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DUPLICATE

Inter-American Development Bank
annual report 1975.





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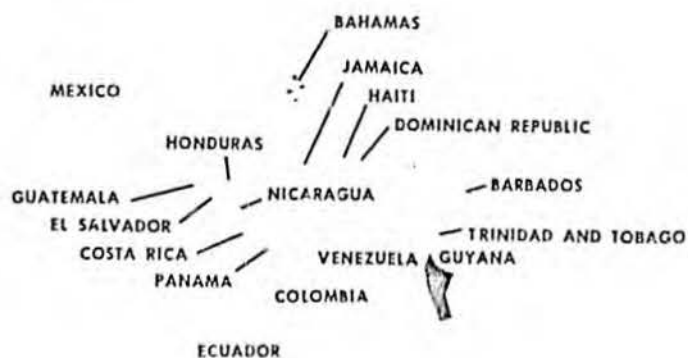


MAJOR MEMBERSHIP EXPANSION for Inter-American Bank moves forward. During 1975 substantive progress was made in the Bank's efforts to bring 12 additional capital contributing countries into membership. They include Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, 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

CANADA

UNITED STATES



PRESENT MEMBERS



PROSPECTIVE MEMBERS

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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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					
Outstanding 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	573	685
Total	4,745	5,441	6,309	7,416	8,685
Loan 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.

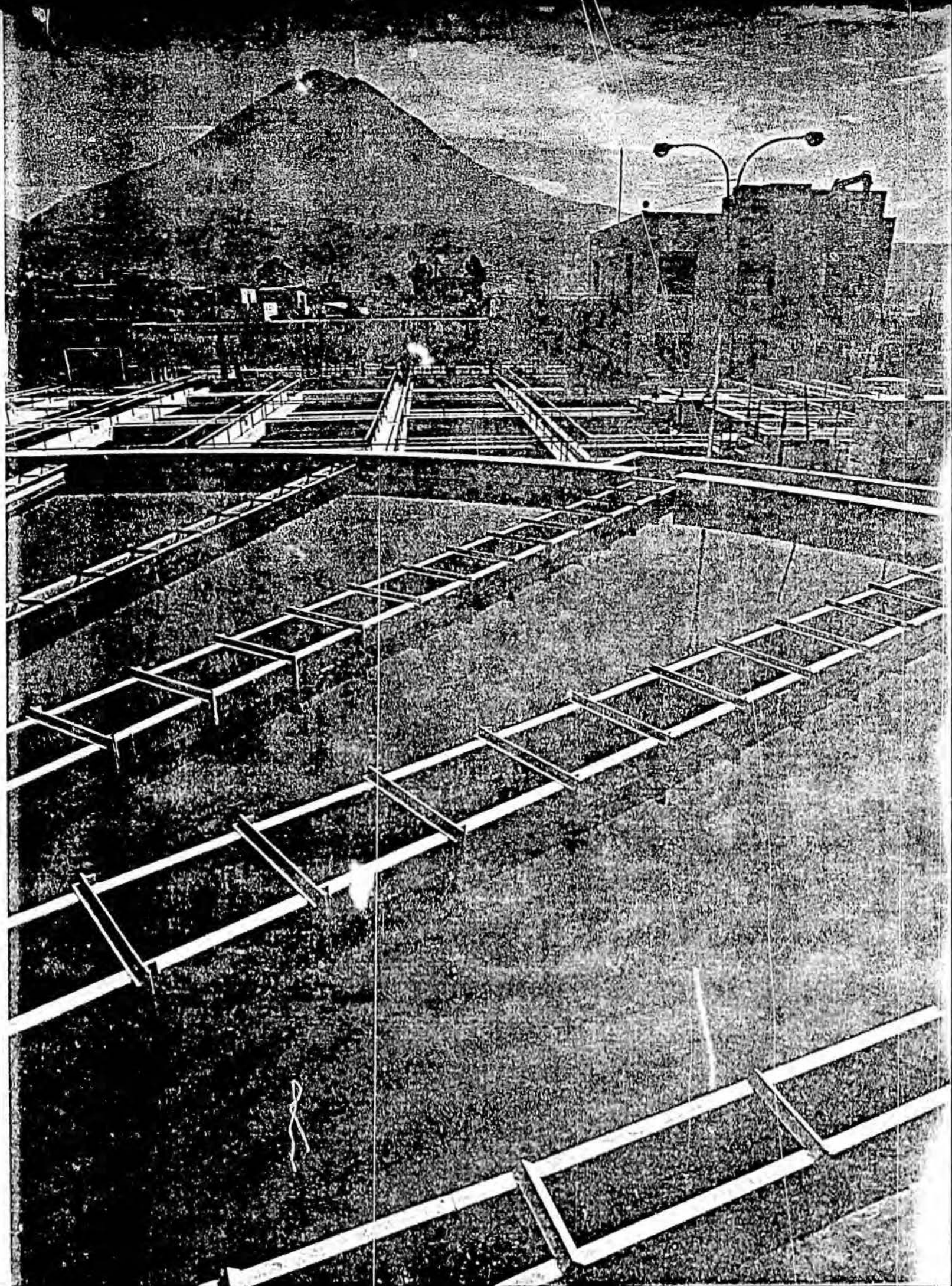
² Net of cancellations.

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.



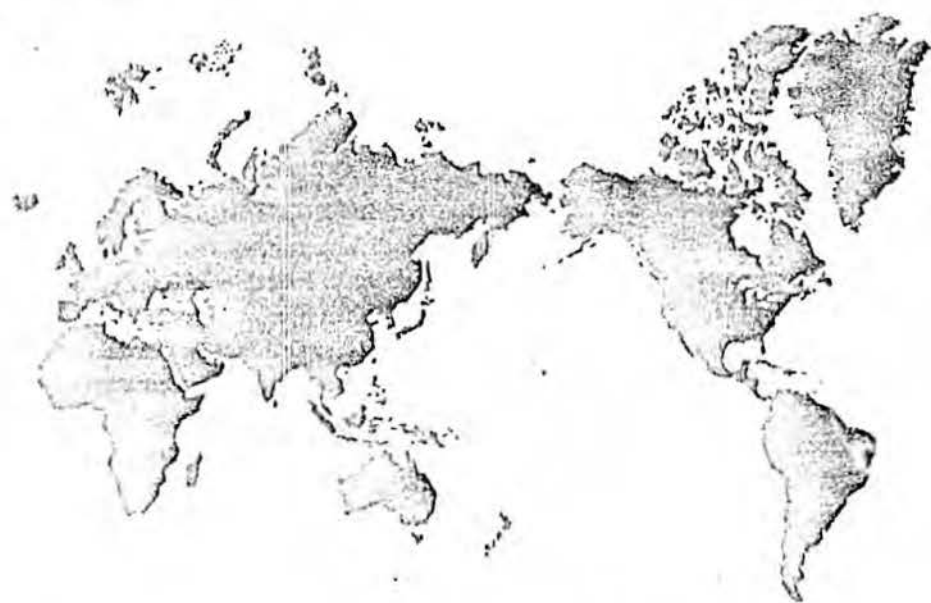
THE FIRST 15 YEARS: AN OVERVIEW

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 "initial contact of the Inter-American Development Bank with the financial realities of the hemisphere has brought home the 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 THE BANK'S LENDING BEGAN. Very first loan made by the Bank helped provide Arequipa, Peru, with this modern water treatment plant. The \$3.9 million loan was extended Feb. 3, 1961, and proved a harbinger of the Bank's continuing concern for the social well-being of the people 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."

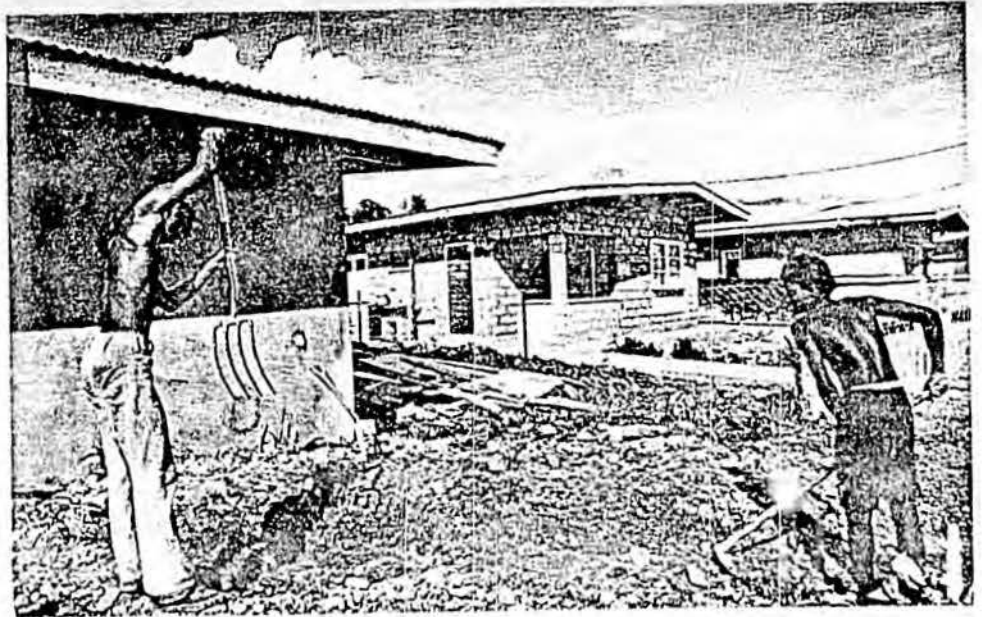
Under that Agreement the United States placed \$525 million at the disposal of the Bank for making loans on concessional terms in the fields of land settlement and improved land use, housing for low-income groups, community water supply and sanitation facilities and supplementary financing of facilities 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 disadvantaged 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 de-



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.

clined or remained static in the sector producing for domestic consumption."

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 lead-

ing 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.

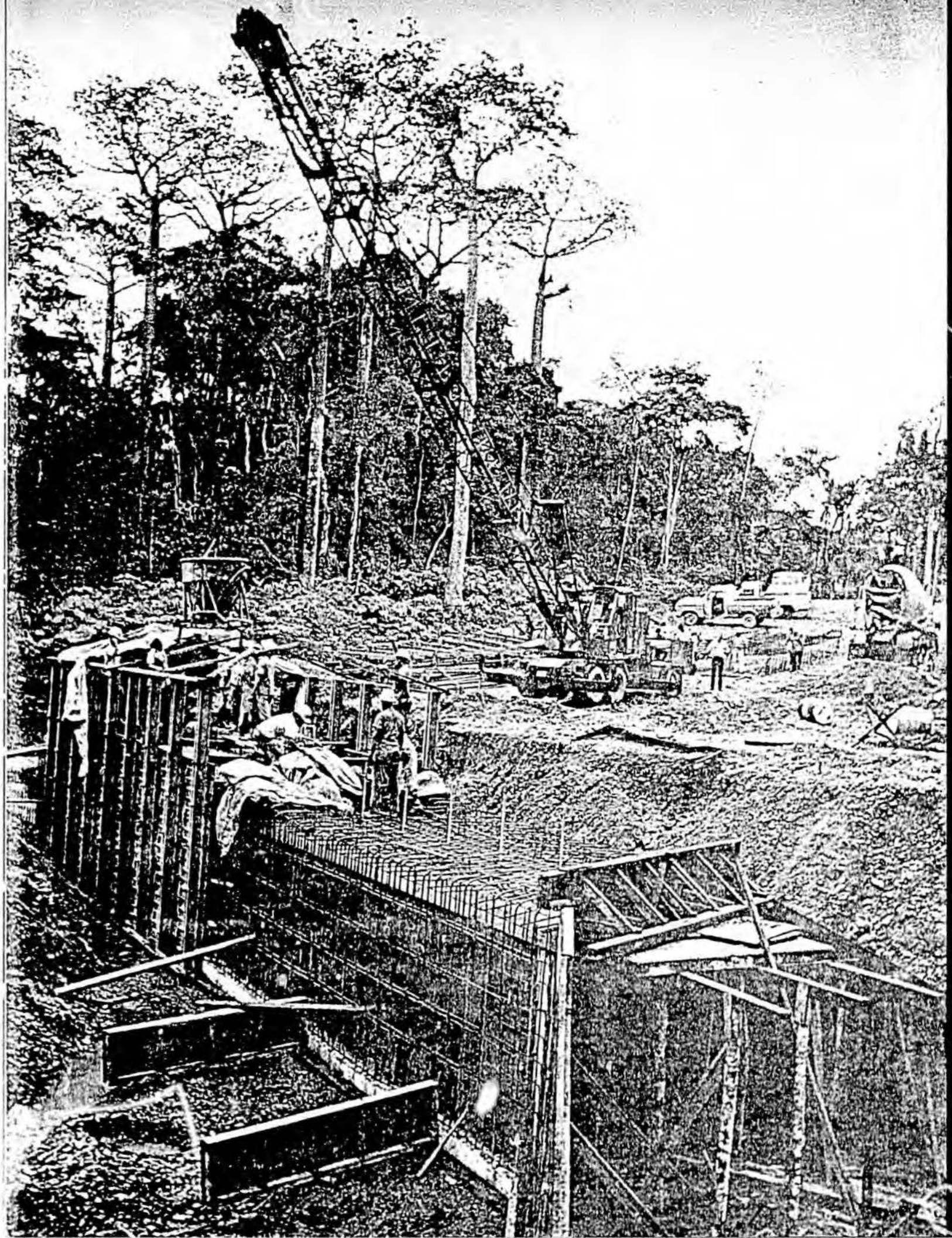
Self-help and mutual aid are key ingredients to development. The Bank best exemplifies the cooperative effort necessary to sustain an accelerated tempo of economic and social development to meet the aspirations of Latin America. This

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 countries¹ 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,

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.

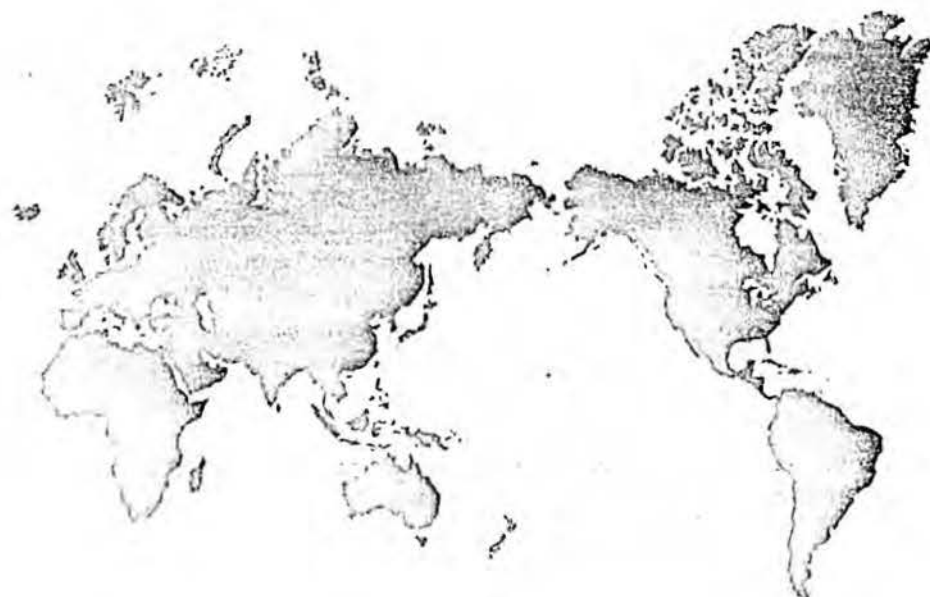
unprecedented not only for its length and depth but also for its widespread nature. This situation has been characterized by falling demand and production, a low rate of capacity utilization, an increase in unemployment, and, despite some recent slowdown in the rate of inflation, a continuing rise in 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.

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. Ever 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*, Nov. 17 and 18.

³ Current account estimates include official transfers. OECD, *Op. cit.*, No. 18, p. 54.

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 optimistic for 1976, except for the difficulties that some countries are encountering in financing the required levels of inputs for current production and for steady 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.

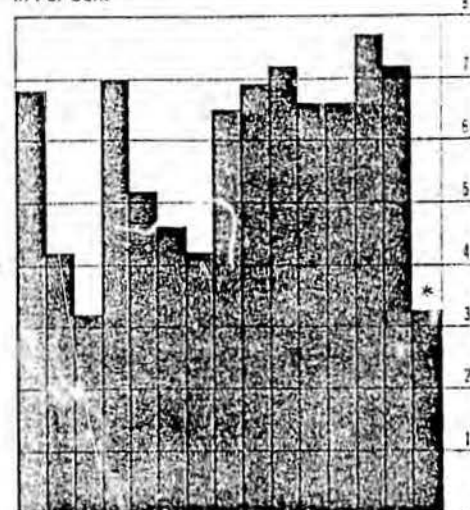
GROSS DOMESTIC PRODUCT

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

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



*At constant prices, prices converted to 1973 U.S. dollars.

¹Estimated

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

1974 to 1.4 per cent in 1975.

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

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

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

DEVELOPMENT TRENDS

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	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 5.1 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 2 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 run, more than doubling the population base in 1971-74. Nevertheless, compared to gross domestic investment, its slow expansion was considerably less, pushing its participation in regional total demand from an average of 71.8

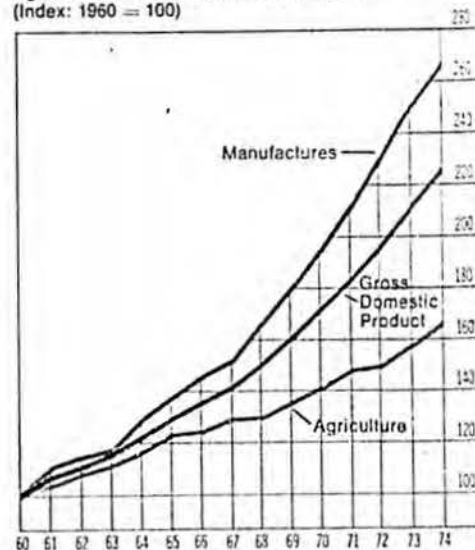
per cent in 1960-64 to 69.4 per cent in 1970-74.

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.

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), to-

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	7.7	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.

gether 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 ap-

pliance 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.

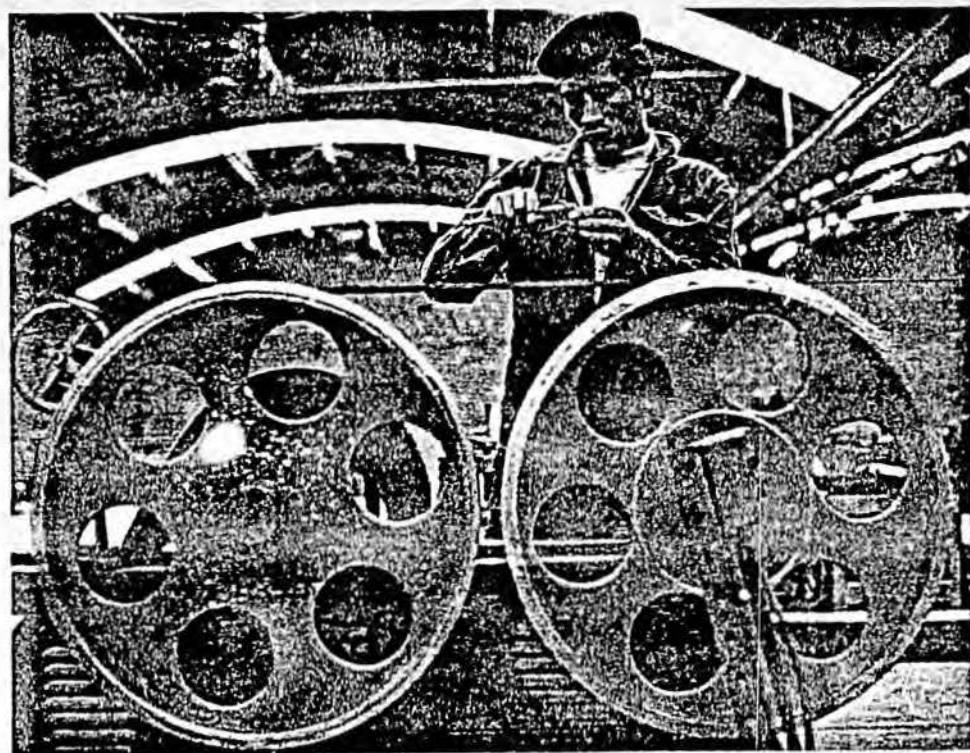
Among the seven nations which account for more than nine-tenths of Latin American output, growth rates clustered around the regional averages in five of the nine major groups of industries, but varied considerably from country to country in the other four (basic metals, non-metallic minerals, chemicals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



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.

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.

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. Manufac-

turing 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

DEVELOPMENT TRENDS

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 mil-

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.

lion 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

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.

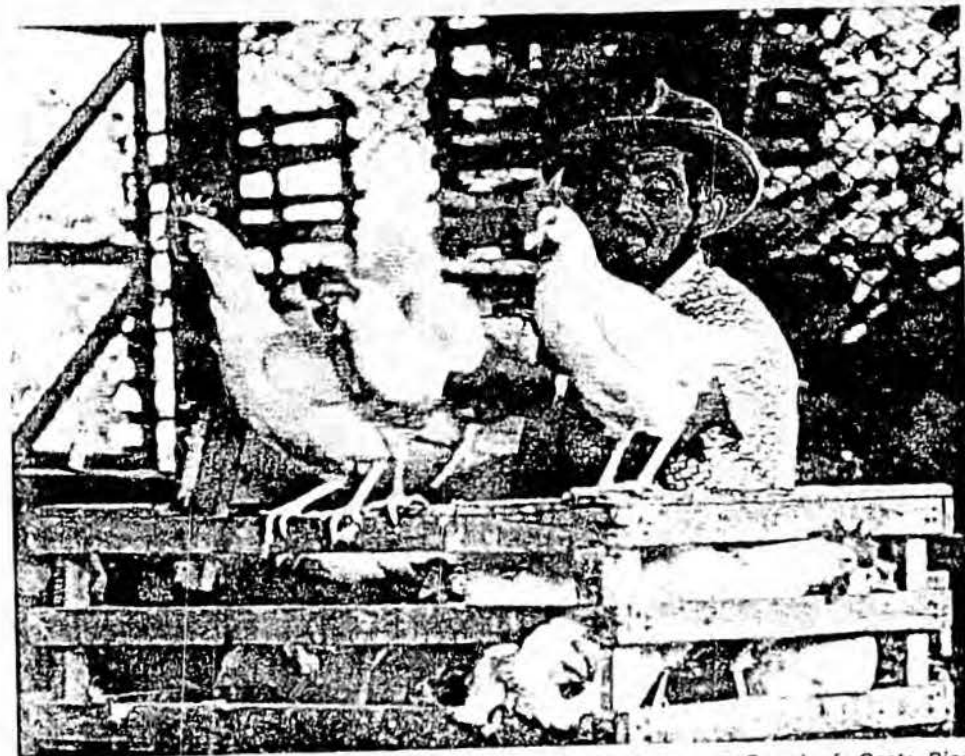
Continuing problems persist among individual countries in supplying basic food stuffs. Nevertheless, the region achieved a historically very high increase of 5 per cent in total food production in 1973-74.

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 an expansion in cultivated land rather than an improvement in the agricultural technology *per se*. Likewise, the yield improvements have been concentrated in a few commodities. For the 1961-65-1970-74 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 under cultivation 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, bananas) accounted for the bulk of the increase due to yield improvements. In the case of sorghum, the area under cultivation in Latin America more than



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.

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.

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.

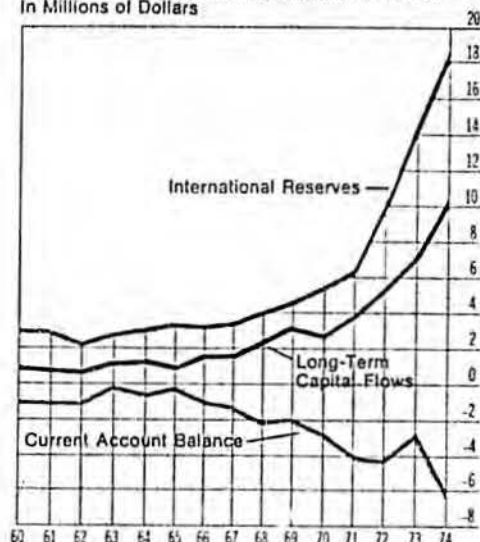
In Central and South America actual arable land is estimated to be only 25 per cent of potentially arable land. In addition, present cultivated areas could be cropped more intensively. Roughly 22.2 million acres are presently under irrigation in Latin America compared to an arable land base of 301.3 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.

DEVELOPMENT TRENDS

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 America¹ 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 flows² more than compensated for this deficit, yielding a positive basic balance³ 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

¹The 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.

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

³The 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 ratio 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



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.

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-

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 nego-

tiating 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.

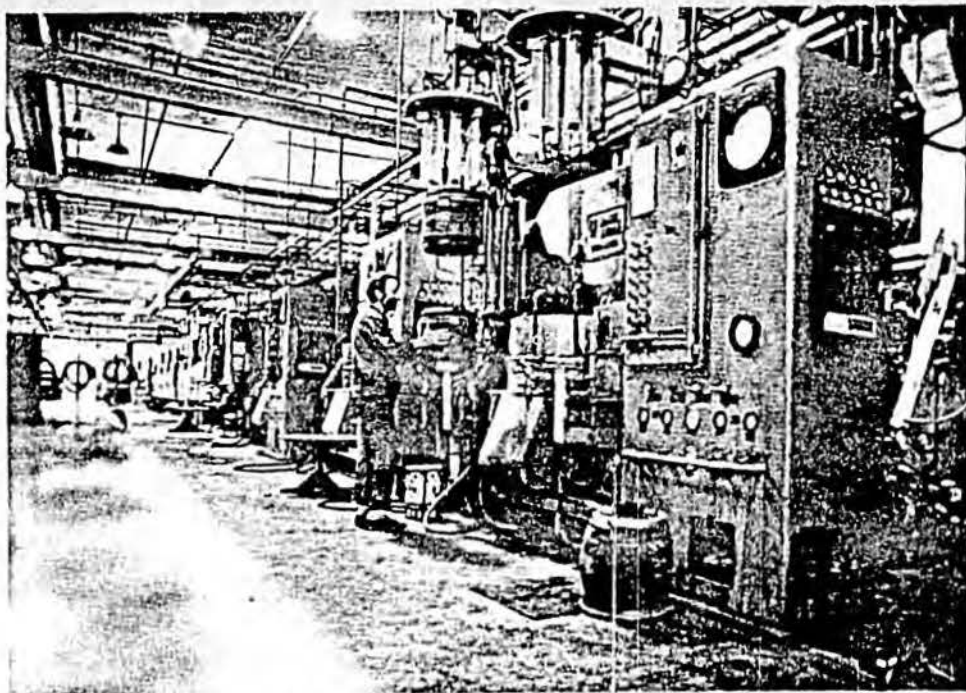
In 1975 the Andean Subregional Group completed a year of intensive negotiations, primarily in the area of industrial programming, securing approval of the petrochemical program to be carried out by the six member countries with a view to the subregional market. Preliminary consensus was also reached 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, pharminochemicals, 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 information system on farm products and inputs, the output of sectoral products in the supply in the subregion. It is also important to note the significant increases in intra-subregional trade, particularly in 1975. Available figures for that year indicate that trade between the Andean countries amounted to almost five times the value prior to signature of the Agreement of Cartagena. With regard to the industrial program of the machine metals sector, production and marketing at the regional level of several of the allocated products were initiated. In addition, work was begun on the technological development, beginning with the projects for hydro-metallurgy and exploitation of mineral forests.

To complete the intensive work carried out



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.

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.

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

DEVELOPMENT TRENDS

Investment and Savings by Countries, 1970-74^a

Country	In Per Cent of GDP				In Per Cent				
	Gross Domestic Investment		Gross National Savings		Ratio of National Savings to Domestic Investment				
	Average 1970-73	1974	Average 1970-73	1974	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 (CABEL, 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 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 levels of increase in their fiscal deficits than in the 1970-73 period, and in five countries sizeable fiscal surpluses.

Most countries were successful at continuously sustaining or accelerating the growth in current revenues and at controlling the level in current expendi-

tures 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.

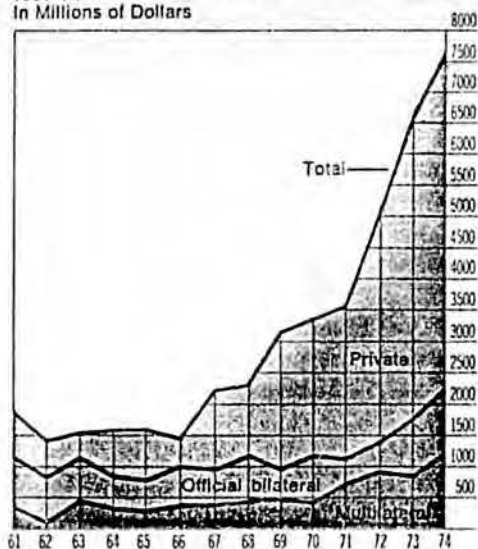
The recent trends in the level and composition of government expenditures in Latin America reveal sustained efforts on the part of most governments to expand the provision of public services, and to

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 1974¹. 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 \$3,539 million. An increasing proportion of such financing went to Brazil and Mexico, countries which increased their share of the regional total 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 67.2 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.

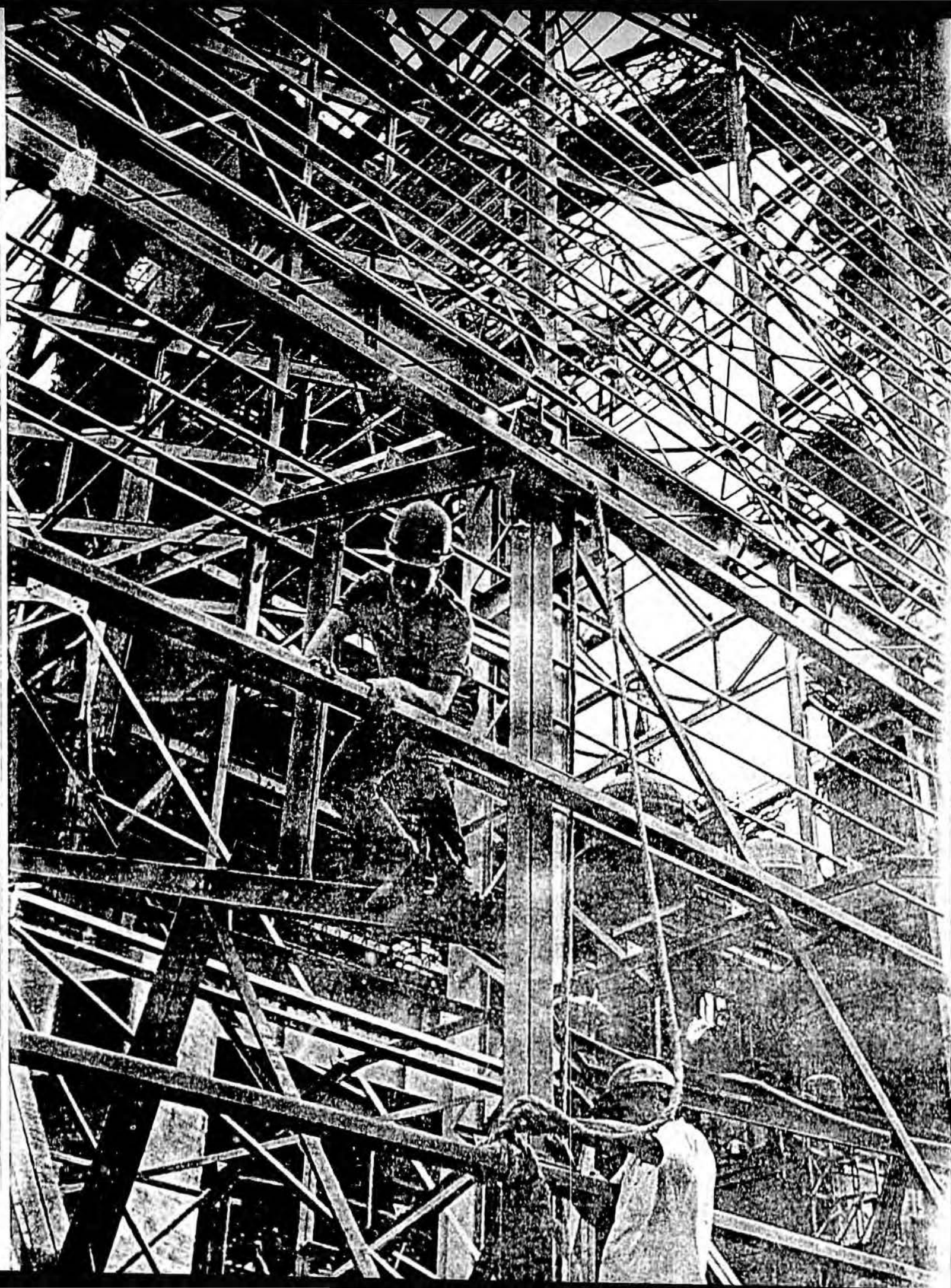
The contribution of private resources to the total net flow of external financing to the region increased from an average of 63 per cent in 1967-70 to 74 per cent in 1971-73. This proportion would have been even greater if there had been adequate records for the net flow of capital coming from the Eurocurrency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

lion 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 \$1,375 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 non-reimbursable 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 accomplishment for the Bank. During that period the Bank's loans, which amounted to \$7,529 million, and its nonreimbursable



technical cooperation, including contingent repayment, which totaled \$65 million, surpassed the similar 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 coun-

tries, 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.

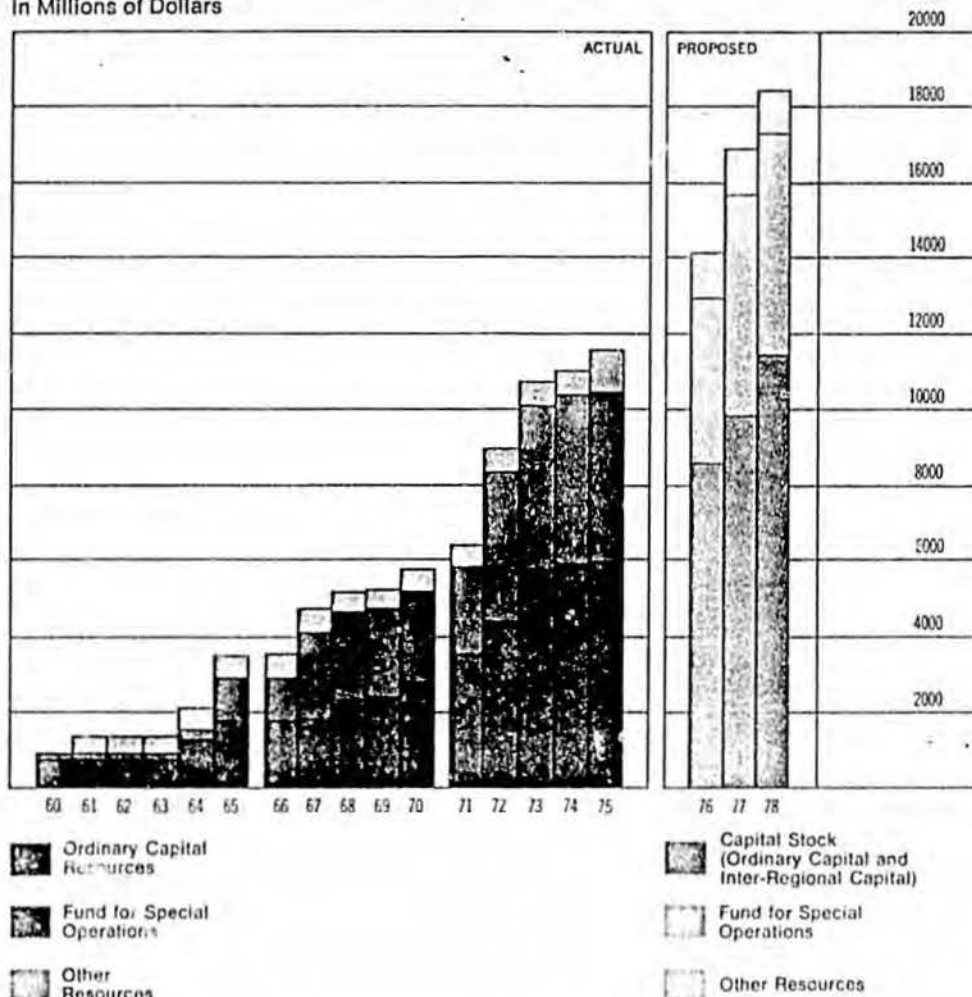
- The acceptance by the Bank on Feb. 27, 1975, of a \$500 million fund, to be provided over a five-year period, entrusted by the Government of Venezuela to finance development projects among its sister nations in the Bank.

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.

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

Resources (cumulative)
In Millions of Dollars



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.

The increase will become effective when at least 16 of the Bank's member countries subscribing no less than \$3,015 million 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 after 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
<u>4,677.2</u>	<u>5,167.2</u>	<u>5,194.9</u>	<u>5,690.7</u>	<u>6,400.2</u>	<u>8,987.8</u>	<u>10,740.1</u>	<u>10,988.6</u>	<u>11,505.1</u>
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
<u>2,390.1</u>	<u>2,797.9</u>	<u>3,429.7</u>	<u>4,068.6</u>	<u>4,744.8</u>	<u>5,440.6</u>	<u>6,308.5</u>	<u>7,416.0</u>	<u>8,684.8</u>
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
<u>496.4</u>	<u>430.9</u>	<u>631.5</u>	<u>644.5</u>	<u>651.8</u>	<u>807.2</u>	<u>884.0</u>	<u>1,110.7</u>	<u>1,375.0</u>
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
<u>242.5</u>	<u>290.8</u>	<u>394.0</u>	<u>427.8</u>	<u>441.3</u>	<u>478.6</u>	<u>547.0</u>	<u>628.1</u>	<u>712.2</u>
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
<u>46.5</u>	<u>62.6</u>	<u>80.7</u>	<u>106.6</u>	<u>127.8</u>	<u>147.3</u>	<u>168.5</u>	<u>179.0</u>	<u>198.8</u>
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
<u>5.1</u>	<u>3.7</u>	<u>5.3</u>	<u>5.1</u>	<u>5.9</u>	<u>5.8</u>	<u>6.4</u>	<u>22.4</u>	<u>24.6</u>
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
<u>52.2</u>	<u>70.7</u>	<u>100.6</u>	<u>149.3</u>	<u>194.1</u>	<u>247.1</u>	<u>336.3</u>	<u>441.1</u>	<u>556.5</u>
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	10,434,853	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	7,317,104	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 acquisition 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 maturities due April 15, 1977, bearing an interest rate of 6¼ 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

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

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.

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

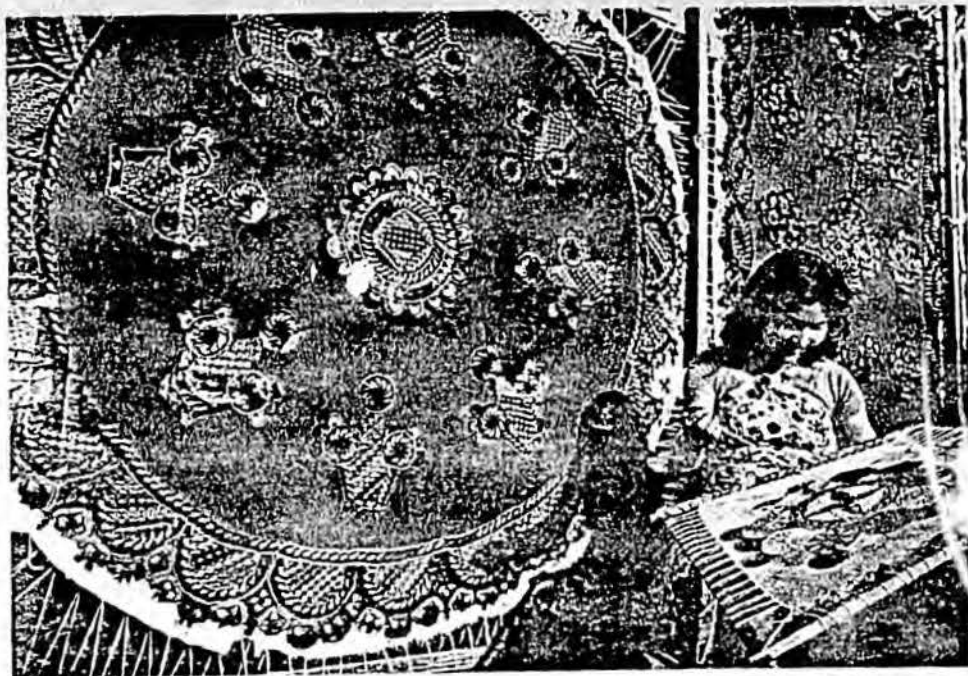
Throughout its 15 years of operations, the Inter-American Bank has sought to augment, through a variety of mechanisms, the financial resources available for the development of its own member countries. These mechanisms have included bond issues and loans arranged in the world's capital markets, resources 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 customary commercial terms and participations are sold for the full amount of the 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 7 to 10 per cent on concessionary resources and 10 to 12 per cent on conventional resources. Complementary loans on commercial



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.

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.

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:

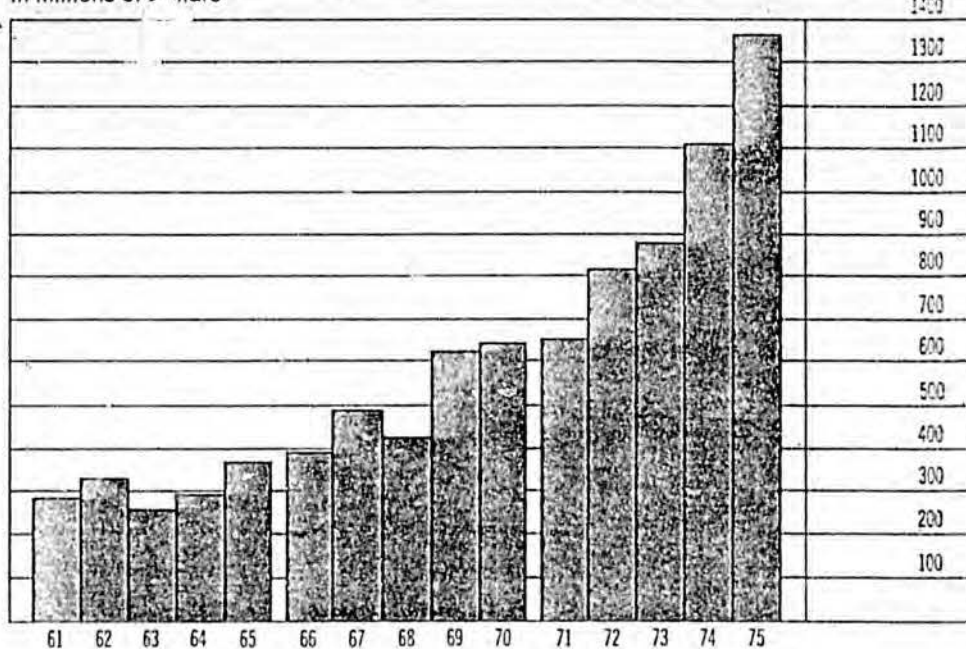
Ordinary Capital Resources: Net income: \$58 million compared with \$55 million in 1974. Gross income: \$208 million compared with \$174 million in 1974. Total reserves: \$380 million as of Dec. 31, 1975, compared with \$307 million at the end of 1974.

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

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 Administra- tion
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

of the Social Progress Trust Fund and the Venezuelan Trust Fund, are contained on pages 97 to 129.

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 \$16.2 million, or 47 per cent, from its ordinary capital resources; \$634.2 million, or 16.1 per cent, from the Fund for Special Operations, and \$94.6 million, or 2.5 per cent, from other funds which the Bank administers.

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

Ordinary Capital Resources: 25 loans with increases in previously authorized financing credits) amounting to \$16.2 million. This brought the net cumulative total of ordinary capital loans authorized for \$3,923.5 million as of Dec. 31, 1975.

Fund for Special Operations: 37 loans amounting to \$634.2 million, bringing the net cumulative total to 446 loans for \$4,076.5 million at year end.

Other Funds: 8 loans amounting to \$94.6 million, including 5 loans for \$83.2 million from the newly established Venezuelan Trust Fund; \$8 million in a credit from the Social Progress Trust Fund; 1

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

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.

Total Cost of Projects

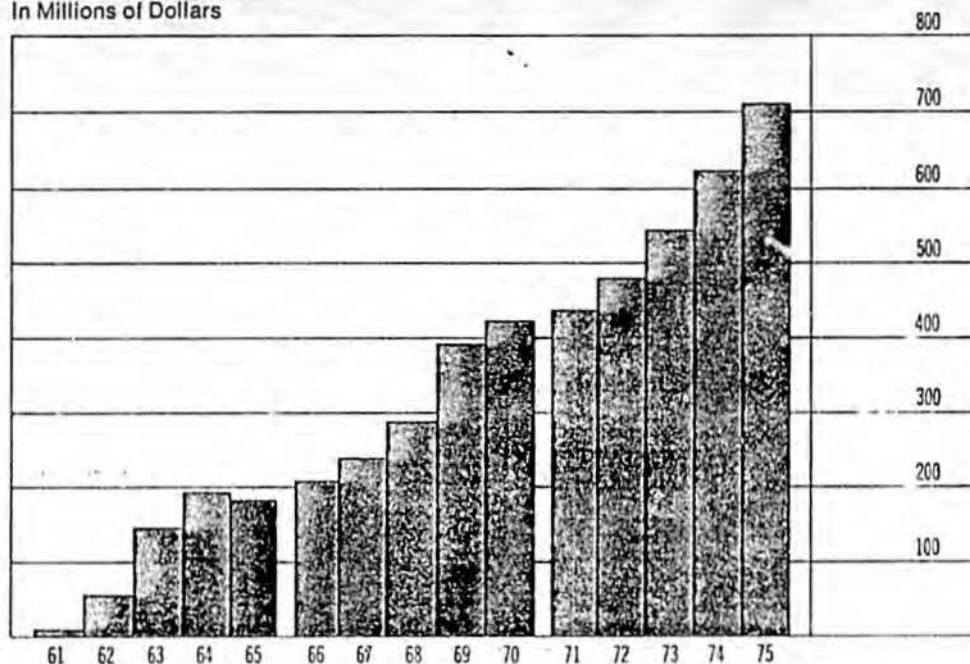
Overall, the Bank finances only a minority share of the cost involved in the execution of the development projects it helps to carry out, although in the case of the less developed countries the Bank can provide larger proportions of the total cost of a project. The majority share is provided primarily 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 million¹ 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 \$59 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 classified into a regional category.

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

Country	TOTAL	DETAIL BY FUNDS		
	Amount	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	10.0	54.6	14.3
Haiti	22.8	—	22.8	—
Honduras	74.1	0.5	66.0	-7.6
Jamaica	25.7	4.3	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—partially 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 1.6 million persons.

Throughout its 15 years of lending operations, the Bank has given particular 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.

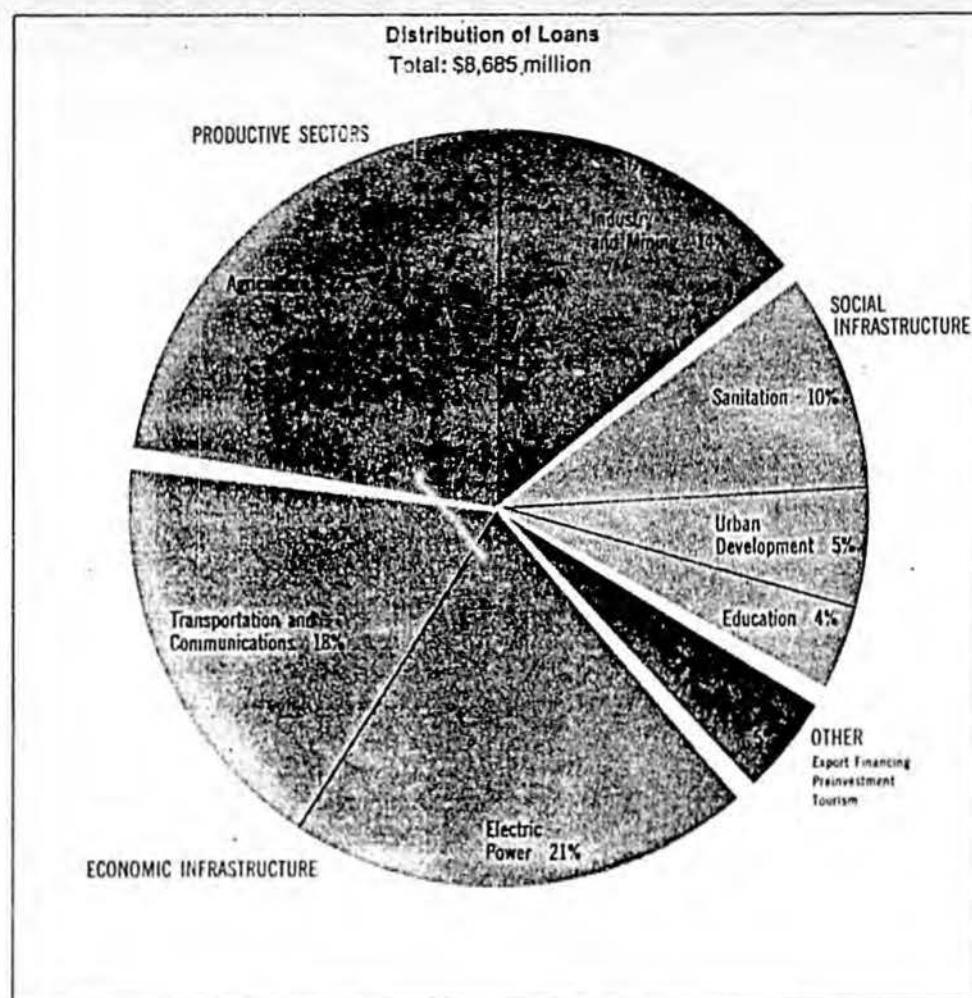
In terms of the Bank's traditional lending sectors, during 1975 agriculture (including fisheries) accounted for \$332 million, or 24 per cent of the total. That sector was followed by electric power with \$304 million (22 per cent), transportation and communications with \$303 million (22 per cent), 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 500,000-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

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

from the ordinary capital and \$15 million from the ordinary capital in complementary financing raised in the world's private capital markets.

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 sec-

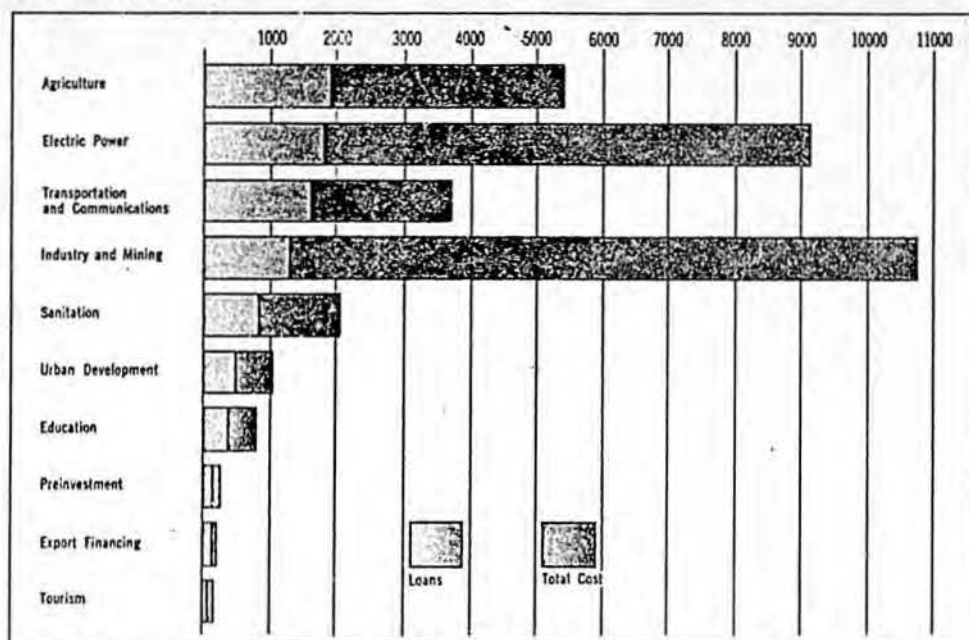
tion which will open up the southern provinces of Loja and Zamora-Chinchipec to better communications with the rest of the country.

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 Jupia 1.4 billion-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 north-east 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 Chiriqui 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 archaeological 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.

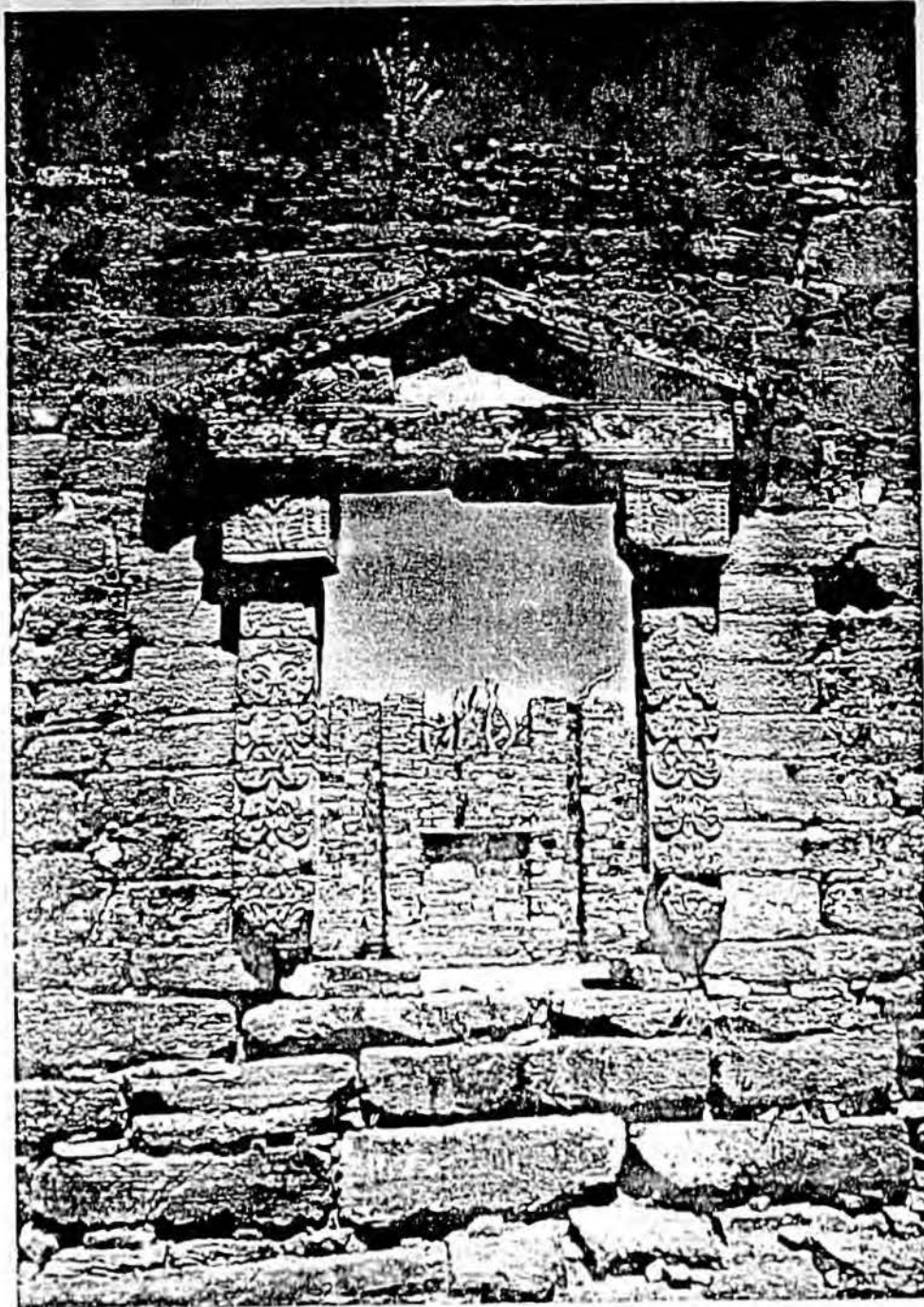
As was the case with its loans, the Bank approved more technical cooperation in the 1971-75 five-year period than it had in all of its first ten years of operations. The substantial increase in the last five-year period took place between 1973 and 1974 when such assistance went from \$6.4 million to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



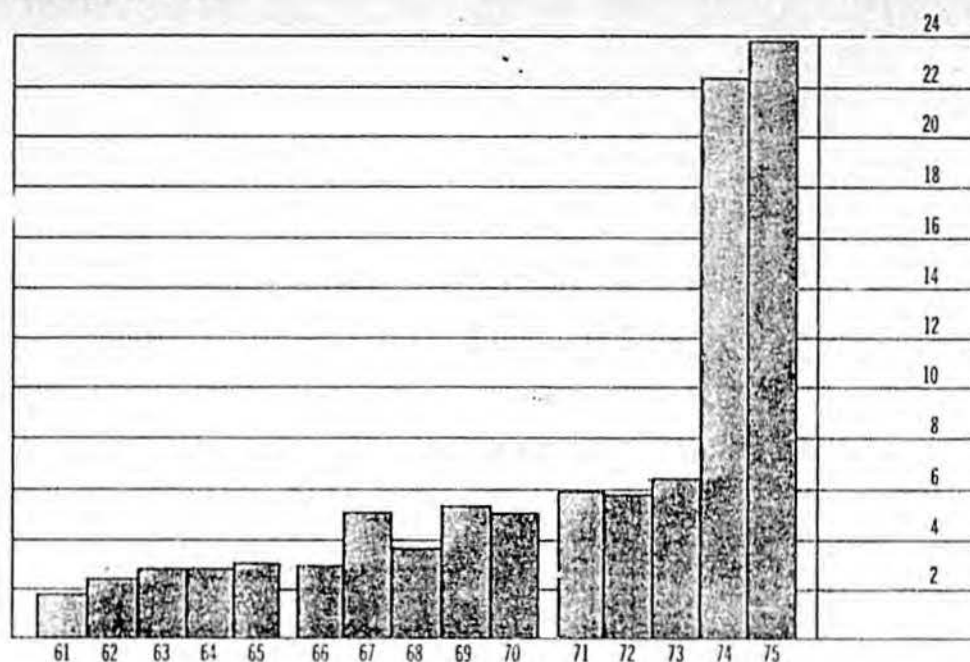
JESUIT INDIAN MISSIONS built three hundred years ago near the Iguazú Falls area of Argentina, Paraguay and Brazil are major tourist attractions. Technical cooperation provided to the three countries by the Bank is helping prepare a study to enhance tourist potential of the missions and the falls.

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.

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 mechanisms; \$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 the project to improve key streets in San Salvador with the help of a \$13 million 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; \$500,000 to enable El Salvador to pre-empt a development program for small-scale industry and provide institutional support for the agency which provides technical assistance to such industry; \$100,000 for a study of the utilization of sugar cane in the production of intermediate chemicals in Guatemala; \$100,000 for an industrial development project in Paraguay; \$131,000 for a project to discover the best ways of drying and storing Central American lumber; and \$40,000 for a study concerning the development of the chemical and pharmaceutical fields in the Group nations.

Sanitation and Health: 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 sys-

tem; \$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.

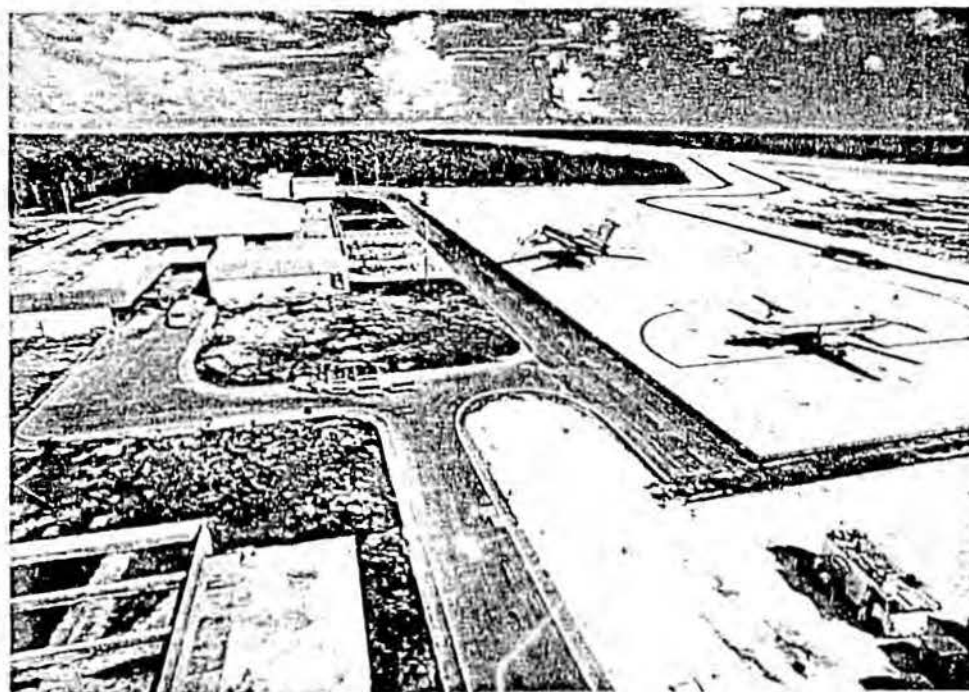
Finally, within its export financing activities, the Bank authorized credits totaling \$25.8 million. These are helping Argentina, Brazil, Peru and Mexico to increase exports of capital goods to other Latin American member countries of the Bank.

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

BOARD OF GOVERNORS

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

The Board's broad-based activity was demonstrated not only at its Sixteenth Annual Meeting which took place in Santo Domingo, Dominican Republic, May 19-



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.

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 intra-regional 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 Ferrate 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 Basamir

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. Prigue appointed Augusto Ramírez Ocampo of Colombia; Mr. Martínez Ferraté appointed Nefalí 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 the 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 ac-

tivities as Operations, 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 expense 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 liaison 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 occasions—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 *CEP-CIES*. 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 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 completed or financing arranged in 1975), and partial 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 non-member 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.

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

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			
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
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
Norway	6,000	4,000	2,000	\$47,015
South Africa	2,500	2,500		
Spain	38,949	31,149		7,500
Sweden	29,306	24,306	5,000	
Switzerland	200,408	188,670	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
GRAND TOTAL	\$3,489,400	\$2,129,155	\$1,159,178	\$139,052

* 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.

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

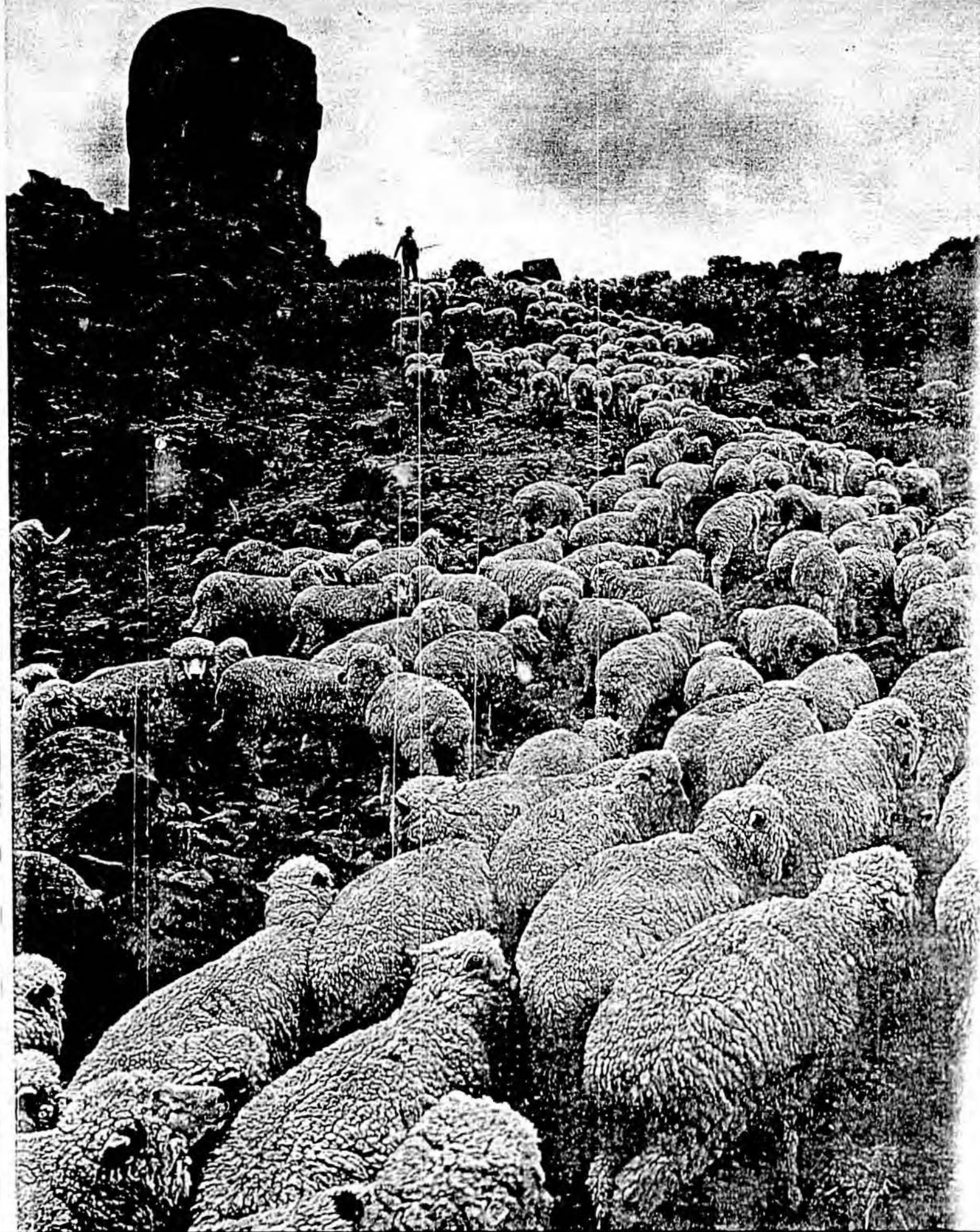
the Bank's complementary financing program, \$18 million by the Bank of Tokyo, \$7.5 million by the *Instituto Español de Moneda Extranjera* of Spain and \$6.3 million in participations from other countries. In addition, Finland pledged \$10 million to be disbursed in proportion to purchases made in 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.

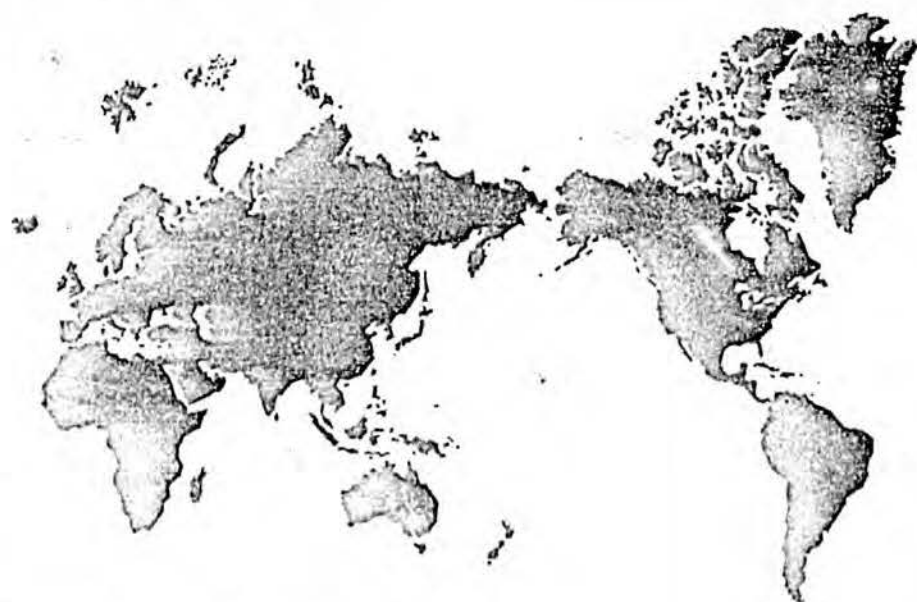
On ordinary capital loans the Bank's basic interest rate in 1975 continued to be 8 per cent a year. Interest rates included the 1 per cent commission allocated to the Bank's special reserve. Loans extended from the ordinary capital resources during 1974 were made for terms ranging from 15 to 30 years.

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 consisted of 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 Inca 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 Technical 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 re-

construction 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 1966 consumption of steel was 2.1 million tons of which 73 per cent was accounted for by imports of finished products. By 1971 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 in the Paraná River; of installations for loading, 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 extend auxiliary services, which consist of an electrical system, oxygen plant, water treatment laboratory and offices, as well as a road system to connect the new plant to the present plant.

The \$15 million supplementary renewal of credit, channeled through the ordinary capital resources, was available under the Bank's new commodity financing technique. Participation was sold for the full amount of the credit to two commercial banks.

Bank of America NT&SA and Chemical Bank, which will obtain the funds from the Eurocurrency market. According to the line of credit is to be repaid annually based on the Lon-

don 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 repayment. 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 Bridge-

town, 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 1975-77 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-

LOANS AND TECHNICAL COOPERATION

ficiencies 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 future.

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 desalination 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 exist-

ing 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 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.

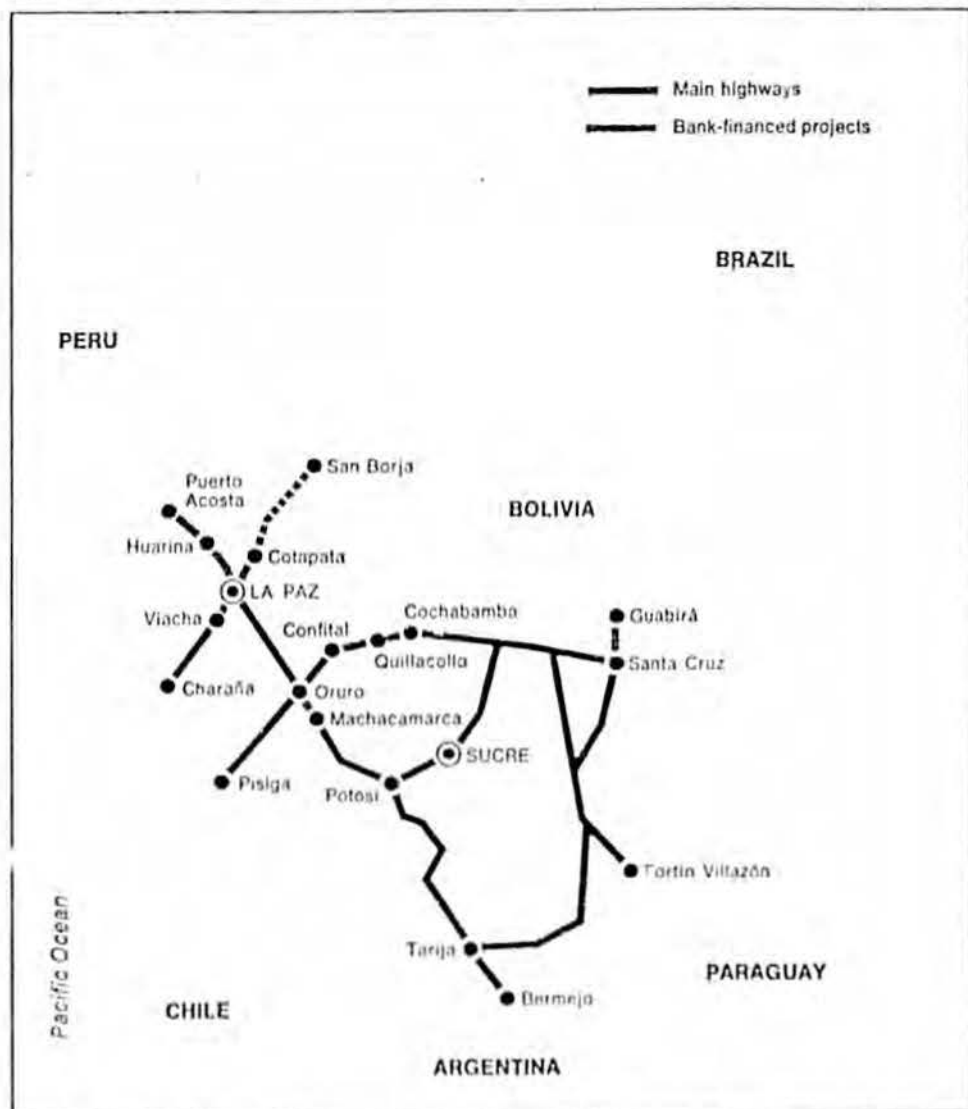
La Paz-San Borja Highway

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 Yalosa, 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 exports of the road and increase the flow of raw 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. Juplá 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 re-investment 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 pro-

duction 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 operation in 1974 but is still being expanded to total capacity of 3.2 million kilowatts. In all, 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 ELETRICA 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.

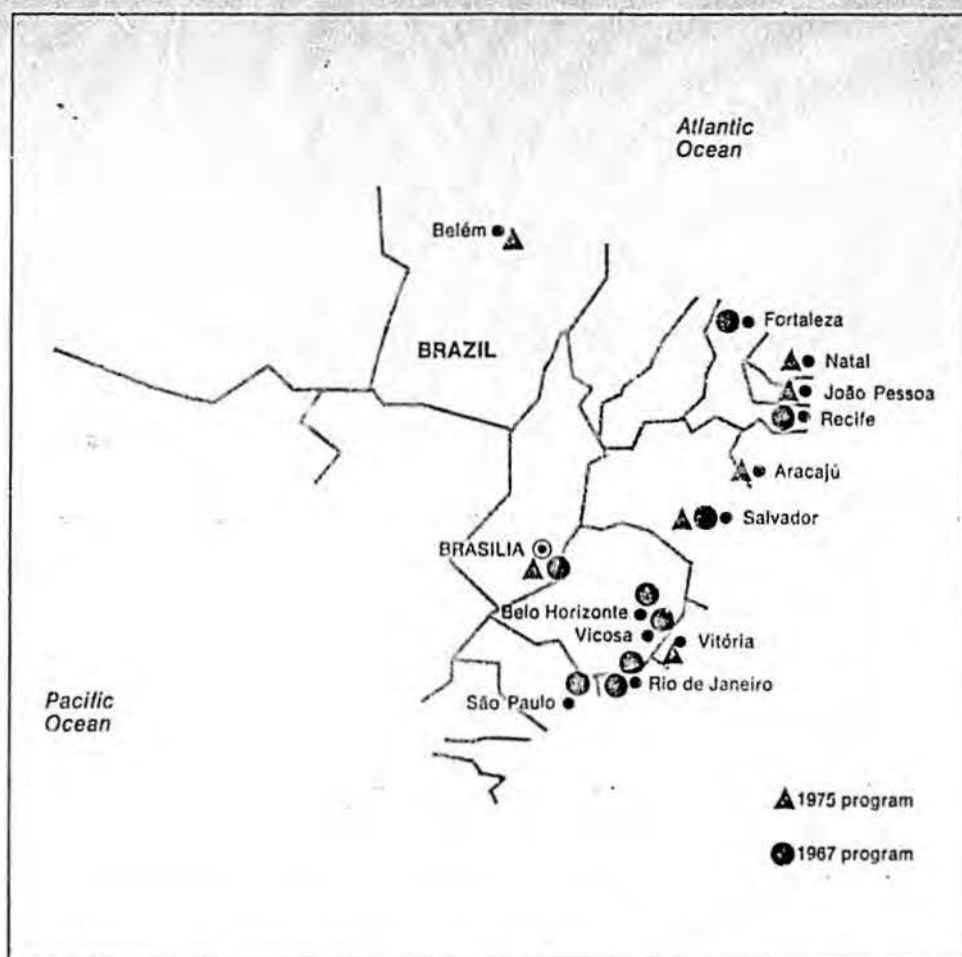
Subsequently, Brazil's national power agency, *ELETRORAS*, adopted a line tension of 500 KV for its extra-high voltage transmission system. As a result, *CHESF*, reformulated its transmission system, including the Paulo Afonso-Camaçari line.

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. 13, 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, Brasília, Espírito Santo, Pará, Paraíba, 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 Expansão e Melhoramento das Instalações do Ensino Superior (PREMESU), an agency of the Ministry of Education and Culture, to improve 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 600,000 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 ruin 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 10,000 families, of kindergartens for 17,500 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 young 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 skilled manpower for Chile's development plans.

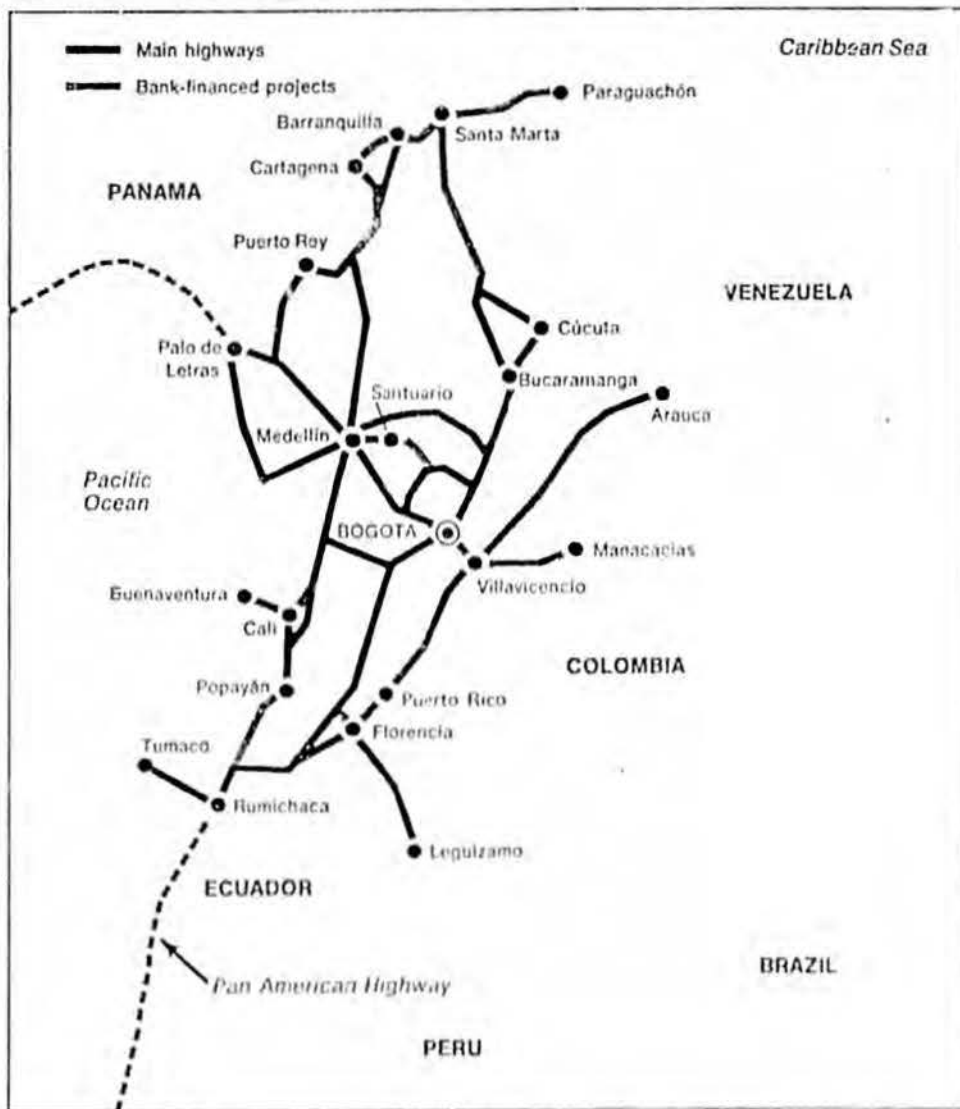
Project Training Program

Social Progress Trust Fund
\$100,000 nonreimbursable cooperation of Dec. 18, 1975

Beneficiary: OFICINA DE PLANIFICACION NACIONAL

One of the main objectives of the Government of Chile is the preparation of technical personnel to improve the education system and the generation of projects designed to stimulate economic and social development.

Technical cooperation will help the planning office, the *Oficina de Planificación Nacional (ODEPLAN)*, to create a nationwide program for its technical staff. Those of other national agencies will be prepared 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 corridors 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 Villaviciencio-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 3,095,000 bolivars)

Borrower: BANCO ANGLO COSTARRICENSE

Costa Rica is engaged in a program to improve and develop fisheries in its north-

west 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 cooperative 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, five placement shrimp boats and five 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 1974 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.

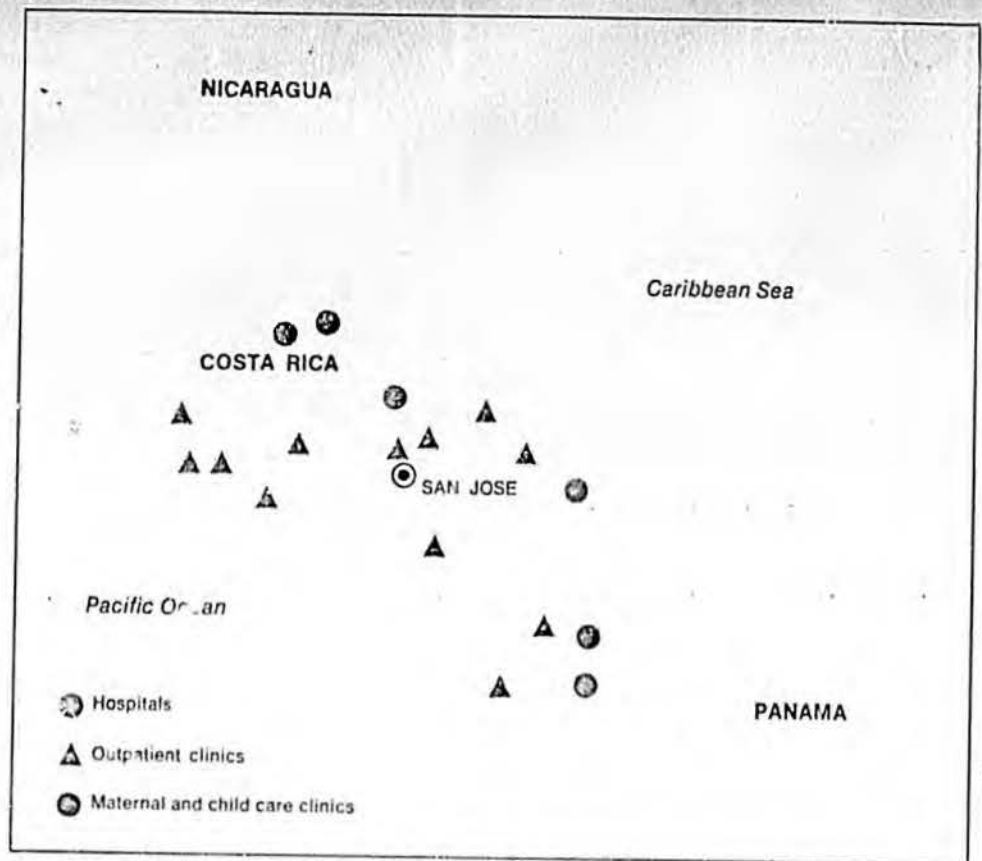
National Health Services

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 central 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 care, and of maternal and child

This loan will help CCSS to build three hospitals, three maternal and child care clinics and 12 new outpatient clinics in rural areas and provide medical and surgical services at the new facilities.

The three hospitals, with a total capacity of 49 beds, will be located at Quezada



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.

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: COOPEPATIVA PESQUERA DE PUNTARENAS, CONSEJO NACIONAL DE PRODUCCION and INSTITUTO NACIONAL DE APRENDIZAJE

Three institutions, in addition to the bor-

rower, 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.

LOANS AND TECHNICAL COOPERATION

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 Hornillas 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 90 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 *Secretaria de Estado de Obras Públicas y Comunica-*

ciones (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 *Secretaria 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

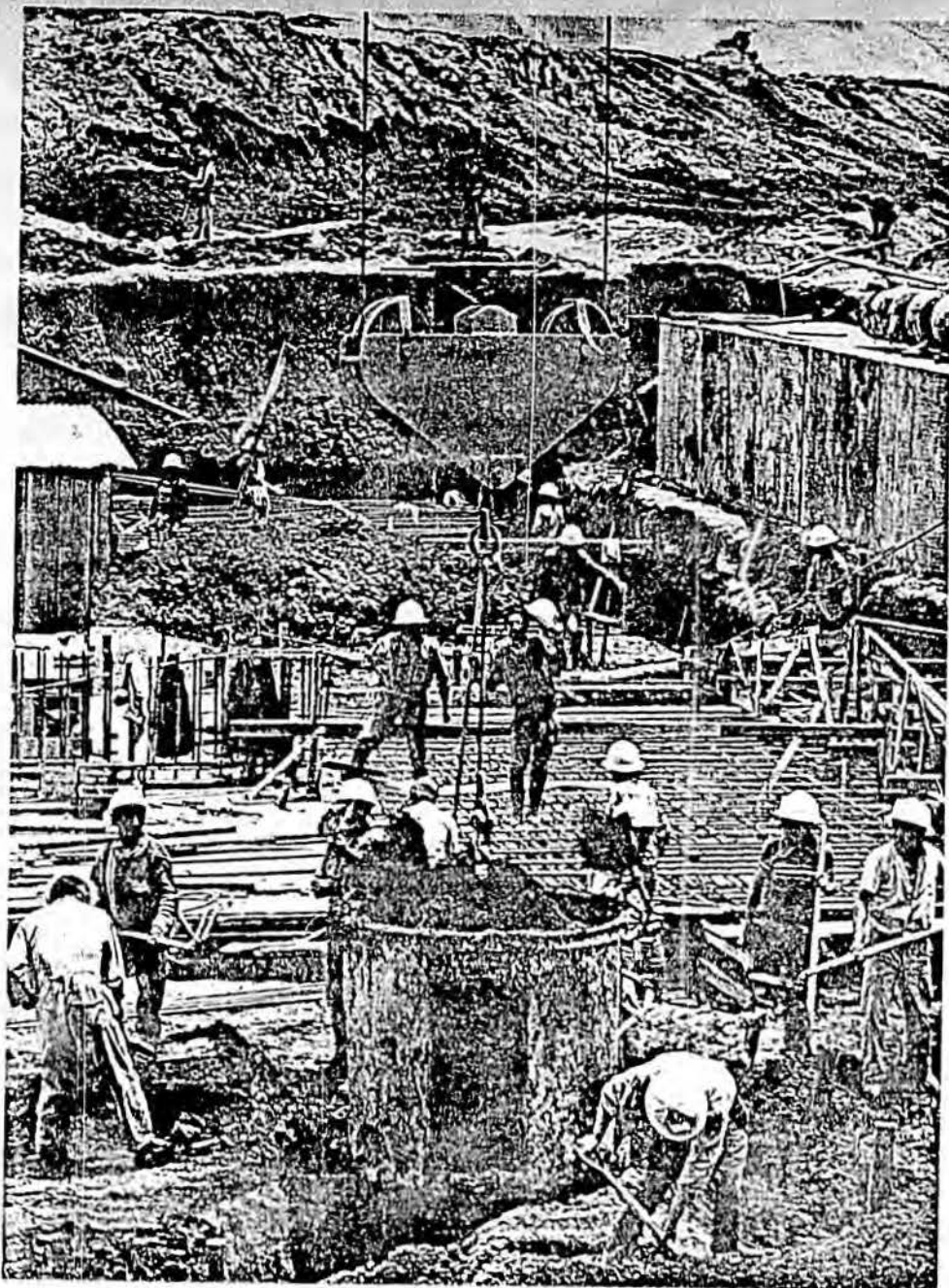
The manufacturing industry has been the most dynamic sector in Ecuador's economy over the past nine years. The factory sector dominates manufacturing output. Small industry and crafts use less machinery but generate a significant portion of the value of manufacturing and provide significant employment, 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 \$7.5 million, of which the Bank will contribute 40 per cent and BNF the remaining 60 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-

LOANS AND TECHNICAL COOPERATION

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 *Compañía de Economía 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-Chinchipec 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
\$13 million 40-year loan of Feb. 13, 1975
(\$7.6 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,



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.

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 hydro-

geological 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.

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.

LOANS AND TECHNICAL COOPERATION

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 bank 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 1984.

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 25 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 in Guatemala's development can be judged by the fact that the number of tourists visiting the country doubled from 1966 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 1975-77 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 *Secretaria 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 construction 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 *Secretaria 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 digging of an access channel to the 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 *Secrétairerie 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 Autonome 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 agency

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 33 per cent and other sources the remaining 24 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

LOANS AND TECHNICAL COOPERATION

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 Settle-

ment 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 assistance 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
\$45,000 nonreimbursable cooperation of
Dec 4, 1975

Beneficiary: MINISTRY OF FINANCE

This technical cooperation was extended



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.

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.