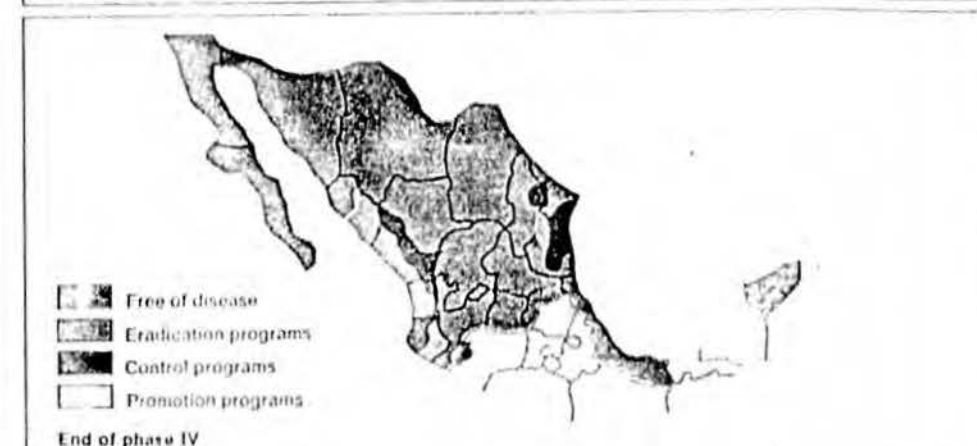


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

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ANTI-TICK CAMPAIGN is being stepped up in Mexico with the help of a Bank loan approved in 1975 under an intensified effort to broaden the sections of the country which are free of the infestation. Mexico initiated anti-tick campaign in State of Sonora. Two states are free of ticks and nine others are partially rid of them.

## MEXICO

### LOANS

#### Anti-Tick Campaign

Ordinary Capital Resources  
\$35 million 20-year 8% loan of Oct. 2, 1975  
(\$30 million and \$5 million in Mexican pesos)

Borrower: NACIONAL FINANCIERA, S.A.

Tick infestations are a major obstacle to livestock development in Mexico. The infestations are concentrated in Central Mexico, the coastal plains and the south-east areas, which at present account for more than three-fourths of the nation's herds estimated at 28 million head in 1972.

In 1960, the nation began an anti-tick campaign in the State of Sonora with the result that ticks have presently been cleared in a number of states. Still, about 17 million head of cattle are plagued with ticks.

This loan will enable the *Banco Nacional de Crédito Rural, S.A. (BANRURAL)*, through the Trust for the National Campaign Against Cattle Ticks, to carry out a campaign to free about 163 million acres and 11.7 million head of livestock from ticks.

The program will be divided into the following two projects:

- A direct-investment subprogram, including the construction of a National Animal Parasitology Center in Jalisco State, 32 state and 80 zone offices, 90 quarantine stations, 30 line baths, one central workshop and 16 state workshops; the procurement of technical inputs and laboratory equipment, and the purchase of machinery, equipment and vehicles.
- A subprogram under which 4,200 credits will be granted to small-scale farmers to finance required anti-tick expenditures.

The loan will also help *BANRURAL* to hire 3,361 new personnel—principally zone chiefs, supervisors and inspectors—to work full-time on the campaign. This represents a substantial increase over the staff's current professional number of about 450.

The total cost of the program is estimated at \$178,049,000, of which the Bank loan will cover 12.7 per cent and

local sources the remaining 80.3 per cent.

#### Rural Development Program

Ordinary Capital Resources  
\$20 million 25-year 8% loan of Oct. 30, 1975  
(\$18 million and \$2 million in Mexican pesos)  
Fund for Special Operations  
\$20 million 25-year 3% loan of Oct. 30, 1975  
(\$15 million and \$5 million in Mexican pesos)  
Borrower: NACIONAL FINANCIERA, S.A.

Despite increasing construction of irrigation works, the majority of Mexico's rural inhabitants—about 41 per cent of the total population—live in dry-farming areas of low productivity, high rates of unemployment and inferior standards of health, housing, nutrition and literacy.

These two loans will be used by the Government of Mexico, through 14 government agencies, to carry out a comprehensive rural development program designed to generate permanent sources of employment and raise the income and standards of living of 1.3 million persons scattered throughout Mexico. The project forms part of the nation's Program of Public Investments for Rural Development and calls for:

- The execution of directly productive investments, including construction of facilities to irrigate 86,450 acres and improve irrigation on another 37,000 acres; the development of *ejidos* and rural communities; the protection and conservation of soil and water resources; the establishment of orchards, rural industries and handicrafts, and the extension of medium- and long-term working capital loans for small-scale farmers.

Investments in support of farm output, including the construction of access roads, the upgrading of agriculture and livestock research, the provision of electric power, help in organizing and training farmers, and the construction of rural stores and warehouse.

- Investments in social infrastructure, including construction of water supply systems, schools and health centers, as well as improvement of housing and recreation facilities.

Completion of the program is expected to raise the annual family income of the rural population in the 15 targeted regions and to increase the total value of farm pro-

duction by about \$35 million per year. In the case of beneficiaries of small-scale irrigation works, income would grow by five times. The total cost of the project is estimated at \$221.5 million, of which the two Bank loans will cover 18 per cent and the local sources the remaining 82 per cent.

#### Farm and Livestock Credit

Ordinary Capital Resources  
\$30 million 25-year 8% loan of Nov. 20, 1975  
Borrower: NACIONAL FINANCIERA, S.A.

Since 1961 the Bank has extended 31 loans amounting to \$489 million for irrigation projects in Mexico. Some 21 of these for \$276 million went to large projects, 9 for \$191 million helped finance 3,200 small projects and one for \$22 million was made to improve the use of water and soil resources.

In addition to financing basic irrigation works, the Bank since 1971 also has sought increasingly to provide support for such supplementary activities as farm credit, extension services and research, and storage, marketing and distribution facilities.

This loan will help the Government of Mexico carry out a program to provide credit and technical support to all irrigation projects which the Bank has partially financed throughout the nation, similar to that being supplied in the irrigated area of the Lerma-Chapala-Santiago Basin.

The resources will be used by the *Banco Nacional de Crédito Rural, S.A. (BANRURAL)*, acting for the Trust Fund for the Development of Irrigation Districts and Units, to promote and consolidate farm production in areas now served by irrigation facilities partly financed by the Bank. The program will benefit about 18,000 farm families.

The program includes the procurement of machinery and equipment, as well as the provision of credits for land preparation work—clearing, leveling and drainage—for farmers in order to enable them to properly develop their land. Extension services will also be provided.

The total cost of the program is estimated at \$80.7 million, of which the Bank loan will cover 37.2 per cent and

local sources the remaining 62.8 per cent.

#### Agricultural Credit

Ordinary Capital Resources  
\$30 million 25-year 8% loan of Nov. 20, 1975  
Fund for Special Operations  
\$11 million 25-year 3% loan of Nov. 20, 1975  
Borrower: NACIONAL FINANCIERA, S.A.

Up to 1965 agricultural output in Mexico expanded at a faster rate than the population increased. However, since then it has failed to keep pace with the 3.4 per cent population growth. Farm output amounted to 2.8 per cent per year in 1965-70 and to only 1.1 per cent in 1970-73. Hence Mexico has had to import a sizable volume of basic food commodities, while exports of farm commodities have dropped.

Unfavorable trends in the sector have stemmed largely from insufficient use of irrigation, low productivity in traditional farming and a shortage of fixed capital credit, particularly for *ejidatarios* (community farmers) and other farmers.

A few years ago Mexico launched a nationwide program aimed at providing fixed and working capital loans and technical cooperation to such farmers. The Inter-American Bank has cooperated in the execution of the program with loans amounting to \$20 million in 1968 and \$32 million in 1971. In the first stage, 8,817 families were benefitted; in the second, 24,500.

These stages of the program have been completed. These two new loans will contribute to the execution of a third. The funds, which will be channeled through the *Banco de México, S.A.*, acting as administrator of a Special Fund for Agricultural Financing, will help finance a program which will benefit an estimated 26,000 low-income farmers throughout Mexico, mainly *ejidatarios*, common-land occupants, settlers and small-land holders. About 59 per cent of the program's credits will be funneled into production of cereals and oil bearing seeds, 16 per cent into dairy farming, 10 per cent into beef farming, 10 per cent into sugar cane and 5 per cent into perennial fruits.

The total cost of the program is estimated at \$97,370,000 of which the two Bank loans will cover 42.1 per cent and local sources the remaining 57.9 per cent.



RAW ROCK MATERIAL SLIDES DOWN chute of this bulldozer-scoop to concrete mixer producing materials for rebuilding Managua largely destroyed by 1972 earthquake. The enterprise expanded operations with credit from the Inter-American Bank provided to the Banco Nacional de Nicaragua following the disaster.

#### Industrial Credit Program

Ordinary Capital Resources  
\$15 million 20-year 8% loan of March 20, 1975  
(\$12.5 million and 6,825,000 Swiss francs)  
Borrower: NACIONAL FINANCIERA, S.A.

The Inter-American Bank has made six loans totaling \$36 million to *Nacional Financiera, S.A.*, which—through the *Fondo de Garantía y Fomento a la Industria Mediana y Pequeña (FOGAIN)*—has helped finance a credit program to benefit small- and medium-scale private industrial firms.

This loan will help *FOGAIN*, a trust fund managed by *Nacional Financiera*, to expand and extend its financial support to such enterprises, stimulate the decentralization of Mexican industry, create new small and medium industrial enterprises, strengthen *FOGAIN*'s operating capacity and improve the socioeconomic analysis of its projects.

As a continuation of *FOGAIN*'s program, funds will be channeled through 216 financial institutions to finance fixed-asset investments, procurement of machinery and equipment and working capital requirements.

Since its establishment in 1954 through 1973, *FOGAIN* had authorized 14,260 credits totaling \$310 million to 7,406 small and medium industrial enterprises.

Of this amount, 51 per cent was earmarked for working capital credit, 42 per cent for equipment credit and 7 per cent for mortgage credit.

The total cost of the program is estimated at \$30 million, of which the Bank will cover 50 per cent and local sources the remaining 50 per cent.

#### EXPORT FINANCING

On March 20, 1975, the Bank authorized a \$5 million increase in the revolving line of credit originally extended to *Nacional Financiera, S.A.*, to finance exports of Mexican capital goods. In addition, the revolving credit was increased by \$1.3 million through repayments. These activities are described further on under the heading "Export Financing."

## NICARAGUA

#### LOAN

##### Rural Electrification

Fund for Special Operations  
\$16.5 million 40-year loan of Sept. 11, 1975  
(\$14.5 million and \$2 million in cordobas)  
Interest: 1% for 10 years, 2% thereafter  
Borrower: REPUBLIC OF NICARAGUA

In 1972 an earthquake struck Managua,

the capital of Nicaragua, destroying five square miles of the downtown area, causing some 6,000 deaths and 20,000 injuries and leaving 250,000 homeless, thus forcing many of its inhabitants to seek shelter in nearby regions. This brought a sharp increase in the demand for power services in those areas.

To meet the demand, the *Empresa Nacional de Luz y Fuerza (ENALUF)*, the nation's power company, initiated a program to expand its services. With the support of \$172,000 in technical cooperation approved by the Bank in 1973, *ENALUF* drafted a Second National Plan for Rural Electrification designed to expand electric service to eight priority areas in Nicaragua.

This loan will help *ENALUF* to carry out the first stage of the second plan which will supply electric power to an estimated 21,600 consumers in a 1,776-square-mile area with a population of about 70,000 inhabitants in the Departments of Matagalpa and Zelaya.

The project includes the installation of two output modules; construction of 17 and 69-kilovolt transmission lines; construction of transformer stations and installation of transformers; construction of primary distribution lines; installation of secondary distribution lines to consumers and street lights in rural towns; construction of buildings, depots and repair facilities, and procurement of maintenance vehicles and equipment.

The total cost of the project is estimated at \$20,850,000, of which the Bank loan will cover 79.1 per cent and the Government of Nicaragua the remaining 20.9 per cent.

#### TECHNICAL COOPERATION

##### Chemical Intermediaries Study

Canadian Project Preparation Fund  
Can\$100,000 nonreimbursable cooperation of  
March 6, 1975

Beneficiary: INSTITUTO DE FOMENTO NACIONAL

This technical cooperation will help the *Instituto de Fomento Nacional (INFO-NAC)*, Nicaragua's national development agency, to carry out a study to determine the feasibility of establishing an industry utilizing renewable natural resources such as wood pyrolysis and alcohol derived from sugar cane—instead of petroleum—

in manufacturing such intermediate chemicals as vinyl chloride, vinyl acetate and formaldehyde.

The study will also look into the demand within the Central American Common Market for these products and will survey plants producing similar products in other countries. In carrying out the study, *INFONAC* will be assisted by the *Instituto Centroamericano de Investigación y Tecnología Industrial*, a regional advisory agency which conducts technological research on the use of raw materials and natural resources for novel industrial applications.

#### Cattle Disease Study

Social Progress Trust Fund (Special Program for Project Preparation)  
\$47,000 contingent repayment cooperation of Oct. 20, 1975

Beneficiary: MINISTERIO DE AGRICULTURA Y GANADERIA

Beef accounted for 17.6 per cent of Nicaragua's total exports in 1973 and generated \$50.5 million of its foreign exchange earnings. For this reason, the Government places special emphasis on this sector in its economic development plans. However, the country's cattle are subject to a variety of diseases, including brucellosis and tuberculosis.

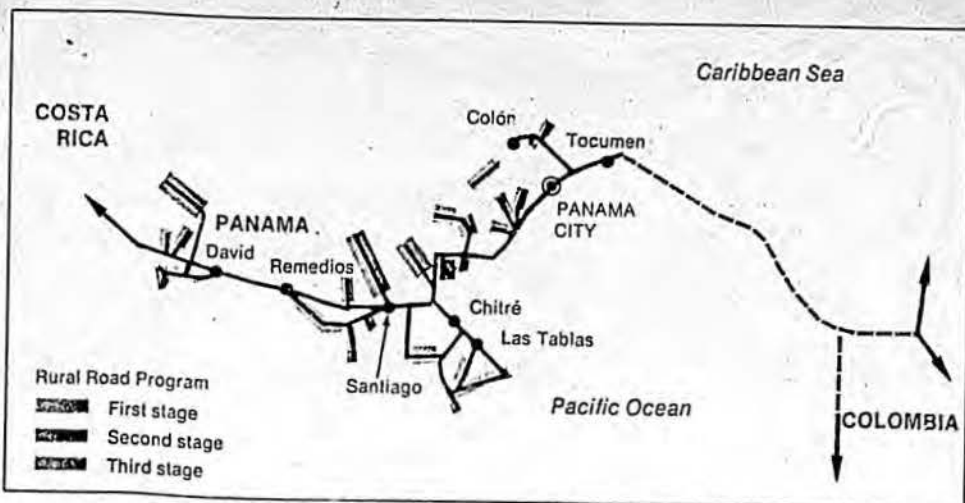
This technical cooperation will help Nicaragua overcome such diseases by enabling the *Ministerio de Agricultura y Ganadería*, the nation's agricultural ministry, to initiate a study of the technical, economic and financial feasibility of establishing a nationwide program to control or eradicate diseases affecting cattle. The project also contemplates the preparation of a loan application to finance a program to carry out the campaign.

#### Institution-Building and Project Training

Social Progress Trust Fund  
\$529,000 nonreimbursable cooperation of Dec. 11, 1975

Beneficiary: DIRECCION DE PLANIFICACION NACIONAL and MINISTERIO DE ECONOMIA, INDUSTRIA Y COMERCIO

In its 1975-79 Development Plan, the Government of Nicaragua has assigned high priority to training professional staff in the identification, preparation, evaluation and execution of investment projects.



**RURAL ROADS SPUR OUT** from Pan American Highway running through Panama. A principal concern of Bank's lending in that country has been the construction of such roads. Loan of \$30 million approved in 1975 is financing additional roads. Program is helping integrate isolated farming communities into the country's economic mainstream.

This technical cooperation will help the Government, in conjunction with its planning and economic ministry offices, the *Dirección de Planificación Nacional* and the *Ministerio de Economía, Industria y Comercio*, to set up a national system designed to identify, evaluate and control investment projects and to train such professionals in the preparation and evaluation of projects.

## PANAMA

### LOANS

#### Rural Highways

Fund for Special Operations  
\$30 million 30-year 2% loan of Sept. 11, 1975  
(\$23.7 million and \$6.3 million in balboas)

Borrower: REPUBLIC OF PANAMA

Since 1969 the Government of Panama has undertaken concerted action to solve farm problems by organizing and supporting cooperative farming their own or state-owned land in order to improve living conditions in the rural sector, achieve better use of natural resources and increase the farm sector's contribution to the economy.

To achieve these goals, the *Dirección Nacional de Construcción (DNC)*, an agency of the Ministry of Public Works, has embarked on a program to improve the country's rural road system so that isolated farm areas can be integrated into the nation's economy.

This loan, complementing three previous Inter-American Bank road loans totaling \$34.5 million, will enable the *DNC* to carry out the third stage of the program, which calls for the construction of eight roads with a combined length of 134 miles. The roads will be built in areas which lack highways and are populated with low-income families.

The program, concentrated in the Provinces of Coclé, Los Santos, Herrera, Chiriquí, Colón and Veraguas, is designed to increase agricultural production, improve marketing prospects, encourage new agro-industrial activities, reduce transportation costs, and facilitate the use by rural residents of farm credit, technical cooperation, health and education programs.

The total cost of the project is estimated at \$43 million, of which the Bank loan will cover 69.8 per cent and the Government of Panama the remaining 30.2 per cent.

#### Technical and Vocational Education

Fund for Special Operations  
\$12.2 million 30-year 2% loan of Dec. 4, 1975  
Borrower: REPUBLIC OF PANAMA

Outlays for education have accounted for about 25 per cent of Panama's public expenditures since the 1950s. As a result, Panama has a university-trained professional staff comparable to that of any other country in the region.

Due to the dynamic 8 per cent annual growth of the economy in the 1960-72 period, however, Panama now has a short-

## LOANS AND TECHNICAL COOPERATION

age of skilled manpower, particularly of middle-level technical personnel, since the education system has concentrated on general education courses rather than technical and vocational training. As a result, industry's demand for skilled workers has not always been met.

To improve this situation, Panama's Ministry of Education has embarked on an educational reform program in basic cycle schools (the last three years of Panama's nine-year, compulsory education program) and in professional and technical institutes.

The program provides for the construction of 19 basic cycle schools and four vocational and technical institutes, and for equipping those schools with machinery, tools, teaching materials, furniture, laboratory equipment and textbooks.

The 19 basic cycle schools, which will have an estimated enrollment of 6,840 students, will be located primarily in rural areas inhabited by low-income families. Of these, 17 will provide training in agriculture and 2 in industry. The enrollment of the vocational and technical institutes is expected to be 2,040. Three of these will provide agricultural training and one will provide industrial instruction.

The total cost of the project is estimated at \$18 million, of which the Bank will cover 67.8 per cent and the Ministry of Education the remaining 32.2 per cent.

### TECHNICAL COOPERATION

#### Educational Improvements

Fund for Special Operations  
\$338,000 nonreimbursable cooperation of  
Dec. 4, 1975

Beneficiary: MINISTRY OF EDUCATION

This technical cooperation was extended to Panama's Ministry of Education in conjunction with the previously described loan for \$12.2 million extended to the Republic of Panama for the improvement and expansion of technical and vocational education.

The assistance will be used to help the Ministry strengthen technical education and carry out educational reforms designed to set up basic cycle study courses in the nation's poorest regions. In addition, the cooperation will be used to improve the quality of teaching in the agricultural, livestock and industrial sectors

through the granting of 41 scholarships for study abroad.

#### Animal Health Study

Social Progress Trust Fund (Special Program for  
Project Preparation)  
\$49,000 contingent repayment cooperation of  
Dec. 15, 1975

Beneficiary: MINISTERIO DE DESARROLLO  
AGROPECUARIO

Since 1950 the Government of Panama has carried out an active campaign to prevent foot-and-mouth disease in cattle from infiltrating its borders. In this endeavor it has had the support of Colombia, Mexico and the Central American nations.

While South America suffers from the ravages of the disease, North America and Central America are free of it. Panama is also working on programs to eradicate brucellosis, rabies and cattle tuberculosis which affect its herds.

This cooperation will help the *Ministerio de Desarrollo Agropecuario*, the nation's agricultural ministry, to undertake a feasibility study for a nationwide animal-health program designed to accomplish these ends. In addition, the assistance will lend support to existing cattle-development programs geared to increase production and productivity of beef and dairy products.

## PARAGUAY

### LOAN

#### Foot-and-Mouth Disease Campaign

Fund for Special Operations  
\$3.2 million 40 year loan of Dec. 18, 1975  
(\$2.3 million and \$900,000 in guaranis)  
Interest: 1% for 10 years, 2% thereafter  
Borrower: REPUBLIC OF PARAGUAY

Paraguay has the seventh largest cattle population in Latin America and livestock and animal products accounted for some 9 per cent of the country's gross domestic product in 1974. However, growth of cattle herds in the 1968-74 period was severely curtailed by constraints on genetic improvement caused, to a large degree, by illnesses such as foot-and-mouth disease.

With the help of a \$2.8 million Inter-American Bank loan approved in 1968, Paraguay was able to reduce the incidence

of the disease from 30 per cent to less than 5 per cent. By helping to further reduce incidence of the disease in the second stage of the program, this new loan is expected to increase the rate of natural growth of cattle herds to 1.6 per cent a year compared to 1 per cent in 1968-74.

Specifically, the second stage will provide for regular and compulsory vaccination of 90 per cent of the cattle population in the Western part of the nation and 95 per cent in the Eastern portion, institution of a system of preventive inoculation at four-month intervals of not less than 85 per cent of all cattle in border areas, revaccination at three-month intervals of 90 per cent of cattle in areas where the disease occurs, control of animals susceptible of contracting the disease, training of personnel and related measures.

The execution of the Second Stage of the National Plan to Combat Foot-and-Mouth Disease will be the responsibility of the *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)*, with the cooperation of the Ministry of Agriculture, the Ministry of Public Health, the School of Veterinary Medicine, cooperatives of producers and the Association of Breeders.

The total cost of the program is estimated at \$5.3 million, of which the Bank loan will cover 60.4 per cent and local sources the remaining 39.6 per cent.

### TECHNICAL COOPERATION

#### City Water System Studies

Social Progress Trust Fund (Special Program for  
Project Preparation)  
\$153,000 nonreimbursable cooperation of  
Jan. 9, 1975

Beneficiary: CORPORACION DE OBRAS  
SANITARIAS

This technical cooperation will help Paraguay carry out feasibility studies for the construction of water supply projects in Villarrica and Coronel Oviedo. Located in a rich farming and cattle region, the cities are expected to undergo considerable growth now that the construction of the nearby Itaipú hydroelectric complex is underway by Brazil and Paraguay.

The cooperation will be used by the *Corporación de Obras Sanitarias*, the na-

tion's water and sewage agency, to hire a consulting firm to analyze the results of the exploration carried out by companies in charge of locating water resources in both cities; to prepare projections of population growth and residential, industrial and commercial development of the cities over the next 10 years; to analyze possible water sources in terms of construction and operating costs, and to prepare preliminary designs and plans, including an estimate of project costs and a calculation of rates, for the proposed water services.

**Asunción-San Lorenzo Road Study**  
Social Progress Trust Fund (Special Program for Project Preparation)  
\$44,000 contingent repayment cooperation of Aug. 1, 1975

Beneficiary: MINISTERIO DE OBRAS PUBLICAS Y COMUNICACIONES

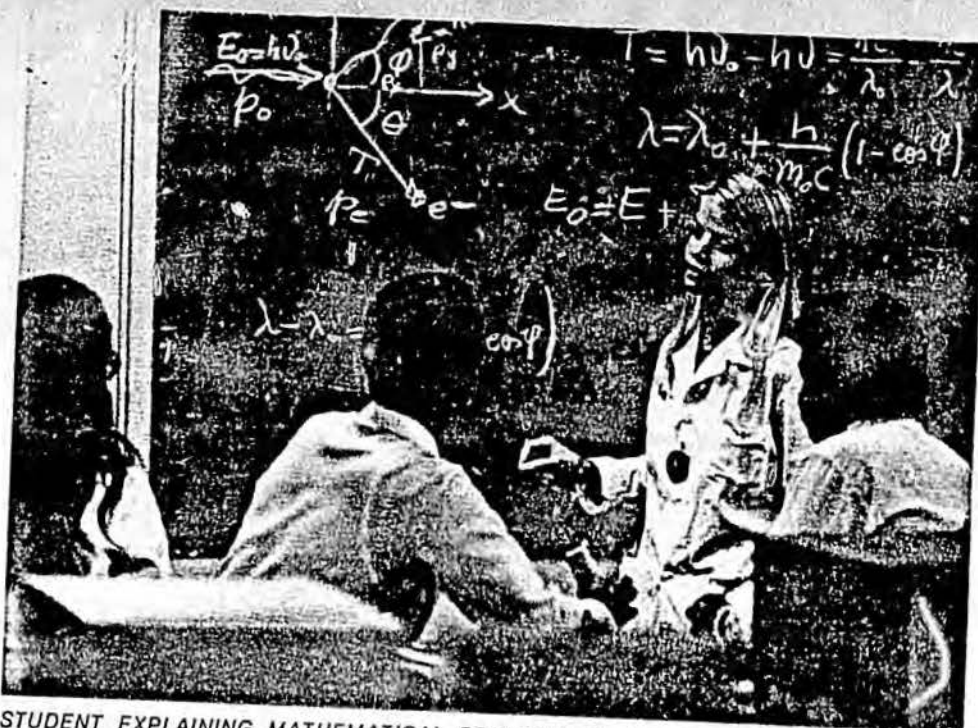
The present road between the capital of Paraguay, Asunción, and San Lorenzo has reached capacity limits to handle traffic and to be expanded. To remedy this situation, the Government has drafted a plan to build a second highway which will be used for medium- and long-distance travel. In turn, the current road, which is a city street, will be utilized only for city traffic.

This technical cooperation will help the *Dirección General de Vialidad* of the *Ministerio de Obras Públicas y Comunicaciones (MOPC)*, the agency in charge of public works and transportation, to carry out a feasibility study for the construction of the new highway.

**University Expansion**  
Social Progress Trust Fund (Special Program for Project Preparation)  
\$97,000 nonreimbursable cooperation of Aug. 7, 1975

Beneficiary: UNIVERSIDAD NACIONAL DE ASUNCION

In 1965 the Bank extended a \$1.5 million loan to the *Universidad Nacional de Asunción* to help finance the first stage of an expansion program. The project included the construction of facilities, the purchase of equipment and the contracting of teaching staff. Completion of this phase contributed significantly to the University's development with the result that enrollment rose by 45.3 per cent and the



**STUDENT EXPLAINING MATHEMATICAL FORMULA** at classroom of National University of Asunción in Paraguay. University acquired new teaching and bibliographic material and built additional classroom facilities with Bank loan extended in 1965. Loan helped nation to train personnel needed to foster its development programs.

number of graduates increased by 52.6 per cent.

This technical cooperation will pave the way for the second stage of the expansion program. The cooperation will enable the University to continue a study of its academic requirements, with special emphasis on disciplines required for the development process, and to specify and design physical facilities that will complement and promote the fullest use of existing ones.

**Animal Health Studies**  
Social Progress Trust Fund (Special Program for Project Preparation)  
\$75,000 contingent repayment cooperation of Aug. 7, 1975

Beneficiary: SERVICIO NACIONAL DE LUCHA CONTRA LA FIEBRE AFTOSA

In 1968 the Bank extended a \$2.8 million loan to Paraguay's *Ministerio de Agricultura y Ganadería* for the first stage of an animal health program. That phase covered 72 per cent of the country and reduced the incidence of foot-and-mouth disease from 30 per cent in 1969 to less than 5 per cent in 1974.

This technical cooperation was used by the *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)* to initiate studies for the program's second stage.

*SENALFA* utilized the Pan American Health Organization to prepare technical, economic and financial feasibility studies for a continuation of the campaign to combat foot-and-mouth disease and the opportune control of brucellosis, rabies and cattle tuberculosis throughout the entire country.

Late in 1975 the Bank approved the previously described loan for \$3.2 million for the execution of the second stage of the National Plan to Combat Foot-and-Mouth Disease.

**Storm Sewer Study**  
Social Progress Trust Fund (Special Program for Project Preparation)  
\$48,000 contingent repayment cooperation of Sept. 5, 1975

Beneficiary: CORPORACION DE OBRAS SANITARIAS

In 1968 the Inter-American Bank extended a loan of \$8.3 million to the Republic of Paraguay to expand the water supply and sewage systems and install the first stage of a system of storm sewers in Asunción. This stage is now near completion.

This technical cooperation will enable the *Corporación de Obras Sanitarias (CORPOSANA)*, Paraguay's water and sewage agency, to carry out an economic

## LOANS AND TECHNICAL COOPERATION

feasibility study for the second stage. *CORPOSANA* will contract a consulting firm to conduct the study, which will include a revised estimate of the construction and maintenance costs, an analysis of the project's benefits and profitability, a technical evaluation of designs and a revision of the plan to strengthen the administration of *CORPOSANA*.

### Regional Development Plan

Fund for Special Operations  
\$493,000 nonreimbursable cooperation of  
Nov. 13, 1975

Beneficiary: OFICINA NACIONAL DE PROYECTOS

Paraguay's Chaco is a region of scarce resources. If properly developed, however, these would support the settlement of people, increase agricultural and industrial production and income in the region and lead to a greater use of such infrastructure facilities as the Trans-Chaco Highway.

This technical cooperation will help carry out such development by enabling the *Oficina Nacional de Proyectos (ONP)*, an agency of Paraguay's Technical Planning Secretariat of the Office of the Presidency, to contract consultants to carry out a development study of a regional plan to take advantage of the zone of influence of the Trans-Chaco Highway and to evaluate the most appropriate public and private investment alternatives.

The program's first phase will include a survey of the economic and social possibilities of the Chaco and a review of available studies on local production activities. In addition, a determination will be made of what further studies will be required and what priority areas should be identified. Finally, a regional development plan will be drawn up and recommendations will be made on the appropriate institutional framework to carry it out.

### Industrial Survey

Fund for Special Operations  
\$100,000 nonreimbursable cooperation of  
Dec. 11, 1975

Beneficiary: MINISTERIO DE INDUSTRIA Y COMERCIO

In 1970 the Government of Paraguay promulgated a new investment law to stimulate exports of manufactured prod-

ucts and it plans to adopt additional measures in the future to encourage industrial development. The nation's last industrial census was conducted in 1963 and for that reason it lacks an up-to-date statistical base upon which to plan such development.

This technical cooperation will enable the *Ministerio de Industria y Comercio* to undertake a nationwide industrial survey, thus helping it to plan properly the nation's industrial development.

### Institutional Strengthening

Fund for Special Operations  
\$310,000 nonreimbursable cooperation of  
Dec. 18, 1975

Beneficiary: SERVICIO NACIONAL DE LUCHA CONTRA LA FIEBRE AFTOSA

This technical cooperation was extended in coordination with the previously described loan of \$3.2 million for the second stage of the foot-and-mouth disease campaign in Paraguay. It will be used to strengthen the executing agency—the *Servicio Nacional de Lucha Contra la Fiebre Aftosa*.

The cooperation will be made available through the Pan American Health Organization and will be used to make a survey of the health of cattle herds, particularly in areas free of the disease; to help carry out the campaign; to provide fellowship for training abroad; to establish a program of continuous field training, and to evaluate the capacity of the present staff.

## PERU

### LOAN

#### Industrial Credit

Venezuelan Trust Fund  
\$15 million 15-year 8% loan of Oct. 30, 1975  
(\$11,250,000 and 16,125,000 bolivars)  
Borrower: REPUBLIC OF PERU

In 1973 the manufacturing sector in Peru accounted for 27 per cent of the nation's gross domestic product. The 7,746 firms, which make up the sector, produced \$4.9 billion in goods and employed some 256,000 persons, or 5.7 per cent of the nation's total labor force. The sector is highly concentrated in the Lima-Callao area, which accounts for 72 per

cent of industrial employment.

Peru's National Development Plan for 1975-78 foresees a continued dynamic role for the sector, which is expected to grow at an average annual rate of 13.8 per cent and account for 30 per cent of GDP by 1978.

This loan will contribute to the achievement of these targets. It will be used by the *Banco Industrial del Perú (BIP)* to provide subloans to manufacturing enterprises throughout the country. The program's purpose is to develop basic manufacturing industries and those which produce goods essential and complementary to productive activities or the daily requirements of Peruvians.

Subloans will be granted solely to industries characterized as first, second and third priority under the National Economic Development Plan's General Industry Law. To help decentralize industry, 35 per cent of the subloans will finance enterprises outside the Lima-Callao area, while 20 per cent will finance the development of new enterprises.

The total cost of the project is estimated at \$27 million, of which the Bank will cover 55.6 per cent and *BIP* the remaining 44.4 per cent.

## TECHNICAL COOPERATION

### Tourism Development

Fund for Special Operations  
\$64,600 contingent repayment cooperation of  
June 12, 1975

Beneficiary: INSTITUTO NACIONAL DE CULTURA

Peru's 1971-75 Tourism Development Plan and the Andean Pact's Tourism Integration Program both give high priority to protecting the area's cultural heritage in order to attract tourists.

To this end, the *Instituto Nacional de Cultura (INC)*, a public agency which conserves and fosters Peru's cultural heritage, has initiated a program to build a new National Museum of Archeology and Anthropology to replace the present museum, which is inadequate for mounting large archeological displays.

This technical cooperation will be used by *INC* for a tourism development project in which cultural attractions of the Inca civilization will be displayed. The funds will be used to contract consultants to carry out studies in museum

science, lighting techniques and general museum installation, as well as to train INC's technical personnel by means of study trips to specialized museums overseas.

#### University Support

Social Progress Trust Fund (Special Program for Project Preparation)  
\$560,000 contingent repayment cooperation of  
Sept. 18, 1975

Beneficiary: UNIVERSIDAD NACIONAL AGRARIA

The earthquake which struck Peru Oct. 3, 1974, caused considerable damage to the buildings of the *Universidad Nacional Agraria (UNA)*, the national agricultural college located near Lima in the District of La Molina. Suffering the most damage were the rector's building and that of the physical planning department, parts of which had to be demolished. In addition, the university student center and several department and classroom buildings were severely damaged.

As a consequence of the damage the university is seeking to determine whether its campus can continue to be kept at the present site without future danger.

This technical cooperation will help *UNA* to prepare a technical-economic study of alternative locations for the university, final designs for the new buildings and *UNA's* institutional development program, which envisions the creation of various university institutions which will be located in the coastal, mountain and jungle areas of Peru.

#### Project Training Program

Social Progress Trust Fund  
\$179,000 nonreimbursable cooperation of  
Dec. 18, 1975

Beneficiary: INSTITUTO NACIONAL DE PLANIFICACION

Peru's planning agency, the *Instituto Nacional de Planificación (INP)*, estimates that approximately 2,000 technicians will be required over the next three years to prepare, evaluate and administer economic and social development projects, of which 600 would be high-level personnel and 1,400 would be middle-level technicians. This personnel will be needed to prepare and evaluate some 1,500 investment projects in mining, industry, hydrocarbons, transportation, agriculture



CATTLE EGRETS FORAGE FOR FOOD as this small farmer in the Dominican Republic plows land with hand-held tractor. Under integrated agricultural development program, being carried out by government with help of Bank loan, farmer obtained credit to purchase the tractor. The project will benefit about 300,000 persons in six farm zones.

and related fields which represent about \$5.8 billion during the three-year period.

At present the country has 1,200 technicians available in the public sector. This technical cooperation will help train an additional 410 through a two-phase program. The first consists of a course on the preparation and evaluation of investment projects, to be carried out in Lima, and the other involves eight seminars on the same subject to be held in Lima and in the principal cities of the major geo-

graphic zones of the country.

#### EXPORT FINANCING

During 1975 Peru received a revolving line of credit for \$1 million to finance exports of capital goods. It replaced a 1974 credit for the same amount which had been voided. In addition, the revolving line was increased during the year by \$20,000 through repayments. This activity is described further on under the heading "Export Financing."



TELEPHONE SERVICE IN URUGUAY is being improved with support of a \$28.4 million loan approved by the Bank in 1975. Execution of the program will create an integrated national telecommunications system and strengthen Uruguay's communications links with Argentina and Brazil, thus contributing to the economic integration of the region.

## URUGUAY

### LOANS

**Telecommunications System Improvements**  
 Ordinary Capital Resources  
 \$28.4 million 20-year 8% loan of Feb. 28, 1975  
 Borrower: REPUBLIC OF URUGUAY

A large portion of Uruguay's current telecommunications equipment and installations is obsolete and unable to satisfy the nation's growing demand. Some 20,000 subscribers in 290 interior towns in 1974, for example, had manual telephone service only and, although 180,000 subscribers in Montevideo, the nation's capital, had automatic service that year, much of the system's equipment was outdated. Uruguay's telecommunications network is also fragmented rather than being integrated.

This loan will be used by the *Administración Nacional de Telecomunicaciones (ANTEL)*, the nation's telecommunications agency, in helping to finance works:

- To build and equip two telephone exchanges in Montevideo with a total capacity of 10,000 pairs of cables for the subscriber lines.
- To install new microwave systems extending 694 miles, including reconstruction of the existing network between Montevideo and Colonia. The new equipment will have an ultimate capacity of 960 voice channels per radio channel and the Montevideo-Colonia route will have three radio channels.
- To modernize the present coastal radio network. This would involve the relocation of existing equipment of low, medium and high frequency, the construction of three buildings, the installation of new equipment and the construction of 11 telecommunication stations along the Atlantic seaboard and the shores of the River Plate and the Uruguay River.

Execution of this project will integrate the national telecommunications system, linking it to the Inter-American Telecommunications Network, and will im-

prove communications with Argentina and Brazil.

The total cost of the project is estimated at \$48.8 million, of which the Bank will cover 58.2 per cent and ANTEL the remaining 41.8 per cent.

### City Water Systems

Fund for Special Operations  
 \$7 million 35-year 2% loan of June 5, 1975  
 (\$5.17 million and \$1.83 million in Uruguayan pesos)

Borrower: REPUBLIC OF URUGUAY

More than 90 per cent of the residents of Montevideo had water connections in their homes in 1972. In contrast, only 38 per cent of Uruguayans living outside the capital had water piped to their homes, while another 7.8 per cent obtained water from public sources.

To improve this situation, the *Administración de las Obras Sanitarias del Estado (OSE)*, the nation's water and sewage agency, will carry out a project, partially financed by this loan, to provide 225 liters of water per person per day for 70 per cent of the estimated population living in towns of more than 5,000 inhabitants by 1980.

Completion of the project will help solve the sanitary problems of Uruguay's larger interior towns by providing water services to about 145,000 new users, as well as improving services for a total of 633,000 persons.

Specifically, the project entails the construction of catchment works, the installation of water lines, the expansion of treatment plants, and the enlargement of distribution systems through the construction of storage tanks, with capacities of from 40 to 600 cubic meters and the extension of networks.

The total cost of the project is estimated at \$10,220,000, of which the Bank loan will cover 68.5 per cent and local sources the remaining 31.5 per cent.

### TECHNICAL COOPERATION

#### Agricultural Studies

Fund for Special Operations  
 \$34,000 nonreimbursable cooperation of Feb. 27, 1975

Beneficiary: MINISTERIO DE AGRICULTURA Y PESCA

To augment farm exports and rural em-

ployment, the Government of Uruguay has given high priority to implementing its national farm plan. The plan entails a number of projects, involving the cultivation of fruits, vegetables, potatoes, soy beans, poultry, hogs and the production of shipping crates, for which external financing will be sought.

This technical cooperation will enable the *Ministerio de Agricultura y Pesca* to hire Israeli experts, under the Inter-American Bank-Israeli Cooperative Program, to conduct marketing and agroindustrial studies.

The studies will seek to identify marketable varieties and marketing conditions and make recommendations on investment needs and the modernization of processing plants.

## REGIONAL

### LOANS

#### Highways in Central America

Fund for Special Operations  
\$25 million 30-year loan of July 3, 1975  
Interest: 1% for 10 years, 2% thereafter  
Borrower: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

The rapid expansion of the Central America highway network in recent years has been instrumental in the increasing growth of trade among the region's five countries. Regional trade increased from \$33 million in 1960 to \$500 million in 1974 and the volume of intraregional cargo moving by highway jumped from 176,000 tons in 1964 to 1,050,000 tons in 1974.

The Inter-American Bank has supported this expansion not only through loans extended to individual countries but also through two loans totaling \$31.5 million channeled through the Central American Bank for Economic Integration (CABEI).

This new loan, which will be relent by CABEI to its member countries, will help finance seven additional priority highways projects (two each in El Salvador and Honduras and one each in Costa Rica, Guatemala and Nicaragua) with a total length of 159 miles. The projects include the construction of earth

works, drainage structures, gravel and bituminous pavement on existing regional highways, as well as improving and paving other key roads.

Completion of these projects will provide additional impetus to the economic integration and balanced development of the region within the framework of the Central American Common Market.

The cost of the project is estimated at \$31,250,000, of which the Bank will cover 80 per cent and CABEI the remaining 20 per cent.

#### Puyango-Tumbes Irrigation Studies

Fund for Special Operations  
\$5.2 million 30-year 2% loan of Dec. 18, 1975  
(\$2.8 million, \$1.2 million in soles and \$1.2 million in sucres)  
Borrower: COMISION MIXTA PERUANO-ECUATORIANA PUYANGO-TUMBES Y CATAMAYO-CHIRA

The Puyango-Tumbes watershed, which begins in Ecuador and extends into Peru, has a total area of 2,123 square miles, of which 1,428 are in Ecuador and 695 are in Peru. The region presently has little vegetation and insufficient water for farming.

To develop the area, a joint commission, the *Comisión Mixta Peruano-Ecuatoriana Puyango-Tumbes y Catamayo-Chira* has drawn up an agricultural development project for the irrigation of the Puyango-Tumbes watershed.

This loan will help the commission to contract a consulting firm to undertake a technical-economic study prior to the selection of the most feasible alternative for the construction of the irrigation works, a study of the technical, economic and financial feasibility of the selected alternative; geotechnical studies required for the final engineering designs, and the preparation of an investment project for presentation to an international lending agency.

Execution of the project will benefit two economically depressed areas in Peru and Ecuador, whose combined population totals some 80,000 inhabitants, mostly settlers, small-scale farmers and members of agricultural cooperatives.

The total cost of the project is estimated at \$9.1 million, of which the Bank loan will cover 57.2 per cent and the

commission the remaining 42.8 per cent.

#### Support for Credit Unions

Social Progress Trust Fund  
\$8 million financing of Oct. 9, 1975  
Borrower: CONFEDERACION LATINOAMERICANA DE COOPERATIVAS DE AHORRO Y CREDITO

Latin America is seriously affected by a scarcity of credit for farmers. This holds particularly true for small-scale farmers who account for 80 per cent of the region's agricultural resources. Moreover, while commercial banks supply about 75 per cent of the credit needs of the farm sector, small farmers generally cannot capitalize on this source of finance because interest rates are too high or because they have no collateral. As a result, they are largely dependent upon public institutions for finance.

This financing will enable the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, a private, non-profit federation which unites Latin American credit cooperatives, to strengthen programs being carried out by national credit union federations in Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru. The programs are designed to improve Latin America's credit union movement in order to assist the beneficiaries in obtaining credit.

Specifically, it will help *COLAC* to grant lines of credit to national federations, which in turn will provide credit to small- and medium-scale farmers, craftsmen and industrialists, preferably in rural areas. These credits, which will be extended at reasonable interest rates and terms, will be granted to eligible credit union members for crop and livestock production and for handicraft industries.

Completion of the program will help increase the real income, production and productivity of Latin America's credit union membership. In addition, it will assist *COLAC* in establishing an effective regional credit system capable of meeting development needs in rural areas.

The total cost of the program is estimated at \$17 million, of which the Bank's financing will cover 47 per cent. *COLAC* and other financing sources will contribute the remaining 53 per cent.

**EXPORT FINANCING**

In September 1963 the Inter-American Bank adopted a program to help finance exports of capital goods and certain technical services among its Latin American member countries as a means of stimulating the growth of capital goods industries in Latin America and fostering its economic integration by increasing regional trade. The program was initiated with \$30 million earmarked for the purpose from the ordinary capital resources. Through subsequent increments the earmarked sum has been raised to \$60 million.

Under the program, the Bank extends revolving lines of credit, as well as special non-revolving credits, to specially designated national agencies which discount at the Bank credit instruments they issue corresponding to a proportion of the credits which they extend at medium terms, varying in general from more than 180 days to five years. Up to 85 per cent of the eligible credits granted by the national agency may be refinanced with the Inter-American Bank.

Goods and services eligible for financing under the program must originate in the exporting country. They are considered to have so originated when they are manufactured with raw materials or parts produced in the respective country or in another developing member country of the Bank or when manufactured with imported components from outside the Latin American membership, provided that the final manufacturing process is undertaken in the country and that the imported component is less than 50 per cent of the FOB invoice value. The services must be provided by persons or firms of the exporting country.

Through 1975 the program had benefited the capital goods exports systems of Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela. Brazil, Mexico and Argentina were the chief exporting nations. Virtually all of the Bank's Latin American member countries have been importers under the program, the chief among them being Argentina, Colombia, and Venezuela.

Due to the revolving nature of the lines of credit, the Bank's total disburse-

ments under the program as of Dec. 31, 1975, amounted to \$122 million, a sum which helped finance exports with a total invoice value of \$193 million.

Some of the leading exports financed under the program have been machinery and equipment for the petrochemical and the pulp and paper industries; construction machinery and equipment; telephone exchanges and instruments; seamless steel pipe; fishing boats; goods and services for the construction of a pier, sugar mills, an oil pipeline and a gas line; automotive vehicles and parts; tractors and other agricultural machinery; breeding livestock; railway equipment; machine tools, and equipment to generate and distribute electricity.

During 1975, the following increments in the program took place:

**Argentina**—On Jan. 9, 1975, the Bank authorized an \$8 million increase in the revolving line of credit originally extended to the *Banco Central de la Republica Argentina* in 1964. In addition, the previous line of credit was augmented through repayments by \$4 million in 1975.

**Brazil**—A revolving line of credit opened in favor of the *Banco do Brasil* in 1964 was increased through repayments by a further \$6.5 million in 1975.

**Mexico**—On March 20, 1975, the Bank authorized a \$5 million increase in the revolving line of credit originally extended to *Nacional Financiera, S.A.* In addition the revolving line of credit was augmented through repayments in 1975 by a total of \$1.3 million.

**Peru**—On Feb. 1, 1975, the Bank approved a \$1 million line of credit to the *Banco Industrial del Perú*. The credit replaced one for a similar amount approved in 1974 which had been voided. In addition the revolving line was increased during the year by \$20,000 through repayments.

**TECHNICAL COOPERATION**

**Management Training**

Fund for Special Operations  
\$645,000 nonreimbursable cooperation of  
March 6, 1975

Beneficiary: INSTITUTO CENTROAMERICANO DE ADMINISTRACION PUBLICA

The *Instituto Centroamericano de Admi-*

*nistración Pública (ICAP)*, was established in 1967 by Panama and the five Central American nations—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—as a regional training, research and technical cooperation organization to strengthen public administration for economic and social development and integration in the region.

The Institute, which is located in San José, Costa Rica, has carried out a number of activities in designing and executing training systems, including research, preparation of instructional material, and the extension of consulting services to its member nations.

The Bank has previously collaborated with *ICAP* in a two-year pilot program of national and regional training courses on project management systems for economic and social development projects financed with loans from the Inter-American Bank and the Central American Bank for Economic Integration.

This additional technical cooperation will partially finance a three-year training program for senior and intermediate level government officials in the member countries on project management systems, administration of public enterprises and management of regional integration programs. The program will also include research activities and the preparation of teaching materials.

**Lumber Research**

Canadian Project Preparation Fund  
Can\$131,000 nonreimbursable cooperation of  
July 10, 1975

Beneficiaries: COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS and NICARAGUA

Lumber is one of Central America's most important natural resources and represents a potentially important contributor to the region's economic welfare, even though regional exports of wood, mostly unfinished products, accounted for a relatively modest \$20 million in 1970.

In order to help realize this potential the Central American Institute of Industrial Research and Technology (*ICAITI*) will use this technical cooperation to determine—through laboratory research and pilot plant experiments—optimum drying times and preservation procedures for Central American woods. At the

time very little is known in Central America about the best techniques and methods to preserve and dry woods, and that information and technology is basic for the production of high quality lumber for export.

#### Animal Disease Control Training

Social Progress Trust Fund  
\$400,000 nonreimbursable cooperation of  
July 31, 1975

Beneficiaries: COSTA RICA, EL SALVADOR,  
GUATEMALA, HONDURAS, NICARAGUA and  
PANAMA

The Central American countries and Panama had an estimated 10 million head of cattle in 1972 and herds were increasing at the rate of 3.5 per cent yearly. However, the livestock is affected by a variety of diseases, the chief ones being brucellosis and tuberculosis.

In order to control and eventually eradicate such diseases and prevent the outbreak of foot-and-mouth disease in the area, the Inter-American Bank is cooperating with the Pan American Health Organization (PAHO) in a project to train professionals from the region in communications programs designed to contribute to the prevention and control of animal diseases.

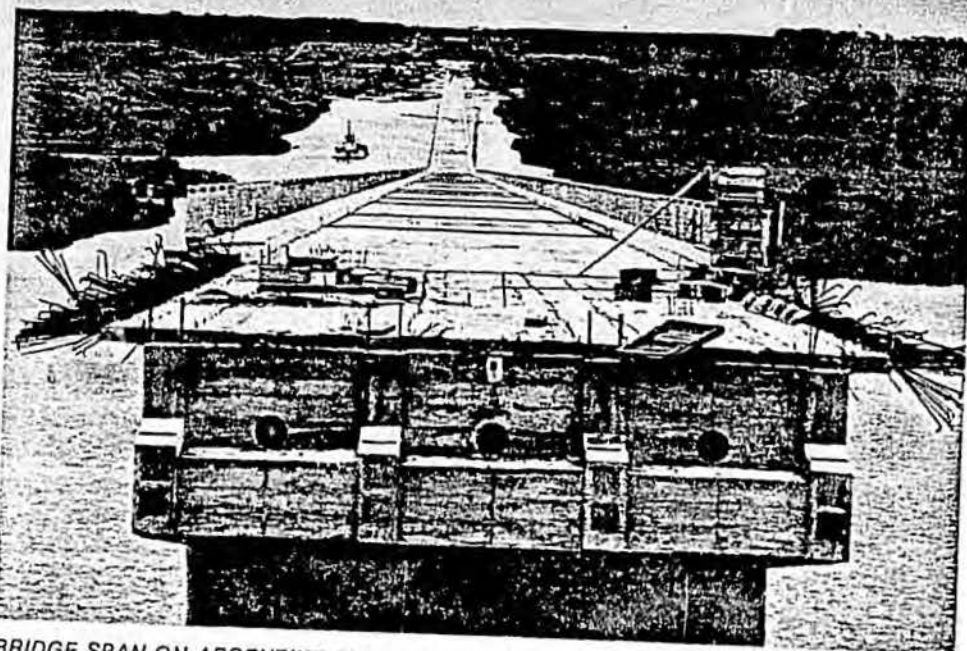
The project will last three years and will include a regional course, two three-country courses and six national courses. Similarly, it will include in-service staff training to carry out an "experimental plan" in Panama and six educational communication campaigns in individual countries, as well as the training of personnel for six Animal Health Information Technical Units which will either be strengthened or set up in each of the countries.

#### Regional Tourism Study

Fund for Special Operations  
\$280,000 nonreimbursable cooperation of  
March 11, 1975

Beneficiaries: COSTA RICA, EL SALVADOR,  
GUATEMALA, HONDURAS, NICARAGUA  
and PANAMA

To promote tourism, the Secretariat of Economic Integration (SITCA) has embarked on a project to create a Central American tourism circuit and to strengthen the Bureau of Central American Tourism



BRIDGE SPAN ON ARGENTINE SIDE was joined to one on Uruguayan side shortly after this photograph was taken. The bridge, partly financed with loans made by the Bank to the two countries in 1970, will provide first road link between the two. Uruguayan side was partially financed from Argentine fund administered by Bank.

Integration and the Tourist Departments of Costa Rica, El Salvador, Guatemala Honduras and Panama.

SITCA will use this technical cooperation to contract a consulting firm to prepare a study to establish such a circuit, which would connect the main tourist development centers of the region. Similarly, SITCA will hire a consultant to propose methods of strengthening the operations of the tourist bureau and the government tourist departments of the six countries.

#### Central American Data Bank

Social Progress Trust Fund  
\$150,000 nonreimbursable cooperation of  
Nov. 25, 1975

Beneficiaries: COSTA RICA, EL SALVADOR,  
GUATEMALA, HONDURAS and NICARAGUA

In December 1972 Cabinet Ministers of the five Central American countries requested the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA) to prepare documentation to re-structure the Central American Common Market.

In order to implement this request, SIECA decided that the region should have an instrument to undertake macro-economic analyses. This technical cooperation will help SIECA to develop a macro-

economic model for the economies of the five countries, as well as establish a data bank.

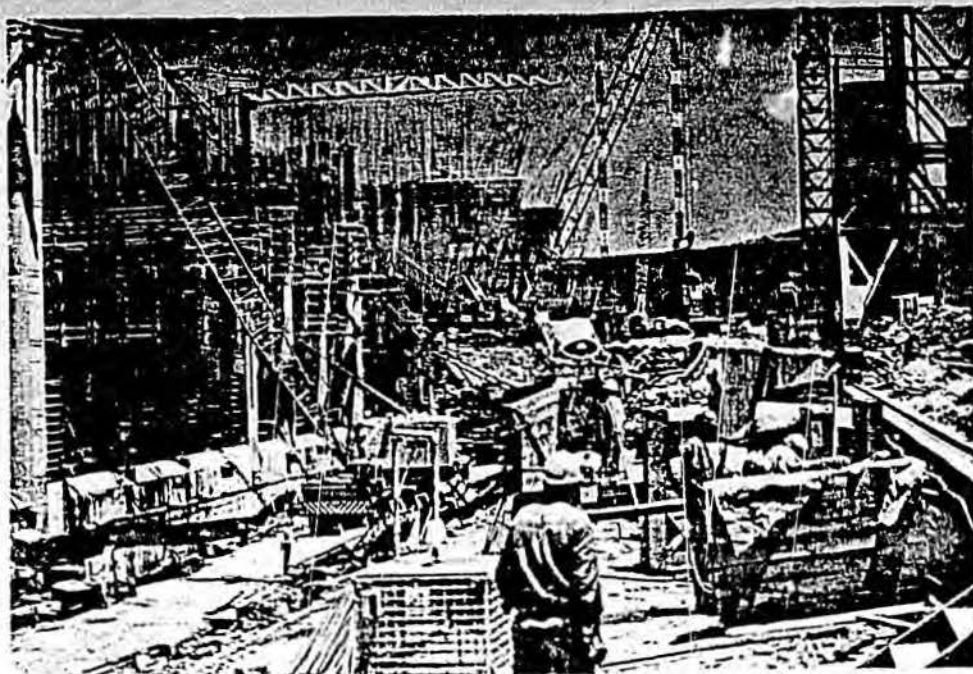
The model will seek to estimate the benefits that would accrue to each nation and to the region as a whole as a result of the socioeconomic integration of Central America. In addition the work done by each national planning agency's staff in managing the model and keeping it up-to date would be coordinated.

#### Central American Transportation Study

Fund for Special Operations  
\$280,000 nonreimbursable cooperation of  
March 6, 1975

Beneficiaries: COSTA RICA, EL SALVADOR,  
GUATEMALA, HONDURAS and NICARAGUA

In 1972 the Bank authorized \$300,000 in nonreimbursable technical cooperation to help the five Central American countries—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—to initiate a study of the development and complementation of transportation systems in the region. The study is being carried out in cooperation with the United Nations Development Programme (UNDP), the Central American Bank for Economic Integration (CABEI), as the executing agency, the Permanent Secretariat of the General Treaty for Central American



**JUMBLE OF STEEL RISES** at Salto Grande on the Uruguay River as Argentina and Uruguay join forces in building 1,620,000-kilowatt hydroelectric power plant. Inter-American Bank has lent \$175 million to help build the plant which is fostering economic integration between the two countries, as well as lessening region's reliance on imported fuels.

Economic Integration (*SIECA*) and the five countries.

This technical cooperation will help finance added costs of the project caused by inflationary factors, expansion of the terms of the study and the need for a longer time period for the execution of the project.

**Central American Integration Studies**

Fund for Special Operations  
\$186,000 nonreimbursable cooperation of  
June 5, 1975

Beneficiary: PERMANENT SECRETARIAT OF THE  
GENERAL TREATY FOR CENTRAL AMERICAN  
ECONOMIC INTEGRATION

This technical cooperation will help the Permanent Secretariat of the General Treaty for Central American Economic Integration (*SIECA*) to carry out basic studies related to the preliminary draft of the Treaty to Establish the Central American Economic and Social Community (*CESCA*).

It will provide technical support to the High-Level Committee for Improvement and Reorganization of the Central American Common Market, which was established in 1972 to examine the proposal of reorganizing *SIECA*.

The Bank's funds will be used to help contract consultants to analyze the juridical-institutional aspects of agricultural

policy and rural development, industrial programming and development and social and employment policy, all of which are related to *CESCA's* creation.

**Farm Research and Extension Services**

Social Progress Trust Fund  
\$1.7 million nonreimbursable cooperation of  
Dec. 11, 1975

Beneficiaries: EL SALVADOR, GUATEMALA and  
HONDURAS

One of the primary concerns of the Bank's policy is that of fostering the development of improved varieties of farm crops in order to help meet the world's increasing food needs. For that reason it has supported the programs of the international research centers in Latin America which have contributed to the green revolution. The Bank also supports programs of national agricultural research organizations so that they might take advantage of the techniques of the world centers and extend them to small-scale farmers.

This technical cooperation will enable farm research and extension agencies in El Salvador, Guatemala and Honduras to strengthen their activities in this regard. The funds would be apportioned in the following manner: \$615,000 to the *Centro Nacional de Tecnología Agropecuaria*

(*CENTA*) in El Salvador; \$560,000 to the *Instituto de Ciencia y Tecnología Agrícola (ICTA)* in Guatemala, and \$525,000 to the *Secretaría de Recursos Naturales (SRN)*, in Honduras.

Specifically, the technical cooperation will help expand the production and productivity of small farmers' basic grain crops, particularly corn and beans; establish mechanisms to test and transfer agricultural technology throughout Central America; strengthen national agricultural institutes through personnel-training programs, and set up mechanisms to take advantage of the support that the international centers can provide through their outreach programs thus enabling these countries to benefit more from the "green revolution."

**Higher Education Training Program**

Social Progress Trust Fund  
\$113,500 nonreimbursable cooperation of  
Sept. 11, 1975

Beneficiaries: UNIVERSITIES IN ANDEAN  
COUNTRIES

Enrollment in institutions of higher education in Latin America increased from 520,159 in 1960 to 2,029,221 in 1972, an average annual growth rate of 12 per cent. At this rate, enrollment will reach an estimated 5 million by 1980. Meantime, the unit cost of higher education is tending to increase, straining the education budgets of the Bank's member countries.

Thus, the development of improved planning and management capabilities would be a significant contribution to a better utilization of resources earmarked for education. This technical cooperation will contribute to that end by enabling the *Universidad de los Andes* of Colombia to organize a seminar for university administrators from Bolivia, Colombia, Chile, Ecuador and Venezuela.

In addition to holding an initial regional seminar and preparing appropriate manuals, the university will establish a group of technically qualified specialists a documentation center, and a specialized library as a means of providing technical cooperation in the field to other universities in the region. The program also contemplates a number of national seminars on university administration which will be carried out by universities

located in the countries of the Andean Region.

**Andean Pact Pharmaceutical Studies**  
Fund for Special Operations  
\$40,000 nonreimbursable cooperation of  
April 30, 1975

Beneficiary: JUNTA DEL ACUERDO DE CARTAGENA

The Andean Group, composed of Bolivia, Chile, Colombia, Peru and Venezuela, has assigned high priority to the development of the industrial sector in its economic integration plans.

This technical cooperation will help the Group's secretariat, the *Junta del Acuerdo de Cartagena (JUNAC)*, to hire consulting services to analyze and determine priorities for the establishment of industries in the chemical and pharmaceutical fields, with industrial profiles being drafted for at least 12 products.

Completion of the studies will enable *JUNAC* to present to the *Comisión del Acuerdo de Cartagena*, the Group's governing board, a proposal regarding products it believes should be reserved for exclusive production under the Sectoral Plan for Pharmaceutical Industrial Development.

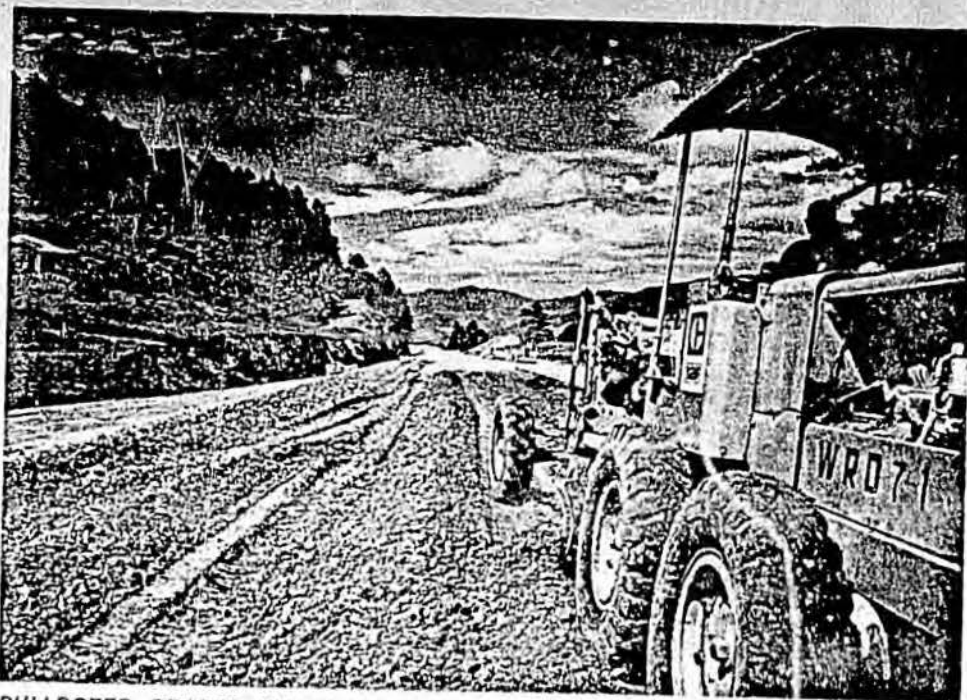
#### Meeting on Consulting Services

Fund for Special Operations  
\$20,000 nonreimbursable cooperation of  
Aug. 7, 1975

Beneficiaries: MEMBER NATIONS

With the support of preinvestment loans extended to various member countries by the Bank, Latin American development consulting services have experienced notable progress in recent years. At a Bank-sponsored appraisal of the results achieved through the preinvestment funds held in Rio de Janeiro in early 1974, a consensus emerged on the need to strengthen national consulting services.

Responding to this consensus the Government of Mexico decided, in collaboration with the Bank and the UN Development Programme, to sponsor a meeting in Mexico City Aug. 25-28, 1975, with the objective of establishing relations among individual consultants and consulting firms, and with making their fields of specialization widely known throughout the region. This technical cooperation received finance that meeting.



**BULLDOZER GRADES HIGHWAY SECTION** being built between San Pedro Sula and Progreso in Honduras. The project is being constructed with the help of a loan from the Inter-American Bank extended to the nation's highway agency. The road is part of the Northern Coastal Highway which runs from the border of Guatemala to Puerto Castilla.

#### Agricultural Project Training Programs

Social Progress Trust Fund  
\$510,000 nonreimbursable cooperation of  
May 8, 1975

Beneficiary: INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCES

Latin America's agricultural growth rate is failing to keep pace with its overall economic progress and is only slightly above its population increase, which is the world's highest. As a means of boosting Latin America's agricultural production so that it can keep pace with food demand, the Bank places high importance on the training of agricultural technicians, the strengthening of technical units for the preparation of agricultural projects and the formation of training teams in national education institutes.

This cooperation will be used by the Costa Rican-based Inter-American Institute of Agricultural Sciences, in conjunction with the Bank, to finance a program of staff training in the preparation and evaluation of agricultural development projects. The program which will last for two years, will include courses and in-service training of varying lengths for 200 professionals and seminars for another 60.

The program will be carried out in

four cities: Montevideo for participants from Argentina, Brazil, Chile, Paraguay and Uruguay; Lima for Bolivia, Colombia, Ecuador, Peru and Venezuela; Guatemala City for Central America, Mexico and Panama, and Kingston for Jamaica and the Caribbean area.

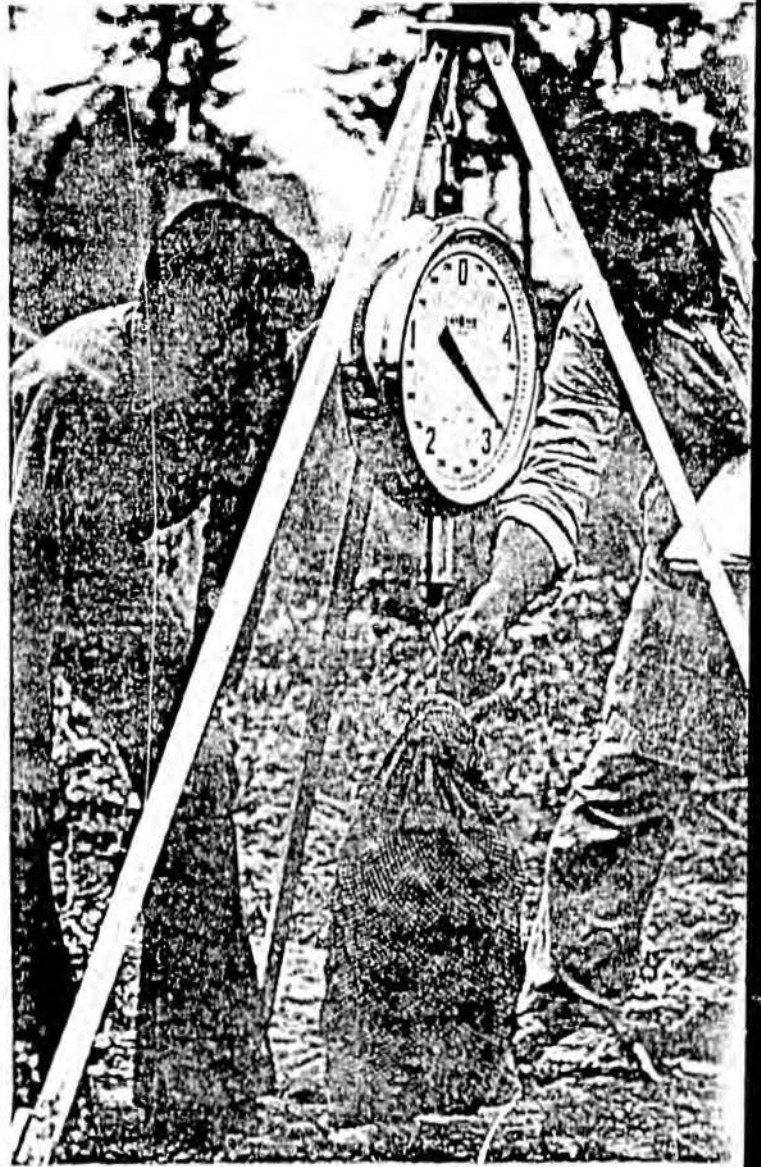
#### Report on LAFTA Bankers' Acceptances

Fund for Special Operations  
\$100,000 nonreimbursable cooperation of  
June 26, 1975

Beneficiary: LATIN AMERICAN FREE TRADE ASSOCIATION

Following the signing of the Agreement of Uniform Guarantees of Availability and Transferability for LAFTA-Latin American Bankers' Acceptances by 11 central banks in 1973, the Latin American Free Trade Association (LAFTA) requested cooperation from the Bank for the execution of a legal study covering the sale of such instruments in the world markets. The Bank provided a total of \$100,000 for the study, which was later reviewed by LAFTA.

As a result of that review, LAFTA requested the Bank to finance the first stage of a project—a presentation to the Securities and Exchange Commission (SEC) of the United States—to provide for the sale of such acceptances in the



New York market. The cooperation, which amounted to \$28,000, was completed, and the SEC subsequently granted approval for the acceptances to be sold in the United States.

This assistance will help LAFTA to carry out the second stage of the project which includes preparation of an expanded legal report necessary to gain the consideration of New York dealers to market the acceptances.

#### Seminar on Handicraft Industries

Fund for Special Operations  
\$41,800 nonreimbursable cooperation of  
May 15, 1975

Beneficiaries: MEMBER COUNTRIES

This technical cooperation enabled the Bank to finance with the Canadian International Development Agency (CIDA) a jointly-sponsored training seminar on Handicraft Development held in Ottawa, Canada, June 16-20, 1975.

Some 30 officials from Bank member countries who have direct responsibility for giving financial, technical and managerial assistance to handicraft units in Latin American countries attended the seminar, which acquainted them with the Canadian experience in promoting such industry and permitted them to examine features of the Canadian experience that would be applicable in Latin America.

#### Short-Term Missions

Fund for Special Operations  
\$100,000 nonreimbursable cooperation of  
Feb. 28, 1975  
\$100,000 nonreimbursable cooperation of  
Sept. 11, 1975

Beneficiaries: MEMBER NATIONS

This technical cooperation, amounting to \$200,000, enabled the Bank to send short-term missions to its member countries during 1975 to provide advice on problems related to economic planning, the formulation of development strategies, investment planning and the preparation of loan requests.

Such missions also helped analyze technical cooperation needs and provided advice on Bank credits, including the mobilization of resources and the formulation of policies.

**GREEN REVOLUTION GROWS** in Latin America with Bank support for three international research centers. Dwarf wheat is pollinated at Maize and Wheat Center in Mexico, tubers are weighed at Potato Center in Peru and bean growth is measured at Tropical Agriculture Center in Colombia. Bank provided \$4 million for the three centers in 1975.

#### Higher Education Study

Fund for Special Operations  
\$45,000 nonreimbursable cooperation of  
May 13, 1975

Beneficiary: FUNDACION PARA LA EDUCACION SUPERIOR

In November 1973 a conference on Education and Development was held in Bellagio, Italy. Participating were the heads of some of the leading international and bilateral aid agencies as well as private foundations. At the meeting participants decided to establish a Working Group on Higher Education for Development with the objective of identifying means of reorienting higher education in developing countries in order to carry out modern national and regional development objectives better.

This technical cooperation will help achieve this objective by enabling the *Fundación para la Educación Superior (FES)* of Cali, Colombia, assisted by the International Council on the Development of Education and with financial assistance from other international organizations such as the Ford and Rockefeller Foundations, to undertake a study on higher education in Latin America.

The study, which will concentrate on two universities in Colombia and one each in Brazil, Mexico and Peru, will look at the universities' activities oriented toward development and what their attitudes are toward playing a more important developmental role, the possibility that international agencies might provide accelerated support for especially promising university development projects, and the establishment of mechanisms for providing multi-agency assistance to productive higher education programs in the less-developed countries.

#### Foreign Investment Round Table

Fund for Special Operations  
\$20,800 nonreimbursable cooperation of  
June 19, 1975

Beneficiaries: MEMBER NATIONS

The Fifth Round Table on Private Foreign Investment in Latin America took place in Punta del Este, Uruguay, Nov. 17-20, 1975, under the sponsorship of the Government of Uruguay, the Organization of American States and the Inter-American Bank.

The meeting brought together repre-

sentatives of the Latin American public sector, the region's private sector and multinational corporations in an exchange of views on methods of increasing the flow of such investments and of increasing their effectiveness in fostering the development of the region. This technical cooperation represented the Bank's share of the cost of the Round Table.

#### Agricultural Research

Social Progress Trust Fund  
\$4 million nonreimbursable cooperation of  
July 24, 1975

Beneficiaries: INTERNATIONAL CENTER FOR THE IMPROVEMENT OF MAIZE AND WHEAT, INTERNATIONAL CENTER FOR TROPICAL AGRICULTURE and INTERNATIONAL POTATO CENTER

The International Center for the Improvement of Maize and Wheat (*CIMMYT*) in Mexico, the International Center for Tropical Agriculture (*CIAT*) in Colombia and the International Potato Center (*CIP*) in Peru are the three international agricultural research centers located in Latin America which have played a major role in the "green revolution" which has helped to revolutionize the yields of such basic world food crops as corn, wheat, rice and potatoes.

The centers, along with six others elsewhere in the world, are dedicated to solving the problems of malnutrition and insufficient agricultural production, particularly in developing countries, through modern technology.

The Inter-American Bank is currently the main provider of funds to the three research centers in Latin America. This technical cooperation accounted for 25 per cent of the total \$16 million cost of their core and capital programs in 1975. The next largest contributors were the United States, Canada, the Ford and Rockefeller Foundations and the UN Development Programme. Also contributing were Denmark, Germany, the Netherlands, Sweden, Switzerland, the United Kingdom, Canada's International Development Research Centre, the Kellogg Foundation and the UN Environmental Programme. The World Bank provides sizable contributions to the agricultural centers in other parts of the world.

Up to \$1,785,000 in Mexican pesos was extended to *CIMMYT*, which works

## LOANS AND TECHNICAL COOPERATION

primarily in increasing corn and wheat production; \$1,745,000 in Colombian pesos went to *CIAT*, which seeks to increase the yield of basic foodstuffs in lowland tropical areas, and \$470,000 in soles to *CIP*, which seeks to improve potato output throughout the world. In 1974, the Bank provided \$2 million to support the centers' core and capital programs, and another \$2 million for training and outreach programs.

### Special Fellowship Program

Fund for Special Operations  
\$45,500 nonreimbursable cooperation of  
Aug. 5, 1975

Beneficiaries: MEMBER NATIONS

Since 1964, the Inter-American Bank has sponsored five special programs in which officials from Bank member countries have received individual instruction and training in the Bank's organization, policies, programs and procedures. Granted for brief in-service training at Bank headquarters, these fellowships are open to officials of institutions which are actual or potential borrowers of the Bank or which carry out programs closely related to those of the Bank.

This technical cooperation will provide funds for a sixth program which will finance fellowships for some 30 officials, with preference being given to candidates from English-speaking member countries or prospective members from the Caribbean.

### Tourism Development

Fund for Special Operations  
\$440,000 nonreimbursable cooperation of  
Dec. 11, 1975

Beneficiaries: ARGENTINA, BOLIVIA and PERU

The Andean Group nations have developed an overall tourism-development strategy designed to attract tourists to the region and to avoid competition. As part of this strategy, tourist attractions have been selected which complement one another. The centers selected embrace four types of attractions—historical, cultural, jungle, waterways and beaches—which will serve to create tourist circuits.

This technical cooperation will enable the *Instituto Boliviano de Turismo* of Bolivia, the *Secretaría de Turismo y Deportes* of Argentina and the *Comisión*

*Especial del Plan COPESCO* of Peru to undertake a prefeasibility study of a tourism-development project consisting of one or more multinational tourist circuits embracing Peru's Southeast, Bolivia's West-Central area and Argentina's Northeast. The cooperation will also be used to strengthen the Bolivian Tourist Institute.

### Support for Integration

Fund for Special Operations  
\$500,000 nonreimbursable cooperation of  
March 13, 1975

Social Progress Trust Fund  
\$210,000 nonreimbursable cooperation of  
March 13, 1975

Beneficiary: INSTITUTE FOR LATIN AMERICAN INTEGRATION

This technical cooperation represents the Bank's share of the financing provided during 1975 for the activities of the Institute for Latin American Integration (*INTAL*), which was established by the Bank in 1964 with headquarters in Buenos Aires to foster the region's integration. The resources are provided from the Bank's own Fund for Special Operations as well as the Social Progress Trust Fund which the Bank administers for the United States.

Another \$500,000 of *INTAL*'s budget was to be provided by the host country, Argentina, and \$605,000 proportionately by the Bank's other 22 member countries, including Canada. A review of the Institute's 1975 activities is contained in an appendix at the end of this report.

### Project Training Program

Social Progress Trust Fund  
\$95,397 nonreimbursable cooperation of  
Nov. 20, 1975

Beneficiaries: MEMBER COUNTRIES

In 1974 the Inter-American Bank and the World Bank examined their individual training programs with a view to identifying projects which could be carried out jointly. As a result, the two Banks carried out a pilot training program in Quito, Ecuador, and Washington, D.C., on agricultural and industrial projects.

This new cooperation between the two banks will be used to carry out a similar training program in Lima, Peru, and in Washington, D.C., for the countries of the Andean Group—Bolivia, Chile, Ecuador, Colombia, Peru and Venezuela.

Specifically, the cooperation will enable the two banks to carry out a training pro-

gram which will include two courses: Analysis of Industrial Projects, to be held in Lima, Peru, in conjunction with the *Escuela Superior de Administración de Negocios* and Analysis of Agricultural Projects to be held in Washington, D.C. The first course will be offered to professionals of the six member countries engaged in regional industrial planning.

### Project Training Program

Social Progress Trust Fund  
\$44,000 nonreimbursable cooperation of  
Dec. 9, 1975

Beneficiaries: MEMBER COUNTRIES

Since 1973 the Bank has sought to accelerate the execution of loans which it extends to national funds to draft investment and preinvestment projects. As one part of this effort the Bank held a meeting with representatives of the national preinvestment funds in 1974 in Rio de Janeiro to discuss mutual problems. At the meeting the representatives requested that the Bank provide technical cooperation to strengthen the operations of some of the funds.

This technical cooperation will enable the Bank to implement a program which will provide officials of national funds and other Latin American preinvestment entities with increased knowledge on methods for the evaluation of study requests, analysis of terms of reference, methods for the selection and contracting of consultants, ways to identify investment opportunities, and analysis of the methodology for carrying out studies among others.

### International Agricultural Group

Fund for Special Operations  
\$740,000 nonreimbursable cooperation of  
Nov. 6, 1975

Beneficiaries: MEMBER COUNTRIES

The shortage in recent years of basic foods in various parts of the world has sparked an urgent need to increase food production. The United Nations-sponsored World Food Conference held in Rome in 1974 underscored this problem and drew attention to the key role that Latin America as a net exporter of food could play at the present juncture in producing food to cover not only its own needs but those of other countries as well. Nonetheless, despite advances over the

past few years, farm output in the region is far from satisfactory.

To help improve this situation, the President of the Bank announced at the World Food Conference the decision of the Bank to help expand food production in Latin America by all means possible. Subsequently, the Bank organized a group to promote cooperation with member nations and with other international agricultural agencies to increase food production, expedite agricultural development and boost exports of foodstuffs in the region.

This technical cooperation will finance the group's coordinating mechanism—the International Group for Agricultural De-

velopment and Food Production in Latin America. The group's basic aim will be to coordinate interagency action in order to solve Latin America's agricultural problems, and to promote and channel to the region a greater flow of external financial and technical cooperation resources for both food production and rural development.

**Support for Credit Unions**

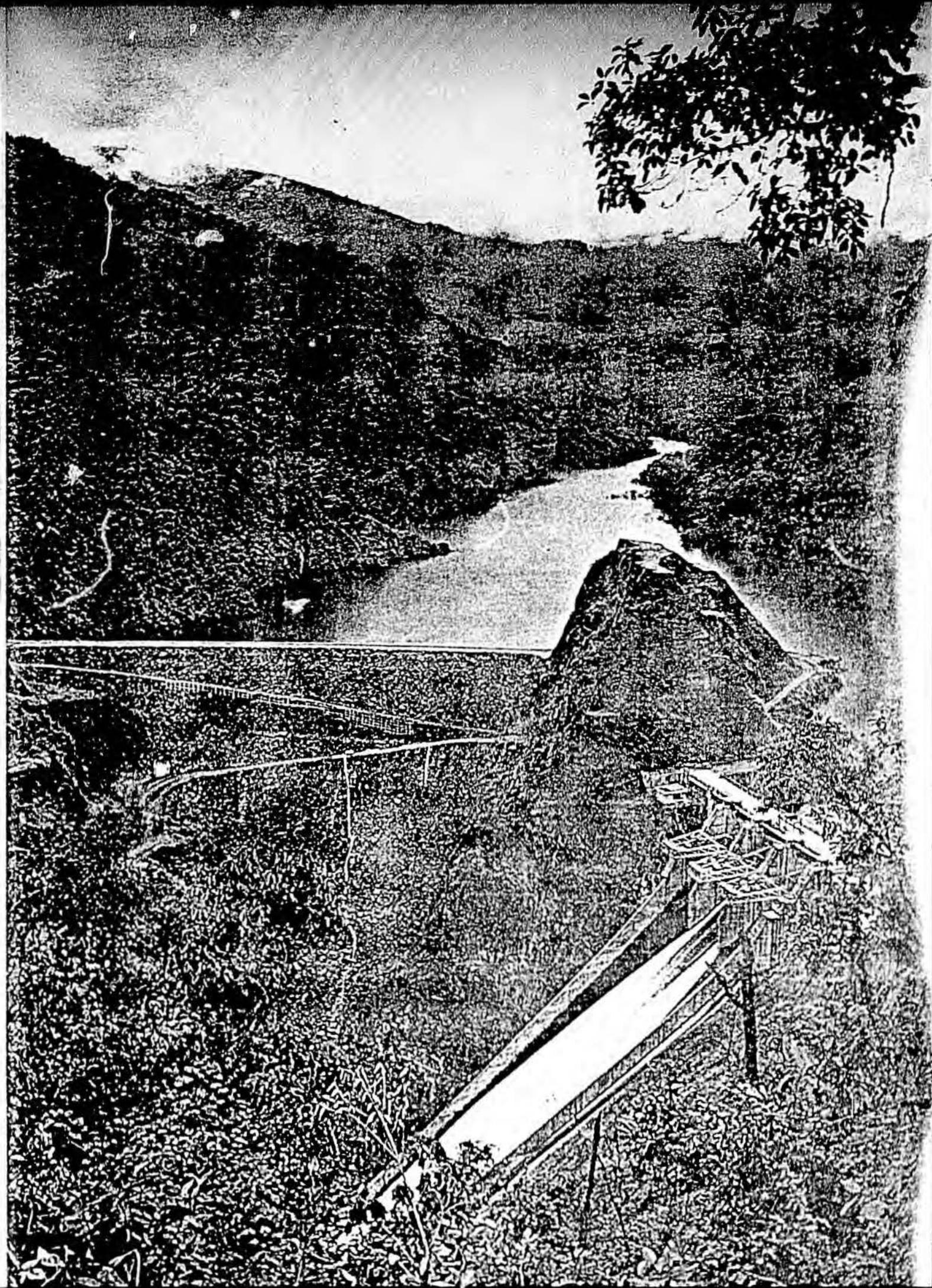
Social Progress Trust Fund  
\$1 million nonreimbursable cooperation of  
Oct. 9, 1975

Beneficiary: CONFEDERACION LATINOAMERICANA  
DE COOPERATIVAS DE AHORRO Y CREDITO

This technical cooperation, extended in connection with the previously described

\$8 million loan for improvement of credit unions, will be used by the *Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)*, the private, non-profit federation which unites Latin American credit cooperatives, to contract consultants to assist in strengthening its financial, administrative and operational capabilities.

In addition, *COLAC* will hire consultants in agricultural credit, handicraft industries and financial management to advise its member federations and credit unions in their activities. The consultants, in conjunction with *COLAC*, will conduct three regional seminars for member credit unions.



## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank.

In our opinion, the financial statements appearing on pages 98 through 108 present fairly the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.  
February 13, 1976

## ORDINARY CAPITAL RESOURCES

### FINANCIAL STATEMENTS

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ALTO ANCHICAYA DAM NESTLES snugly in the Andean mountains near Cali, Colombia. Built with help of Inter-American Bank and Canadian Fund loans, the hydroelectric project is providing electric power for Colombia's Central Region, the nation's most populated region. The area accounts for some three-quarters of the nation's population and industry.

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

ASSETS	December 31,			
	1975		1974	
<b>Cash</b>				
Unrestricted				
Member currencies .....	\$ 106,936		\$ 105,588	
Non-member currencies .....	2,553		2,533	
Restricted (Note C)				
Member currencies .....	17,367	\$ 126,856	20,130	\$ 128,251
<b>Investments</b>				
Obligations issued or guaranteed by governments or issued by United States Agencies, at amortized cost (face amount \$69,763; 1974—\$82,609) .....	69,563		82,034	
Time deposits				
Member currencies .....	689,631		503,438	
Non-member currencies .....	78,774	837,968	103,139	688,611
<b>Loans outstanding held by Bank (Note D) (Appendix I-1)</b>				
Total loans approved by Bank since inception, less cancellations ..	3,923,518		3,325,494	
Less undisbursed balance of approved loans held by Bank .....	(1,726,267)		(1,458,164)	
Less principal collected by Bank and loans sold or agreed to be sold .....	( 701,084)	1,496,167	( 579,235)	1,288,095
<b>Accrued interest and other charges</b>				
On investments .....	26,181		33,773	
On loans .....	30,896	57,077	27,177	60,950
<b>Due from members in member currencies (Note H)</b>				
Capital subscriptions (Appendix I-3) .....	167		167	
Non-negotiable, non-interest bearing demand obligations (Appendix I-3) ..	331,478		306,091	
Amounts required to maintain value of currency holdings (Note B) .....	13,628	345,273	82,347	388,605
<b>Other assets</b>				
Land, building and improvements, at cost less accumulated depreciation \$2,194; 1974—\$1,715 .....	11,840		12,152	
Unamortized funded debt issue costs .....	11,613		10,370	
Miscellaneous, including interfund receivables (Note E) .....	10,532	33,985	11,462	33,984
<b>Special Reserve assets (Note F) .....</b>		83,466		69,719
<b>Total assets .....</b>		<b>\$2,980,792</b>		<b>\$2,658,215</b>

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

LIABILITIES, SPECIAL RESERVE AND CAPITAL	December 31,	
	1975	1974
<b>Liabilities</b>		
Funded debt, less unamortized debt discount (Note G) (Appendix I-2) .....	\$1,573,097	\$1,340,207
Other liabilities and credits		
Accrued interest on borrowings .....	\$ 32,596	\$ 24,442
Accounts payable and accrued expenses .....	4,865	4,924
Mortgage payable .....	2,902	3,110
Deferred credits (Note E) .....	4,776	5,648
Special Reserve (Note F) .....	83,466	38,124
		69,719
<b>Capital</b>		
Capital Stock (Note H) (Appendix I-3)		
Authorized 515,000 shares of \$10,000 par value in terms of 1959 U.S. dollars		
Subscribed 494,466 shares; 1974—493,582.4 .....	5,964,957	5,954,298
Less callable portion .....	(4,981,920)	(4,981,920)
	983,037	972,378
General Reserve (Note J) .....	296,053	237,787
	1,279,090	1,210,165
<b>Commitments (Note K)</b>		
Total liabilities, Special Reserve and Capital .....	<u>\$2,980,792</u>	<u>\$2,658,215</u>

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
<b>Income</b>		
From loans		
Interest .....	\$ 91,545	\$ 71,428
Credit commissions .....	15,002	11,144
Special commissions .....	13,747	11,242
Supervision and inspection fees .....	3,227	2,367
	<u>\$123,521</u>	<u>\$ 96,181</u>
From investments .....	78,781	73,690
From other sources, including gains on purchases of funded debt (Notes E and G) .....	5,671	4,142
Gross income .....	<u>207,973</u>	<u>174,013</u>
Less—Commissions allocated to Special Reserve (Note F) .....	( 13,747)	( 11,242)
Gross income less allocation to reserve .....	<u>194,226</u>	<u>162,771</u>
<b>Expenses</b>		
Funded debt expenses .....	108,926	86,573
Administrative expenses .....		
Salaries .....	11,923	10,198
Other compensation and benefits (Note I) .....	5,118	3,574
Office occupancy (Note K) .....	2,022	1,709
Other .....	5,495	4,636
	<u>24,558</u>	<u>20,117</u>
Less—amounts charged to Trust Funds for indirect and over- head expenses by Bank as Administrator .....	( 436)	( 221)
Total administrative expenses .....	24,122	19,896
Exchange adjustments .....	2,912	1,206
Total expenses .....	<u>135,960</u>	<u>107,675</u>
Net income .....	58,266	55,096
General Reserve beginning of year .....	237,787	182,691
General Reserve end of year .....	<u>\$296,053</u>	<u>\$237,787</u>

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note A

Source of funds	Years ended December 31,	
	1975	1974
Provided from operations		
Net income .....	\$ 58,266	\$ 55,096
Items not requiring (providing) cash funds .....	14,976	(7,545)
Cash funds provided from operations .....	73,242	47,551
Loan principal collections .....	102,190	89,890
Sales of loans to participants .....	503	11,550
Borrowings .....	369,874	106,315
Increase (decrease) in funded debt resulting from exchange rate fluctuations .....	(26,052)	51,292
Subscriptions to "paid-in" capital .....	8,836	33,836
Increase in "paid-in" capital resulting from maintenance of value adjustments .....	1,823	6,982
Collection of amounts due from members .....	53,991	51,941
Other .....	312	4,954
Total source of funds .....	<u>\$584,719</u>	<u>\$404,311</u>
Application of funds		
Loan disbursements .....	\$327,719	\$291,206
Payment of loan principal collections to participants .....	5,631	3,355
Increase (decrease) in loans outstanding resulting from exchange rate fluctuations .....	(22,585)	41,443
Retirement of funded debt .....	110,131	70,589
Subscriptions to "paid-in" capital and maintenance of value adjustments billed to members .....	10,659	40,818
Increase (decrease) in cash and investments, including \$(6,130) in 1975 and \$8,750 in 1974 resulting from exchange rate fluctuations	147,962	(46,555)
Other .....	5,202	3,455
Total application of funds .....	<u>\$584,719</u>	<u>\$404,311</u>

## **NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

### **NOTE A—SUMMARY OF ACCOUNTING POLICIES**

#### **Basis of Accounting**

The Bank (Ordinary Capital) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

#### **Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities denominated in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital subscriptions do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note B. Gains or losses relating to fluctuations in market rates of exchange of borrowed currencies are recorded as exchange adjustments when incurred. Although such fluctuations in borrowed currencies result in significant adjustments to the Bank's assets and liabilities, their effect on net income is significantly less because of the Bank's policy of lending borrowed currencies under loan contracts denominated in such currencies and making temporary investments in the same currencies prior to their disbursement under loans. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

#### **Investments**

Investments in obligations issued or guaranteed by governments or issued by United States Agencies are stated at cost adjusted for the amortization of premium or discount.

#### **Land, Building and Improvements**

Land, building and improvements are stated at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straight-line method over estimated useful lives of 47 years for the building and 10 to 12 years for the improvements.

#### **Debt Issue Costs and Discount**

Costs and discount relating to the issuance of the funded debt

are being amortized over the life of each issue in proportion to principal amounts outstanding.

#### **Administrative Expenses**

Substantially all administrative expenses of the Bank are allocated between the Ordinary Capital and the Fund for Special Operations pursuant to an allocation method approved by the Board of Executive Directors. During 1975 such expenses were charged 47% to the Ordinary Capital and 53% to the Fund for Special Operations (1974—44% and 56% respectively).

#### **Staff Retirement Plan**

The Bank, as provided for by the Staff Retirement Plan, absorbs all operating expenses of the Plan and contributes that part of the actuarial cost not provided by the contributions of employees. Accrued costs under the Plan are charged to administrative expenses when incurred.

### **NOTE B—MAINTENANCE OF VALUE**

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held by the Bank, except for currency derived from borrowings by the Bank. Likewise, the Bank (Ordinary Capital) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held by the Bank, except for currency derived from borrowings by the Bank. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959. The Agreement also provides that these maintenance of value provisions may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund. Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest bearing demand obligations.

On October 18, 1973 and May 8, 1972, the United States dollar was officially devalued by approximately 11.11% and 8.57% respectively. As a result of these actions and similar actions by other member countries, the Bank requested the member countries to make the corresponding payments to maintain the value of their respective currencies held by the Bank, except for currencies held which were derived from borrowings; the Bank's capital was adjusted by the same percentages and individual members capital was increased on a proportional basis, in order to reflect the value of the capital in terms of current United States dollars. Amounts still due from members are shown in the accompanying Balance Sheet as "amounts required to maintain value of currency holdings".

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

(continued)

**NOTE C—RESTRICTED CURRENCIES**

In accordance with the provisions of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by a member to making payments for goods and services produced in its territory.

**NOTE D—LOANS OUTSTANDING HELD BY BANK**

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

Under the loan contracts with the borrowers, the Bank may sell participations in the loans to commercial banks or other public or private organizations, but it reserves to itself the administration of the loans.

Loans approved by the Bank are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$36,262,000 at December 31, 1975 and \$45,092,000 at December 31, 1974.

**NOTE E—MISCELLANEOUS ASSETS AND DEFERRED CREDITS**

Miscellaneous assets include the amount of \$4,776,000 (1974—\$8,166,000) representing the balance of principal, accrued interest and reimbursable expenses due from a private enterprise in Brazil which in 1966 defaulted in the payment of two loans. Part of the borrower's properties were sold in 1973 by the Bank to recover the amount of the indebtedness, under a contract providing for the payment of the proceeds in monthly installments through 1977. Interest accrued since November 1966 and reimbursable expenses incurred in years prior to 1973 have been recorded as Deferred Credits and are being taken into income starting in 1975; \$1,370,000 representing such income is included under income from other sources. The Bank expects to fully recover the total indebtedness.

**NOTE F—SPECIAL RESERVE**

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

The Special Reserve assets consist of the following:

	December 31,	
	1975	1974
	(in thousands)	
Cash .....	\$ 601	\$ 502
Investments		
United States Government and Agencies obligations, at amortized cost (face amount \$13,000; 1974—\$40,520) .....	12,876	39,943
Time deposits in U.S. dollars .....	57,600	17,500
Accrued loan commissions .....	4,201	3,586
Due from member countries		
Non-negotiable, non-interest bearing demand obligations .....	8,188	2,824
Amounts required to maintain value of currency holdings .....	—	5,364
	<u>\$ 83,466</u>	<u>\$ 69,719</u>

**NOTE G—FUNDED DEBT**

Funded debt of the Bank consists of borrowings in United States dollars, including short-term borrowings principally from central banks of Latin American members, in Venezuelan bolivars, Trinidad and Tobago dollars and in non-member currencies, at interest rates ranging from 4% to 8 $\frac{3}{8}$ %. Sinking fund requirements and funded debt maturities subsequent to December 31, 1975 are approximately equivalent to the following:

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

The Bank has entered into an agreement with the Export-Import Bank of Japan which provides that the Bank may borrow up to an additional \$10,000,000 in Japanese Yen, not included above. Subsequent to December 31, 1975 the Bank entered into agreements providing for the borrowing of the equivalent of approximately \$51,000,000 in Europe and on February 10, 1976 the Bank issued in the U.S. capital market \$75,000,000 of 8 $\frac{3}{8}$ % ten year notes and \$75,000,000 of 9% twenty-five year bonds.

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

(continued)

The weighted average face value interest rates on the outstanding principal of the Bank's funded debt at December 31, 1975 and 1974 approximate 6.89% and 6.58% respectively. The weighted average effective interest rates on the outstanding principal of the funded debt, after deducting discount, approximate 7.00% and 6.67% at December 31, 1975 and 1974 respectively. The amortization of discount amounted to \$1,112,000 in 1975 and \$884,000 in 1974.

Gains of \$3,943,000 in 1975 (1974—\$3,957,000) on purchases of funded debt pursuant to sinking fund requirements are included under income from other sources.

**NOTE H—CAPITAL STOCK**

In the Agreement Establishing the Bank, the authorized capital is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. Because of the devaluations of the United States dollar mentioned in Note B, the \$10,000 par value of each share in terms of the 1959 United States dollar has increased to \$12,063 in terms of the current United States dollar. In these terms, the authorized Ordinary Capital at December 31, 1975 and 1974 was \$6,212,668,000 (515,000 shares of \$12,063 each), comprised of \$1,055,550,000 (87,500 shares) of "paid-in" capital and \$5,157,118,000 (427,500 shares) of "callable" capital. The subscribed "paid-in" capital has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of the respective member, except for the subscription of

Canada which has been paid 100% in Canadian dollars; as permitted under the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the member's subscription to the "paid-in" capital. The subscribed "callable" portion of the authorized Ordinary Capital shall be called only when required to meet the obligations of the Bank created by borrowings of funds for inclusion in the Bank's Ordinary Capital resources or guarantees chargeable to such resources and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Final installments under a "paid-in" capital increase approved in 1971 were subscribed by members in 1975.

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

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

	Subscribed Capital			
	Shares	Amount (Thousands of United States dollars)		Total
		"Paid-in"	"Callable"	
Balance at December 31, 1973 .....	473,360.8	\$931,560	\$4,778,796	\$5,710,356
Capital subscribed by members during 1974 (in 1959 U.S. dollars) .....	20,221.6	33,836	168,380	202,216
Increase of 1974 capital subscription as a result of 1973 and 1972 maintenance of value adjustments .....	—	6,982	34,744	41,726
Balance at December 31, 1974 .....	493,582.4	972,378	4,981,920	5,954,298
Capital subscribed by members during 1975 (in 1959 U.S. dollars) .....	883.6	8,836	—	8,836
Increase of 1975 capital subscription as a result of 1973 and 1972 maintenance of value adjustments .....	—	1,823	—	1,823
Balance at December 31, 1975 .....	494,466.0	\$983,037	\$4,981,920	\$5,964,957

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

(continued)

**NOTE I—STAFF RETIREMENT PLAN**

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

**NOTE J—GENERAL RESERVE**

Pursuant to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year is to be allocated automatically to such reserve.

**NOTE K—LEASES**

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

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

The Bank has an option to renew for three additional five-year periods its principal lease which expires in 1978. Office rental expense (net of amounts received under subleases) was \$2,199,000 in 1975 and \$2,023,000 in 1974. Such amounts were allocated between funds as set forth in Note A.

**ORDINARY CAPITAL**  
**INTER-AMERICAN DEVELOPMENT BANK**

**SUMMARY STATEMENT OF LOANS—Note D**

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved by Bank since inception, less cancellations	Principal collected by Bank	Loans sold or agreed to be sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is collectible		
				Total	Undisbursed	Outstanding	United States dollars	Other "paid-in" currencies	Other borrowed currencies
Argentina .....	\$ 580,913	\$116,655	\$ 21,640	\$ 442,618	\$ 184,088	\$ 258,530	\$ 88,206	\$ 21,811	\$148,513
Barbados .....	9,100	—	—	9,100	9,100	—	—	—	—
Bolivia .....	68,360	762	—	67,598	37,496	30,102	19,847	300	9,955
Brazil .....	1,245,808	155,222	15,879	1,074,707	591,713	482,994	270,585	40,374	172,035
Chile .....	229,160	59,151	6,312	163,697	109,133	54,564	31,111	3,734	19,719
Colombia .....	354,187	55,606	4,257	294,324	155,717	138,607	44,407	8,044	86,156
Costa Rica .....	71,040	9,501	1,520	60,019	50,438	9,581	4,613	74	4,894
Dominican Republic .....	6,713	6,513	200	—	—	—	—	—	—
Ecuador .....	70,409	4,424	257	65,728	47,056	18,672	12,209	386	6,077
El Salvador .....	7,029	4,573	251	2,205	—	2,205	1,881	104	220
Guatemala .....	35,819	6,928	15,725	13,166	10,000	3,166	3,022	—	144
Honduras .....	460	400	60	—	—	—	—	—	—
Jamaica .....	13,308	69	—	13,239	8,458	4,781	3,177	105	1,499
Mexico .....	722,011	93,283	12,637	616,091	278,986	337,105	132,318	27,572	177,215
Nicaragua .....	16,900	6,973	1,794	8,133	—	8,133	5,355	652	2,126
Panama .....	1,536	542	—	994	—	994	604	324	66
Paraguay .....	6,332	3,612	429	2,291	—	2,291	1,558	375	358
Peru .....	80,550	18,681	7,834	54,035	33,469	20,566	10,197	2,715	7,654
Trinidad and Tobago .....	710	—	—	710	557	153	13	—	140
Uruguay .....	81,692	15,360	952	65,380	43,098	22,282	15,034	2,014	5,234
Venezuela .....	129,403	40,276	5,768	83,359	23,635	59,724	15,125	9,062	35,537
Regional .....	192,078	6,038	1,000	185,040	143,323	41,717	31,436	—	10,281
Total 1975 .....	\$3,923,518	\$604,569	\$ 96,515	\$3,222,434	\$1,726,267	\$1,496,167	\$690,698	\$117,646	\$687,823
Total 1974 .....	\$3,325,494	\$509,815	\$ 69,420	\$2,746,259	\$1,458,164	\$1,288,095	\$524,829	\$107,381	\$655,885

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

Currencies	1975	1974
Austrian Schilling .....	\$ 21,459	\$ 22,083
Belgian Franc .....	6,004	6,926
Pound Sterling .....	2,509	3,075
French Franc .....	29,554	22,235
Deutsche Mark .....	215,244	210,778
Italian Lira .....	54,122	58,875
Japanese Yen .....	121,650	118,560
Netherlands Guilder .....	19,966	21,406
Spanish Peseta .....	13,591	13,643
Swedish Kronor .....	25,165	24,664
Swiss Franc .....	155,474	132,459
Trinidad and Tobago dollar .....	1,875	—
Venezuelan bolivar .....	21,110	21,181
	\$687,823	\$655,885

STATEMENT OF FUNDED DEBT—Note G

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Payable in	Face value interest rate range	Due Dates	Principal outstanding	
			1975	1974
Austrian Schillings .....	6¾%–7%	1980–1983	\$ 18,535	\$ 21,782
Belgian Francs .....	7%–7½%	1982–1986	15,762	17,528
Deutsche Marks .....	5½%–8½%	1976–1987	253,007	291,980
French Francs .....	8%–8½%	1989–1992	43,509	43,403
Italian Lire .....	5%–6%	1982–1989	58,538	63,902
Japanese Yen .....	5%–8%	1978–1990	135,267	118,492
Netherlands Guilders .....	7%–8%	1986–1988	24,627	25,984
Pounds Sterling .....	5½%–8⅞%	1984–1989	4,822	6,979
Spanish Pesetas .....	6%	1985	13,949	13,950
Swiss Francs .....	5½%–8%	1981–1988	162,264	144,961
Swedish Kronor .....	7½%–8¼%	1979–1984	22,824	25,301
Trinidad and Tobago dollars .....	8%	1984	4,167	—
United States dollars .....	4%–8⅝%	1976–1995	799,853	549,171
Venezuelan Bolivars .....	7%	1987	23,256	23,256
Less—Unamortized debt discount .....			1,580,380	1,346,689
Total .....			(7,283)	(6,482)
			<u>\$1,573,097</u>	<u>\$1,340,207</u>

**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER—Note H**

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Member	Shares	Percent of total shares	Total subscribed capital	Paid-in portion of subscribed capital		Callable portion of subscribed capital	Number of votes	Percent of total number of votes	Due from Members	
				United States dollars	Other member currencies				Paid-in capital subscriptions	Non-negotiable, non-interest bearing demand obligations
Argentina .....	58,850	11.90	\$ 709,933	\$ 62,211	\$ 62,211	\$ 585,511	58,985	11.85		\$ 41,568
Barbados .....	704	.14	8,493	1,249	1,249	5,995	839	.17		1,204
Bolivia .....	4,724	.95	56,989	4,995	4,994	47,000	4,859	.98		5,142
Brazil .....	58,850	11.90	709,933	62,211	62,211	585,511	58,985	11.85		—
Canada .....	24,268	4.91	292,755	—	48,254	244,501	24,403	4.91		20,857
Chile .....	16,160	3.27	194,945	17,082	17,082	160,781	16,295	3.28		13,396
Colombia .....	16,146	3.26	194,776	17,070	17,070	160,636	16,281	3.27		4,852
Costa Rica .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		920
Dominican Republic .....	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Ecuador .....	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		—
El Salvador .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,076
Guatemala .....	3,152	.64	38,024	3,329	3,330	31,365	3,287	.66		—
Haiti .....	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		2,348
Honduras .....	2,362	.48	28,493	2,497	2,497	23,499	2,497	.50		998
Jamaica .....	3,152	.64	38,024	3,330	3,329	31,365	3,287	.66		2,766
Mexico .....	37,830	7.65	456,359	39,990	39,990	376,379	37,965	7.63		—
Nicaragua .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		—
Panama .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,334
Paraguay .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,291
Peru .....	7,886	1.59	95,132	8,336	8,336	78,460	8,021	1.61	\$ 167	5,709
Trinidad and Tobago .....	2,362	.48	28,494	2,497	2,497	23,500	2,497	.50		2,797
United States .....	199,704	40.39	2 409,116	361,903	—	2,047,213	199,639	40.15		189,024
Uruguay .....	6,310	1.27	76,120	6,671	6,671	62,778	6,445	1.30		2,450
Venezuela .....	31,530	6.37	380,360	33,331	33,332	313,697	31,665	6.36		30,746
Total 1975 .....	494,466	100.00	\$5,964,957	\$648,343	\$334,694	\$4,981,920	497,706	100.00	\$ 167	\$331,478
Total 1974 .....	493,582	100.00	\$5,954,298	\$643,014	\$329,364	\$4,981,920	496,822	100.00	\$ 167	\$306,091

# REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 110 through 117 present fairly the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.  
February 13, 1976

## FUND FOR SPECIAL OPERATIONS

### FINANCIAL STATEMENTS

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**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,	
	1975	1974
<b>ASSETS</b>		
<b>Cash</b>		
Unrestricted member currencies .....	\$ 464,452	\$ 454,562
Restricted member currencies (Note C) .....	58,249	79,808
	\$ 522,701	\$ 534,370
<b>Investments</b>		
Obligations of governments and United States Agencies, at amortized cost (face amount \$2,440; 1974—\$8,761) .....	2,387	8,653
Time deposits in United States and Canadian dollars .....	111,655	90,700
	114,042	99,353
<b>Loans outstanding held by Bank (Note D) (Appendix II-1)</b>		
Total loans approved by Bank since inception, less cancellations .....	4,076,499	3,497,259
Less undisbursed balance of approved loans held by Bank .....	(1,767,577)	(1,582,875)
Less principal collected by Bank and loans sold or agreed to be sold .....	( 554,013)	( 443,585)
	1,754,909	1,470,799
<b>Accrued interest and other charges</b>		
On investments .....	3,211	4,000
On loans .....	18,688	16,028
	21,899	20,028
<b>Due from members in member currencies</b>		
Contribution quotas (Note F) (Appendix II-2) .....	325,000	500,000
Non-negotiable, non-interest bearing demand obligations including \$1,219,903 restricted (1974-\$1,172,469) (Notes C and F) (Appendix II-2) .....	1,653,093	1,593,365
Amounts required to maintain value of currency holdings (Note B) .....	199,277	325,312
	2,177,370	2,418,677
<b>Other assets</b> .....		
	488	356
<b>Total assets</b> .....	<u>\$4,591,409</u>	<u>\$4,543,583</u>
<b>LIABILITIES, SPECIAL FUNDS AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable, accrued expenses and interfund payable .....	\$ 6,953	\$ 2,150
Special letters of credit .....	12,057	13,188
<b>Special funds</b>		
Funds held in trust (Note E) .....	743	767
<b>Fund balance</b>		
Contribution quotas authorized and subscribed (Notes B, C and F) (Appendix II-2) .....	\$4,394,674	\$4,393,898
General reserve (Note G) .....	176,982	133,580
	4,571,656	4,527,478
<b>Commitments (Note H)</b>		
<b>Total liabilities, special funds and fund balance</b> .....	<u>\$4,591,409</u>	<u>\$4,543,583</u>

**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
<b>Income</b>		
From loans		
Interest .....	\$ 44,754	\$ 39,702
Credit commissions .....	6,868	7,012
Service charges .....	9,571	8,357
Supervision and inspection fees .....	3,397	3,308
From investments .....	\$ 64,590	\$ 58,379
From other sources .....	9,101	7,494
Gross income .....	263	254
	<u>73,954</u>	<u>66,127</u>
<b>Expenses</b>		
Administrative expenses		
Salaries .....	13,445	12,979
Other compensation and benefits .....	5,771	4,549
Office occupancy .....	2,281	2,175
Other .....	5,735	5,611
	<u>27,232</u>	<u>25,314</u>
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator .....	(492)	(281)
Total administrative expenses .....	26,740	25,033
Technical cooperation expense (Note H) .....	3,812	2,601
Total expenses .....	<u>30,552</u>	<u>27,634</u>
Net income .....	43,402	38,493
General Reserve beginning of year .....	133,580	95,087
General Reserve end of year .....	<u>\$176,982</u>	<u>\$133,580</u>

**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
<b>Source of funds</b>		
Provided from operations		
Net income .....	\$ 43,402	\$ 38,493
Items not requiring (providing) cash funds .....	2,932	( 3,678)
Cash funds provided from operations .....	46,334	34,815
Loan principal collections .....	71,537	64,774
Sales of loans to Social Progress Trust Fund .....	21,368	23,996
Subscriptions to contribution quotas .....	776	562
Collection of amounts due from members .....	242,083	246,126
Other .....	—	1,679
Total source of funds .....	<u>\$ 382,098</u>	<u>\$ 371,952</u>
<b>Application of funds</b>		
Loan disbursements .....	\$ 371,069	\$ 318,373
Payment of loan principal collections to Social Progress Trust Fund .....	5,946	4,461
Subscriptions to contribution quotas billed to members .....	776	562
Increase in cash and investments .....	3,020	25,358
Other .....	1,287	196
Total application of funds .....	<u>\$ 382,098</u>	<u>\$ 371,952</u>

**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

**NOTE A—SUMMARY OF ACCOUNTING POLICIES**

**Basis of Accounting**

The Bank (Fund for Special Operations) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

**Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities denominated in member currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at approximate market rates of exchange prevailing during each month. Fluctuations of such rates of exchange do not have any effect on the United States dollar equivalents of member currencies because of the maintenance of value provisions described in Note B. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

**Investments**

Investments in obligations of governments and United States Agencies are stated at cost adjusted for the amortization of premium or discount.

**Administrative Expenses**

Substantially all administrative expenses of the Bank are allocated between the Fund for Special Operations and the Ordinary Capital pursuant to an allocation method approved by the Board of Executive Directors. During 1975 such expenses were charged 53% to the Fund for Special Operations and 47% to the Ordinary Capital (1974—56% and 44% respectively).

**NOTE B—MAINTENANCE OF VALUE**

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held by the Bank. Likewise, the Bank (Fund for Special Operations) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held by the Bank. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959, except that the standard of value for currencies relating to the \$1,500,000,000 increase in contribution quotas which became effective in 1972 is the par value of the United States dollar in effect in the International Monetary Fund on the respective due date for each installment of the increase. The Agreement also provides that the maintenance of value provisions may be

waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund; however, the Board of Governors has authorized the Bank to exercise such waiver in connection with the increase in contribution quotas referred to above in the event of a currency realignment involving a significant number of the Bank's members.

Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest bearing demand obligations.

On October 18, 1973 and May 8, 1972, the United States dollar was officially devalued by approximately 11.11% and 8.57% respectively. As a result of these actions and similar actions by other member countries, the Bank has recorded the obligations of member countries to pay the equivalent of \$504,623,000 representing the corresponding maintenance of value adjustments. The members have been requested to pay a total of \$380,754,000 which has been credited to their respective authorized and subscribed contribution quotas. The difference of \$123,869,000 represents payment obligations for maintenance of value of outstanding loans as of October 18, 1973 and May 8, 1972 which may be repaid in the currency disbursed or in the currency of the borrower at the option of the borrower. The Board of Executive Directors has interpreted the Agreement as placing responsibility for maintaining the value of these loans upon the member whose currency is eventually used for repayment. Accordingly, the amounts of the differences have been credited to the authorized and subscribed contribution quotas without allocation to individual members, pending future collections which will determine the corresponding maintenance of value responsibility.

Amounts still due from members are shown in the accompanying Balance Sheet as "amounts required to maintain value of currency holdings".

**NOTE C—RESTRICTIONS ON CURRENCIES AND ON CONTRIBUTIONS**

In accordance with the provisions of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by the members to making payments for goods and services produced in their territories. Pursuant to the same provisions, approximately \$2,870,000,000 (in terms of current United States dollars) of the contributions of the United States and the full contributions of Canada to the Fund for Special Operations have been or are restricted to making payments for the acquisition of goods or services from the respective contributing country, for the acquisition of goods or services of local origin in the country in which the project is located, or for the acquisition of goods or services produced in other countries which are members of the

**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

(continued)

Bank if in the judgment of the Bank such transactions would be advantageous to the borrowers.

**NOTE D—LOANS OUTSTANDING HELD BY BANK**

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

The Board of Executive Directors has authorized participations by the Social Progress Trust Fund in the dollar or local currency portions of loans made from the Fund for Special Operations provided that with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. At December 31, 1975 loans sold or agreed to be sold includes the equivalent of \$23,470,000 of participation commitments by the Social Progress Trust Fund not yet allocated to individual loans.

Loans approved by the Bank are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$31,038,000 at December 31, 1975 and \$31,272,000 at December 31, 1974.

**NOTE E—FUNDS HELD IN TRUST**

Funds held in trust include the undisbursed amounts of direct contributions by member countries and contributions of the Fund for Special Operations and the Social Progress Trust Fund for the purpose of preinvestment studies in member countries and the activities of the Institute for Latin American Integration, which is a dependency of the Bank. Also included in funds held in trust is a fund established by the United Nations Development Programme, which is administered by the Bank.

**NOTE F—CONTRIBUTION QUOTAS AUTHORIZED AND SUBSCRIBED**

In making decisions concerning operations of the Fund, the number of votes and percent of total vote for each member are the same as shown in Appendix I-3 of the financial statements of the Ordinary Capital. All such decisions shall be adopted by at least a two-thirds majority of the total voting power.

Under the provisions of the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of the part of the payment of contribution

quotas required to be made in the member's currency. The Canadian contribution quota is being increased by collections of principal, interest and service charges after May 3, 1972 on loans extended from the Canadian Trust Fund (CAN \$74,000,000) which is administered by the Bank.

Included in the authorized contribution quotas is an increase of \$1,500,000,000 payable in the currencies of the respective members which became effective in December 1972, and fully subscribed at December 31, 1973, and on which payments amounted to \$1,175,000,000 at December 31, 1975 (1974—\$1,000,000,000). The United States has agreed to contribute \$1,000,000,000 of the increase subject to appropriation by the U.S. Congress and has paid \$675,000,000 at December 31, 1975.

The following table summarizes the changes in contribution quotas subscribed for the two years ended December 31, 1975:

	Contribution quotas subscribed
Balance at December 31, 1973	\$4,393,336,000
Subscription to contribution quotas by Canada	562,000
Balance at December 31, 1974	4,393,898,000
Subscription to contribution quotas by Canada	776,000
Balance at December 31, 1975	\$4,394,674,000

On July 9, 1975, the Board of Governors approved a resolution recommending an increase of the contribution quotas in the amount of \$1,045,300,000, to become effective only if before December 31, 1976 at least 16 members agree to make contributions amounting to at least \$900,000,000. The increase in contribution quotas would be paid in three equal annual installments beginning December 31, 1976. The United States share of the increase is \$600,000,000.

**NOTE G—GENERAL RESERVE**

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

**NOTE H—TECHNICAL COOPERATION**

Under the provisions of the Agreement, the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and cooperation. At December 31, 1975 the amount approved by the Bank for non-reimbursable technical cooperation projects which had not yet been disbursed at that date was \$19,082,000.

**FUND FOR SPECIAL OPERATIONS**  
INTER-AMERICAN DEVELOPMENT BANK

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1975 AND 1974

(continued)

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Pursuant to resolutions of the Board of Executive Directors, all non-reimbursable technical cooperation expenditures incurred are charged to the net income of the Fund for Special Operations.

The accumulated technical cooperation expenditures made by the Fund as of December 31, 1975 include \$1,791,000 which may be reimbursable to the Fund if loans are granted as a result of the respective technical cooperation projects.

**SUMMARY STATEMENT OF LOANS—Note D**

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved by Bank since inception, less cancellations	Principal collected by Bank	Loans sold or agreed to be sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is collectible	
				Total	Undisbursed	Outstanding	United States dollars	Other member currencies
Argentina .....	\$ 311,727	\$ 19,739	\$ 19,606	\$ 272,382	\$ 153,030	\$ 119,352	\$ 5,392	\$ 113,960
Barbados .....	13,413	—	—	13,413	12,997	416	—	416
Bolivia .....	201,256	30,489	4,225	166,542	115,081	51,461	3,685	47,776
Brazil .....	643,495	77,018	43,124	523,353	176,938	346,415	33,041	313,374
Chile .....	201,857	32,266	22,733	146,858	37,360	109,498	6,962	102,536
Colombia .....	265,985	20,293	24,237	221,455	94,886	126,569	7,109	119,460
Costa Rica .....	98,259	3,792	4,990	85,477	55,310	34,167	4,042	30,125
Dominican Republic .....	183,615	6,523	3,637	173,455	123,765	49,690	4,263	45,427
Ecuador .....	186,967	9,755	5,075	172,137	101,147	70,990	10,062	60,928
El Salvador .....	127,663	721	4,116	122,826	71,128	51,698	4,000	47,698
Guatemala .....	168,677	4,731	4,370	159,576	114,136	45,440	1,374	44,066
Haiti .....	86,737	2,469	—	84,268	63,908	20,360	6,122	14,238
Honduras .....	140,551	12,037	3,582	124,932	74,546	50,386	9,970	40,416
Jamaica .....	58,327	318	—	58,009	37,462	20,547	3,701	16,846
Mexico .....	444,231	30,046	10,987	403,198	132,018	271,180	180,090	91,090
Nicaragua .....	113,231	8,223	10,622	94,386	44,170	50,216	26,526	23,690
Panama .....	140,880	8,765	9,768	122,347	71,773	50,574	8,059	42,515
Paraguay .....	174,458	11,007	1,627	161,824	71,720	90,104	17,599	72,505
Peru .....	206,793	15,467	28,395	162,931	79,609	83,322	158	83,164
Trinidad and Tobago .....	33,099	775	—	32,324	22,639	9,685	552	9,133
Uruguay .....	60,989	3,198	1,295	56,496	34,472	22,024	2,354	19,670
Venezuela .....	122,585	4,799	17,649	100,137	64,537	35,600	25,784	9,816
Regional .....	91,704	8,074	—	83,630	38,415	45,215	15,485	29,730
Unallocated (Note D) .....	—	—	23,470	( 23,470)	( 23,470)	—	—	—
Total 1975 .....	\$4,076,499	\$310,505	\$243,508	\$3,522,486	\$1,767,577	\$1,754,909	\$376,330	\$1,378,579
Total 1974 .....	\$3,497,259	\$244,915	\$198,670	\$3,053,674	\$1,582,875	\$1,470,799	\$286,628	\$1,184,171

FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX 11-2

STATEMENT OF CONTRIBUTION QUOTAS—Notes B, C and F  
DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Member	Contribution quotas authorized and subscribed			Due from members	
	Before maintenance of value adjustments	Maintenance of value adjustments	Total	Contribution quotas	Non-negotiable, non-interest bearing demand obligations
Argentina .....	\$ 224,067	\$ 22,252	\$ 246,319	—	\$ 156,233
Barbados .....	806	31	837	—	368
Bolivia .....	17,990	4,694	22,684	—	19,849
Brazil .....	224,067	29,906	253,973	—	—
Canada .....	62,043	12,577	74,620	—	—
Chile .....	61,522	9,546	71,068	—	29,923
Colombia .....	61,481	8,241	69,722	—	—
Costa Rica .....	8,994	1,230	10,224	—	—
Dominican Republic .....	11,993	1,750	13,743	—	—
Ecuador .....	11,993	1,379	13,372	—	—
El Salvador .....	8,994	917	9,911	—	—
Guatemala .....	11,993	1,604	13,597	—	—
Haiti .....	8,994	2,165	11,159	—	10,538
Honduras .....	8,994	2,001	10,995	—	—
Jamaica .....	11,993	1,200	13,193	—	8,129
Mexico .....	144,053	15,041	159,094	—	—
Nicaragua .....	8,994	1,776	10,770	—	—
Panama .....	8,994	1,386	10,380	—	5,759
Paraguay .....	8,994	2,980	11,974	—	9,617
Peru .....	30,010	4,213	34,223	—	22,586
Trinidad and Tobago .....	8,994	896	9,890	—	4,989
United States .....	2,800,000	240,350	3,040,350	\$325,000	1,271,735
Uruguay .....	24,028	2,510	26,538	—	—
Venezuela .....	120,060	12,109	132,169	—	113,367
Total, before unallocated amount .....	3,890,051	380,754	4,270,805	\$325,000	\$1,653,093
Unallocated (Note B) .....	—	123,869	123,869	—	—
Total 1975 .....	\$3,890,051	\$504,623	\$4,394,674	—	—
Total 1974 .....	\$3,889,275	\$504,623	\$4,393,898	\$500,000	\$1,593,365

## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 120 through 124 present fairly the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D.C.  
February 13, 1976

**SOCIAL  
PROGRESS  
TRUST FUND**

## FINANCIAL STATEMENTS

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**SOCIAL PROGRESS TRUST FUND**  
 ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,	
	1975	1974
<b>ASSETS</b>		
<b>Cash</b>		
United States dollars .....	\$ 17	\$ 37
Other currencies .....	34,447	30,327
	\$ 34,464	\$ 30,424
<b>Investments</b>		
United States Government and Agencies obligations, at amortized cost (face amount \$9,755; 1974—\$8,200) .....	9,683	7,994
<b>Loans outstanding (Note C) (Appendix III-1)</b>		
Total loans approved since inception, less cancellations .....	502,191	494,191
Less principal collections .....	(189,303)	(164,603)
Less undisbursed balance .....	( 8,000)	—
	304,888	329,588
<b>Participations in loans made from Fund for Special Operations (Note D) (Appendix III-1) .....</b>		
	200,780	185,358
<b>Accrued interest and other charges</b>		
On loans and participations .....	3,149	3,119
On investments .....	225	—
	3,374	3,119
<b>Available from the United States Government .....</b>		
	18,130	18,130
<b>Other assets .....</b>		
	25	—
<b>Total assets .....</b>	<b>\$571,344</b>	<b>\$574,613</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ 3,152	\$ 1,427
<b>Fund balance</b>		
Fund established by United States Government (Note B) .....	\$525,000	\$525,000
Accumulated earnings .....	43,192	48,186
	568,192	573,186
<b>Commitments (Notes D and E)</b>		
<b>Total liabilities and fund balance .....</b>	<b>\$571,344</b>	<b>\$574,613</b>

**SOCIAL PROGRESS TRUST FUND**  
 ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME AND ACCUMULATED EARNINGS**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
<b>Income</b>		
From loans		
Interest .....	\$ 5,546	\$ 5,954
Service charges .....	2,381	2,564
From participations (Note D) .....	7,927	\$ 8,518
From investments .....	4,893	4,389
Gross income .....	612	616
	13,432	13,523
<b>Administrative expenses (Note B)</b>		
Staff salaries .....	308	223
Other .....	11	19
Indirect and overhead expenses charged by Administrator .....	694	502
Total administrative expenses .....	1,013	744
Excess of income over administrative expenses .....	12,419	12,779
Less technical cooperation and other		
Technical cooperation expenses (Note E)		
Inter-American Foundation projects .....	6,289	3,891
Other projects .....	9,805	5,716
Exchange adjustments .....	16,094	9,607
Net income (loss) .....	1,319	1,214
Accumulated earnings beginning of year .....	(4,994)	1,958
Accumulated earnings end of year .....	48,186	46,228
	\$ 43,192	\$ 48,186

**SOCIAL PROGRESS TRUST FUND**  
 ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
 Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1975	1974
<b>Source of funds</b>		
Provided from (used in) operations	\$ (4,994)	\$ 1,958
Net income (loss) .....	1,470	842
Items not requiring cash funds .....	(3,524)	2,800
Cash funds provided from (used in) operations .....	24,700	24,128
Loan principal collections .....	5,946	4,463
Collections of participations in loans of the Fund for Special Operations .....	—	193
Other .....	\$ 27,122	\$ 31,584
Total source of funds .....		
<b>Application of funds</b>		
Purchases of participations in loans of the Fund for Special Operations .....	\$ 21,368	\$ 23,996
Increase in cash and investments .....	5,729	7,588
Other .....	25	—
Total application of funds .....	\$ 27,122	\$ 31,584

**SOCIAL PROGRESS TRUST FUND**  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 1975 AND 1974

**NOTE A—SUMMARY OF ACCOUNTING POLICIES**

**Basis of Accounting**

The accounting records of the Social Progress Trust Fund are maintained on the accrual basis of accounting.

**Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities in currencies other than United States dollars are translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Exchange gains or losses in the United States dollar equivalents of Latin American currencies held by the Trust Fund are recorded as exchange adjustments when incurred. No representation is made that any currency held by the Fund is convertible into any other currency at any rate or rates.

**Investments**

Investments in United States Government and Agencies obligations are stated at cost adjusted for the amortization of discount.

**NOTE B—SOCIAL PROGRESS TRUST FUND**

In 1961 the United States of America and the Inter-American Development Bank entered into an agreement whereby the Bank became Administrator of the Social Progress Trust Fund. Pursuant to the Agreement the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and the Fund's share of allowable overhead expenses. At December 31, 1975, the Government of the United States and the Bank have agreed on final overhead rates for all years through 1974 and to continue to use the most recent agreed upon rate of \$2.25 per \$1.00 of salary cost on a provisional basis for 1975 and later years, until such time as further overhead rate studies are completed.

**NOTE C—LOANS OUTSTANDING**

Loans from the resources of the Trust Fund are made to member countries of the Inter-American Development Bank, agencies or political subdivisions thereof or to private enterprises located in the territories of such members. For loans to borrowers other than members and central banks, the Bank as Administrator has received in almost all instances the member's guarantee.

Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been

made in the national currencies of the borrowers. In accordance with the provisions of practically all loan agreements, repayments may be made in the national currency of the borrower at the market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

**NOTE D—PARTICIPATIONS IN LOANS MADE FROM FUND FOR SPECIAL OPERATIONS**

The Board of Executive Directors has authorized the use of the resources of the Social Progress Trust Fund to participate in the United States dollar or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. Through the purchase of participations in the local currency components of loans made from the Fund for Special Operations, the value of which must be maintained by the respective borrowers, it has been possible to substantially maintain the value of the Trust Fund resources so invested. At December 31, 1975 commitments have been made to purchase additional participations in the equivalent of \$23,470,000.

**NOTE E—TECHNICAL COOPERATION**

Under the provisions of the Agreement, the Bank as Administrator may provide technical advice and cooperation to Latin American member countries and their nationals. At December 31, 1975 the amount approved by the Bank as Administrator for technical cooperation projects which had not yet been disbursed at that date was \$15,957,000. The accumulated technical cooperation expenditures made by the Bank as Administrator as of December 31, 1975 include \$3,872,000 which may be reimbursed to the Bank as Administrator if loans are granted as a result of such technical cooperation projects.

In accordance with an agreement between the Bank and the Inter-American Foundation (Foundation) which was approved by the Government of the United States, the Trust Fund will provide up to the equivalent of \$31,000,000 for financing social development projects of the Foundation through 1976 and on February 12, 1976, the Board of Executive Directors authorized the amendment of the agreement in order to provide additional resources of the Trust Fund in the equivalent of \$48,000,000 for the years 1977, 1978 and 1979 for the same purposes. Cumulative disbursements through December 31, 1975 amounted to \$10,180,000 and commitments had been made at that date to disburse \$6,920,000.

**SUMMARY STATEMENT OF LOANS AND PARTICIPATIONS—Notes C and D**

DECEMBER 31, 1975 AND 1974

Expressed in thousands of United States dollars—Note A

Countries in which loans have been made	Total loans approved since inception, less cancellations	Loans outstanding held by Trust Fund	Participations in loans of the Fund for Special Operations
Argentina .....	\$ 43,500	\$ 26,542	\$ 16,778
Bolivia .....	14,548	9,841	3,889
Brazil .....	61,510	42,980	40,457
Chile .....	34,352	20,542	20,271
Colombia .....	49,008	29,503	21,915
Costa Rica .....	11,700	7,835	4,476
Dominican Republic .....	8,407	5,408	3,348
Ecuador .....	27,448	19,184	4,816
El Salvador .....	21,952	16,275	4,072
Guatemala .....	14,320	10,090	3,986
Honduras .....	7,602	4,739	2,375
Mexico .....	34,927	22,172	10,032
Nicaragua .....	13,035	8,173	9,083
Panama .....	12,862	8,736	9,548
Paraguay .....	7,799	5,454	1,544
Peru .....	45,108	26,581	27,549
Uruguay .....	10,350	7,661	1,202
Venezuela .....	72,861	32,154	15,439
Regional .....	10,902	1,018	—
Total 1975 .....	<u>\$502,191</u>	<u>\$304,888</u>	<u>\$200,780</u>
Total 1974 .....	<u>\$494,191</u>	<u>\$329,588</u>	<u>\$185,358</u>

## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Venezuelan Trust Fund

In our opinion, the financial statements appearing on pages 126 through 129 present fairly the financial position of the Venezuelan Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1975, and the results of its operations and the changes in its financial position for the period from inception (February 27, 1975) to December 31, 1975, in conformity with generally accepted accounting principles. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

## VENEZUELAN TRUST FUND

PRICE WATERHOUSE & CO.

Washington, D. C.  
February 13, 1976

### FINANCIAL STATEMENTS

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**VENEZUELAN TRUST FUND**  
 ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

DECEMBER 31, 1975

Expressed in thousands of United States dollars—Note A

**ASSETS**

**Cash**

United States dollars .....	\$ 5	
Venezuelan bolivars .....	10,000	\$ 10,005

**Temporary investments**

United States Government obligations, at amortized cost (face amount \$200) .....	197	
Time deposits in United States dollars .....	80,000	80,197

**Loans outstanding (Note C) (Appendix IV-1)**

Total loans approved since inception, less cancellations .....	93,200	
Less undisbursed balance .....	(83,200)	—

**Accrued income**

On temporary investments .....		1,520
Total assets .....		<u>\$ 91,722</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable to Administrator .....		\$ 111
---	--	--------

**Fund balance**

Fund established by Venezuelan Investment Fund (Note B) .....	\$500,000	
Less amounts not yet received (Note B) .....	(410,000)	
	90,000	
Net income .....	1,611	91,611
Total liabilities and fund balance .....		<u>\$ 91,722</u>

**VENEZUELAN TRUST FUND**  
 ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME**

FEBRUARY 27 TO DECEMBER 31, 1975—Note B  
 Expressed in thousands of United States dollars—Note A

Income		
From temporary investments .....		\$1,958
Administrative expenses reimbursable to Inter-American Development Bank		
Salaries .....	\$105	
Travel expenses .....	9	
Commission on short-term placements .....	15	
Indirect and overhead expenses .....	213	
Total administrative expenses .....		<u>347</u>
Net income .....		<u>\$1,611</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

FEBRUARY 27 TO DECEMBER 31, 1975—Note B  
 Expressed in thousands of United States dollars—Note A

Source of funds		
Provided from operations		
Net income .....	\$ 1,611	
Items not providing cash funds .....	(1,409)	
Cash funds provided from operations .....	202	
Fund principal provided by Venezuelan Investment Fund .....	90,000	
Total source of funds .....		<u>\$90,202</u>
Application of funds		
Cash and investments .....	\$90,202	
Total application of funds .....		<u>\$90,202</u>

**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 1975

**NOTE A—SUMMARY OF ACCOUNTING POLICIES**

**Basis of Accounting**

The accounting records of the Venezuelan Trust Fund are maintained on the accrual basis of accounting.

**Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. The Venezuelan bolivar, which is the only other currency of the Fund, is recorded at the market rate of exchange (Bs. 4.30 to \$1) which remained unchanged during 1975.

**Investments**

Investments in United States Government obligations are stated at cost adjusted for the amortization of discount.

**NOTE B—VENEZUELAN TRUST FUND**

On February 27, 1975 the Venezuelan Investment Fund and the Inter-American Development Bank (Bank) entered into a Trust Agreement whereby the Bank became the Administrator of the Venezuelan Trust Fund. Total resources of the Trust Fund are the equivalent of \$500,000,000 comprised of \$400,000,000 and 430,000,000 Venezuelan bolivars (Bs.) to be made available in ten semi-annual quotas of \$40,000,000 and Bs. 43,000,000 each beginning May 20 and August 20, 1975 respectively.

The purpose of the Fund is to contribute to the financing of projects and programs having a significant effect on the development of member countries of the Bank which are relatively less developed or of limited market, or of intermediate size, through better utilization of their natural resources and the promotion of their industry and agroindustry and to expand the Bank's export financing program.

In accordance with provisions of the Trust Agreement, the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and indirect and overhead expenses. During 1975 a provisional rate, subject to final approval by the Venezuelan Investment Fund, of \$2.08 per \$1.00 of salary cost was used for charging indirect and overhead expenses to the Trust Fund.

The Venezuelan Investment Fund has the right to the return of all sums received in repayment of loans made from the Trust Fund as well as all collections of income derived from Trust Fund resources.

**NOTE C—LOANS OUTSTANDING**

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank.

**SUMMARY STATEMENT OF LOANS**

DECEMBER 31, 1975

Expressed in thousands of United States dollars—Note A

<u>Countries in which loans have been made</u>	<u>Total loans approved since inception, less cancellations</u>
Costa Rica .....	\$ 3,600
Ecuador .....	29,600
Guatemala .....	35,000
Peru .....	15,000
Total .....	<u>\$83,200</u>

## INSTITUTE FOR LATIN AMERICAN INTEGRATION

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Through the Institute for Latin American Integration (INTAL), which is based in Buenos Aires, the Bank carried out during 1975 a wide variety of programs in training, research, advisory and information activities related to the region's economic integration movement.

### Advisory

Through technical cooperation advisory programs that it provides for various regional integration programs, INTAL in 1975 carried out the following activities:

*Inventory of Physical Integration Projects in Latin America.* At the request of the Government of Bolivia, INTAL prepared a transportation study of the River Plate countries for submission to the Seventh Meeting of Ministers of Foreign Relations of those countries. It completed and published the final report on international land transportation in the Lima-Buenos Aires and Lima-São Paulo land corridors, prepared jointly with the Economic Commission for Latin America (ECLA). It concluded a tourism study of the Lakes' Region in Chile and Argentina which had been requested and financed by the Chilean Tourism Office and the Tourism Undersecretariat of Argentina. In addition, at the request of the Salto Grande Mixed Technical Commission, INTAL is participating in a study of the area of influence of the Salto Grande hydroelectric project.

*Conference on Development Financing in Latin America (COFINDE).* INTAL prepared the terms of reference for a study

of the investment opportunities in Latin American multinational projects in the industrial and service sectors. It is collaborating in the development of the Iguazú Falls-Jesuit Ruins project and is helping to identify and analyze the integration of tourist facilities in Uruguay, Paraguay and Bolivia.

*The Cartagena Group Agreement (JUNAC).* INTAL cooperated with the *Universidad Gabriel Moreno de Santa Cruz de la Sierra* and with the Technical Integration Secretariat of the Bolivian Foreign Relations Ministry in the execution of a seminar on juridical aspects of integration and the establishment of a jurisdictional order, and with the Ministry of Industry, Commerce and Integration of Ecuador in the organization of a seminar for public officials on integration and the transfer of technology.

*Central American Economic Integration Secretariat (SIECA).* INTAL cooperated with SIECA and other regional authorities in talks on re-structuring the Central American Common Market and in a seminar on social aspects of integration, and submitted to SIECA a study of the structure of inter-Central American trade.

*Caribbean Community:* INTAL helped standardize legislation governing the roles of corporation and multinational enterprises for the Caribbean Community.

INTAL's collaboration with Latin American universities included the organization of seminars on integration themes at the *Universidad Católica de Asunción* and the *Universidad Nacional de Asunción*, both in

Paraguay, continued support for the Department of International Studies of the *Universidad de Chile*, and participation in a seminar in Viña del Mar, Chile, organized by the Corporation for University Promotion to discuss "*The Latin American University in 1980.*"

### Research

Among research activities, INTAL undertook the following projects:

*Analysis and Evaluation of Latin American Integration.* During the year, INTAL completed and issued its annual report on *The Process of Integration in Latin America in 1974* and prepared a report on Latin American Integration for the United Nations Conference on Trade and Development (UNCTAD).

*Joint Enterprises in Latin American Economic Integration.* INTAL cooperated in a study of the promotion systems employed by such enterprises at a meeting in Buenos Aires sponsored by the Latin American Federation of Banks (FELABAN).

*Legal Basis for the International Role of Public Enterprises.* During the year INTAL issued 11 national reports for consultants in Latin American Free Trade Association (LAFTA) countries.

*Juridical-Economic Aspects of Integration.* INTAL completed studies on ways to improve safeguard clauses and on the status and outlook for Latin American legislation on patents, and has initiated studies on current legislation in the technological development field.

*Transfer of Technology in Central America.* During the year INTAL cooperated with the Instituto Centroamericano de Investigación y Tecnología Industrial (ICA-ITI) and the Federación de Cámaras y Asociación de Industrias Centroamericanas (FECAICA) on the creation of advisory services in the region based on an analysis of contracts for the purchase of technology.

*Structure of Central American Foreign Trade.* INTAL in 1975 completed the preliminary draft of a study of the composition, characteristics and evolution of regional trade in the years 1958, 1968 and 1972.

*New Forms of Latin American Regional Cooperation.* A study entitled *Looking to the Future: The Constituent Pact of the Latin American Community* was delivered by INTAL in the Latin American Forum conducted in Caracas.

*Significance of the Public Sector in Latin American Integration.* During the year INTAL initiated a study of the relevance of the public sector as a factor in commercial and industrial integration and as an area for the application of joint economic policies.

#### Training

As in previous years, INTAL participated directly in a series of training courses and offered technical and financial aid for courses carried out by other research institutions, including the following:

*Graduate-level Studies in Integration*

*Management.* In conjunction with the Institute of Graduate Studies in Administration (IESA) and with the support of the Government of Venezuela, INTAL presented in Caracas the Second Master's Course in Integration Management.

*Seminar on Transportation Policies of Integration.* Conducted in March at INTAL headquarters and organized jointly with the Latin American Institute of Social Research (ILDIS), this seminar examined transportation policies within the integration movement, with particular attention to highway transportation.

*Seminar on the Transfer of Technology.* Organized and directed by INTAL, this seminar was conducted in Quito in November at the request of the Ministry of Industries of Ecuador. Participants included government representatives from Argentina, Brazil and Mexico, as well as officials of UNCTAD and JUNAC.

*Symposium on Institutional Organization for Integration.* Meeting in Costa Rica at the headquarters of the Central American Institute of Public Administration (ICAP), this seminar discussed aspects of institutional organization for integration in nations forming part of regional economic blocs. More than 25 government officials and representatives of regional economic groups attended the symposium which was sponsored by INTAL, ICAP and UNCTAD.

*Meeting on Promotion of Joint Investments by Latin American Companies.* Organized by INTAL in conjunction with

the Latin American Federation of Banks (FELABAN), this meeting analyzed the advantages of intra-Latin American investments and the promotion and stimulation of joint enterprises and projects. It was attended by more than 100 Latin American government officials and private businessmen and representatives of various inter-American and international organizations.

*Customs Policy and Administration and Tax Policy and Administration.* A series of courses on both themes were conducted by INTAL and the Inter-American School of Public Administration (EIAP) in Rio de Janeiro in the months of August, September and October.

*Social Effects of Integration.* Sponsored by INTAL and SIECA, this seminar was held in Guatemala in June and was attended by 60 government officials, university professors and representatives of international organizations.

#### Publications

The INTAL publication program for 1975 included the following works in Spanish: "Legislation Regarding Foreign Investment in LAFTA Countries: Legal Texts and Administrative Practices," and "Comparison of Legislation Governing Foreign Investment in LAFTA Countries."

In addition, INTAL continued the monthly publication of *Boletín de la Integración*, as well as publication of *Derecho de la Integración* and *Revista de la Integración*.

## GOVERNORS AND ALTERNATE GOVERNORS

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	José Alfredo Martínez de Hoz	Adolfo César Diz
BARBADOS	P. M. Greaves	Steve Emtage
BOLIVIA	Carlos Calvo	Manuel Mercado Montero
BRAZIL	Mario Henrique Simonsen	Paulo Hortensio Pereira Lira
CANADA	Donald S. Macdonald	Paul Gérin-Lajoie
CHILE	Sergio de Castro S.	Sergio Undurruga Saavedra
COLOMBIA	Rodrigo Botero Montoya	Germán Botero de los Ríos
COSTA RICA	Porfirio Morera B. 'res	Bernal Jiménez Monge
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	César Robalino Gonzaga	Alfonso Arcos
EL SALVADOR	Manuel Antonio Robles	Atilio Vieytes
GUATEMALA	Jorge Lamport Rodil	Manuel Méndez Escobar
HAITI	Emmanuel Bros	François Murat
HONDURAS	J. Vicente Díaz R.	Guillermo Bueso
JAMAICA	David H. Coore	G. Arthur Brown
MEXICO	Mario Ramón Beteta	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	Nicolás Ardito Barletta	Miguel A. Sanchiz
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Luis Barúa Castañeda	Roberto Keil Rojas
TRINIDAD AND TOBAGO	Francis C. Prevatt	Frank Barsotti
UNITED STATES	William E. Simon	Charles W. Robinson
URUGUAY	Juan José Anichini	Jorge Seré del Campo
VENEZUELA	Héctor Hurtado	Gumersindo Rodríguez

As of April 2, 1976.

## EXECUTIVE DIRECTORS AND ALTERNATES

		<u>Number of Votes</u>	<u>Per- centage</u>
Hernán Aldabe ARGENTINA Benjamín Mira (Alternate) CHILE	Elected by: Argentina Chile	75,280	15.13
José Carlos P. M. da Fonseca BRAZIL Pedro Aguayo Cubillo (Alternate) ECUADOR	Elected by: Brazil Ecuador	62,272	12.51
Julio C. Gutiérrez PARAGUAY Edmundo Valencia Ibáñez (Alternate) BOLIVIA	Elected by: Bolivia Paraguay Uruguay	13,801	2.78
David B. Laughton CANADA Charles T. Greenwood (Alternate) CANADA	Elected by: Canada	24,403	4.91
Rodolfo Martínez Ferraté GUATEMALA Mario Rietti Matheu (Alternate) HONDURAS	Elected by: Costa Rica El Salvador Guatemala Haiti Honduras Nicaragua	15,772	3.16
Juan Pablo Pérez Castillo VENEZUELA Charles A. T. Skeete (Alternate) BARBADOS	Elected by: Barbados Trinidad and Tobago Venezuela	35,001	7.03
John M. Porges UNITED STATES Yan M. Ross (Alternate) UNITED STATES	Appointed by: United States	199,839	40.15
Armando Prugue PERU Augusto Ramírez Ocampo (Alternate) COLOMBIA	Elected by: Colombia Peru	24,302	4.88
Jesús Rodríguez y Rodríguez MEXICO Dorel M. Callender (Alternate) JAMAICA	Elected by: Dominican Republic Jamaica Mexico Panama	47,036	9.45
TOTAL		<u>497,706</u>	<u>100.00</u>

As of April 1, 1976.

# PRINCIPAL OFFICERS OF THE BANK

President	Antonio Ortiz Mena
Executive Vice President	Reuben Sternfeld
Program Advisor	Alfred C. Wolf
Controller (Acting)	Luis Buitrago
Chief, Office of Information	Carlos D. Conde

## OPERATIONS DEPARTMENT

Manager	Ewaldo Correia Lima
Senior Deputy Manager	James A. Lynn
Deputy Manager—Region I	Jorge Ferraris
Deputy Manager—Region II	Sidney Schmukler
Deputy Manager—Region III	Pedro Abelardo Delgado

## FINANCE DEPARTMENT

Manager	Henry J. Costanzo
Deputy Manager-Treasurer	Pedro Irañeta

## ECONOMIC AND SOCIAL DEVELOPMENT DEPARTMENT

Manager	Cecilio J. Morales
Deputy Manager for Economic and Social Studies	Jorge Ruiz Lara
Deputy Manager for Technical Cooperation	Martha Ramos
Deputy Manager for Integration	Néstor Vega Moreno

## PROJECT ANALYSIS DEPARTMENT

Manager	Guillermo Moore
Deputy Manager	Juan A. Prado

## LEGAL DEPARTMENT

General Counsel	Arnold H. Weiss
Deputy General Counsels	José R. Chiriboga Freeborn G. Jewett, Jr.

## ADMINISTRATIVE DEPARTMENT

Manager	José D. Epstein
Deputy Manager	William L. Taylor

## SECRETARIAT DEPARTMENT

Secretary	Jorge Hazera
Deputy Secretary	Arturo Calventi

Representative in Europe

Enrique Pérez Cisneros

As of April 1, 1976.

## CHANNELS OF COMMUNICATION AND DEPOSITORIES

MEMBER COUNTRY	CHANNEL OF COMMUNICATION	DEPOSITORY
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
BARBADOS	Ministry of Finance and Planning	Central Bank of Barbados
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CANADA	Department of Finance	Bank of Canada
CHILE	Banco Central de Chile	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Ministerio de Finanzas	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Banco Central de Honduras	Banco Central de Honduras
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de Planificación y Política Económica	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED STATES	Department of the Treasury	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Hacienda	Banco Central de Venezuela

As of April 1, 1976.

## FIELD OFFICES AND REPRESENTATIVES

ARGENTINA, Alfonso Grados  
Cerrito 264, 3er. Piso  
(Casilla de Correo No. 181, Sucursal 1)  
Buenos Aires

BARBADOS, Alberto Pereira Da Silva  
Nile House, Nile Street  
(P.O. Box 402)  
Bridgetown

BOLIVIA, Lempira Bonilla  
Calle Ayacucho 277, 2° Piso  
(Casilla 5872)  
La Paz

BRAZIL, William A. Ellis  
Rua Melvin Jones No. 5-30 Andar  
(Caixa Postal No. 728 ZC-00)  
Rio de Janeiro

CHILE, Herman H. Barger  
Bandera 52, 7° Piso  
(Casilla de Correo 14315) Correo 21  
Santiago

COLOMBIA  
Edificio UGI  
Avenida 40-A, No. 13-09  
Bogotá

COSTA RICA, Danilo P. Poklepovic  
Calle 4 entre Avenidas 3 y 5  
(Apartado Postal No. 4647)  
San José

DOMINICAN REPUBLIC, Alberto Ibáñez  
Avenida John F. Kennedy Esquina  
Avenida López de Vega  
Edificio Nova Scotia, 4° Piso  
(Apartado Postal No. 1386)  
Santo Domingo

ECUADOR, Gildo Porto Guerra  
San Gregorio 120  
Esquina 10 de Agosto, 5° Piso  
(Apartado Postal 154-A)  
Quito

EL SALVADOR, Norberto Max Neef  
Edificio Montecristo 4° Piso  
Plaza Las Américas  
(Apartado Postal No. (01) 199)  
San Salvador

GUATEMALA, Alberto P. Castillo  
Edificio ETISA, 7° Piso  
Plazuela España, zona 9  
(Apartado Postal No. 935)  
Guatemala

HAITI, Henri Scioville-Samper  
Rue Des Casernes No. 1  
(Boite Postale 1321)  
Port-au-Prince

HONDURAS, Arturo Pino Navarro  
Edificio Midence Soto, 8° Piso  
(Apartado Postal No. C-73)  
Tegucigalpa

JAMAICA, Weston Williams  
2nd Floor, Imperial Life Bldg.  
Knutsford Blvd.  
(P.O. Box 429)  
Kingston 10

MEXICO, Jorge A. Garayta (acting)  
Paseo de la Reforma 379, Piso 7  
México 5, D.F.

NICARAGUA, Gonzalo de la Pezuela  
Multicentro El Camino de Oriente  
Kilómetro 6 Carretera a Masaya  
(Apartado Postal 2512)  
Managua

PANAMA, Emilio Ortiz de Zevallos  
Edificio de Diego  
Avenida Balboa y Calle 40-3er. Piso  
(Apartado No. 7297)  
Panama 5

PARAGUAY, Eduardo Barros  
Edificio City  
Estrella 345-2° Piso  
(Casilla 1209)  
Asunción

PERU, Manuel Valderrama  
Avenida República de Chile 388-7° Piso  
(Apartado Postal No. 3778)  
Lima

TRINIDAD AND TOBAGO, Antonio Rodriguez Mansfield  
80 Independence Square N.  
(P.O. Box 68)  
Port of Spain

URUGUAY, Carlos Montero  
Edificio del Banco de Crédito  
18 de Julio 1455  
Oficinas 603 y 604  
Montevideo

VENEZUELA, Rafael Glower Valdivieso  
Torre Phelps, 23° Piso  
Plaza Venezuela  
(Apartado Postal No. 4344)  
Carmelitas, Caracas 101  
Caracas

INSTITUTE FOR LATIN AMERICAN INTEGRATION,  
Félix Peña, Director  
Cerrito 264  
(Casilla de Correo No. 39) Sucursal 1  
Buenos Aires

As of April 1, 1976.

INTER-AMERICAN DEVELOPMENT BANK  
808 17TH ST., N.W.  
WASHINGTON, D. C. 20577

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

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

Institution: Asian Development Bank

Location: Principal office in Manila, Philippines

Size: 3/31/76

Assets: U. S. \$2,834,910

Capital: Authorized Capital: U. S. \$3.3 billion  
Paid-in-Capital: U. S. \$1.1 billion

Purpose: Established in 1966 as an international inter-governmental institution pursuant to an agreement initially signed by 31 countries.

Purpose is to foster economic growth and cooperation in Asia and the Far East (the "region") and to contribute to the acceleration of economic development in the developing member countries in the region, collectively and individually. The Bank's principal functions include: (1) promotion of public and private investment; (2) financing economic growth; (3) assisting in coordination of members' economic growth, plans and policies; and (4) providing technical assistance for the preparation, financing and execution of development projects and plans.

Source of Funds: Capital provided by subscriptions of member states and borrowings in member countries and elsewhere. General principle is that borrowings should be diversified as to country of borrowing. These sources supplemented by internal cash flow from lending activities.

Management Structure: Managed by Board of Governors, Board of Directors, President, Vice Presidents, other officers and staff. All powers are vested in Board of Governors (with certain powers which may be delegated to Board of Directors), with each member selecting a Governor and an alternate Governor. The Board of Directors (12) has responsibility for the direction of the general operations of the Bank.

Management of Funds: Internal. Bank may make, participate in or guarantee loans to the governments of its developing member countries, to any of their agencies or political subdivisions and to public or private enterprises operating within such countries, as well as to international or regional entities

Management of Funds: (cont'd.) concerned with economic development in the region. The Bank has not suffered any loan losses in its ordinary operations to date and follows a policy of not taking part in debt rescheduling agreements.

Portfolio: Loans made generally in conformity with the following principles: (1) the Bank's loans cover only a portion of the total costs of each project financed; (2) goods and services must be purchased in the loan country, with competitive bids to be received on such; (3) realistic economic, technical, and financial feasibility of projects involved; (4) adequate borrowing capacity; (5) beneficial effects on domestic savings and balance of payments; and (6) assistance in expansion of employment opportunities. Loans made for projects in 15 member countries, including industrial development banks (27.3%), utilities (35.7%), transportation and communications (21.8%), agriculture (14.3%) and education (0.9%).

Capital Structure: Debt 46.5%; Capital Stock 53.5%.

Income: Generally retained by Bank.

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PROSPECTUS

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\$75,000,000

Asian Development Bank

8 $\frac{5}{8}$ % Ten Year Notes of 1976, Due August 1, 1986

*Interest on the Notes is payable February 1 and August 1 in New York City.*

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*The Notes are not redeemable prior to maturity.*

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*Price 99.75%*

*Plus accrued interest from August 1, 1976*

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

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*The Underwriters have agreed to purchase from the Bank, at 98.85% and accrued interest, all Notes offered hereby. Such Notes are offered subject to issuance and acceptance by the Underwriters and subject to prior sale. It is expected that delivery of the Notes in temporary form will be made at the Federal Reserve Bank of New York, 33 Liberty Street, New York, New York on or about August 12, 1976 against payment in New York funds.*

The First Boston Corporation

Kuhn, Loeb & Co.

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*The date of this Prospectus is July 29, 1976.*

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

The issuance of this Prospectus and the offering and sale of the Notes is not a waiver by the Bank or by any of its members, Governors, Alternate Governors, Directors, Alternate Directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Agreement Establishing the Asian Development Bank (the Agreement) or by any statute, law or regulation of any member of the Bank or any political subdivision of any member, all of which are hereby expressly reserved.

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

Under the Agreement, the capital stock of the Bank and the subscriptions thereto of members are expressed in terms of United States dollars of the weight and fineness in effect on January 31, 1966 (1966 dollars). However, in this Prospectus, except as otherwise indicated, all amounts are stated in current United States dollars. (See Note A of Notes to Financial Statements.)

## THE BANK

The Asian Development Bank (the Bank), an international institution the members of which are governments, was established in 1966 by 31 countries which signed the Agreement Establishing the Asian Development Bank (the Agreement). The purpose of the Bank is to foster economic growth and cooperation in Asia and the Far East (the region) and to contribute to the acceleration of economic development in the developing member countries in the region, collectively and individually.

To fulfill its purpose, the Bank has the following principal functions:

- to promote investment in the region of public and private capital for development purposes;
- to utilize the resources at its disposal for financing economic growth of the developing member countries in the region;
- to meet requests to assist developing member countries in the coordination of their economic growth policies and plans; and
- to provide technical assistance for the preparation, financing and execution of development projects and programs.

As of July 29, 1976, the Bank has 42 members, which have subscribed to \$3,322,299,963 of its capital stock.

The principal office of the Bank is located in metropolitan Manila, Philippines, where it has a staff of about 750 drawn from 33 countries.

### Membership

The membership of the Bank reflects the intention of the founders that, while its operations should be limited to the region, it should incorporate the active participation and financial resources of developed nations outside the region. The Bank currently has 28 regional members providing 70% of its capital and 14 non-regional members, including the United States, Canada and 12 Western European countries, providing 30% of its capital. The percentage of voting power in the Bank's affairs held by the respective members is related, but is not directly proportional, to their capital subscriptions. The aggregate voting power of the developed member countries, which include all the non-regional members plus Australia, Japan and New Zealand, represents approximately 58% of the total.

The United States participated actively in the establishment of the Bank. Its subscription to the capital stock of the Bank currently amounts to \$182,540,000. The United States Congress has appropriated \$386,032,000 of this amount. It has also authorized a further United States subscription of \$120,635,000, which, when subscribed, would result in the total capital subscription of the United States being equal to that of Japan, currently the largest subscriber to the Bank's capital stock. See "Membership and Subscription of the United States of America".

The capital stock subscription and voting power of each of the Bank's members as of July 29, 1976, and percentage of approved Bank loans from ordinary capital resources to each of the developing members as of that date, are set forth below:

REGIONAL MEMBERS	Capital Stock Subscription				Percent of Total Votes	Percent of Approved Loans from Ordinary Capital Resources
	Paid-In	%	Callable	%		
<b>Developed</b>						
Australia .....	\$ 82,031,800		\$ 174,317,575		6.65%	—
Japan .....	193,016,000		410,159,000		15.00	—
New Zealand .....	21,774,618		46,263,522		2.11	—
Sub-total .....	\$ 296,822,418	27.49%	\$ 630,740,097	28.13%	23.76%	—
<b>Developing</b>						
Afghanistan .....	4,608,257		9,807,625		0.82	—
Bangladesh .....	14,476,200		30,761,925		1.57	0.5%
Burma .....	7,720,640		16,406,360		1.06	0.3
Cambodia .....	3,377,780		7,177,783		0.73	—
China, Republic of .....	15,441,280		32,812,720		1.64	4.5
Cook Islands .....	36,191		84,444		0.48	—
Fiji .....	965,080		2,050,795		0.55	0.3
Gilbert Islands .....	60,317		120,635		0.48	—
Hong Kong .....	7,720,640		16,406,360		1.06	1.9
India .....	89,752,440		190,723,935		7.23	—
Indonesia .....	77,206,400		164,063,600		6.28	9.7
Korea, Republic of .....	71,415,920		151,758,830		5.85	22.0
Lao P.D.R. ....	410,159		856,509		0.51	—
Malaysia .....	38,603,200		82,031,800		3.38	11.3
Nepal .....	2,086,985		4,427,305		0.63	0.1
Pakistan .....	30,882,560		65,625,440		2.80	11.8
Papua New Guinea .....	1,326,985		2,834,922		0.58	—
Philippines .....	33,777,800		71,777,825		3.02	17.3
Singapore .....	4,825,400		10,253,975		0.84	5.7
Solomon Islands .....	96,509		205,079		0.48	—
South Vietnam .....	11,580,960		24,609,540		1.35	0.2
Sri Lanka .....	8,227,307		17,467,948		1.09	0.6
Thailand .....	19,301,600		41,015,900		1.93	13.8
Tonga .....	60,317		120,635		0.48	—
Western Samoa .....	36,190		36,191		0.48	—
Sub-total .....	\$ 443,997,117	41.12%	\$ 943,438,081	42.07%	45.32%	100.0%
<b>NON-REGIONAL MEMBERS</b>						
Austria .....	4,825,400		10,253,975		0.84	—
Belgium .....	4,825,400		10,253,975		0.84	—
Canada .....	24,127,000		51,269,875		2.29	—
Denmark .....	4,825,400		10,253,975		0.84	—
Finland .....	3,015,875		3,015,875		0.62	—
France .....	24,127,000		51,269,875		2.29	—
Germany, Federal Republic of....	32,812,720		69,727,030		2.94	—
Italy .....	19,301,600		41,015,900		1.93	—
Netherlands .....	10,615,880		22,558,745		1.28	—
Norway .....	4,825,400		10,253,975		0.84	—
Sweden .....	3,015,875		3,015,875		0.62	—
Switzerland .....	4,825,400		10,253,975		0.84	—
United Kingdom .....	28,952,400		61,523,850		2.65	—
United States .....	168,889,000		313,651,000		12.10	—
Sub-total .....	\$ 338,984,350	31.39%	\$ 668,317,900	29.80%	30.92%	—
Total .....	\$1,079,803,885	100.00%	\$2,242,496,078	100.00%	100.00%	100.00%

See "Capitalization—Capital Stock and Proposed Increases" for a description of certain developments with respect to additional stock subscriptions. As a result of recent constitutional changes involving South Vietnam, the Bank has received and is examining a communication from the Socialist Republic of Vietnam to the effect that it continues membership in the Bank.

## Operations

The Bank's primary activity is the making of loans to finance specific projects located within the territories of its developing members. The Bank's lending activities are divided into ordinary operations and special operations. As of March 31, 1976, the Bank had approved loans aggregating \$1,981.3 million in its ordinary operations and loans aggregating \$658.8 million in its special operations.

The Bank's ordinary operations are financed from its ordinary capital resources, which consist of its subscribed capital stock, the proceeds of borrowings, funds derived from ordinary operations and the sale of participations in its loans. The subscribed capital stock as of March 31, 1976 amounted to \$3,201.5 million, of which 33% was paid-in and 67% was callable. Of the paid-in portion of the subscribed capital stock approximately 79% consisted of convertible currencies. The callable portion of the Bank's subscribed capital stock is callable only when required to meet obligations on borrowings and guarantees given in the course of the Bank's ordinary operations. As of March 31, 1976, the Bank had not guaranteed any loan, and its outstanding borrowings totalled \$805.0 million, as compared to total callable capital of \$2,145.9 million, of which \$1,267.2 million was subscribed by members whose currencies are convertible.

The Bank's special operations are financed from Special Funds administered by the Bank. The Bank's Special Funds resources, most of which are contributed by members, are completely segregated from ordinary capital resources and are used to provide loans to members whose economic position requires that they be given more lenient loan terms. The Agreement requires separate financial statements for ordinary operations and special operations and provides that the ordinary capital resources shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed.

In addition to its loan operations, the Bank extends technical assistance in the form of grants or loans for project preparation and evaluation, development planning and other purposes. As of March 31, 1976, the Bank had approved technical assistance in an aggregate amount of \$23.7 million, of which approximately \$16.8 million had been expended, including \$6.9 million from ordinary capital resources, with the remainder from Special Fund resources.

## MEMBERSHIP AND SUBSCRIPTION OF UNITED STATES OF AMERICA

The United States has been a member of the Bank since the time of its establishment, having subscribed to \$241,270,000 of the original authorized capital stock of \$1,206,350,000. This subscription made the United States and Japan, which had subscribed to a similar amount, the two largest subscribers, and each was then entitled to cast approximately 17.1% of the votes. The United States has paid (in cash and demand obligations) the entire \$120,635,000 paid-in portion of its initial subscription to the capital stock of the Bank. In addition, Congress has appropriated, without fiscal year limitation, the \$120,635,000 callable portion of this initial subscription. No further appropriation is necessary to enable the Secretary of the Treasury to pay this \$120,635,000 if any part of it should ever be needed to meet obligations of the Bank.

In 1972, an increase in the Bank's authorized capital stock became effective, in an amount of \$1,990,477,500. Members thus became entitled to subscribe to this increased capital in proportion to their existing subscriptions, with 20% of each subscription being in the form of paid-in capital and 80% being in the form of callable capital. Most members have already subscribed to their full shares in the increase. The total amount of such increase to which the United States became entitled to subscribe was \$361,905,000.

In December 1974, the United States Congress authorized the subscription by the United States to the full amount of its entitlement. At the present time the United States has subscribed to two-thirds of this amount, its subscription being equivalent to \$241,270,000, of which \$48,254,000 represents paid-in capital and \$193,016,000 represents callable capital. The full amount of the paid-in portion of this capital subscription and \$96,508,000, or one-half of the callable portion of this subscription, have been appropriated by the United States Congress. Although Congress has not yet appropriated the other one-half of the callable capital portion, the United States is legally bound to make payment with respect thereto as and when required to do so by the Bank pursuant to the Agreement.

At the present time the United States vote represents approximately 12% of the total votes of members. Upon its subscription to the remaining shares to which it is entitled, the United States would again have the same number of votes as Japan.

#### USE OF PROCEEDS

The net proceeds to the Bank of the sale of the Notes to the Underwriters will be \$74,137,500, before deducting expenses estimated at \$190,000, and when received will be included in the ordinary capital resources of the Bank and used in its ordinary operations.

#### UNITED STATES APPROVAL OF BORROWING

As required by the Agreement, the United States Government has approved the raising of funds by the Bank in the capital markets of the United States by the issue of the Notes and has agreed that the proceeds of the sale of the Notes may be exchanged for the currency of any member without restriction.

#### CAPITALIZATION

The outstanding borrowings and capital stock of the Bank as of March 31, 1976, and as adjusted to reflect (i) the issuance of the Notes, (ii) subsequent changes in debt, (iii) the additional capital stock subscription of the United States amounting to \$120,635,000, (iv) the new capital stock subscription of Cook Islands amounting to \$120,635 and (v) the additional special capital stock subscriptions of Canada and the Federal Republic of Germany aggregating \$245,456,034 approved in April 1976 by the Board of Governors but not yet effective, are as follows:

	<u>Outstanding</u>	<u>As Adjusted</u>
Borrowings: <sup>(1)</sup>		
Payable in U.S. dollars .....	\$315,525,734	\$ 415,525,734
Payable in Japanese yen .....	205,086,353	224,991,208
Payable in Swiss francs .....	70,544,165	70,544,165
Payable in Deutsche mark .....	75,540,888	134,471,880
Payable in Netherlands guilder .....	63,961,989	82,236,843
Payable in other currencies .....	74,364,521	74,364,521
Totals .....	<u>\$805,023,650</u>	<u>\$1,002,134,351</u>
Capital Stock:		
Subscribed .....	\$3,201,544,328	\$3,567,755,997
Less—callable portion of subscriptions .....	2,145,903,634	2,409,406,664
Capital Stock Paid-in .....	<u>\$1,055,640,694<sup>(2)</sup></u>	<u>\$1,158,349,333<sup>(3)</sup></u>

<sup>(1)</sup> Expressed in U.S. dollar equivalents calculated as of March 31, 1976. For the currency distribution and other details of borrowings, expressed in dollar equivalents calculated as of the same date, see Appendix VI of the Financial Statements. The Bank is currently negotiating other borrowings.

<sup>(2)</sup> Includes \$93,596,675 of instalments of paid-in capital subscribed but not due. Of this amount, \$39,938,227 is payable in 1976, \$28,807,638 in 1977 and \$24,850,810 in 1978.

<sup>(3)</sup> Includes the paid-in portion of the additional special subscriptions of Canada and Germany (not yet effective) amounting to \$50,027,334 and \$28,518,114, respectively, and the paid-in portions of the United States and Cook Islands subscriptions amounting to \$24,127,000 and \$36,191, respectively.

#### Borrowings

The Bank has adopted a policy according to which the Bank will not enter into any new borrowing or guarantee chargeable to its ordinary capital resources if such borrowing, or guarantee, when added to the outstanding borrowings and guarantees, would exceed the amount of the callable capital stock subscribed by the members whose currencies are convertible. As of March 31, 1976, the amount of sub-

scriptions of such members to the callable capital stock was \$1,267,174,166. This figure would be increased to \$1,530,592,752 on completion of arrangements, now in process, in respect of the capital increase subscriptions by Canada and the Federal Republic of Germany and by the United States of America (for the portion of its entitlement already authorized and appropriated by the United States Congress).

In its public borrowings and certain other borrowings, the Bank has covenanted not to borrow funds or make guarantees which would increase the aggregate amount outstanding of its borrowings and guarantees to an amount exceeding the callable capital stock of its members whose currencies have been determined by the Bank to be convertible at the time of such borrowings. See "Description of the Notes—Limitation on Additional Borrowing" for a summary of the covenant in this respect which will be incorporated in the Notes.

### Capital Stock and Proposed Increases

The authorized capital stock of the Bank currently stands at \$3,676,351,625. The original authorized capital stock of \$1,206,350,000 was increased by \$120,635,000 effective as of November 1966, and by a further \$1,990,477,500 effective as of November 1972. Since then, several additional special capital increases in a total amount of \$358,889,125 have been authorized to enable three regional members (the Republic of Korea, Indonesia and Malaysia) to increase their capital subscriptions.

Of the authorized capital stock of \$3,676,351,625, an amount of \$3,201,544,328 had been subscribed by members as of March 31, 1976, 33% of such subscriptions being paid-in capital and 67% being callable capital. Effective as of April 20, 1976, Cook Islands became a member of the Bank with a new capital subscription of \$120,635. Furthermore, in April 1976 the Board of Governors approved additional special capital increases in the total amount of \$245,456,034 for Canada and the Federal Republic of Germany which, when they become effective, will increase the Bank's callable capital by \$166,910,586 and paid-in capital by \$78,545,448. To accommodate the special capital increase of Germany, the Board of Governors approved an increase in the Bank's authorized capital stock by \$30,243,194 which shall become effective when the subscription of Germany becomes effective. An additional United States subscription of \$120,653,000 became effective in late July 1976.

The Agreement provides that the authorized capital stock of the Bank may be increased by the Board of Governors by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the members. In the event of an increase in the Bank's authorized capital, each member has a right to subscribe, with certain limited exceptions, to its proportionate share (based on the number of its previously subscribed shares) of the new shares, but no member is obligated to subscribe to any portion of such increased capital. The Agreement provides, however, that no increase in the subscription of any member shall be authorized which would reduce the percentage of capital stock held by regional members below 60% of the total subscribed capital stock.

In April 1975, the Board of Governors noted with approval the preliminary review being undertaken by the Board of Directors regarding the need to increase the capital stock of the Bank. The specific amount of the general capital increase which the Board of Directors might recommend to the Governors, and the proportion of paid in capital therein, are currently at an advanced stage of consideration. There is a recognition that the general capital increase should take effect before the end of 1977.

### Paid-in Capital

As of March 31, 1976, 46.6% of the total paid-in capital of the Bank was paid or payable in gold or convertible currencies, and 53.4% in the members' own currencies, of which a substantial portion consists of currencies which have been determined by the Bank to be currently convertible.

In accordance with the Agreement, the Bank has accepted non-negotiable, non-interest-bearing demand obligations in lieu of a part of the amounts required to be paid in national currencies where such amounts have not been required by the Bank for the conduct of its operations. As of March 31, 1976,

the Bank had encashed approximately \$126 million of such obligations. The amounts of such obligations held by the Bank as of March 31, 1976 are set out in Appendix IV of the Financial Statements. Under its current encashment program the Bank expects to encash by the end of 1976 all uncashed obligations given by its non-regional members and Japan in respect of their initial subscriptions.

Amounts received by the Bank in payment of the portion of each member's subscription payable in gold or convertible currencies may, under the Agreement, be freely used by the Bank in any of its ordinary operations. The balance of the paid-in capital paid in the currencies of the subscribing members may also be freely used by the Bank in its ordinary operations, subject to the right of developing members to restrict the use of such funds to making payment for goods and services produced in, and intended for use in, the respective territories of such members. In addition, one regional developed member (New Zealand) has exercised a special right accorded to it in the Agreement to restrict the use of such funds to making payment for goods and services produced in its territory. The total amount subject to this restriction is approximately \$10,000,000.

The Agreement authorizes the Board of Governors to set aside to Special Funds, by a vote of two-thirds of the total number of Governors representing at least three-fourths of the total voting power of the members, an amount not to exceed 10% of the Bank's unimpaired paid-in capital paid by members. To date, a total of \$57,433,902 has been set aside and transferred to Special Funds.

#### Callable Capital

The callable portion of subscriptions to the Bank's capital stock is subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. Callable capital consequently may not be called to make loans. In the event of a call, payment may be made at the option of the member in gold, in convertible currency or in the currency required to discharge the obligations of the Bank for the purpose of which the call is made.

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

The following table shows, in summary form as of March 31, 1976, the subscribed paid-in and callable capital of the Bank.

<u>Paid-In Capital</u>	<u>Amount</u>
In convertible currencies .....	\$ 832,609,499
In other currencies .....	223,031,195
Total Paid-in Capital <sup>(1)</sup> .....	<u>\$1,055,640,694</u>
 <u>Callable Capital</u>	
Payable in gold, convertible currency or the currency required to meet the obligations of the Bank for the purpose of which the call is made:	
By members whose currencies are convertible <sup>(2)</sup> .....	\$1,267,174,166
By other members .....	878,729,468
Total Callable Capital .....	<u>\$2,145,903,634</u>

<sup>(1)</sup> Of such amount \$320,514,376 was represented by demand obligations, \$45,675,545 was restricted as to use and \$93,596,675 was not yet due.

<sup>(2)</sup> See "Description of the Notes—Limitation on Additional Borrowing" for a list of the members whose currencies have been determined by the Bank to be currently convertible.

### Maintenance of Value

Pursuant to the Agreement, as interpreted by the Board of Directors, a member is required to pay to the Bank any additional amount of its currency necessary to maintain the value of all such currency held by the Bank (with the exceptions noted below) up to the amount of the paid-in portion of such member's capital subscription whenever (a) the par value in the International Monetary Fund of the member's currency is reduced in terms of 1966 dollars or (b) the foreign exchange value of the member's currency has depreciated to a significant extent in the opinion of the Bank, after consultation with the International Monetary Fund. In the event of an increase in such par value or a significant appreciation of such foreign exchange value in the opinion of the Bank, the Bank is required, pursuant to the Agreement, to pay to the member an amount of its currency necessary similarly to adjust the value of all such currency held by the Bank (with the exceptions noted below) up to the amount of the paid-in portion of such member's capital subscription. The above-described requirements relating to maintenance of value have been and continue to be implemented by the Bank and its members. These requirements are not applicable to the Bank's holdings of currencies derived from borrowing nor (to the extent that such holdings exceed the amount of the paid-in portion of the member's capital subscription) to (i) income from investments and loans or (ii) payment of the convertible currency portions of their respective paid-in capital subscriptions by members whose currencies are non-convertible.

## SUMMARY OF INCOME AND EXPENSES—ORDINARY CAPITAL RESOURCES

The following summary of income and expenses relating to the ordinary operations of the Bank for the five years ended December 31, 1975 (restated as referred to in footnote 3 below) has been examined by Haskins & Sells, independent auditors, whose opinion thereon is included elsewhere in this Prospectus. The figures for the three months ended March 31, 1975 and March 31, 1976 have not been examined by Haskins & Sells but in the opinion of the management of the Bank they reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods. The summary should be read in conjunction with the more detailed Financial Statements and related notes appearing in Appendices I through VIII of the Financial Statements:

	Years Ended December 31,					Three Months Ended March 31, (unaudited)	
	1971	1972	1973	1974	1975	1975	1976
	(Amounts in Thousands)						
GROSS INCOME .....	\$25,851	\$33,583	\$46,281	\$57,511	\$80,913	\$16,290	\$25,634
EXPENSES:							
Administrative expenses <sup>(1)</sup> .....	2,698	5,606	7,866	8,665	12,014	1,670	2,484
Services to member countries <sup>(2)</sup> .....	1,159	1,164	757	171	714	123	12
Financial expenses .....	7,085	14,443	18,684	19,078	31,546	5,277	12,776
GROSS EXPENSES .....	10,942	21,213	27,307	27,914	44,274	7,070	15,272
Income before changes in value of currencies...	14,909	12,370	18,974	29,597	36,639	9,220	10,362
Changes in value of currencies—net .....	42	(212)	(1,475)	(314)	(7,352)	1,941	1,271
NET INCOME <sup>(3)</sup> .....	\$14,951	\$12,158	\$17,499	\$29,283	\$29,287	\$11,161	\$11,633

<sup>(1)</sup> An Administration Charge to Special Funds Operations was instituted in 1971 by deducting from administrative expenses an amount representing expenses allocated to special operations and charging the said amount to Special Funds resources. An amount of \$4,766,000, including an amount of \$2,476,000 based on loans signed prior to 1971, was deducted from administrative expenses in 1971. The Administration Charge formula was modified in 1973. The Administration Charges for the years ended December 31, 1972 through December 31, 1975 and the three months ended March 31, 1975 and 1976 were \$3,945,000, \$3,271,000, \$4,267,000, \$4,005,000, \$1,616,000 and \$1,469,000, respectively. (See Note I of Notes to Financial Statements.)

<sup>(2)</sup> Represents charges for technical assistance.

<sup>(3)</sup> Periods prior to 1976 have been restated to conform to the 1976 change in accounting for commissions appropriated to Special Reserve. See Note E of Notes to Financial Statements. The restatement increased net income for the years ended December 31, 1971 through December 31, 1975 and the three months ended March 31, 1975 by \$375,000, \$974,000, \$1,842,000, \$2,856,000, \$4,743,000 and \$1,163,000, respectively.

<sup>(4)</sup> Certain amounts have been reclassified for purposes of comparison with 1976 classifications.

The improvement in gross income in the year 1975 and in the three months ended March 31, 1976 over the previous periods was attributable both to an increase in income from loans, due to the greater amount of loans disbursed, and to an increase in income from investments, due to the greater amount of funds available for short-term investment by the Bank. Net income for the year 1975 was adversely affected by changes in value of currencies held by the Bank which were not subject to the maintenance of value provision. These adverse changes in 1975 resulted from the increase in strength of the U.S. dollar relative to other convertible currencies. In addition, the results for the year 1975 and the three months ended March 31, 1976 reflect an increase in financial expenses, attributable both to larger borrowings and to higher interest rates.

## ORDINARY OPERATIONS OF THE BANK

### Lending Policies

The Bank is authorized under the Agreement to make, participate in or guarantee loans to the government, its developing member countries, to any of their agencies or political subdivisions and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region. Such loans are made only for specific projects of high developmental priority. The Bank provides financing to such borrowers to cover foreign exchange expenditures incurred in a project and also, in special cases, finances local expenditures to a limited extent. The amounts of the Bank's loans are stated in U.S. dollars and are disbursed in various currencies. It has been the Bank's practice to maintain funds borrowed in the currency of the borrowing until such funds are employed in its lending operations. Borrowers are obligated to repay the particular currencies, and the amount of each such currency, disbursed to the borrower or used to purchase the currency needed by the borrower. Accordingly, the borrower assumes any exchange risks attributable to fluctuations in value of the currencies which it is obligated to repay.

Except in special circumstances, the Bank requires that the proceeds of each loan be used by the borrower only for procurement of goods and services produced in member countries and required for the project being financed. The Bank supervises the disbursement of its loans to ensure that the proceeds are applied only against project expenditures as incurred. It generally insists that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independently of the suppliers or manufacturers and, if appropriate, that independent consulting engineers be retained by borrowers. In considering an application for a loan or guarantee, the Bank pays due regard to the ability of the borrower to obtain financing elsewhere on terms and conditions that the Bank considers reasonable. In the case of loans to borrowers other than member governments, the Bank may, but is not obligated to, require that the member governments guarantee the loans. All currently outstanding loans to borrowers other than member governments are so guaranteed, with the exception of two loans to a member's central bank.

In determining its lending policies, the Bank attempts to assess international economic conditions and the specific circumstances of its developing member countries. Higher worldwide energy costs and other inflationary pressures combined with a general recession in the industrialized countries have adversely affected the economies of the Bank's borrowers or guarantors and led, for most of them, to large deficits in external accounts and considerable increases in external debt. In evaluating the projects that it proposes to finance, the Bank considers such factors as economic, technical and financial feasibility; effect on the general development activity of the country concerned; contribution to the removal of impediments to economic development; capacity of the borrowing country to service additional external debt; effect on domestic savings; balance of payments effects; impact of new technologies on productivity; and expansion of employment opportunities. In response to regional needs and the changing world situation, the Bank has increasingly emphasized loans for expanded food production, for the development of indigenous energy resources and for projects with direct income distribution and social benefits.

Under certain conditions, the Bank is empowered by the Agreement, in addition to its ordinary lending operations, to make equity investments and to extend guarantees. To date, the Bank has not made any equity investment or extended any guarantee.

Under the Agreement, the total amount outstanding of loan commitments, equity investments and guarantees made by the Bank in its ordinary operations shall not at any time exceed the total amount of its unimpaired subscribed capital, reserves and surplus included in its ordinary capital resources, exclusive of the special reserve and other reserves not available for ordinary operations.

### Lending Operations

From its establishment through March 31, 1976 the Bank had approved 156 loans from its ordinary capital resources, for projects in 15 member countries, in an aggregate principal amount of approximately

\$1,981.3 million of which \$751 million had been disbursed. Loans from ordinary capital resources approved in 1974, 1975 and the first three months of 1976 amounted to \$375 million, \$494 million and \$55.2 million, respectively. For the year 1976 it is expected that approximately \$550 million will be approved. A summary statement, by country, of the loans approved as of March 31, 1976 is set forth in Appendix V of the Financial Statements. These loans have been approved in the following amounts for the following categories of projects: industry, including industrial development banks, \$540.5 million (27.3%); public utilities \$707.8 million (35.7%); transport and communications \$431.1 million (21.8%); agriculture and agro-industry \$234.1 million (14.3%); and education \$17.8 million (0.9%).

The maturities of the loans extended by the Bank from its ordinary capital resources range between 10 and 30 years, including grace periods with respect to the repayment of principal ranging between two and seven years.

The Bank's loans cover only a portion of the total cost of each project financed. Projects directly financed by the Bank from its ordinary capital resources with loans approved through March 31, 1976 were estimated, at the time of respective approvals, to have a total aggregate cost of approximately \$3,336 million, of which approximately 47.4% would be financed by the Bank. In addition, the Bank has made loans through national development banks for projects for which substantial local resources must also be made available.

Funds for disbursements under the above loans have been obtained from the Bank's paid-in capital, from the issuance of its own obligations, from income derived from its ordinary operations and from the sale of loan participations. As of March 31, 1976, participations amounting to about \$14 million had been sold to banks and other institutions in France, the Federal Republic of Germany, Hong Kong, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the United States. All such participations have been without the guarantee of the Bank.

The Bank has not suffered any loan losses in its ordinary operations to date and follows a policy of not taking part in debt rescheduling agreements. Occasional delays have occurred in the payment of loan service charges but these have not been material to the Bank's operations.

#### Loan Charges and Special Reserve

In its ordinary operations, the Bank's policy is to set interest rates at a level which broadly reflects the cost of its borrowings. From its establishment to May 1970, the Bank's ordinary lending rate was 6 $\frac{3}{8}$ %; from May 1970 to September 1974 it was 7 $\frac{1}{2}$ %; and from September 1974 to February 1975, it was 8 $\frac{1}{4}$ %. In February 1975, the Bank increased to 8 $\frac{3}{4}$ % the interest rate charged to borrowers (other than those in Singapore and Hong Kong) on loans approved thereafter and on uncredited amounts of previously approved loans to development banks. At the same time, it approved 9 $\frac{1}{2}$ % as the interest rate which it would charge on any new loans to borrowers in Singapore and Hong Kong, which had significantly higher per capita gross national products than other developing countries within the region.

In addition to interest, a commitment charge is levied on the undisbursed portions of approved loans. At the present time, the commitment charge is  $\frac{3}{4}$ % per annum. For project loans approved after June 30, 1973, this charge is levied on a graduated scale, ranging from 15% of the amount of the loan (less amounts disbursed) in the first year (beginning 60 days after the signing of the loan agreement) to 100% of the loan (less amounts disbursed) in the fourth year and thereafter. The commitment charge accrues on outstanding, but undisbursed, amounts credited to loan accounts for loans to development banks from the time of crediting.

The Bank is currently giving consideration to increases in its interest rates and revision of the formula for levying commitment charges.

The interest rate charged on loans includes, in accordance with the Agreement, a commission at the rate of 1% per annum which is credited to a special reserve to be held in such liquid form as the Board of Directors may decide for meeting liabilities of the Bank on its borrowings and guarantees. As of

March 31, 1976, this special reserve amounted to \$12.6 million. This commission of 1% can be reduced by a vote of two-thirds of the members representing not less than three-fourths of the total voting power of the members.

### **Borrowings**

The Agreement authorizes the Bank to supplement its ordinary capital resources by raising funds through borrowing in member countries or elsewhere. Under the Agreement, the Bank must obtain the approval of the government of the country in which the Bank's obligations are to be sold, as well as of the country in whose currency such obligations are to be denominated. The Agreement also requires the Bank, before determining to sell its obligations in a particular country, to consider the amount of previous borrowing in that country, the amount of previous borrowing in other countries and the availability of funds in other countries, adhering to the general principle that its borrowings should be diversified as to country of borrowing.

The Bank has borrowed in the capital markets of the United States as well as in Austria, Belgium, the Federal Republic of Germany, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Saudi Arabia, Switzerland and the United Arab Emirates. In addition, the Bank has sold two-year dollar-denominated bonds to certain members and their central banks. A statement of the Bank's borrowings as of March 31, 1976 is set forth in Appendix VI of the Financial Statements.

The Bank expects to continue its program of raising funds for its ordinary operations, as conditions permit, through borrowings in national and international capital markets.

### **SPECIAL OPERATIONS**

The Bank is authorized under the Agreement to administer Special Funds, the resources of which may be used for granting technical assistance and making loans with longer maturities, longer grace periods and lower interest rates than those established for ordinary operations. Projects financed from Special Funds are selected, appraised and administered in the same manner as projects financed from ordinary resources. As of March 31, 1976, the Bank had approved 101 loans from Special Funds for projects in 18 member countries, amounting to a total of \$658.8 million.

The resources of such Special Funds include voluntary contributions made by members, income on Special Funds loans, income earned by investment of undisbursed Special Funds resources and amounts set aside to Special Funds by the Board of Governors from ordinary capital resources pursuant to the Agreement. Such set aside amounts are limited by the Agreement to 10% of the unimpaired paid-in capital paid by members.

Under the Agreement, Special Funds resources must at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from the ordinary capital resources of the Bank. The Agreement provides that separate financial statements for ordinary operations and special operations are required and that the ordinary capital resources of the Bank may in no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed. Expenses of the Bank directly pertaining to special operations are charged to Special Funds resources, and administrative expenditures of the Bank are allocated between ordinary resources and Special Funds in accordance with a formula which takes into consideration the type of administrative expenditures involved and the number and amounts of loans approved.

It is the current policy of the Bank to extend loans on concessional terms only to those developing member countries having a low per capita gross national product and limited external debt repayment capacity in comparison with other developing member countries. Such loans bear only a service charge

of 1% per annum on outstanding amounts and are repayable over a 40-year period (including 10 years of grace with respect to principal repayments).

The Bank is currently administering three Special Funds—the Asian Development Fund, the Multi-Purpose Special Fund and the Technical Assistance Special Fund. The Asian Development Fund and the Multi-Purpose Special Fund are used for making loans on concessional terms. The Technical Assistance Special Fund is used to finance technical assistance to members. The Asian Development Fund, which was established in June 1974, is intended to replace the Multi-Purpose Special Fund and become the primary source of financing for the Bank's concessional lending operations.

As of March 31, 1976, the aggregate resources of the Asian Development Fund and the Multi-Purpose Special Fund amounted to \$688,031,680, consisting of \$630,597,778 contributed or committed by member countries and \$57,433,902 set aside by the Board of Governors from ordinary resources. Japan is the largest contributor to these Special Funds, having provided an aggregate of \$314,821,553; the United States is the second largest, with an aggregate contribution to date of \$100,000,000. The United States Congress has authorized an additional \$50,000,000 in contributions to the Bank's Special Funds, of which \$25,000,000 was appropriated at the end of June 1976 but has not yet been contributed.

### TECHNICAL ASSISTANCE

The Bank is authorized to meet requests from member countries for technical assistance in such fields as the preparation and evaluation of specific development projects, the preparation and execution of development plans and the creation of new institutions and the strengthening of existing institutions serving agriculture, industry and public administration. Recipients of technical assistance may be governments or any of the other entities authorized to receive Bank loans. The technical assistance extended by the Bank may be either on a grant or a loan basis.

The Agreement limits the funds which may be drawn upon to provide technical assistance grants to the amount of the Bank's net income from ordinary operations plus any Special Funds resources (including net income from special operations) available for such purpose. As of March 31, 1976, the Bank had received from its members a total of \$18,952,591 in contributions and commitments for contributions to its Technical Assistance Special Fund. Technical assistance approved by the Bank as of March 31, 1976 amounted to approximately \$23.7 million. Most of the Bank's developing members have received such assistance.

### RELATIONS WITH OTHER DEVELOPMENT ORGANIZATIONS

The Bank maintains close relations with other international development organizations such as the International Bank for Reconstruction and Development (the World Bank), the United Nations Development Programme (UNDP), and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and with national development organizations such as the United States Agency for International Development (USAID), the Overseas Economic Cooperation Fund of Japan (OECF) and Kreditanstalt für Wiederaufbau (KfW) of the Federal Republic of Germany.

The Bank is acting as executing agency for, or has made joint financing arrangements with, several multilateral and bilateral development agencies in connection with a number of projects in the region. For example, the Bank, in association with the World Bank and the government of Abu Dhabi, is lending funds for a fertilizer plant in Pakistan, and, through a loan from its Special Funds resources, is participating with the International Development Association (an affiliate of the World Bank), KfW, the Iranian, Swiss and United Kingdom governments and USAID in the financing of a fertilizer plant in Bangladesh. Recently, the Bank has agreed to participate with the Kuwait Fund for Arab Economic Development, the Indian government and KfW in the financing of a fertilizer plant in Sri Lanka, through a loan from its Special Funds resources.

## ADMINISTRATION OF THE BANK

### General

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

All powers of the Bank are vested in the Board of Governors, but it may delegate to the Board of Directors any powers except those whose delegation is expressly prohibited by the Agreement. Each member appoints one Governor, who exercises the voting power of the member he represents, and one Alternate Governor. The Board of Governors holds annual meetings.

The responsibility for the direction of the general operations of the Bank rests with the Board of Directors, the members of which serve full time at the Bank's principal office. The Board of Directors has 12 members of whom eight are elected by the Governors representing regional members and four are elected by the Governors representing non-regional members. Directors hold office for a term of two years and may be re-elected. Each Director appoints an Alternate Director to act for him in his absence.

Matters before the Board of Governors or the Board of Directors are decided by a majority of the total voting power of the members represented at the meeting, except in certain cases provided in the Agreement in which a higher percentage is required.

The President, who must be a national of a regional member country, is elected by the Board of Governors. His term of office is five years, and he may be re-elected. The President is the Chairman of the Board of Directors but has no vote except a deciding vote in case of an equal division. Under the direction of the Board of Directors, he conducts the current business of the Bank and is its chief of staff. Since November 1972 the President of the Bank has been Mr. Shiro Inoue, who at the time of his election was Executive Director and concurrently Representative for International Affairs of The Bank of Japan. Mr. Inoue was elected for the remaining four years of a term of office to which Mr. Takeshi Watanabe, the Bank's first President, had earlier been elected.

## Board of Directors

The members of the Board of Directors and their Alternates are as follows:

<u>Directors</u>	<u>Alternates</u>	<u>Members Represented*</u>
L. Roy Papp (United States)	Henry F. Lee (United States)	United States
Francois Dupont (France)	Paul Aenishanslin (Switzerland)	Belgium, France, Italy, Switzerland
Anthony T. Eyton (Canada)	Jan J. Wijenberg (Netherlands)	Canada, Denmark, Finland, Netherlands, Norway, Sweden
Stanley Fryer (United Kingdom)	Peter von Brevern (Federal Republic of Germany)	Austria, Federal Republic of Germany, United Kingdom
R. A. Kartadjoemena (Indonesia)	J. J. Bryant (New Zealand)	Cook Islands, Fiji, Indonesia, New Zealand, Tonga, Western Samoa
B. H. Kay (Korea)	**	Republic of China, Republic of Korea, South Vietnam
Harold G. Heinrich (Australia)	A. Agafonoff (Australia)	Australia, Gilbert Islands, Hong Kong, Papua New Guinea, Solomon Islands
A. Melchor, Jr. (Philippines)	M. R. Khan (Pakistan)	Pakistan, Philippines
A. M. A. Muhith (Bangladesh)	A. T. Bambawale (India)	Bangladesh, India
Kiatikorn Phromyothi (Thailand)	Kalyana Bikram Adhikary (Nepal)	Burma, Malaysia, Nepal, Singapore, Thailand
Sitha Sisombat (Lao P.D.R.)	C. A. Coorey (Sri Lanka)	Afghanistan, Lao P.D.R., Sri Lanka
Haruhisa Segawa (Japan)	Hidetoshi Miyamoto (Japan)	Japan

\* Members within each group are arranged in alphabetical order. Cambodia is not at present represented by any member of the Board of Directors.

\*\* Temporarily vacant.

## Principal Officers

The principal officers of the Bank are as follows:

Shiro Inoue .....	President
C. S. Krishna Moorthi .....	Vice President
Douglas C. Gunesekera .....	Secretary
Graeme F. Rea .....	General Counsel
David F. Fisher .....	Director, Operations Department
Sam-Chung Hsieh .....	Director, Projects Department I
Jay B. Carter .....	Director, Projects Department II
Perry P. Chang .....	Chief Economist
Keijiro Kaizuka .....	Director, Administration Department
S. M. A. Kazmi .....	Controller
Wolf Preuss .....	Treasurer
Carl J. Lemvig-Fog .....	Internal Auditor
P. S. Hariharan .....	Chief Information Officer

## THE AGREEMENT ESTABLISHING THE BANK

The Agreement, which constitutes the Bank's governing charter, establishes the status, immunities, exemptions and privileges of the Bank, describes its purposes, capital structure and organization, authorizes the operations in which it may engage and prescribes limitations on the carrying on of those operations. The Agreement also contains, among other things, provisions with respect to the admission of additional members, the increase of the authorized capital stock, the terms and conditions under which the Bank may make or guarantee loans, the use of currencies held by it and the withdrawal and suspension of members.

By the terms of the Agreement, membership in the Bank is open to (i) members and associate members of the United Nations Economic Commission for Asia and the Far East (now called the United Nations Economic and Social Commission for Asia and the Pacific); and (ii) other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialized agencies. Within the foregoing limitations, new members may be admitted upon the affirmative vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members. The Agreement provides that no new membership subscription shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below 60% of the total subscribed capital stock.

The Agreement may be amended only by resolution of the Board of Governors approved by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the members. The unanimous agreement of the Board of Governors is required for the approval of any amendment modifying the right to withdraw from the Bank, the pre-emptive rights to purchase capital stock or the limitation on liability of members. The Agreement provides that any question of interpretation of its provisions arising between any member and the Bank or between its members shall be submitted to the Board of Directors for decision. Such decision may then be submitted to the Board of Governors, whose decision shall be final. Although any member may withdraw from the Bank by delivering written notice, any such member remains liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of such notice. No member has withdrawn from the Bank since its establishment.

For the full text of the Agreement, reference may be made to copies available for examination at the Federal Reserve Bank of New York, the Bank's Fiscal Agent with respect to the Notes, and at the Bank's principal office in metropolitan Manila, Philippines.

### LEGAL STATUS, PRIVILEGES AND IMMUNITIES

The Agreement contains provisions which accord to the Bank legal status and certain immunities and privileges in the territories of each of its members. The following is a summary of the more important of these provisions.

The Bank has full juridical personality with capacity to contract, to acquire and dispose of immovable and movable property and to institute legal proceedings. It is immune from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against it in a court of competent jurisdiction in the territory of a country in which it has its principal or a branch office, has appointed an agent for accepting service or notice of process or has issued or guaranteed securities. No actions against the Bank may be brought by its members or persons acting for or deriving claims from its members.

The Governors, Alternate Governors, Directors, Alternate Directors, officers and employees of the Bank, including experts performing missions for it, are immune from legal process for acts performed by them in their official capacities, except when the Bank waives such immunity.

The property and assets of the Bank are immune from all forms of seizure, attachment or execution before the delivery of final judgment against it. Such property and assets are also immune from search,

requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action. The archives of the Bank are inviolable.

The Bank and its assets, property, income, operations and transactions are exempt from all taxation and from all customs duties. The Bank is also exempt from any obligation for the payment, withholding or collection of any tax or duty.

#### DESCRIPTION OF THE NOTES

The statements under this heading are subject to the detailed provisions of the Notes and the resolution of the Board of Directors of the Bank creating the Notes, copies of which are available for examination at the office of the Bank's Fiscal Agent and at the Bank's principal office in metropolitan Manila, Philippines.

##### The Notes

The 8 $\frac{5}{8}$ % Ten Year Notes of 1976, Due August 1, 1986 (the Notes) will be direct unsecured obligations of the Bank and will be limited to the aggregate principal amount of \$75,000,000. Interest will be payable semi-annually on February 1 and August 1 to the persons in whose names the Notes were registered at the close of business on the preceding January 15 and July 15. The Notes will state that they are not an obligation of any government.

The principal of and interest on the Notes will be payable at the office of the Fiscal Agent of the Bank in New York City in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The Federal Reserve Bank of New York has been appointed the Bank's Fiscal Agent for the purposes of payment of principal of and interest on the Notes and of handling exchanges and transfers of the Notes. The Bank will maintain a Fiscal Agent in New York City for such purposes so long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for.

The Notes are issuable only in the form of registered notes without coupons in denominations of \$1,000 and any multiple thereof. Notes will be initially delivered in temporary form, exchangeable without charge for Notes in definitive form as soon as they are available. Notes will be exchangeable in like aggregate principal amounts and transferable, without charge for exchange or transfer.

The Notes are not redeemable prior to maturity, and no sinking fund will be provided for the Notes.

##### *Limitation on Additional Borrowing*

So long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for, the Bank will not borrow funds for inclusion in its ordinary capital resources or make guarantees chargeable to such resources if the amount so to be borrowed or the amount so to be guaranteed, when added to the aggregate amount then outstanding of such borrowings and guarantees, would exceed the aggregate amount of the subscriptions to the callable capital stock of the Bank (to the extent not previously called) of the following members of the Bank: Australia, Austria, Belgium, Canada, Denmark, Fiji, France, the Federal Republic of Germany, Gilbert Islands, Hong Kong, Italy, Japan, Malaysia, the Netherlands, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland, the United Kingdom and the United States. The aggregate amount of subscriptions to the Bank's callable capital stock by such members, whose currencies have been determined by the Bank to be currently convertible, was \$1,267,174,166 as of March 31, 1976. This figure would be increased to \$1,530,592,752 upon completion of arrangements, now in process, in respect of capital increase subscriptions by Canada, the Federal Republic of Germany and the United States of America. See "Capital Stock and Proposed Increases" and "Membership and Subscription of United States of America"

##### *Negative Pledge Covenant*

So long as any of the Notes shall be outstanding and payment thereof shall not have been made or duly provided for, the Bank will not cause or permit to be created on any of its property or assets any mortgage,

pledge or other lien or charge as security for any notes, bonds or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages and pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other notes, bonds or evidences of indebtedness.

#### *Remedy on Default*

If the Bank shall (a) default in the payment of the principal of, or premium, if any, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any bonds or notes (including the Notes) or similar obligations which shall have been issued, assumed or guaranteed by the Bank and such default shall continue for a period of 30 days, or (b) default in the performance of any other covenant contained in the Notes and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Notes may deliver or cause to be delivered to the Bank, at the office of the Bank's Fiscal Agent, written notice that such holder elects to declare the principal of all Notes held by him (the serial numbers and denominations of which shall be set forth in such notice) to be due and payable (with a copy of such written notice mailed or delivered to the Bank at its principal office), and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Notes shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

#### **Tax Status**

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

Under the Agreement, no member may impose any tax on the Notes or the interest thereon (a) if such tax discriminates against the Notes solely because they are issued by the Bank, or (b) if the sole jurisdictional basis for such tax is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Agreement, the Bank is not under any obligation to withhold or pay any tax on the Notes or the interest thereon.

As regards United States taxation, the United States Internal Revenue Service has ruled to the effect that interest paid by the Bank to a non-resident alien individual or to a foreign corporation is not subject to United States Federal income tax, nor to the withholding of such tax, except that, absent any special statutory or treaty exemption, (a) such interest, when derived by such non-resident alien individual or foreign corporation in the active conduct of a banking, financing or similar business within the United States or when received by a corporation the principal business of which is trading in stock or securities for its own account, is subject to United States Federal income tax if such interest is attributable to an office or fixed place of business within the United States and certain other conditions exist, and (b) a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to United States Federal income tax on interest on securities of the Bank if such interest is attributable to its United States business.

The United States Internal Revenue Service has also ruled to the effect that (a) interest paid by the Bank on its obligations constitutes income from sources without the United States and (b) unless a death tax convention provides otherwise, debt obligations of the Bank for purposes of the United States Federal estate tax are deemed to be situated outside the United States and are not includable in the gross estate of a non-resident of the United States who was not a citizen of the United States.

#### **Legal Opinions**

The legality of the Notes will be passed upon for the Bank by its General Counsel, Deputy General Counsel or Assistant General Counsel and by Messrs. Cleary, Gottlieb, Steen & Hamilton, United States Counsel for the Bank, and for the Underwriters by Messrs. Sullivan & Cromwell. In giving their opinions,

Messrs. Cleary, Gottlieb, Steen & Hamilton and Messrs. Sullivan & Cromwell will rely, with respect to certain matters, upon the opinion of the General Counsel, Deputy General Counsel or Assistant General Counsel of the Bank.

#### General

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

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

The Bank will appoint C T Corporation System, 277 Park Avenue, New York, New York 10017, as its authorized agent upon which process may be served in any action arising out of or in connection with the issuance and sale of the Notes which may be instituted in any State or Federal court in the State of New York. This appointment will not be revoked so long as any of the Notes remain outstanding and payment thereof has not been made or duly provided for, unless and until a successor authorized agent has been appointed (which will be a bank or trust company having its principal office in the City and State of New York) and such successor has accepted such appointment.

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

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### OPINION OF INDEPENDENT AUDITORS

#### ASIAN DEVELOPMENT BANK:

We have examined the financial statements of Asian Development Bank—Ordinary Capital Resources as of December 31, 1975 and for the two years then ended which are listed under Financial Statements—Ordinary Capital Resources and the summary of income and expenses for the five years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Asian Development Bank—Ordinary Capital Resources at December 31, 1975, and the results of its operations and the changes in its financial position, and such summary of income and expenses presents fairly the information shown therein, for the stated periods ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for commissions appropriated to special reserve as described in Note E to the financial statements.

HASKINS & SELLS

New York, N. Y.  
February 20, 1976 (July 12, 1976 as to the  
restatement referred to above)

**FINANCIAL STATEMENTS  
ORDINARY CAPITAL RESOURCES**

(Financial Statements for the Three Months Ended March 31, 1975  
and March 31, 1976 are unaudited)

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## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## BALANCE SHEET

December 31, 1975 and (unaudited) March 31, 1976

Expressed in United States Dollars (Note A)

		ASSETS	
		December 31, 1975	March 31, 1976 (unaudited)
CASH IN BANKS (See Appendix IV) (Note B) ..		\$ 34,337,439	\$ 70,772,589
INVESTMENTS (Note B)			
Government and government guaranteed obligations—amortized cost, which approximates market (Face amounts \$144,862,422-December 31, 1975; \$250,339,518-March 31, 1976) ..	\$ 140,075,580		\$ 244,044,574
Time deposits and certificates of deposit .....	366,004,132	506,079,712	475,210,534 720,255,108
LOANS (See Appendix V) (Note A)			
Loans approved—\$1,926,093,000-December 31, 1975 (\$1,981,293,000-March 31, 1976)			
Effective loans			
Held by Bank .....	1,450,142,440		1,642,948,711
Agreed to be sold .....	450,000	1,450,592,440	100,000 1,643,048,711
ACCRUED INCOME			
On investments .....	17,899,122		17,339,641
On loans .....	10,156,888	28,056,010	12,692,647 30,032,288
AMOUNTS RECEIVABLE FROM MEMBERS			
Non-negotiable, non-interest-bearing demand obligations (See Appendix IV) (Notes B and C) .....	312,925,373		320,514,376
Amounts required to maintain value of currency holdings (Note D) .....	36,495,242		21,242,455
Subscription instalments (Note C) .....	253,334	349,673,949	253,334 342,010,165
OTHER ASSETS			
Administration Charge receivable from Special Funds (Note I) .....	4,964,358		6,433,858
Unamortized issuance costs of borrowings (Note A) .....	4,094,200		6,998,941
Miscellaneous .....	1,085,039	10,143,597	2,787,139 16,219,938
SPECIAL RESERVE FUND ASSETS (NOTE E) .....		10,971,513	12,571,000
TOTAL .....		<u>\$2,389,854,660</u>	<u>\$2,834,909,799</u>

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.