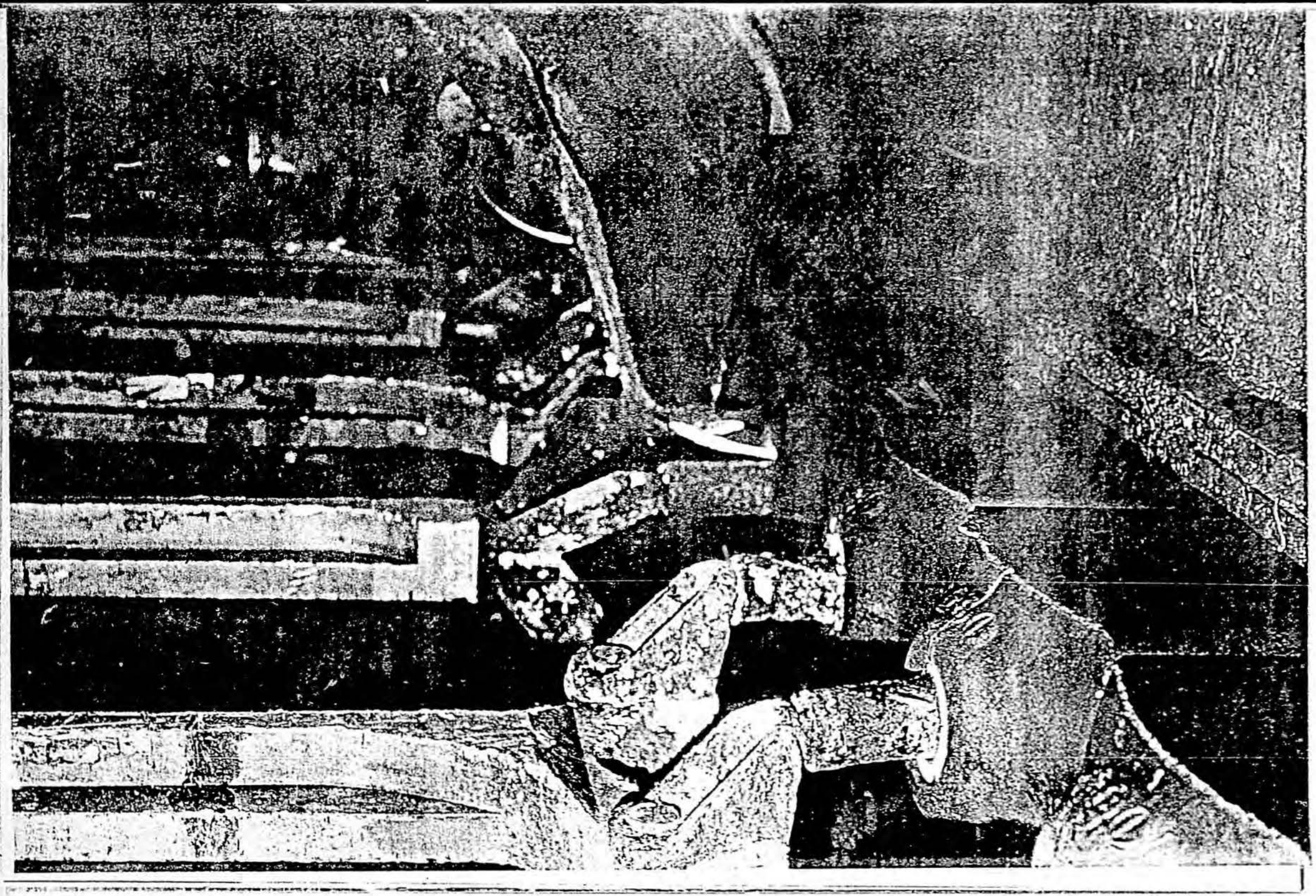
Issue on the United States capital market

For the first time since the abolition in 1974 of the interest equalisation tax, in force since 1963, the Bank was able to make a bond issue on the United States domestic market in November 1975, raising $ 75 million for 7 years. The Bank's bonds are rated AAA, the highest possible, by the two leading rating agencies in the United States.

At the end of 1975, in pursuance of its policy of extending its borrowing activity to other markets, the Bank became the first non-Asian borrower on the Asian dollar market in signing a US $ 20 million issue in Singapore. Funds were also raised for the first time on the Japanese market by means of a private placing in yen for the equivalent of 17.2 million.

The Swiss capital market proved to be a most valuable source of funds for the Bank in 1975; investors subscribed to six issues totalling 133.8 million, compared with 34.9 million in the previous year.

Table 17 on page 79 gives details of borrowings during the year. After deduction of repayments and allowing for exchange adjustments, total borrowings outstanding amounted to 3 915.4 million at 31 December 1975, as against 3 113.2 million at 31 December 1974, representing an increase of 802.2 million, of which 40.9 million was received after the end of the financial year.



1975 saw the resumption of EIB lending activities in Greece, with seven loans totalling 47.2 million units of account using up the balance of the funds for which provision was made under the first EEC-Greece Financial Protocol. Sizeable loans were made for a number of irrigation projects which will lead to an improvement in living standards over large areas. About 7,000 jobs should be directly created by industrial projects which the EIB has helped to finance, chief among which was an aluminium production works on the north coast of the Gulf of Corinth.

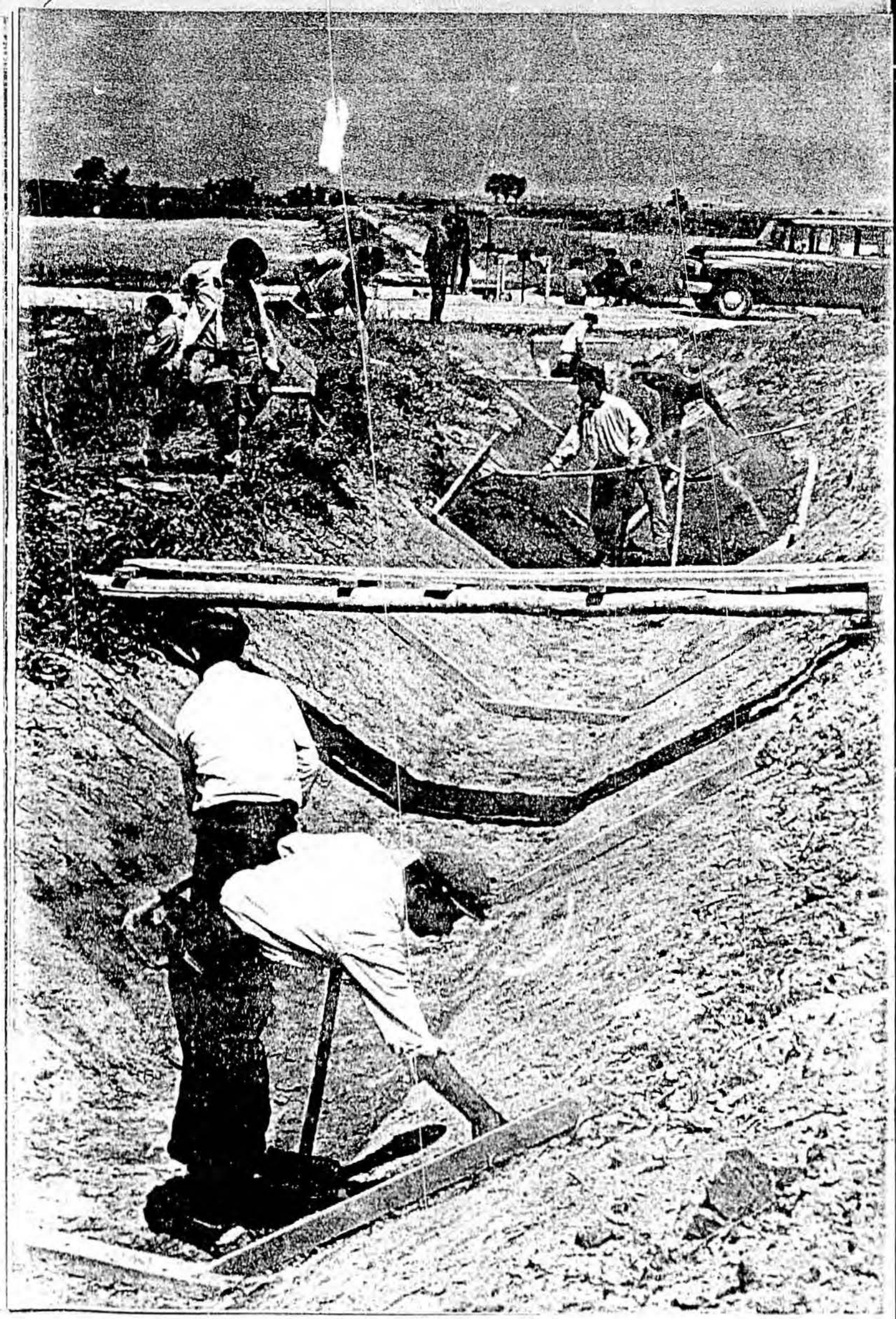
Table 3 : Funds raised up to and including 1975

Year	Issues				Participations by third parties in EIB loans (million u.a.)	Funds raised (million u.a.)
	Number	Amounts (million u.a.)				
		Private issues	Public issues	Total		
1961	3	7.6	13.8	21.4	—	21.4
1962	2	—	32.3	32.3	—	32.3
1963	3	8.0	27.2	35.2	—	35.2
1964	5	13.5	53.3	66.8	—	66.8
1965	4	—	65.0	65.0	—	65.0
1966	6	24.0	114.5	138.5	—	138.5
1967	8	40.0	154.5	194.5	—	194.5
1968	13	112.5	100.0	212.5	—	212.5
1969	9	63.7	82.3	146.0	—	146.0
1970	7	66.6	102.3	168.9	—	168.9
1971	20	208.0	204.9	412.9	—	412.9
1972	19	133.4	328.6	462.0	17.5	479.5
1973	22	207.0	401.0	608.0	4.3	612.3
1974	16	704.2	121.3	825.5	—	825.5
1975	26	318.6	495.1	813.7	17.0	830.7
1961-1975	163	1 907.1	2 296.1	4 203.2	38.8	4 242.0

Reduction in the Bank's lending rates

In contrast to 1974, when persistent increases in interest rates on financial markets forced the Bank to raise its lending rate to 10.5 %, the slight easing of conditions on the capital markets in 1975 enabled the Bank to reduce its lending rate to 9.875 % in February, 9.5 % at the end of April and 9.25 % in June. However, the reversal of trends in long-term interest rates obliged the Bank to raise its lending rate again to 9.5 % in July 1975 (1).

(1) As of 10 February 1976 the rates were set at 9 % for loans not exceeding 8 years and 9.5 % for loans over 8 years.



In Turkey finance was provided for a project in the Berdan Valley to improve the country's agricultural potential (similar to a previous operation in the Gediz Valley); it involved the construction of a dam and reservoir to bring irrigation to 14 000 hectares. As in 1974, the Elbistan power station and lignite mine to supply it with fuel attracted the bulk of the Bank's lending. This project is of major significance for the development of Turkey.

Capital increase

Subscribed capital increased from 2 025 to 3 543 million

At its meeting on 10 July 1975, the Board of Governors decided to increase the subscribed capital of the Bank by 75 %, raising it from 2 025 to 3 543.75 million. This increase of 1 518.75 million is subscribed by Member States in proportion to their share in the subscribed capital as follows :

Germany	337 500 000	Netherlands	88 875 000
France	337 500 000	Denmark	45 000 000
United Kingdom	337 500 000	Ireland	11 250 000
Italy	270 000 000	Luxembourg	2 250 000
Belgium	88 875 000		

Each Member State will pay in 10 % of its share of the agreed increase in its own national currency in eight half-yearly instalments, the first on 30 April 1976.

Called capital increased from 405 to 556.875 million

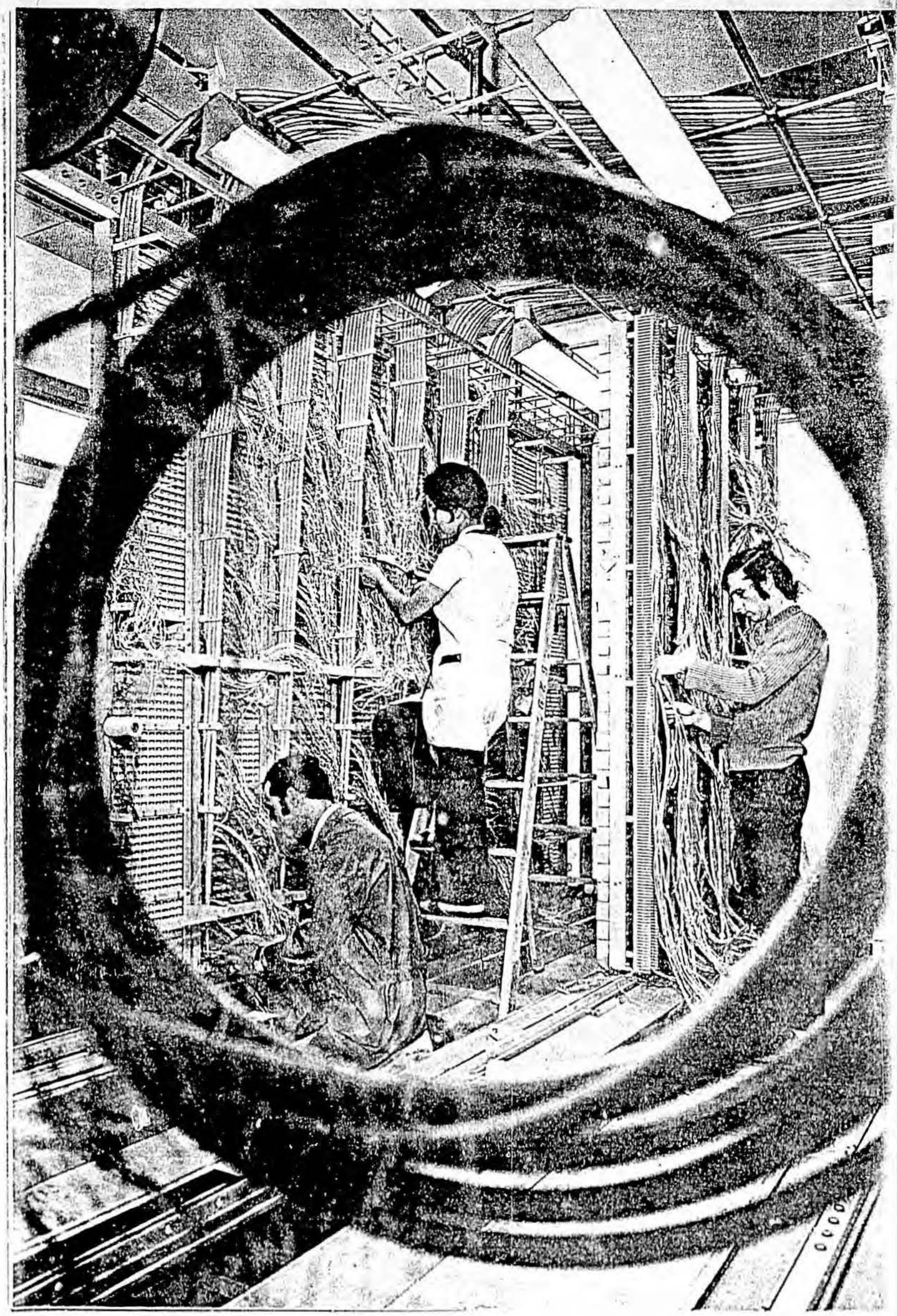
The paid-up capital will thus be increased progressively from 405 to 556.875 million, the called capital (paid up and due to be paid up) amounting to 15.7 % of subscribed capital. Under Article 5 (3) of the Statute of the Bank, the Board of Directors may call for payment of the balance of the subscribed capital to such extent as may be required to meet the Bank's obligations in respect of its borrowings.

Table 4 illustrates the growth in the Bank's capital since its foundation following the increases decided in 1971 and 1975 and the enlargement of the Community in 1973.

Article 18 (5) of the Statute of the Bank stipulates that the total outstanding amount of loans and guarantees granted by the Bank shall not exceed 250 % of its subscribed capital. As a result of the recent capital increase this statutory limit on loans and guarantees outstanding is 8 859 million, compared with 2 500 million in 1958.

Table 4 : Statement of subscriptions to the capital of the Bank since 1958

	Initial subscription		Decision of Board of Governors of 26 April 1971		Enlargement of the Community (1 January 1973)		Decision of Board of Governors of 10 July 1975		
Distribution according to Member States (%)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Called capital (paid up and due to be paid up) (million u.a.)	Breakdown according to Member States (rounded %)
30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
—	—	—	—	—	450.0	90.0	787.5	123.75	22.22
24.0	240.0	60.0	360.0	72.0	360.0	72.0	630.0	99.0	17.78
8.65	86.5	21.625	129.75	25.95	118.5	23.7	207.375	32.5875	5.85
7.15	71.5	17.875	107.25	21.45	118.5	23.7	207.375	32.5875	5.85
—	—	—	—	—	60.0	12.0	105.0	16.5	2.96
—	—	—	—	—	15.0	3.0	26.25	4.125	0.74
0.2	2.0	0.5	3.0	0.6	3.0	0.6	5.25	0.825	0.15
100.0	1 000.0	250.0	1 500.0	300.0	2 025.0	405.0	3 543.750	556.875	100.0



The EIB continued to support the extension and modernisation of telecommunications in the Community with seven loans totalling 197.7 million units of account, which went mainly towards installations in inadequately served regions in Ireland, Brittany, Wales, Sicily, Abruzzi, Molise, Trentino-Alto Adige and Veneto.

Results for the year

Net income amounted to 59.4 million

The results for 1975 were greatly influenced by the increase of about 100 million, in receipts of interest on loans, whereas the amount of interest and charges on borrowings incurred over the year rose by only 77 million. In contrast to the high level of interest rates on money markets during the previous year, 1975 saw a downturn in rates with the result that income from short-term investments fell from 52 million in 1974 to 34 million in 1975. This drop in investment income was also due in part to the fact that the Bank took steps to channel borrowing proceeds as quickly as possible into long-term lending in order to reduce liquidity.

After allowing for the amortisation of issuing charges and redemption premiums amounting to 9.6 million as against 8.1 million in 1974, the results for the year showed an operating income of 54.9 million as against 49.3 million in 1974. On the basis of conversion rates by reference to the European Unit of Account as of 31 December 1975, an amount of approximately 4.5 million was credited to the profit and loss account resulting from the reevaluation of assets not subject to adjustment under Article 7 of the Statute. The net income available for appropriation to the statutory and other reserves thus amounted to 59.4 million. It will be recalled that in 1974, the net income appropriated to the statutory and other reserves was 36.3 million, resulting from the deduction from the operating income of 49.3 million of a net loss of 6 million arising from the reevaluation of assets not subject to adjustment under Article 7 of the Statute, of a supplementary provision for administrative expenses of 2 million and, finally, of a supplementary amortisation of issuing charges of 5 million.

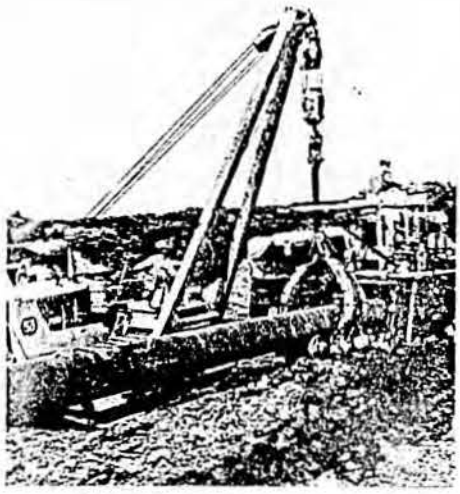
and was appropriated to the statutory and other reserves

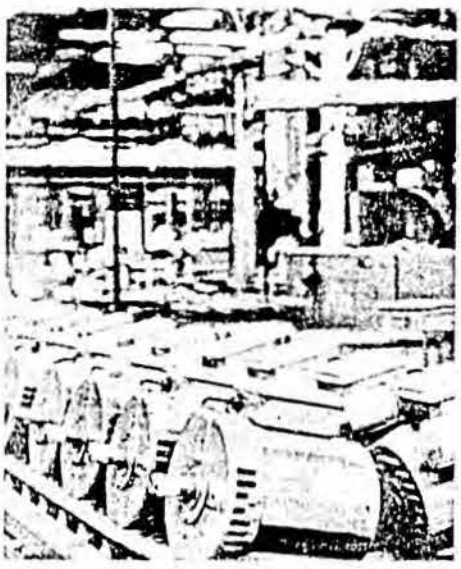
Of this balance 20 million was appropriated to the statutory reserve and the remainder to the other reserves. At 31 December 1975 otal reserves consequently amounted to 345 million, of which 130 million in the statutory reserve.

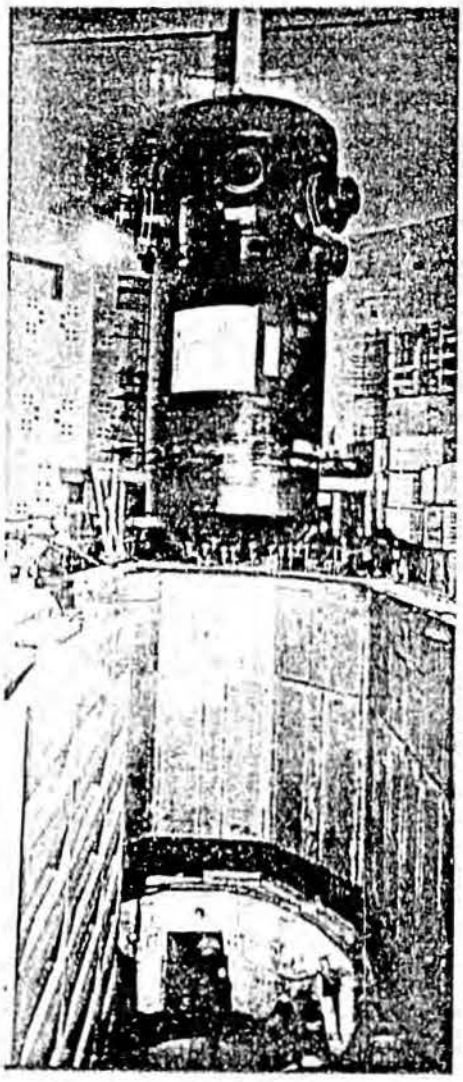
Balance sheet total at 31 December 1975 : close on 5 500 million

At the same date, the Bank's balance sheet total stood at 5 469 million, compared with 4 503 million at 31 December 1974, representing an increase of 21.5 %.

List of projects financed in 1975







Ordinary operations

million u. a. (1)

BELGIUM

Bfrs 500 million — **10.8**

1. Gasline for conveying natural gas from the North Sea and the Netherlands to southern Belgium and northern France

Société Européenne du Gazoduc Est-Ouest (SEGEO)
Bfrs 500 million — 10.8

DENMARK

Dkr 125.4 million — **17.7**

2. Acquisition and installation of oil production platforms for the DAN field in the Danish sector of the North Sea

Dansk Boreselskab A/S
Dkr 43 million — 6.1

3. Extension of factory producing electric motors at Aalborg (North Jutland)

Thrige Titan A/S
Dkr 10 million — 1.4

4. Pig slaughterhouse near Sonderborg (South Jutland)

Slagteriregion Syd
Dkr 25 million — 3.6

5-6. Global loans to the Danish Government (Direktoratet for Egnsudvikling) to finance small and medium-scale industrial ventures in less developed areas of Denmark

First loan :
Dkr 17.5 million — 2.5 — 5.3

Second loan :
Dkr 20.0 million — 2.8

(1) Finance contracts are denominated in the equivalent of the national currency for operations in Member Countries, in United States dollars for projects in Greece, and in units of account for projects in other Associated Countries; amounts shown in national currencies for operations in Associated Countries and in Greece are thus merely indicative.

million u. a.

7. Global loan to **Finansieringsinstituttet for Industri og Håndværk A/S** for financing small and medium-scale industrial ventures in less developed areas of Denmark
Dkr 9.9 million — 1.4

FRANCE

Ffrs 845.7 million — **158.0**

8. Fourth stage of Bugey nuclear power station at St Vulbas (Rhône-Alpes)

Électricité de France (EDF) — French National Electricity Board
Ffrs 100 million — 19.1

9. Factory producing pressure vessels and steam generators for light water reactors at Châlon-sur-Saône (Burgundy)

Société Franco-Américaine de Constructions Atomiques (Framatome)
Ffrs 25 million — 4.6

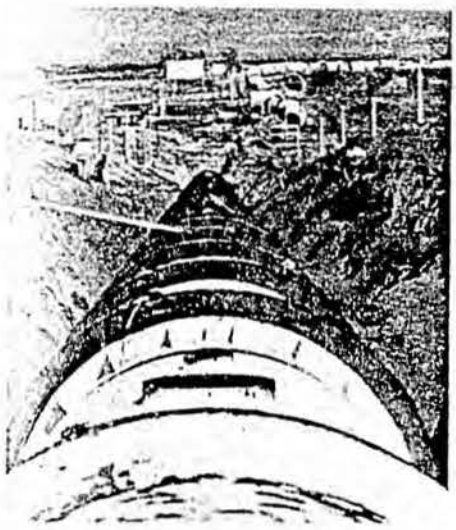
10. Apparatus for underwater aligning and butt-welding of pipelines (new technology)

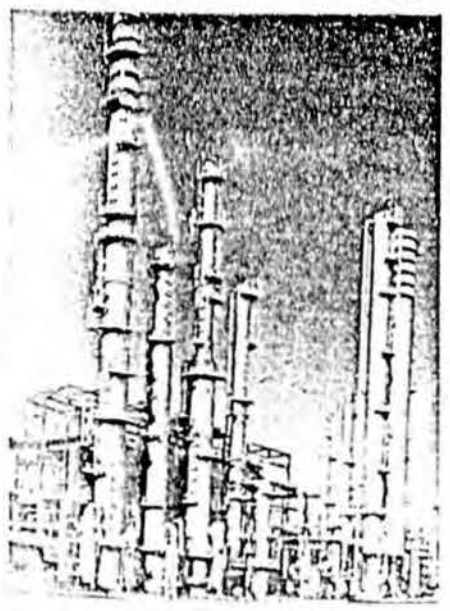
Compagnie Maritime d'Expertises (COMEX)
Ffrs 10 million — 1.8

11-13. Improvement and extension of water supply systems in rural areas of Brittany. Three loans to Finistère (Ffrs 14.3 million) Ille-et-Vilaine (Ffrs 20 million) and Morbihan (Ffrs 15.7 million) departments; total Ffrs 50 million — 9.6

14. Verdun-Rheims section of A4 Paris-Metz motorway (Champagne-Lorraine)

Société Concessionnaire des Autoroutes Paris-Est-Lorraine (APEL) S.A.
Ffrs 165 million — 31.8

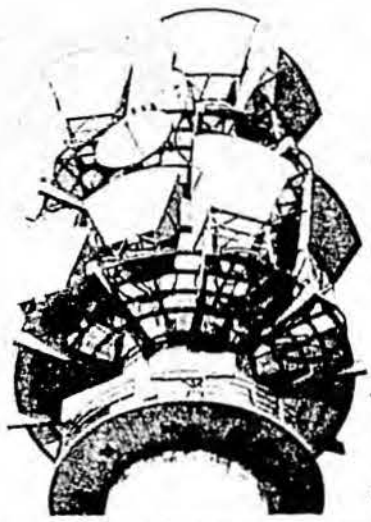


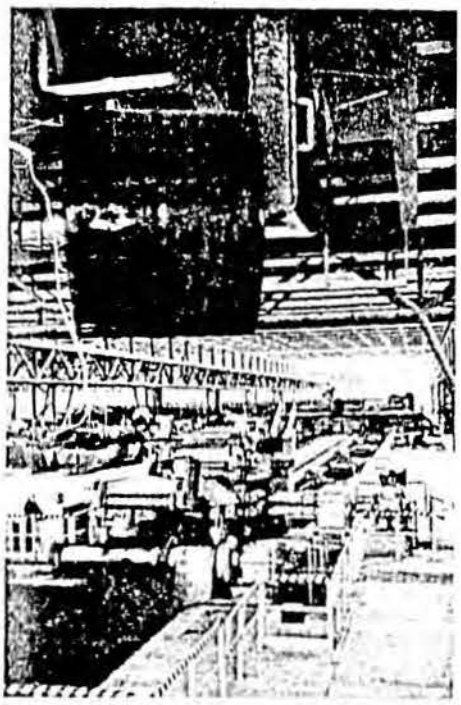


	million u. a.
15. Improvement of rail links between Paris and South-West France as far as the Spanish frontier (Poitou-Charentes, Aquitaine) **Société Nationale des Chemins de Fer Français (SNCF)** Ffrs 150 million	27.3
16. Extension and modernisation of the international telecommunications system **Administration des Postes et Télécommunications** through the intermediary of **Caisse Nationale des Télécommunications** Ffrs 170 million	30.5
17. Extension and modernisation of the telecommunications system in Brittany **Administration des Postes et Télécommunications** through the intermediary of **Caisse Nationale des Télécommunications** Ffrs 155.7 million	29.7
18. Global loan to **Société Lorraine de Développement et d'Expansion (LORDEX)** for financing small and medium-scale industrial ventures in Lorraine Ffrs 20 million	3.6
IRELAND £Ir 22.0 milli	37.7
19. Extension and modernisation of the telecommunications system in Ireland **Department of Posts and Telegraphs** through the intermediary of the **Ministry for Finance** £Ir 17.5 million	30.0
20. Extension of cement works at Platin, Co. Meath (East Region) **Cement Limited** £Ir 4.5 million	7.7

	million u. a.
ITALY Lit 289 800 million	358.8
21-22. Caorso nuclear power station, near Piacenza (Emilia Romagna) **ENEL — Ente Nazionale per l'Energia Elettrica** Two loans totalling Lit 36 200 million	44.5
23-24. Development of Malossa natural gas and petroleum deposits in the Po Valley (Lombardy) **AGIP S.p.A.** Two loans totalling Lit 36 200 million	44.5
25. Four gaslines in Calabria **SNAM S.p.A.** through the intermediary of **ENI — Ente Nazionale Idrocarburi** Lit 7 000 million	8.6
26. Sinni aqueduct: dam and 450 million m³ reservoir at Monte Cotugno (Basilicata) and main pipeline to the Alto Metapontino plain **Cassa per il Mezzogiorno** (1) Lit 24 000 million	30.3
27. Pertusillo aqueduct: pipeline connecting with the Pugliese aqueduct and branch lines supplying several towns (Apulia and Basilicata) **Cassa per il Mezzogiorno** Lit 25 000 million	31.5
28. Measures to reduce pollution in the Gulf of Naples: construction of sewers and purification plant for domestic and industrial waste water (Campania) **Cassa per il Mezzogiorno** Lit 24 000 million	30.3

(1) Cassa per opere straordinarie di pubblico interesse nell'Italia Meridionale

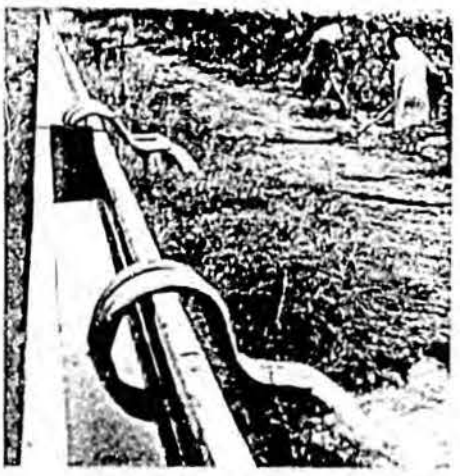


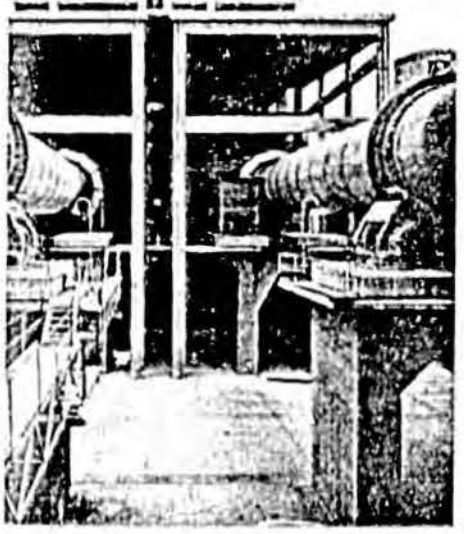


	million u. a.		million u. a.
29. Alessandria (Alessandria province) - Santhià (Vercelli province) section, Piedmont, of the "Tunnels Motorway" **Autostrade — Concessioni e Costruzioni Autostrade S.p.A.** Lit 24 000 million	29.2		**36-37.** Extension and modernisation of plant producing welded steel tubes at Torre Annunziata (Campania) **Dalmine S.p.A.** First loan through the intermediary of the **Cassa per il Mezzogiorno** Lit 3 600 million 4.5 Second loan through the intermediary of **ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale** Lit 3 600 million 4.5	9.1
30. Fréjus transalpine road tunnel between Italy and France **Società Italiana Traforo Autostradale del Fréjus p.A. (SITAF)** Lit 7 600 million	9.3			
31. Extension and modernisation of telephone installations in Veneto and Trentino-Alto Adige **SIP — Società Italiana per l'Esercizio Telefonico p.A.** Lit 24 500 million	29.8		**38-39.** Extension and modernisation of Gela petrochemicals complex (Sicily) by increasing chlorine, caustic soda, ethylene oxide and ethylene glycol production capacities **ANIC S.p.A.** First loan through the intermediary of **ENI — Ente Nazionale Idrocarburi** Lit 8 000 million 9.9 Second loan through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 2 500 million 3.1	13.0
32. Extension and modernisation of telecommunications in Sicily **SIP — Società Italiana per l'Esercizio Telefonico p.A.**, through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 24 000 million	29.4			
33. Extension and modernisation of telecommunications in Abruzzi and Molise **SIP — Società Italiana per l'Esercizio Telefonico p.A.**, through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 15 000 million	18.4		**40-41.** Plant producing MDI, an intermediate product used in the manufacture of rigid polyurethanes, at Brindisi (Apulia) **Montedison S.p.A.** First loan through the intermediary of the **Cassa per il Mezzogiorno** Lit 6 000 million 7.6 Second loan through the intermediary of **ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale** Lit 6 000 million 7.6	15.2
34-35. Extension and modernisation of works producing welded steel tubes at Taranto (Apulia) **Tubificio Dalmine Italsider S.p.A.** First loan through the intermediary of the **Cassa per il Mezzogiorno** Lit 900 million 1.1 Second loan through the intermediary of **ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale** Lit 900 million 1.1	2.3		**42.** Extension of industrial chemicals factory (sodium metasilicate and chlorofluoro-hydrocarbon derivatives) at Bussi (Abruzzi) **Montedison S.p.A.** through the intermediary of the **Cassa per il Mezzogiorno** Lit 1 800 million	2.2

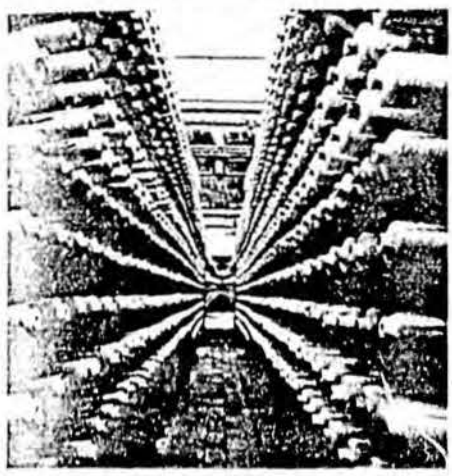
	million u. a.	
43. Extension of pharmaceuticals factory at Anagni (Latium) **Gruppo Lepetit S.p.A.** through the intermediary of the **Cassa per il Mezzogiorno** Lit 1 500 million	1.8	
44. Extension of factory producing fluorescent tubes and vapour lamps at Bari (Apulia) **Osram Sud S.p A.** through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 2 200 million	2.8	
45. Extension of graphite electrodes factory at Caserta (Campania) **Elettrografite Meridionale S.p.A.** through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 4 000 million	5.0	
46. New equipment for metallurgical research centre at Castel Romano, near Rome (Latium) **Centro Sperimentale Metallurgico S.p.A.** through the intermediary of **IMI — Istituto Mobiliare Italiano** Lit 1 300 million	1.6	
UNITED KINGDOM £ 186.5 million	**334.5**	
47. Hartlepool nuclear power station (North-East England) **Central Electricity Generating Board** through the intermediary of **The Electricity Council** £ 7.8 million	14.6	
48-49. Hunterston nuclear power station (Scotland) **South of Scotland Electricity Board** First loan : £ 15.6 million	29.2	
Second loan : £ 7.8 million	14.5	43.7
50. High voltage electricity transmission lines in North-East Scotland **North of Scotland Hydro-Electric Board** £ 10.0 million	17.7	

	million u. a.	
51. High voltage electricity transmission lines in South-East Scotland **South of Scotland Electricity Board** £ 10.0 million	17.7	
52-53. Extension of British gasline network for conveying natural gas from the Frigg field in the North Sea **British Gas Corporation** two loans totalling £ 24.2 million	44.9	
54-55. Second phase of extension of the British gasline network for conveying natural gas from the Frigg field in the North Sea **British Gas Corporation** two loans totalling £ 23.6 million	40.4	
56. Acquisition of 2 050 merry-go-round wagons for conveying coal from mines to power stations **British Railways Board** £ 63 million	11.2	
57. Construction of a petroleum harbour at Sullom Voe (Shetland Islands, off Scotland) **Shetland Islands Council** £ 16.9 million	29.9	
58. Opening of two coal mines (Yorkshire & Humberside and Wales); modernisation and extension of several other mines (Midlands) **National Coal Board** £ 7.2 million	13.4	
59. Extension and modernisation of telecommunications in Wales and neighbouring areas **Pos. Office** £ 17.5 million	30.0	





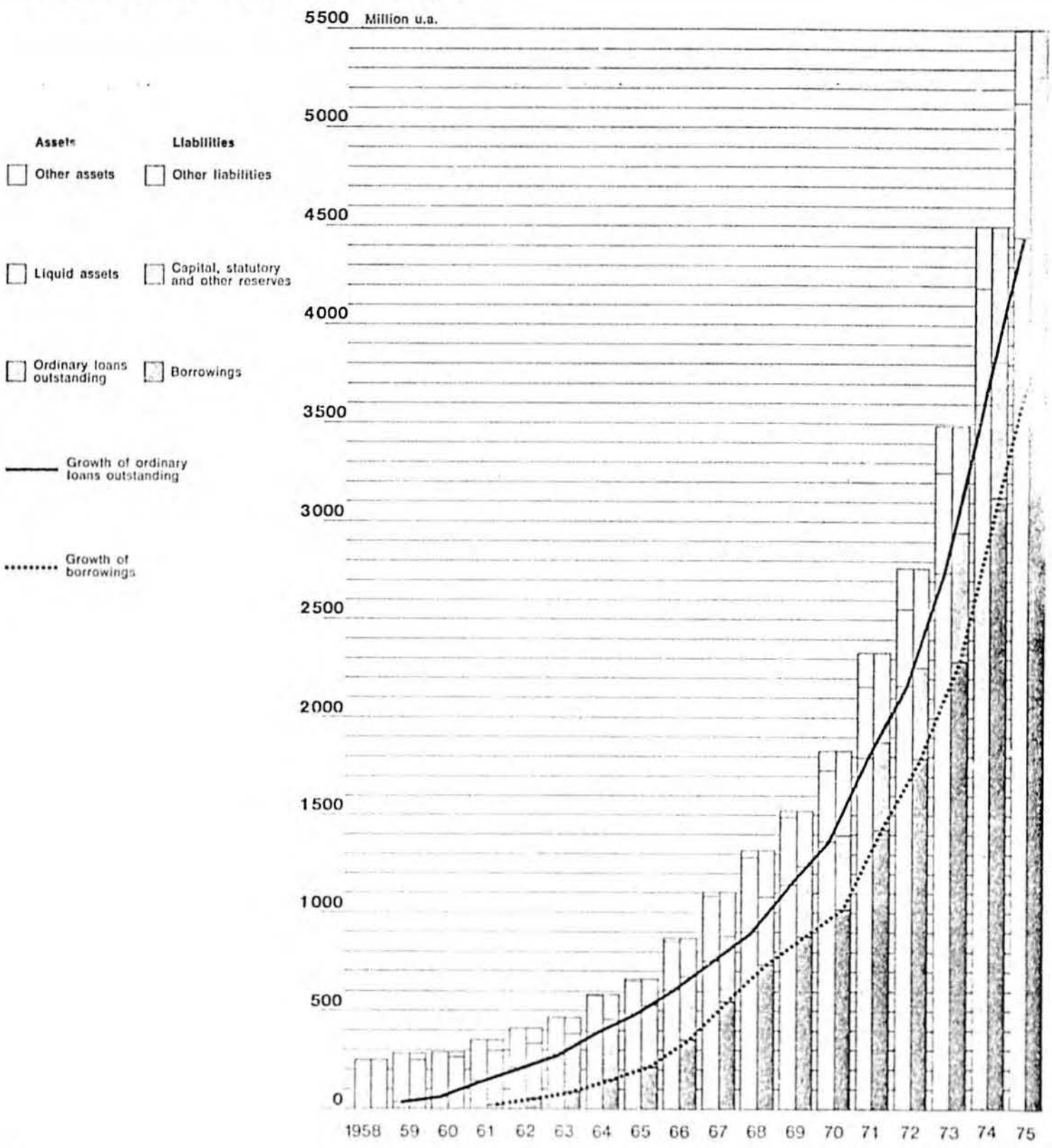
	million u. a.
60. Improvement of water supply system : 200 million m³ impounding dam at Kielder on the North Tyne river and regulation of the rivers Tyne, Wear and Tees (Northern England) **Northumbrian Water Authority** through the intermediary of **National Water Council** £ 7.5 million	13.3
61. Installation of three new coating lines at British Steel Corporation's Shotton complex in North Wales **British Steel Corporation** £ 17.5 million	31.0
62. Factory producing semi-portable typewriters in Glasgow (Scotland) **British Olivetti Limited** through the intermediary of **Olivetti International S.A.** £ 1 million	1.8
63. Glucose factory at Howden (Yorkshire & Humberside) **The Howden Glucose Company Limited** £ 1.6 million	2.7
64. Whisky bottling and blending plant at Shieldhall, near Glasgow (Scotland) **The Distillers Company Limited** £ 12 million	22.3
Total loans in the Community :	917.5
ASSOCIATED COUNTRIES	
GREECE Dr 1 878 million ($ 55.8 million)	47.2
65. Irrigation and flood control in the Serres plain (Eastern Macedonia), Hellenic Republic **Ministries of Public Works and Agriculture** Dr 1 039.8 million ($ 30 million)	26.0
66. Factory producing flat-rolled aluminium products in Oenophyta (Boeotia) **ELVAL — Industrie Hellénique d'Aluminium S.A.** through the intermediary of the **Hellenic Industrial Development Bank (ETBA)** Dr 55.6 million ($ 1.9 million)	1.4
67. Cement works at Kamari (Boeotia) **Titan Cement Co. S.A.** through the intermediary of the **Hellenic Industrial Development Bank (ETBA)** Dr 139.5 million ($ 4.0 million)	3.5
68. Electrical and telecommunications cables factory at Volos (Thessaly) **Chandris-Cables S.A.** through the intermediary of the **Hellenic Industrial Development Bank (ETBA)** Dr 173.1 million ($ 5.0 million)	4.3
69. Integrated cotton spinning and weaving plant at Yannitsa (Eastern Macedonia) **Tissages Helléniques S.A.** through the intermediary of the **Hellenic Industrial Development Bank (ETBA)** Dr 48.4 million ($ 1.4 million)	1.2
70. Plant for producing nylon filament yarn in Athens **ETMA Rayon Manufacturing S.A.** through the intermediary of the **National Investment Bank for Industrial Development (NIBID)** Dr 119.9 million ($ 3.5 million)	3.0
71. Global loan to the **National Investment Bank for Industrial Development (NIBID)** for financing small and medium-scale ventures Dr 301.6 million ($ 10.0 million)	7.7
MAURITIUS Mau Rs 13.6 million	1.75
72. Uprating Fort Victoria thermal power station **Central Electricity Board** Mau Rs 13.6 million	1.75



Special operations

	million u. a.
NETHERLANDS ANTILLES	
Ant Fl 9.1 million	**4.4**
73. Extension of Curaçao international airport	
Netherlands Antilles	
Ant Fl 9.1 million	4.4
GUADELOUPE	
Ffrs 4 million	**0.7**
74. Construction of a new mixed cargo wharf at Pointe-à-Pitre	
Department of Guadeloupe	
Ffrs 4 million	0.7
TURKEY	
TL 605.4 million	**35.0**
75. Irrigation of the Berdan Valley in Mersin province (Southern Anatolia)	
Devlet Su Isleri General Müdürlügü — DSI (Department of State Hydraulic Works, Ministry of Energy and Natural Resources)	
Topraksu (Department of Land Reclamation and Development, Ministry of Rural Affairs), Extension Services of the Ministry of Agriculculture	
TL 189.2 million	11.0
76. Second loan for mining a lignite deposit and construction of a thermal power station at Elbistan (Eastern Anatolia), following an earlier loan for 58 million in 1974	
Türkiye Elektrik Kurumu — TEK (Turkish Electricity Authority)	
Türkiye Kömür Isletmeleri Kurumu — TKI (Turkish Coal Enterprises)	
TL 330.2 million	19.0
77. Global loan to the INDUSTRIAL INVESTMENT AND CREDIT BANK for financing small and medium-scale industrial projects	
Sinai Yatirim ve kredi Bankasi (SYKB)	
TL 86 million	5.0
Total loans outside the Community :	89.0
GRAND TOTAL :	**1 006.5**

Balance sheet of the Bank at 31 December of each year



Administration

Changing responsibilities occasioned the resignation of Messrs Gastone MICONI, Christopher FOGARTY and David NENDICK from the Board of Directors during the year. The Board would like to record its appreciation of their valuable contribution to the activities of the Bank.

All three seats vacated went to new Directors appointed by the Board of Governors to complete their predecessors' terms of office : Mr Ferdinando VENTRIGLIA, Director, Mr Norman JORDAN-MOSS, Director and Mr Roger BARNES, Alternate.

Following the resignation of Mr Roger LÉONARD, Mr Michael JACOB was appointed to the Audit Committee. The Board wishes to express its thanks to Mr LÉONARD for his valuable work for the Committee.

The continuing expansion of its activities, in particular its growing functions outside the Community, resulted in further additions to the Bank's staff : at 31 December 1975 there were 359 personnel, compared with 338 at 31 December 1974.

The Board of Directors wishes to convey its thanks, to the staff of the Bank for their diligence and the high quality of their work throughout the year.

Luxembourg, 6 April 1976

Yves LE PORTZ

Chairman of the Board of Directors

Balance sheet at 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Assets		31.12.1975		31.12.1974
Receivable from Member States on account of called capital		151 875 000		—
Cash and bank deposits				
At sight and up to one year's notice		333 213 291		437 899 631
At more than one year's notice		4 243 267		3 010 446
		337 456 558		440 910 077
Investments (Note B)				
For not more than one year		7 531 472		42 483 789
For more than one year		144 704 332		71 521 209
		152 235 804		114 004 998
Borrowing proceeds to be received		40 939 011		32 806 007
Receivable from Member States for adjustment of capital (Annex D)		38 063 178		34 147 391
Loans (Annex B)				
disbursed		4 178 744 729		3 239 857 327
undisbursed		264 808 983		361 044 873
		4 443 553 712		3 600 902 200
Contra accounts to guarantees				
In respect of loans under mandate		110 926 643		112 667 095
excluding those				
(a) in respect of loans granted by third parties	(19 647 523)		(19 882 429)	
(b) in respect of participations by third parties in the loans of the Bank	(42 397 712)		(26 188 475)	
Land and buildings		503 571		507 445
Accrued interest and commission		78 719 249		58 483 628
Unamortised issuing charges		65 214 634		55 562 755
Unamortised redemption premiums		5 096 433		5 788 784
		70 311 067		61 351 539
Special deposits for service of loans (Note C)		32 993 735		41 854 702
Miscellaneous (Note D)		11 904 024		5 709 365
		5 469 481 352		4 503 344 447

Liabilities

		31.12.1975		31.12.1974
Capital (Annex A)				
Subscribed		3 543 750 000		2 025 000 000
Uncalled		2 986 875 000		1 620 000 000
		556 875 000		405 000 000
Statutory reserve (Note G)		130 000 000		110 000 000
Other reserves (Note G)				
For risks on loans and guarantees		143 901 812		117 982 653
For equalisation of interest on borrowings		13 000 000		13 000 000
For monetary risks		33 475 915		29 000 000
For building		25 000 000		16 000 000
		215 377 727		175 982 653
Write-back of issuing charges previously amortised		23 127 079		23 127 079
Staff pension fund		3 071 073		6 514 640
Payable to Member States for adjustment of capital (Annex D)		23 904 493		20 878 986
Borrowings (Annex C)				
Bonds and notes		3 346 910 328		2 716 505 002
Other medium and long-term borrowings		568 572 274		396 734 338
		3 915 482 602		3 113 239 340
Redemption premiums on bonds		10 526 141		10 604 592
		3 926 008 743		3 123 843 932
Undisbursed balance of loans		264 808 983		361 044 873
Guarantees				
On loans under mandate		110 926 643		112 667 095
On loans granted by third parties	(19 647 523)		(19 882 429)	
On participations by third parties in the loans of the Bank	(42 397 712)		(26 188 475)	
Accrued interest and commission and interest received in advance		130 117 144		101 574 816
Coupons and liabilities due and not yet paid (Note C)		32 993 735		41 854 702
Miscellaneous (Note D)		47 270 932		20 855 671
		5 469 481 552		4 503 344 447

Memorandum accounts

Undertaking to stand guarantor for loans to be granted by third parties	49 118 809	—
Securities received as guarantee for loans under mandate.	27 833 992	28 166 774
Securities received on deposit	128 724 427	119 525 722

Profit and loss account for the year ended 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Debit	1975	1974
Administrative expenses and charges	**14 175 391**	11 339 398
Supplementary provision for administrative expenses	—	2 000 000
Interest and charges on borrowings	**274 821 383**	197 798 267
Amortisation of issuing charges and redemption premiums	**9 602 463**	8 099 950
Supplementary amortisation of issuing charges	—	5 000 000
Financial charges	**164 198**	962 911
Depreciation of net purchases of furniture and equipment	**985 086**	156 251
Exchange differences	—	1 172 608
Net decrease in value arising from reevaluation of the assets of the Bank not subject to adjustment under Art. 7 of the Statute	—	5 991 566
Reserve for risks on loans and guarantees	**25 919 159**	12 982 653
Reserve for monetary risks	**4 475 915**	6 000 000
Reserve for building	**9 000 000**	5 000 000
Balance appropriated to the statutory reserve	**20 000 000**	12 313 542
	359 143 595	268 817 146

Credit	1975	1974
Interest and commission on loans	**312 485 485**	212 651 511
Interest and commission on investments	**33 974 876**	51 965 392
Management commission (Note F)	**2 228 327**	1 885 773
Financial and other income	**5 188 049**	2 314 470
Exchange differences (Note E)	**790 943**	—
Net surplus value arising from reevalution of the assets of the Bank not subject to adjustment under Art. 7 of the Statute	**4 475 915**	—
	359 143 595	268 817 146

Statement of Special Section(1) at 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Assets	1975	1974	Liabilities	1975	1974
Turkey					
From resources of Member States					
Loans	**228 677 376**	216 910 509	Trust management funds	**228 677 376**	216 910 509
Undisbursed loans	**128 962 771**	103 783 658	Undisbursed funds	**128 962 771**	103 783 658
Total (2)	**357 640 147**	320 694 167	Total	**357 640 147**	320 694 167
Associated African States, Madagascar, Mauritius and the Overseas Countries, Territories and Departments					
From resources of the European Economic Community					
Loans (3)	**78 446 317**	63 285 655	Trust management funds	**80 864 589**	64 719 440
Undisbursed loans	**27 672 388**	37 020 365	Undisbursed funds :		
Contributions to the formation of risk capital :			loans	**27 672 388**	37 020 365
— Equity participations	**1 743 358**	1 630 930	contributions to the formation of risk capital	**244 660**	197 145
— Quasi-capital assistance (of which 244 660 u.a. not yet paid up)	**919 574**	—			
Total	**108 781 637**	101 936 950	Total	**108 781 637**	101 936 950
Summary					
Loans	**307 123 693**	280 196 164	Trust management funds	**309 541 965**	281 629 949
Undisbursed loans	**156 635 159**	140 804 023	Undisbursed funds :		
Contributions to the formation of risk capital (of which 244 660 u.a. not yet paid up)	**2 662 932**	1 630 930	loans	**156 635 159**	140 804 023
			contributions to the formation of risk capital	**244 660**	197 145
Total	**466 421 784**	422 631 117	Total	**466 421 784**	422 631 117

(1) The Special Section was set up by the Board of Governors on 27 May 1963 for recording the operations carried out by the European Investment Bank for the account of and under mandate from Member States and the European Economic Community.

(2) Original amount of loan contracts signed for financing projects in Turkey for the account of and under mandate from Member States : 357 900 000

Add :

— exchange adjustments		+ 6 576 251
Less :		
— cancellation	215 000	
— repayments	6 621 104	
		— 6 836 104
		— 259 853
		357 640 147

(3) Original amount of loan contracts signed for financing projects in the Associated African States, Madagascar, Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) for the account of and under mandate from the European Economic Community : 104 598 831

Add :

— capitalised interest	870 921	
— exchange adjustments	4 422 850	
		+ 5 293 771
Less :		
— cancellations	1 269 140	
— repayments	2 504 757	
		— 3 773 897
		+ 1 519 874
		106 118 705

Annex A - Statement of subscriptions to the capital of the Bank

At 31 December 1975

In thousands of units of account — See notes to the financial statements, Annex E

Member States	Subscribed capital (1)	Uncalled capital (2)	Called capital		
			Paid up at 31.12.75	To be paid up	Total
Germany	787 500	663 750	90 000	33 750	123 750
France	787 500	663 750	90 000	33 750	123 750
United Kingdom	787 500	663 750	90 000	33 750	123 750
Italy	630 000	531 000	72 000	27 000	99 000
Belgium	207 375	174 787.5	23 700	8 887.5	32 587.5
Netherlands	207 375	174 787.5	23 700	8 887.5	32 587.5
Denmark	105 000	88 500	12 000	4 500	16 500
Ireland	26 250	22 125	3 000	1 125	4 125
Luxembourg	5 250	4 425	600	225	825
Total	**3 543 750**	**2 986 875**	**405 000**	**151 875**	**556 875**

(1) By decision of the Board of Governors of 10 July 1975 the subscribed capital of the Bank was increased from 2 025 000 000 u.a. to 3 543 750 00 u.a. Each Member State will pay in its national currency, 10 % of the increase, i.e. the equivalent of 151 875 000 u.a., in eight equal instalments of 18 984 375 u.a. on 30 April and 31 October of the years 1976/1979.
(2) Could be called by decision of the Board of Directors to such extent as may be required to meet the Bank's obligations towards lenders in respect of borrowings.

Annex B - Analysis of loans outstanding

At 31 December 1975

In units of account — See notes to the financial statements, Annex E

Countries and Territories in which loans have been granted (1) (2)	Number of loans	Amount disbursed	Amount undisbursed	Total (3)	%
Germany	65	553 137 475	—	553 137 475	12.45
France	90	988 903 875	33 516 737	1 022 420 612	23.01
United Kingdom	31	459 051 552	77 434 185	536 485 737	12.07
Italy	219	1 744 423 802	66 032 899	1 810 456 701	40.74
Belgium	8	87 051 382	—	87 051 382	1.96
Netherlands	7	66 592 648	—	66 592 648	1.50
Denmark	12	31 052 793	5 495 368	36 548 161	0.82
Ireland	11	100 083 757	—	100 083 757	2.25
Luxembourg	3	5 583 101	—	5 583 101	0.13
Greece	21	53 326 242	36 619 525	89 945 767	2.02
Cameroon	9	12 227 931	—	12 227 931	0.28
Congo	1	7 370 061	—	7 370 061	0.17
Ivory Coast	9	29 230 344	20 166 397	49 396 741	1.11
Gabon	4	3 873 414	—	3 873 414	0.09
Upper Volta	1	379 875	—	379 875	0.01
Mauritius	1	—	1 750 000	1 750 000	0.04
Senegal	2	2 511 586	—	2 511 586	0.06
Zaïre	3	13 202 330	16 600 000	29 802 330	0.67
New Caledonia	1	1 518 403	—	1 518 403	0.03
Turkey	2	19 224 158	7 193 872	26 418 030	0.59
Total	**500**	**4 178 744 729**	**264 808 983**	**4 443 553 712**	**100**

(1) Currencies in which loans are repayable :

Currency :	*Amount :*
Currencies of Member States	2 334 155 459 u.a.
Option of the Bank as between the currencies of the founder Member States of the Community	11 207 500 u.a.
Other currencies	1 833 381 770 u.a.
Disbursed portion of loans	4 178 744 729 u.a.
Add undisbursed portion of loans	264 808 983 u.a.
	4 443 553 712 u.a.

(2) Breakdown of loans at 31.12.1975 by principal form of guarantee* :

Loans granted to or guaranteed by Member States	2 729 580 641 u.a.
Loans granted to or guaranteed by public institutions in the Community	819 869 154 u.a.
Loans granted to banks including certain long-term credit institutions or guaranteed by them	351 957 659 u.a.
Loans guaranteed by non-bank companies under majority control of Member States or public institutions in the Community	202 479 671 u.a.
Loans secured by fixed charge on real estate	114 572 146 u.a.
Loans guaranteed by non-bank companies in the private sector	104 790 300 u.a.
Loans granted to Associated States or guaranteed by them	85 866 877 u.a.
Loans secured by fixed charge on other property or other security	34 037 264 u.a.
	4 443 553 712 u.a.

* Certain loans are covered by several types of guarantee or security

(3) Original amount of ordinary loans calculated on the basis of the parities applied on the date of signature : 5 239 068 195 u.a.

Less :

(a) terminations and cancellations	80 223 069 u.a.	
(b) exchange adjustments	41 022 081 u.a.	
(c) principal repayments to the Bank	631 871 621 u.a.	
(d) third party participations in loans	42 397 712 u.a.	
		795 514 483 u.a.
Ordinary loans outstanding		4 443 553 712 u.a.

The total volume of loans and guarantees granted by the Bank, which under Article 18 (5) of the Statute must not exceed 250 % of its subscribed capital, amounted at 31 December 1975 to :

— ordinary loans	4 443 553 712 u.a.
— guarantees given :	
• in respect of loans under mandate	110 926 643 u.a.
• in respect of loans granted by third parties	19 647 523 u.a.
• in respect of third party participations in the loans of the Bank	42 397 712 u.a.
	172 971 878 u.a.
	4 616 525 590 u.a.

Annex C - Statement of funded debt

At 31 December 1975

in units of account — See notes to the financial statements, Annex E

Payable in	Borrowings at 31 December 1974	Operations during the financial year: Borrowings	Redemptions	Exchange adjustments	Borrowings at 31 December 1975: Amount (1)	Rate of interest (weighted averages)	Due dates
DM	653 966 213	180 829 190	26 817 485	— 8 323 714	799 654 204	7.46	1976/1988
Ffrs	146 016 123	66 768 791	10 493 075	+ 10 322 298	212 614 137	7.92	1976/1988
Lit	252 967 627		5 975 648	+ 5 602 068	252 594 047	6.57	1976/1988
Bfrs	192 305 406	33 303 360	5 825 870	— 3 430 960	216 351 936	7.61	1976/1993
Fl	204 884 429	71 808 682	22 140 219	+ 253 572	254 806 464	7.71	1976/1990
Lfrs	112 300 914	11 101 120		— 1 823 071	121 578 963	7.52	1976/1988
Eurco (2)	90 159 418		2 022 260	+ 68 505	88 205 663	8.13	1976/1989
$	1 243 948 014	298 904 958	58 595 459	+ 104 774 308	1 589 031 821	8.69	1976/1990
Sfrs	199 888 316	133 769 079		+ 13 611 467	347 268 862	7.40	1976/1990
£Lebanese	16 802 880		612 389	+ 251 787	16 442 278	7.13	1976/1985
Yen		17 204 252		— 270 025	16 934 227	8.50	1978
Total	**3 113 239 340**	**813 689 432**	**132 482 405**	**+ 121 036 235**	**3 915 482 602**		
Redemption premiums	10 604 592		551 735	+ 473 284	10 526 141		
Grand total	**3 123 843 932**	**813 689 432**	**133 034 140**	**+ 121 509 519**	**3 926 008 743**		

(1) The following table shows the total capital sums required for redemption of the loans during the five years following the date of this statement :

Year	1976	1977	1978	1979	1980
Amount	131 270 282 u.a.	213 678 695 u.a.	262 234 671 u.a.	282 312 073 u.a.	490 057 355 u.a.

(2) The Eurco consists of the sum of fixed amounts of the currencies of all the Member States of the European Economic Community : 1 Eurco = DM 0.9 + Ffrs 1.2 + £ 0.075 + Lit 80 + Fl 0.35 + Bfrs 4.5 + Dkr 0.2 + £Ir 0.005 + Lfrs 0.5.

Annex D - Amounts receivable from or payable to Member States for adjustment of capital contributions

In accordance with Article 7 (1) and (2) of the Statute, application of the conversion rates given in Note A entails adjusting the amounts paid by Member States in their national currency as contributions to the Bank's capital.

The corresponding amounts receivable from or payable to Member States are as follows :

Receivable from :

United Kingdom	24 892 729 u.a.
Italy	12 344 216 u.a.
Ireland	826 233 u.a.
	38 063 178 u.a.

Payable to :

Germany	14 143 048 u.a.	
1961 revaluation balance	49 044 u.a.	
		14 192 092 u.a.
France		4 564 261 u.a.
Belgium		1 564 600 u.a.
Netherlands	3 002 119 u.a.	
1961 revaluation balance	35 534 u.a.	
		3 037 653 u.a.
Denmark		505 262 u.a.
Luxembourg		40 625 u.a.
		23 904 493 u.a.

Amounts receivable from or payable to Member States shall be settled in accordance with Article 7 (1) and (2), when the interim measure referred to in Note A (Annex E) is superseded as a result of the decisions to be taken by the Board of Governors with regard to Articles 4 (1) and 7 (3) after the amendments to the Statute submitted for approval take effect.

Annex E - Notes to the financial statements

At 31 December 1975

Note A — Unit of account used for preparation of the financial statements

The definition of the unit of account of the European Investment Bank provided in Article 4 (1) of its Statute, and the method for converting it into the national currencies of Member States as prescribed in Article 7 (3) can no longer be applied as originally intended when the Statute was drafted.

The Governors therefore decided on 15 July 1974 to propose that the Statute be amended, to enable them, acting unanimously, to introduce a new definition of the unit of account and to modify the system for converting sums expressed in units of account into national currencies and vice versa. Amendment of the Statute is now in hand.

As an interim measure, the Board of Governors decided on 18 March 1975 that, as from 31 December 1974 and pending the introduction of a new definition of the Bank's unit of account and a new method for conversion of this unit, the EIB would adopt as rates for converting Member States' currencies into the Bank's unit of account and vice versa, the rates used for converting these currencies into the new European Unit of Account, the value of which is equal to the sum of the following amounts of Member States' currencies :

DM	0.828	Bfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	Dkr	0.217
Lit	109	£ Ir	0.00759
Fl	0.286		

This "basket" was so composed that on 28 June 1974 its value would have been equivalent to that of the International Monetary Fund's Special Drawing Right. The conversion rates between Member States' currencies and the new European unit of account are determined by agreement between the Bank and the Commission of the European Communities, on the basis of market rates, it being understood that the Commission publishes these conversion rates in the Official Journal of the European Communities. Moreover, the Bank is to apply these conversion rates in calculating the rates applicable to other currencies used for its operations.

As from 31 December 1974, and for as long as the above interim measure remains in effect, the Bank's annual balance sheets have been and will continue to be drawn up and published on the basis of the conversion rates defined above.

The following rates were used for drawing up the balance sheet at 31 December 1975 :

1 European unit of account =	
3.05382	Deutsche Mark
5.21981	French francs
0.575973	Pounds sterling
797.769	Italian lire
46.0606	Belgian francs
3.13120	Dutch guilders
7.19697	Danish kroner
0.575039	Irish pounds
46.0606	Luxembourg francs
1.16528	United States dollars
3.05239	Swiss francs
2.84328	Lebanese pounds
354.312	Japanese yen
260.991	CFA francs

Note B — Investments

Investments comprise :

(a) treasury bonds, notes and bonds at the lowest of cost, nominal or market value (market value : 133 486 220 u.a.)	130 788 247 u.a.
(b) the Bank's own bonds at their redemption cost	21 018 475 u.a.
(c) bank bills at their nominal value	429 082 u.a.
	152 235 804 u.a.

The breakdown, according to maturity, is as follows :

— not exceeding 3 months	5 593 789 u.a.
— over 3 months but not exceeding 6 months	300 389 u.a.
— over 6 months but not exceeding 12 months	1 637 294 u.a.
— over 12 months	144 704 332 u.a.
	152 235 804 u.a.

Note C — Special deposits for service of loans

This item, which appears as a contra item on the liabilities side under the heading "Coupons and liabilities due and not yet paid", represents the amount of coupons and bonds due but not yet presented for payment.

Note D — Miscellaneous balance sheet accounts

These accounts comprise :

(a) *on the assets side :*	
— currencies receivable under the heading of swap operations outstanding at 31 December 1975	5 644 743 u.a.
— sundry debtors	6 259 281 u.a.
	11 904 024 u.a.
(b) *on the liabilities side :*	
— currencies payable under the heading of swap operations outstanding at 31 December 1975	5 601 585 u.a.
— deposits from other banks	16 372 936 u.a.
— accrued expenses and sundry creditors	25 296 411 u.a.
	47 270 932 u.a.

Note E — Exchange differences

This represents the net profit arising from financial operations during the financial year 1975.

Note F — Management commission

This item represents the remuneration for the management of loans for the account of and under mandate from Member States and the European Economic Community.

Note G — Appropriation of net income.

In 1975 net income available for appropriation to the statutory and other reserves amounted to 59 375 074 u.a., of which 54 919 159 u.a. represented operating income and 4 475 915 u.a. the net increase arising from revaluation of the assets of the Bank not subject to adjustment under Article 7 of the Statute.

On the recommendation of the Management Committee, the Board of Directors has decided to propose to the Board of Governors that the net income be appropriated as follows :

(a) 20 000 000 u.a. to the statutory reserve;
(b) 25 919 159 u.a. to the reserve for risks on loans and guarantees;
(c) 4 475 915 u.a. to the reserve for monetary risks;
(d) 9 000 000 u.a. to the bulding reserve, to meet the projected expenses for the construction of new premises.

Report by Messrs Price Waterhouse & Co.

The President,
European Investment Bank,
Luxembourg.

We have examined the financial statements of the European Investment Bank at 31 December 1975 and 1974. 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. In our opinion, the financial statements at 31 December 1975 present fairly the financial position of the European Investment Bank at that date, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our opinion on the financial statements at 31 December 1974 was issued on 20 March 1975.

The financial statements covered by our opinion are the following :

Balance sheet	
Profit and loss account	
Special Section	
Statement of subscriptions to the capital of the Bank	Annexe A
Analysis of loans outstanding	Annexe B
Statement of funded debt	Annexe C
Amounts receivable from or payable to Member States for adjustment of capital contributions	Annexe D
Notes to the financial statements	Annexe E

Brussels 2 March 1976 PRICE WATERHOUSE & CO.

Statement by the Audit Committee

The Committee instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner,

— having studied the books, vouchers and documents which it deemed necessary to examine in the discharge of its duties,

— having examined the reports of 2 March 1976 drawn up by Messrs Price Waterhouse & Co.,

considering the 1975 Annual Report as well as the balance sheet of the Bank as at 31 December 1975 and the profit and loss account for the financial year ending on that date, as drawn up by the Board of Directors at its meeting of 6 April 1976,

considering Articles 22, 23 and 24 of the Rules of Procedure,

hereby certifies :

that the Bank's operations during the 1975 financial year have been carried out in compliance with the formalities and procedures laid down by the Statute and the Rules of Procedure,

that the balance sheet and the profit and loss account correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Luxembourg, 11 May 1976.

The Audit Committee

J. BREDSDORFF E. RAUS M. JACOB

Table 5 : Financing provided from 1958 to 1975 (1)

Breakdown by country

Country	Number	Amount (million u.a.)	% of total	% Member Countries
Ordinary operations				
Member Countries :				
Belgium	8	94.1	1.7	1.9
Denmark	13	44.0	0.8	0.9
Germany	69	654.3	11.5	13.3
France	97	1 092.7	19.3	22.2
Ireland	12	106.7	1.9	2.2
Italy	254	2 231.0	39.4	45.3
Luxembourg	3	9.0	0.2	0.2
Netherlands	7	74.8	1.3	1.5
United Kingdom	30	551.1	9.7	11.2
Non-member countries (2)	3	61.7	1.1	1.3
Total	**496**	**4 919.4**	**86.9**	**100.0**
Including guarantees (3)	*9*	*110.0*	*2.0*	2.2
Associated Countries :				
Greece	22	116.4	2.1	
Turkey	2	25.0	0.4	
AASMM-OCTD	33	135.2	2.4	
Cameroon	9	17.3		
Congo	1	9.0		
Ivory Coast	10	51.2		
Gabon	4	4.4		
Upper Volta	1	0.5		
Mauritius	1	1.7		
Mauritania	1	11.0		
Senegal	2	3.9		
Zaire	3	34.2		
New Caledonia	1	2.0		
Total	**57**	**276.6**	**4.9**	
Ordinary operations total	**553**	**5 196.0**	**91.8**	
Special operations (4)				
Turkey	53	357.7	6.3	
AASMM-OCTD	35	107.1	1.9	
Cameroon	6	23.9		
Congo	2	3.1		
Ivory Coast	9	34.6		
[illegible]	1	3.3		
[illegible]	2	3.3		
Upper Volta	1	5.0		
Madagascar	1	1.9		
Mauritania	1	2.7		
Senegal	2	1.9		
Chad	1	1.2		
Zaire	2	14.8		
Netherlands Antilles	1	4.4		
Surinam	1	1.9		
New Caledonia	1	1.0		
Réunion	2	2.8		
Guadeloupe	1	0.7		
Martinique	1	0.6		
Special operations total	**88**	**464.8**	**8.2**	
including contributions to the formation of risk capital (5)	*3*	*2.5*	—	
Grand total	**641**	**5 660.8**	**100.0**	

(1) A summary of financing provided over such a long period should be interpreted very cautiously; data for successive years are affected by price movements and exchange rate variations occurring between 1958 and 1975.
(2) Loans made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute empowering the Board of Governors to authorise the Bank to contribute to financing projects outside the Community.
(3) Of which Italy : 90.2 million u.a.; France : 2.7 million u.a.; Germany : 17.1 million u.a.
(4) Loans on special conditions financed by Member States (Turkey) and by the European Development Fund (AASMM-OCTD) accounted for in the Bank's Special Section.
(5) 0.5 million u.a. for a project in Cameroon, 1 million u.a. for a project in the Ivory Coast and 1 million u.a. for a project in Senegal.
N.B. : All tables are expressed in current prices.

Table 6 : **Financing provided within the Community in 1975 and from 1958 to 1975**

Breakdown by economic policy objective

Economic policy objective	1975 Amount (million u.a.)	1975 %	1958-1975 (1) Amount (million u.a.)	1958-1975 (1) %
I. Financing justified on the basis of a single economic objective				
Regional development and conversion [Article 130 (a) and (b) of the Treaty of Rome]	475.1		2 888.0	
Sectoral interest : modernisation and conversion of undertakings, sectoral restructuring and new technology [Article 130 (b) of the Treaty of Rome]	3.6		16.9	
Common interest to several Member Countries [Article 130 (c) of the Treaty of Rome]	241.5		1 095.6	
II. Financing justified on the basis of double economic objectives				
Regional and sectoral interest	—		72.6	
Regional interest and common interest to several Member Countries	195.5		746.8	
Common interest to several Member Countries and sectoral interest	1.8		68.5	
III. Financing justified on the basis of triple economic objectives	—		31.1	
Total	**917.5**		**4 919.5**	
Summary of financing justified on the basis of one or more economic objectives under I, II or III above				
Regional development and conversion	**670.6**	**100.0**	**3 738.5**	**100.0**
Belgium	—	—	57.2	1.5
Denmark	8.0	1.2	26.5	0.7
Germany	—	—	357.2	9.6
France	70.3	10.5	786.0	21.0
Ireland	37.7	5.6	106.7	2.9
Italy	231.3	34.5	1 853.5	49.6
Luxembourg	—	—	4.0	0.1
Netherlands	—	—	40.1	1.1
United Kingdom	323.3	48.2	507.3	13.6
Sectoral interest	**5.4**	**100.0**	**189.1**	**100.0**
Common interest to several Member Countries	**438.8**	**100.0**	**1 942.0**	**100.0**
Energy (production and distribution)	338.0	77.0	1 113.7	57.4
Nuclear power stations and equipment	126.3	28.8	487.3	25.1
Hydroelectric power stations	—	—	99.2	5.1
Gaslines	104.8	23.9	304.5	15.7
Development of natural gas and oil deposits, drilling equipment	82.4	18.7	198.2	10.2
Coal mining	24.5	5.6	24.5	1.3
Transport	70.3	16.0	573.1	29.5
Railways	—	—	103.9	5.4
Motorways, bridges and tunnels	70.3	16.0	423.8	21.8
Inland waterways	—	—	24.0	1.2
Airlines	—	—	16.5	0.8
Other (ethylene pipeline)	—	—	4.9	0.3
Telecommunications	30.5	7.0	30.5	1.6
Other infrastructure	—	—	16.3	0.8
Protection of the environment	—	—	18.0	0.9
Industrial cooperation	—	—	187.6	9.7
Research	—	—	2.8	0.1

(1) See footnote 1, Table 5.

Table 7 : Financing provided within the Community from 1958 to 1975 (1)

Sectoral breakdown

Sector	Number		Amount		
	Loans and guarantees	Allocations from global loans	Total (million u.a.)	of which allocations from global loans (million u.a.)	% of total
Infrastructure	**197**	**—**	**3 192.0**	**—**	**64.9**
☐ Agricultural development	7	—	93.9	—	1.9
☐ Energy	91	—	1 387.6	—	28.2
Thermal power stations	11	—	107.8	—	2.2
Hydroelectric power stations	12	—	147.7	—	3.0
Pumped storage stations	3	—	55.7	—	1.1
Nuclear power stations	26	—	508.9	—	10.4
Electricity transmission	6	—	65.8	—	1.3
Development of oil and gas deposits	13	—	162.6	—	3.3
Coal mining	1	—	13.4	—	0.3
Gaslines	19	—	325.7	—	6.6
☐ Water supply and distribution	13	—	146.6	—	3.
☐ Transport	53	—	884.0	—	18.
Railways	13	—	202.1	—	4.1
Roads, bridges and tunnels	33	—	577.9	—	11.7
Inland waterways	1	—	24.0	—	0.5
Shipping	2	—	33.4	—	0.7
Airlines	3	—	41.7	—	0.9
Ethylene pipeline	1	—	4.9	—	0.1
☐ Telecommunications	30	—	653.6	—	13.3
☐ Tourism	1	—	10.0	—	0.2
☐ Public buildings	2	—	16.3	—	0.
Agriculture, Industry and Services	**299**	**468**	**1 727.5**	**215.1**	**35.1**
☐ Agriculture, forestry, fishing	1	4	7.5	2.0	0.1
☐ Industry (2)	294	461	1 706.2	211.7	34.7
Mining and quarrying *	3	12	10.5	4.1	0.2
Metal production and semi-processing *	36	20	449.1	14.2	9.1
Construction materials *	23	32	100.0	16.5	2.0
Woodworking	1	34	15.4	11.8	0.3
Glass and ceramics	11	12	28.5	6.2	0.6
Chemicals *	65	17	358.5	7.9	7.3
Metalworking and mechanical engineering	33	106	158.2	46.9	3.2
Motor vehicles, transport equipment	12	16	122.3	6.3	2.5
Electrical engineering, electronics	14	24	68.1	3.9	1.4
Foodstuffs	36	80	151.8	10.3	3.1
Textiles and leather	12	49	33.0	19.0	0.7
Paper pulp, paper *	5	20	28.3	9.0	0.6
Rubber and plastics processing	8	26	46.9	10.7	1.0
Other industries	3	10	6.8	3.8	0.1
Building - civil engineering	—	3	1.1	1.1	—
Global loans	32	—	127.7 (3)	—	2.6
☐ Trade and services	4	3	13.8	1.4	0.3
Tourism	2	3	9.4	1.4	0.2
Research and development	2	—	4.4	—	0.1
Grand total	**496**	**468**	**4 919.5**	**215.1**	**100.0**

(1) See footnote 1, Table 5.
(2) Of which basic industries (marked with an asterisk) : 946.4 million u.a.
(3) This amount represents the unallocated portion of the global loans (however, after cancellation of 68.5 million u.a., the balance still to be allocated within the Community is actually 59.2 million u.a.).

Table 8 : **Financing provided in Turkey from 1965 to 1975 (1)**

Sectoral breakdown

Sector	Number		Amount		
	Loans	Allocations from global loans	Total (million u.a.)	of which allocations from global loans (million u.a.)	% of total
Infrastructure	**15**	**—**	**240.4**	**—**	**62.8**
Agricultural development	3	—	36.0	—	9.4
Energy	7	—	136.9	—	35.8
Thermal power stations	2	—	77.0	—	20.1
Hydroelectric power stations	4	—	52.3	—	13.7
Electricity transmission	1	—	7.6	—	2.0
Transport	5	—	67.5	—	17.6
Railways	3	—	38.8	—	10.1
Roads and bridges	1	—	20.0	—	5.2
Airlines	1	—	8.7	—	2.3
Agriculture, Industry and Services	**40**	**43**	**142.3**	**33.2**	**37.2**
Industry	39	40	140.3	32.5	36.7
Mining and quarrying	—	1	0.8	0.8	0.2
Metal production and semi-processing	4	2	3.4	0.5	0.9
Construction materials	4	3	15.4	7.9	4.0
Woodworking	1	2	2.3	1.1	0.6
Glass and ceramics	2	1	4.4	1.2	1.2
Chemicals	9	4	35.4	1.5	9.2
Metalworking and mechanical engineering	—	9	4.4	4.4	1.2
Electrical engineering	1	4	3.1	2.3	0.8
Foodstuffs	—	7	5.2	5.2	1.4
Textiles and leather	5	6	9.9	6.1	2.6
Paper pulp, paper	5	1	47.9	1.5	12.5
Rubber processing	1	—	0.5	—	0.1
Global loans	7	—	7.6 (2)	—	2.0
Services (global loan : preinvestment studies and technical assistance)	1	3	2.0	0.7	0.5
Grand total	55	43	382.7	33.2	100.0

(1) Loans on special conditions for the account of and under mandate from the Member States granted under the Special Section and ordinary loans amounting to 25 million u.a. from the EIB's own resources.
(2) Estimated amount of global loans.

Table 9 : Financing provided in the AASMM-OCTD from 1964 to 1975 (1)

Sectoral breakdown

Sector	Number	Amount (million u.a.)	% of total
Infrastructure	**27**	**100.5**	**41.5**
☐ Agricultural development	1	0.7	0.3
☐ Energy	4	18.3	7.5
Thermal power stations	1	1.8	0.7
Hydroelectric power stations	2	7.5	3.
Electricity transmission	1	9.0	3.7
☐ Water supply and distribution	1	5.8	2.4
☐ Transport	20	74.9	31.0
Railways	5	33.1	13.7
Roads and bridges	6	22.3	9.2
Shipping	8	15.1	6.3
Airlines	1	4.4	1.8
☐ Telecommunications	1	0.8	0.3
Agriculture, Industry and Services	**41**	**141.8**	**58.5**
☐ Agriculture, Forestry, Fishing	2	9.3	3.8
☐ Industry	36	128.9	53.2
Mining and quarrying	4	52.6	21.7
Metal production and semi-processing	2	3.2	1.4
Construction materials	2	2.3	0.9
Chemicals	2	3.0	1.2
Motor vehicles, transport equipment	1	1.4	0.6
Foodstuffs	14	45.6	11.8
Textiles and leather	11	20.8	8.6
☐ Services	3	3.6	1.5
Tourism	2	2.6	1.1
Other	1	1.0	0.4
Grand total	**68 (2)**	**242.3**	**100.0**

(1) Ordinary loans from the resources of the EIB (135.2 million u.a.) and special operations financed from the resources of the EDF (107.1 million u.a.), which have been the subject of an EIB financing proposal or opinion and a financing decision by the Commission of the European Communities.
(2) This sum includes three contributions, totalling 2.5 million u.a., to the formation of risk capital.

Table 10 : Financing provided in Greece from 1963 to 1975 (1)

Sectoral breakdown

Sector	Number		Amount		
	Loans	Allocations from global loans	Total (million u.a.)	of which allocations from global loans (million u.a.)	% of total
Infrastructure	**9**	**—**	**79.3**	**—**	**68.1**
Agricultural development	4	—	56.3	—	48.4
Energy	1	—	6.0	—	5.1
Electricity transmission	1	—	6.0	—	5.1
Transport	4	—	17.0	—	14.6
Roads and bridges	4	—	17.0	—	14.6
Agriculture, Industry and Services	**13**	**2**	**37.1**	**1.5**	**31.9**
Industry	13	2	37.1	1.5	31.9
Metal production and semi-processing	3	—	11.6	—	9.9
Construction materials	3	—	6.5	—	5.6
Woodworking	1	—	0.6	—	0.5
Glass and ceramics	—	1	0.8	0.8	0.7
Chemicals	2	—	5.0	—	4.3
Electrical engineering, electronics	1	—	4.3	—	3.7
Textiles and leather	2	1	2.1	0.7	1.8
Global loans	1	—	6.2	—	5.4
Grand total	**22**	**2**	**116.4**	**1.5**	**100.0**

(1) Bank financing in Greece was interrupted from 1967 to 1974. A decision to reactivate the Financial Protocol with Greece was taken in December 1974.

Table 11 : Loans granted within the Community in 1974 and 1975 (1)

Breakdown by type of financing

Country	Direct individual loans		Indirect individual loans (2)		Global loans (3)		Total	
	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.
Belgium	1	10.8	—	—	—	—	1	10.8
Denmark	3	11.1	—	—	3	6.6	6	17.7
France	5	84.6	5	69.8	1	3.6	11	158.0
Ireland	2	37.7	—	—	—	—	2	37.7
Italy	12	267.9	14	90.9	—	—	26	358.8
United Kingdom	17	321.2	1	13.3	—	—	18	334.5
Total 1975	**40**	**733.3**	**20**	**174.0**	**4**	**10.2**	**64**	**917.5**
Total 1974	**46**	**612.8**	**13**	**104.0**	**11**	**132.9**	**70**	**849.7**

(1) Including a loan outside the Community granted in 1974 (18.4 million u.a.)
(2) Loans granted through a financial institution.
(3) Loans to financial institutions which distribute the proceeds among smaller scale industrial projects in agreement with the Bank in each instance (allocations from global loans)

Table 12 : Global loans granted within the Community from 1968 to 1975

Breakdown by intermediary institution

Global loans			Allocations (1969-1975)	
Year	Intermediary Institution (1)	Amount (million u.a.)	Number	Amount (million u.a.)
1968	ISVEIMER I	10.0	28	10.0 (2)
1969	CIS I	3.6	7	3.6 (2)
1970	IKB I	10.0	12	6.9 (2)
1970	SADE	6.3	24	6.3 (2)
1970	IRFIS	5.0	10	5.0 (2)
1971	CIS II	5.0	13	5.0 (2)
1971	SODERO I	2.0	2	0.8 (3)
1971	ISVEIMER II	15.0	19	14.7 (2)
1972	LORDEX	2.7	5	2.7 (2)
1972	LGSH	5.7	9	6.0 (2)
1972	IMI I	24.8	31	19.3 (3)
1973	IKB II	20.6	67	23.2 (,
1973	Crédit National I	30.0	54	30.0 (2)
1973	ICFC I	7.1	24	6.6 (2)
1973	Crédit Hôtelier CCCHCI	18.0	56	18.2 (2)
1973	CIS III	13.5	14	6.1 (2)
1973	ISVEIMER III	20.3	24	18.4 (2)
1974	IRFIS II	9.8	4	3.5
1974	ICC	4.7	0	0.0 (3)
1974	Bayerische Vereinsbank	9.9	0	0.0 (3)
1974	BNL	19.6	16	7.4
1974	Crédit National II	21.3	23	9.8 (3)
1974	ACC	4.7	3	1.7 (3)
1974	ICFC II	18.7	2	1.1 (3)
1974	SODERO II	3.6	0	0.0 (3)
1974	Crédit Naval-CMAF	9.0	0	0.0 (3)
1974	SDR Bretagne	3.6	3	1.7 (3)
1974	IMI II	20.0	10	4.7
1975	LORDEX II	3.6	3	1.0
1975	Danish Government A	2.5	5	1.4
1975	Danish Government B	2.0	0	0.0
1975	FIH	1.4	0	0.0
	Total	**342.8**	**468**	**215.1**

(1) Istituto per lo Sviluppo Economico dell'Italia Meridionale, Naples (ISVEIMER).
Credito Industriale Sardo, Cagliari (CIS).
Industriekreditbank AG, Dusseldorf (IKB).
Société Alsacienne de Développement et d'Expansion, Strasbourg (SADE).
Istituto Regionale per il Finanziamento alle Industrie in Sicilia, Palermo (IRFIS).
Société de Développement Régional de l'Ouest, Nantes (SODERO).
Société Lorraine de Développement et d'Expansion, Nancy (LORDEX).
Landesbank und Girozentrale Schleswig-Holstein, Kiel (LGSH).
Istituto Mobiliare Italiano, Rome (IMI).
Crédit National, Paris.
Industrial and Commercial Finance Corporation Ltd., London (ICFC).
Caisse Centrale de Crédit Hôtelier, Commercial et Industriel, Paris (CCCHCI).
Industrial Credit Company Limited, Dublin (ICC).
Bayerische Vereinsbank, Munich.
Banca Nazionale del Lavoro "Sezione Speciale per il Credito Industriale", Rome (BNL).
Agricultural Credit Corporation Limited, Dublin (ACC).
Crédit Naval-CMAF, Paris.
Société de Développement Régional de la Bretagne, Rennes (SDR Bretagne).
Finansieringsinstituttet for Industri og Håndvaerk A/S, Copenhagen (FIH).

(2) Global loan terminated. Differences between the initial amount of the global loan and total allocations authorised are due to the fact that conversion into units of account was effected on the basis of the rates applicable, in the first instance, when the global loan was signed and, secondly, when allocations were authorised, in some cases the conversion rates changed during the intervening period.

(3) Global loan terminated as a result of cancellation of unallocated credit.

Table 13 : Allocations from global loans within the Community in 1975 and from 1969 to 1975

Breakdown by region and sector

	1975			1969-1975		
	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%
REGION						
Jutland	5	1.4	2.2	5	1.4	0.6
Denmark	**5**	**1.4**	**2.2**	**5**	**1.4**	**0.6**
Baden-Württemberg	—	—	—	2	0.5	0.3
Bavaria	—	—	—	16	4.3	2.0
Hessen	—	—	—	15	6.0	2.8
Lower Saxony	—	—	—	19	6.8	3.1
North Rhine-Westphalia	—	—	—	18	8.7	4.1
Rhineland-Palatinate	—	—	—	8	2.9	1.3
Schleswig-Holstein	—	—	—	10	6.8	3.2
Germany	**—**	**—**	**—**	**88**	**36.1**	**16.8**
Alsace	—	—	—	27	8.3	3.8
Aquitaine	1	0.3	0.6	9	3.8	1.8
Auvergne	2	0.5	0.8	4	3.2	1.5
Lower Normandy	1	0.4	0.6	2	0.6	0.3
Burgundy	—	—	—	3	2.3	1.1
Brittany	11	5.0	8.0	28	11.5	5.4
Centre	—	—	—	2	0.7	0.3
Champagne-Ardennes	1	0.2	0.3	2	0.6	0.3
Franche-Comté	1	0.2	0.3	2	0.4	0.2
Languedoc-Roussillon	—	—	—	2	0.6	0.3
Limousin	1	0.5	0.7	7	2.2	1.0
Lorraine	9	3.5	5.6	24	13.3	6.2
Midi-Pyrénées	6	2.4	3.7	18	7.9	3.7
Nord	2	1.3	2.0	6	2.5	1.1
Pays de la Loire	7	2.7	4.3	20	7.4	3.4
Picardy	1	0.9	1.4	2	1.1	0.5
Poitou-Charentes	2	0.7	1.1	5	1.6	0.7
Rhône-Alpes	1	0.4	0.6	7	2.5	1.2
France	**46**	**19.0**	**30.0**	**170**	**70.5**	**32.8**
Ireland	**3**	**1.7**	**2.8**	**3**	**1.7**	**0.8**
Abruzzi	5	2.7	4.3	12	6.9	3.2
Basilicata	—	—	—	2	1.3	0.6
Calabria	—	—	—	2	0.5	0.2
Campania	13	11.4	18.1	41	29.6	13.8
Latium	17	10.0	15.9	41	22.7	10.6
Marches	—	—	—	3	2.1	1.0
Molise	1	0.8	1.3	3	3.1	1.5
Apulia	9	2.1	3.4	24	8.5	3.9
Sardinia	14	6.1	9.7	34	14.7	6.8
Sicily	4	3.5	5.5	14	8.4	3.9
Italy	**63**	**36.7**	**58.2**	**176**	**97.8**	**45.5**
Scotland	5	2.1	3.4	14	4.2	1.9
North	4	1.4	2.2	5	1.5	0.7
North-West	—	—	—	1	0.4	0.2
Wales	2	0.5	0.8	5	1.3	0.6
Northern Ireland	1	0.3	0.4	1	0.3	0.1
United Kingdom	**12**	**4.3**	**6.8**	**26**	**7.6**	**3.5**
Total	129	63.1	100.0	468	215.1	100.0
SECTOR						
Agriculture, forestry, fishing	3	1.3	2.1	4	2.0	0.9
Mining and quarrying	1	0.6	0.9	12	4.1	1.9
Metal production and semi-processing	8	5.6	8.8	20	14.2	6.6
Construction materials	12	6.4	10.1	32	16.5	7.7
Woodworking	11	4.9	7.8	34	11.8	5.5
Glass and ceramics	3	2.2	3.6	12	6.2	2.9
Chemicals	7	4.3	6.9	17	7.9	3.7
Metalworking and mechanical engineering	24	10.9	17.2	106	46.9	21.8
Motor vehicles, transport equipment	7	2.1	3.4	16	6.3	2.9
Electrical engineering, electronics	5	3.6	5.7	24	13.9	6.4
Foodstuffs	27	14.2	22.5	80	40.3	18.7
Textiles and leather	7	1.6	2.5	49	19.0	8.8
Other pulp, paper	3	1.1	1.7	20	9.0	4.2
Rubber and plastics processing	8	2.6	4.1	26	10.7	5.0
Other industries	3	1.7	2.7	10	3.8	1.8
Building and civil engineering	—	—	—	3	1.1	0.5
Trade	—	—	—	3	1.4	0.7
Total	129	63.1	100.0	468	215.1	100.0

Table 14 : Financing provided within the Community 1958-1965, 1966-1972, 1973-1975

Breakdown by country

	1958-1965		1966-1972		1973-1975	
	Million u.a.	%	Million u.a.	%	Million u.a.	%
Belgium	4.8	1.0	62.4	3 1	26.9	1.1
Germany	36.1	7.7	317.5	16.0	300.6	12.2
France	79.9	17.0	490.6	24.7	522.3	21.2
Italy	344.3	73.4	1 068.0	53.8	818.7	33.2
Luxembourg	4.0	0.9	5.0	0.2	—	—
Netherlands	—	—	42.9	2.2	31.9	1.3
Community of Six	469.1	100.0	1 986.4	100.0	1 700.4	69.0
Denmark					44.1	1.8
Ireland					106.7	4.3
United Kingdom					551.1	22.4
Non-member Countries (1)					61.7	2.5
Community of Nine					2 464.0	100.0

(1) See footnote 2, Table 5.

Table 15 Financing provided within the Community 1958-1965, 1966-1972, 1973-1975

Breakdown by economic policy objective

	1958-1965		1966-1972		1973-1975	
	Million u.a.	% of total*	Million u.a.	% of total*	Million u.a.	% of total*
Regional development and conversion	**379.3**	**80.8**	**1 723.4**	**86.8**	**1 636.0**	**66.4**
of which :						
Germany	36.2	7.7	216.6	10.9	104.5	4.2
Benelux	4.8	1.0	96 5	4.9	—	—
Denmark	—	—	—	—	26.5	1.1
France	72.8	15.5	433.0	21.8	280.2	11.4
Ireland	—	—	—	—	106.7	4.3
Italy	265 5	56.6	977.3	49.2	610.8	24.8
United Kingdom	—	—	—	—	507.3	20.6
Common Interest to several Member Countries	**114.0**	**24.3**	**672.3**	**33.8**	**1 155.7**	**46.9**
of which :						
Energy	4.0	0.9	207.6	10.5	902.1	36.6
conventional power stations	*4.0*	*0,9*	—	—	*95.2*	*3.9*
nuclear power stations	—	—	*103.0*	*5.2*	*384.3*	*15.6*
gaslines	—	—	*104.6*	*5.3*	*199.9*	*8.1*
development of oil and natural gas deposits	—	—	—	—	*198.2*	*8.0*
coal mining	—	—	—	—	*24.5*	*1.0*
Sectoral Interest	**9.4**	**2.0**	**82.4**	**4.1**	**97.2**	**3.9**
* Total financing provided		469.1		1 986.4		2 464.0

* N.B. : As certain operations satisfy more than one of the objectives laid down under Article 130, the cumulative total of individual amounts and of the corresponding percentages is not significant.

Table 16 : Financing provided within the Community 1958-1965, 1966-1972, 1973-1975

Sectoral breakdown

Sector	1958-1965 %	1966-1972 %	1973-1975 %
Infrastructure	**52.7**	**60.4**	**70.8**
Energy	14.6	18.2	39.1
Transport	29.7	23.4	11.1
Telecommunications	3.4	12.5	15.8
Other infrastructu*	5.0	6.3	4.8
Industry	**47.3**	**39.6**	**29.2**
Basic industries (1)	35.3	22.9	13.3
of which :			
Metal production and semi-processing	*11.0*	*9.8*	*8.3*
Chemicals	*18.5*	*9.6*	*3.3*
Other basic industries (2)	*5.8*	*3.5*	*1.7*
Mechanical and electrical engineering	5.6	9.2	5.6
Agricultural and foodstuffs industries	3.9	1.5	4.5
Other industries and sectors (3)	2.5	6.0	5.8
	100.0	100.0	100.0

(1) For definition of basic industries, see Table 7.
(2) Mining and quarrying, construction materials, paper pulp and paper.
(3) Including unallocated portion of global loans : 1966-1972 : 2.0 % and 1973-1975 : 3.6 %.

Table 17 : List of borrowings in 1975

Date of contract	Month of issue	Place of issue	Subscription currency	Amount in national currency (million)	Amount in million u.a.	Term	Coupon %	Type of issue
7. 1.1975	January	Germany	DM	150	49.7	8	9 1/2	Public placing (1)
8. 1.1975	February	Germany	DM	100	33.1	10	9 1/2	Private placing
8. 1.1975	February	Germany	DM	50	16.6	10	9 1/2	Private placing
7. 2.1975	February	Luxembourg	$	60	47.8	10	9 1/2	Public placing (2)
17. 2.1975	March	Netherlands	Fl	75	23.9	7	9	Private placing
14. 3.1975	May	Netherlands	Fl	75	23.9	15	8 3/4	Public placing (3)
7. 5.1975	May	Luxembourg	Lfrs	500	11.1	10	8 3/4	Public placing (4)
20. 5.1975	May	Switzerland	Sfrs	50	15.2	7	8 1/2	Private placing
22. 5.1975	May	Belgium	Bfrs	1 500	33.3	10	8 3/4	Public placing (5)
19. 6.1975	July	Switzerland	Sfrs	80	24.4	15	7 3/4	Public placing (6)
27. 8.1975	September	Switzerland	Sfrs	100	31.1	8	8	Private placing
8. 9.1975	September	Luxembourg	$	100	77.9	5	9	Public placing (7)
25. 9.1975	October	Netherlands	Fl	75	24.0	15	9	Public placing (8)
14.10.1975	October	Luxembourg	$	30	26.0	5	variable rate	Private placing
14.10.1975	October	Switzerland	Sfrs	100	31.5	8	8	Private placing
16.10.1975	November	France	Ffrs	150	28.6	10	10.2	Public placing (9)
21.10.1975	October	France	Ffrs	200	38.2	5	9.1	Private placing
4.11.1975	November	United States	$	75	65.0	7	9	Public placing (10)
11.11.1975	November	Germany	DM	150	48.8	5	8	Public placing (11)
18.11.1975	November	Switzerland	Sfrs	50	15.8	5	7 3/4	Private placing
19.11.1975	November	Switzerland	Sfrs	50	15.8	7	7 7/8	Private placing
25.11.1975	November	Luxembourg	$	25	21.6	6	9	Private placing
1.12.1975	December	Germany	DM	100	32.6	10	8 3/4	Private placing
3.12.1975	December	Luxembourg	$	50	43.3	7	9	Public placing (12)
11.12.1975	December	Japan	Yen	6 000	17.2	2	8 1/2	Private placing (13)
19.12.1975	January	Singapore	$	20	17.3	6	9	Public placing (14)
					813.7			

(1) Underwritten by a banking syndicate composed of Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99 %.

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(12) Bridging operation, pending longer term borrowing.

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EURO-MARKETS

INTER-AMERICAN DEVELOPMENT BANK

Prising loose the purse strings

Hugh O'Shaughnessy discusses the problems which the IDB faces in recruiting the new members which it needs to meet its $800m. target for new capital.

THE FATE of plans to recruit a large number of new members, including Britain, to membership of the Inter-American Development Bank are likely to be decided at a meeting between Bank officials and prospective new members in Paris next week. At stake is the amount of new capital new members would subscribe. The Bank had hoped for more than $800m. of new capital, of which $500m. would be paid up, and the rest callable. This target is not likely to be met at the moment.

Since its inauguration at the end of 1959 the Bank has lent a total of $6,400m. for 771 development projects in Latin America and has become an important source of multi-national funds for the Latin American countries. Most of the Bank's money has come from the U.S. which controls 38.83 per cent. of the voting power.

The British Government has allowed the Bank to raise money in the London market and has also allocated £4m. to the Bank which it administers for Britain in a trust fund. Britain does not qualify for full membership which hitherto has been confined to Western Hemisphere countries who are members of the Organisation of American States (OAS).

For two years discussions have been taking place with a group of governments of countries outside the Western Hemisphere, including Britain, France, Germany, Italy, Spain, Israel and Japan.

The Bank proposes that the new members should pledge something over $400m. to the ordinary resources of the Bank and a similar sum to the Fund for Special Operations, the Bank's soft loan window. One-sixth of the ordinary capital and the whole of the soft loan capital would be paid up, making an initial total of no less than $500m. paid up. The remainder would be callable.

Germany and Japan would pledge up to $200m. each with up to $120m. coming from Britain, France and Italy and smaller amounts coming from other countries. France, however, early signified its decision not to pursue IDB membership further, while Japan said it would pledge no more than Germany.

Recently however, Germany has said that in present circumstances it could pledge no more than about $77m. and there is no sign that the Japanese would be prepared to exceed this figure. The amount of new capital being offered by all the prospective new members is not thought to be more than $400 m. far short of the Bank's $800m. target.

Officials are nevertheless hopeful that a compromise between the two figures will be worked out at next week's meeting.

Britain is particularly interested in a deal being worked out as officials here fear that the Bank would become an even more important and useful vehicle for development finance in Latin America at a time when Britain is planning to allocate increasing amounts of financial assistance to Latin America. At the same time British companies would be in line for more contracts related to the Bank's development [illegible].

Whatever agreement is reached at the meeting [illegible] ratification [illegible] the Bank's annual meeting to take place in Santiago at the beginning of April. Mr. [illegible] the chairman of the Bank, [illegible] the negotiations for membership of the OAS [illegible]. But [illegible] to be [illegible] Western Hemisphere [illegible] to become members of the OAS.

Company Results

Foreign earnings boost for Merck

○ **Merck** reports a rise in fourth quarter earnings to 57 cents per share or net of $41.2m. on sales of $787.6m. from 48 cents per share or net of $36.36m. on sales of $731.9m. in the same period of 1972. Full year earnings for 1973 rose to $2.30 per share or net of $170.43m. on total sales of $3.15bn. compared with $2.02 per share or net of $147.55m. on total sales of $3.03bn. in 1972.

The company's sales outside the U.S. accounted for 45 per cent. of total sales in 1973, and [illegible] its total [illegible]

○ **Sun Oil** fourth quarter earnings rose to $1.78 per share ($1.02) or net of $73m. ($42m.) on revenues of $525m. ($340m.) bringing full year earnings up to $5.25 per share ($3.21) or net of $208m. ($130m.) on revenues of $2.25bn. ($1,940m.). The company says that about 60 per cent. of the 1973 improvement was generated from operations outside the U.S.

○ **Nicholas International** reports an 88 per cent. rise in net consolidated earnings for the half year to December 31 to SA2.40m. from SA2.20m. on the same [illegible] 1972 on a 21.7 per cent. increase [illegible] to SA29.41m. from [illegible]

[illegible] expressed [illegible] rises and a [illegible] movement [illegible] growth of [illegible]

Drug Prices

Dutch query prices of Hoffman-La Roche

○ **The Dutch Government** has asked the Swiss pharmaceutical group Hoffman-La Roche to lower its prices of the Librium and Valium tranquilisers following a price study by the Ministry of Economic Affairs in The Hague. The study followed developments in the U.K. last year when the British Government ordered big price cuts. Roche has submitted information to the Dutch Government to show that the quoted prices are justified.

○ **Yamaichi Securities** [illegible] has set up a [illegible] Singapore with [illegible] and will be [illegible] Merchant Bank [illegible]

FT 19/4/74

THE INTER-AMERICAN DEVELOPMENT BANK

Venezuela's rising star

BY HUGH O'SHAUGHNESSY, RECENTLY IN SANTIAGO

THE INTER-AMERICAN Development Bank, which can justifiably claim to be among the biggest financing agencies in Latin America, has just concluded its 15th assembly of governors in the Chilean capital and all concerned can congratulate themselves that every major point on the agenda but one was successfully dealt with.

Since it was founded in 1960 its resources have grown from its puny $939.5m. to $10,743.9m., the cumulative total of the loans it has authorised have risen from $236m. in 1961, its first year of full-scale operation to $6,308m. last year and it has borrowed a total of $12,69m. Last year alone it authorised $884m. in loans, its highest yearly record and 9.5 per cent. above the previous year's figure.

Given all this it was no surprise that the meeting at the beginning of this month attracted virtually anyone who was anyone in the world of Latin American finance to Santiago. Britain was represented at the official level by the Overseas Development Ministry and the Bank of England, not to mention senior members of Baring Brothers, Singer and Friedlander Samuel Montagu and others. The Japanese, it need hardly be said, came in their droves.

Way open

Paradoxically enough some of the most basic decisions taken at the meeting will help the countries of the Commonwealth in the Western Hemisphere rather than the Latin American countries strictly speaking. As a result of the deliberations in Santiago the way is now open, for instance, for Guyana and the Bahamas to enter the Bank if they want to. Guyana's access to the Bank had hitherto been blocked by the fact that it has a frontier dispute with neighbouring Venezuela. However in a heartening gesture of generosity the new Venezuelan Finance Minister, Dr. Hector Hurtado, signified his Government's decision to invite the Guyanese in from the cold.

There was good news too for the smaller islands of the Caribbean which would never aspire to full membership of the Bank but which need access to its soft loan funds which they cannot afford to obtain on the open market. The Bank has already set up the Caribbean Development Bank which serves even the tiniest specks of land, Montserrat, say, or the Turks and Caicos Islands, in the region.

The Bank has also put in train the much needed job of increasing its own capital resources. This is all the more imperative since the demands on the Bank's money are continually growing and the programme of operations scheduled by the Bank for the period 1974-76 calls for an annual commitment of something over $1,10bn.

The soft loan department of the Bank, the Fund for Special Operations, like most of its counterparts in other developing regions of the world is especially short for funds and in very dire straits indeed. In the next few months therefore the legislatures of the various member countries or, where the legislatures have been abolished, the various military authorities will be called upon to approve enlarged capital subscriptions to the Bank. However, none of the Bank officials foresees an easy task in persuading the Congress of the U.S., which has always been the largest contributor to the Bank, to contribute more money at a time when opinion in Washington is moving strongly against foreign aid.

As against this the meeting based for a few days in Santiago heard how of Latin America's two rich and powerful members, Venezuela. Dr. Hurtado might with how the good first attendances last year

Venezuela's incoming president Sr. Carlos Andrés Pérez, to the effect that Venezula would set up a new trust fund of major proportions. This trust fund, which is unofficially believed to amount to some $500m., will be funded from the gigantic royalty payments that the Caracas Government will receive this year. President Pérez's administration should, if all goes well for him, receive Bolivares 42,050m. (£4,260m.) in royalties and other payments from the oil industry. The trust fund, whose full details have yet to be hammered out by the lawyers, will be specifically devoted to the fostering of Latin American industry.

There is a widespread and well-rooted suspicion among many Latin American countries that hitherto financial assistance from the multilateral agencies such as the World Bank has been aimed much less at the development of industries in their countries than at the financing of those infrastructural works which would facilitate the flow of raw materials to the established industries of the richer countries. It is this tendency that the Venezuelans are seeking to reverse. The Venezuelan trust fund is also to be left open to other Latin American countries and both Ecuador and Trinidad and Tobago who will both be earning appreciable surpluses soon as a result of the current world oil prices may put money into it.

If there is a trend to be discerned from the growing financial muscle of the Venezuelans and the growing reluctance of the U.S. to put more official money into Latin America it is that the Bank is slowly assuming a much more Latin American image. It is gradually growing out of the leading strings that Washington has as the largest contributor to the Bank, has held for so long. This trend was pointed up in a particularly abrasive speech by the Argentine Minister of Economy, Sr. José B. Gelbard.

The large amount of sense achieved at the meeting did not of course mean that the atmosphere was one of unalloyed sweetness and light.

It was unfortunate for the U.S. delegation, led by Mr. Shultz, that on the day [illegible] was announced shortly before the meeting was convened. Additionally Mr. Shultz's personal mannerisms—he is, after all, a distinguished academic rather than a diplomat—rankled some Latin sensibilities. His apparent feeling that those countries which opted to charge high prices for oil were intrinsically wicked was hardly likely to win friends among the Venezuelans, Ecuadorians or Trinidadians and, according to one delegate, Mr. Shultz was as well received as a Salvation Army colonel at a brewers' sales conference.

Dr. Hurtado, too, had some abrasive things to say, making the point, for instance, that the rise in the Bank's lending was by no means as impressive as it seemed. It was measured in real terms at dollars of constant value. He also criticised the Bank's slowness in getting projects going in the Caribbean region.

But in the end the meeting broke up amicably enough and the [illegible] lines of resentment among the delegations never really erupted into any conflagrations.

Slipped

The only banana skin on which the cautious Sr. Antonio Ortiz Mena, the Bank's president, slipped was that of the admission of two non-Western Hemisphere countries to the Bank. For more than a year now Mr. Marvyn Traad, the energetic manager of the Bank's finance department, has been working on the negotiations for the admission to full membership of a number of countries including Belgium, Germany, Spain, Japan and the Netherlands. The Bank's unstated policy for was says about it, is new persons capital. By the end of last month the [illegible] now appears to be set [illegible] around [illegible] and there were hopes that the [illegible] can would soon be bridged.

[illegible] Germany [illegible] on with the [illegible] [illegible] [illegible]

The Asian Bank's tough mission

BY C. GORDON TETHER

MANY of the oil-rich countries are evidently coming round to the view that there is a more sensible way of dealing with dispensable surpluses than letting them pile up in Western currencies which are depreciating so fast that their money could have lost most of its original purchasing power by the time they want to use it. It lies in switching it to the good cause of giving a helping hand to those impoverished countries whose plight has been rendered even more acute by the oil prices explosion.

In their search for ways of achieving this purpose that meet their requirements, they might well give a lot more consideration than they have up till now to the channel provided by the regional banks—and with special regard to the Asian Development Bank, this being a particularly deserving case.

All the major international development banks are obviously well-placed to play a key role in getting the oil countries' surpluses recycled into the advance[illegible] of the [illegible]-stricken parts of the world. This [illegible] of course [illegible] but it is [illegible] by drawing up [illegible] operation in [illegible] during the years [illegible] ahead.

Poorest of the poor

However, early in its life, it [illegible] reputation for being [illegible] under the thumb of the U.S. And it has never quite [illegible] to live that down even though it has in recent years [illegible] the wrath of Washington [illegible] to modernise [illegible] numerous [illegible] are U.S.-trained [illegible] should have [illegible]

The point is that some of the [illegible] countries are not as [illegible] as many [illegible] is available for [illegible] development [illegible] to some [illegible] to the American [illegible] set up [illegible] the Inter-American [illegible] Asia — [illegible] is only on the [illegible]

[illegible]

[illegible] that is as high as that at which the World Bank itself was operating up to a comparatively few years ago.

When the Asian Development Bank first started work, there were fears — Japan having provided much of the impetus and money for setting it up—that it might be dominated by Tokyo. But the Japanese appear to have gone out of their way to show that there was no justification for such concern. And with the other principal donor countries overcoming their earlier reluctance to participate, the bank can now be said to be as close an approximation to a truly internationalised institution—in the nicest sense of that term—as you are likely to get.

The poorest

This is not the only reason why there is a special case for making use of the Asian Development Bank for getting the oil surpluses—or any other suitable money for that matter —into the hands of Third World countries that desperately need capital. It so happens that no other region of the world includes so many countries in this classification as that which it is serving.

Not only do those States contain as much as a third of the world's population, with some of the highest rates of population growth and the lowest per capita incomes. It is also the case that 80 per cent of the people that the United Nations has designated as the "poorest of the poor" are to be found in the Asian Development Bank's parish.

Moreover, because these countries are so impoverished, few of them can afford to shoulder any more interest commitments on sums they borrow abroad for financing essential development. Which means that the bank stands in acute need of donations for the special fund it has set up, alongside ordinary lending arrangements, to provide long-term credit on a more or less interest-free basis.

It has, fortunately, had some success in mobilising funds in the OPEC countries for its ordinary loans through bond issues. But what it really needs to enable it to make the kind of impact on the development effort in Asia it is clearly capable of is a massive influx of cash-free money for the special operations. The OPEC countries could do a lot worse than [illegible] and do so [illegible] not risking much more than a good deal of their steadily depreciating Western currency [illegible]

Red Rum will be pop

RED RUM, who never looked like taking a hand in the finish to Saturday's Joan Mackay Handicap at Ayr—a race which he had won in 1973 and 1974—can prove he simply had an off-day last week by giving weight away all round in to-day's Peacock Handicap (3.15) on Haydock's mixed card.

Donald McCain's great chaser is clearly none the worse for Saturday's race which followed a highly encouraging display at Carlisle three weeks ago, where he was beaten only narrowly in third place behind Meridian II and Mr. Wrekin.

I take him to gain a popular success by outpacing Royal Public, who is without the benefit of a previous run this term.

In the principal flat race on this programme, the five-furlong Butterfly Stakes (3.5), I shall not look beyond *Raffindale* for the winner.

Captain Ryan Price still maintains a high regard for this powerfully-made grey sprinter, and I shall be disappointed if he cannot confirm his trainer's high opinion of him by outpacing his four opponents.

Raffindale, who at one stage in his two-year-old career was considered to be the fastest juvenile in England, after a fine victory over Roussalka in the Erroll Stakes at Ascot, has made only one appearance in 1975.

This came at Beverley in the Bishop [illegible] Stakes back in June, in which [illegible] after being [illegible] from an opening show of 7-4 faded in the closing stages to finish [illegible] behind Dutch Gold.

The Pipton colt, who might not to be [illegible] by the yielding ground here, has been working with [illegible] zest in recent weeks, and I take him to prove his trainer's perseverance warranted by our seeing the progressive Dutch [illegible] to which he will be conceding [illegible] lb.

An hour after the Butterfly Stakes, another [illegible]-proved sort, the Tadcaster filly The Happy Hooker will be [illegible]

HAYDOCK

2.15—[illegible] Out
2.45—Hot [illegible]mpany
3.15—Red [illegible]
3.15—[illegible]***
4.15—Fairy Deal
4.45—[illegible]**

WOLVERHAMPTON

2.00—Fire Bird
2.30—Stone Thrower*
3.00—Centaur
3.30—Wayward Scot
4.00—Gunners How
4.30—Elenic

SALEROOM BY ANT

MacDonald china ma

SOTHEBY'S sale of Chinese export porcelain followed the indications from Christie's on Tuesday that this sector of the art market is recovering. Prices are still way below the extravagant levels of 1973, but there is plenty of demand for the better items.

At Sotheby's this involved another of those enormous services made in China about 1860 for noble British families. This one comprised 368 pieces, decorated with the arms of the MacDonalds. It was bought as a whole by the London dealer Marchant for £15,650 at the top of its estimate. In all, the sale totalled £129,171.

Other lots to do well were a pair of ginger jars, 12 inches high, of the Wang Hsi period. They sold to a private buyer for £5,400, above forecast. A large jade double handled bowl, 11 inches high, went for £4,600 to Jare Art, and Spink gave £2,400 for a carved jade boulder in the form of a rocky crag, a work of the 18th century.

Modern sporting guns by Boss and Purdey sold for £3,200, £2,800 and £2,700 at a Sotheby's gun and rifle sale. The antiques could not [illegible] these prices, although a [illegible] sporting rifle of about 1800 was bought for £2,600, and a Silesian hunting rifle of 1650 made £2,800. The sale totalled £90,907.

Christie's established a record yesterday (albeit a slightly bizarre one) with a Meissen [illegible] group of [illegible] Actaeon [illegible] Gabriel and Grace [illegible] been forecast at a [illegible] but then Swiss [illegible] were in [illegible] [illegible] Another [illegible] miniature [illegible] [illegible] Gerard [illegible] [illegible] George IV [illegible]

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LEGIBLY BECAUSE OF POOR QUALITY OF THE
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