The original documents are located in Box 46, folder "5/31/76 HR9721 Increased US Participation in the Inter-American Development Bank and Initial US Participation in the African Development Bank" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED

MAY 31 1976

5/31/76

THE WHITE HOUSE

WASHINGTON

May 28, 1976

ACTION

Last Day: June 2

Posted 6/1/76

To Archives 6/1/76

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: H.R. 9721 - Increased U.S. Participation in the Inter-American Development Bank and initial U.S. participation in the African Development Bank

Attached for your consideration is H.R. 9721, sponsored by Representative Gonzalez.

The enrolled bill provides for U.S. approval of, and subscription to, increases in the ordinary capital and Fund for Special Operations of the Inter-American Development Bank and provides for U.S. membership in the African Development Bank.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, NSC, Bill Seidman, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 9721 at Tab B.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 27 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 9721 - Increased U.S. participation in the Inter-American Development Bank, and initial U. S. participation in the African Development Fund
Sponsor - Rep. Gonzalez (D) Texas

Last Day for Action

June 2, 1976 - Wednesday

Purpose

Provides for U.S. approval of, and subscriptions to, increases in the ordinary capital and Fund for Special Operations of the Inter-American Development Bank (IDB); provides for U.S. membership in the African Development Fund (AFDF) and authorizes appropriations for a U.S. subscription; and for other purposes.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Council on International Economic Policy	Approval
Department of Commerce	Approval
National Security Council	No objection
Export-Import Bank of the United States	No objection
Federal Reserve Board	No objection (Informally)
Department of Justice	Defers to other agencies
Department of Health, Education, and Welfare	Defers to other agencies

Discussion

The enrolled bill consolidates three Administration proposals pertaining to the IDB and AFDF and adds several congressional initiatives including an unrelated provision regarding swine fever.

Inter-American Development Bank - As requested, the enrolled bill:

-- authorizes the U.S. Governor to the IDB (the Secretary of the Treasury) to approve a $5,300 million increase in authorized IDB ordinary capital stock for loans to Latin American member countries at near commercial terms and a $1,045 million increase in the Bank's Fund for Special Operations (FSO) for loans on very concessional terms;

-- authorizes appropriations for a $1,650 million U.S. subscription to the ordinary capital increase, of which $120 million would be paid-in and the remainder would be in callable capital;

-- authorizes appropriations for a $600 million FSO contribution by the United States, all to be paid-in;

-- authorizes the U.S. Governor to approve membership in the Bank for industrialized countries outside the Western Hemisphere;

-- authorizes the U.S. Governor to approve membership in the Bank for the Bahamas and Guyana and to approve IDB loans to the Caribbean Development Bank for relending to some non-IDB members; and

-- removes an undesirable restriction from the 1975 FSO appropriation for the IDB which earmarked $50 million of the U.S. contribution only for loans to credit unions and cooperatives.

Provision has been made in the budget for annual installment payments on the ordinary capital contribution during 1976-79 and for FSO installments during 1977-79. The subscription increases will allow the IDB to increase annual lending from both funds during the period. Nevertheless, as a result of U.S. efforts during the IDB replenishment negotiations, U.S. total paid-in contributions will be lower than in the previous replenishment since other industrialized countries and the Latin American member nations will assume a greater share of the funding burden.

African Development Fund - In line with an Administration request, the bill authorizes the United States to participate in the AFDF, the concessional lending facility of the African Development Bank. The Congress increased the Administration's request for a $15 million AFDF contribution by the United States to $25 million and provided for payment in three annual installments of $9 million, $8 million, and $8 million. The budget provides for the $15 million originally requested and, in connection with Secretary Kissinger's African trip, you approved seeking appropriations for the additional $10 million in 1978.

Restrictive Provisions

The bill contains provisions requiring the executive directors representing the United States in the two banks to vote against loans to countries which engage in a consistent pattern of gross violations of human rights unless the loans will directly benefit needy people. It provides that the authorizing committees of the Congress (Foreign Relations in the Senate and International Relations and Banking, Currency and Housing in the House) may require written information from the Secretary of the Treasury demonstrating that a loan will help the needy. In determining the human rights practices of a country, the designated committees are required to consider the extent to which a country is cooperating in permitting an unimpeded investigation of alleged human rights violations by appropriate international organizations such as the International Committee of the Red Cross.

These provisions are almost identical to prohibitions on bilateral aid for human rights violators included in amendments to the development aid sections of the Foreign Assistance Act which you signed last December. For the AFDF and the IDB ordinary capital, they are somewhat less restrictive because the United States does not have sufficient voting power (based on the size of our contribution) to stop a loan. The United States does have veto power over FSO loans by the IDB, but these loans are intended basically to be directed at needy people.

The AFDF provisions also call for a negative vote on loans to countries which give refuge to hijackers, unless such loans will benefit the needy, and which permit uncompensated expropriation of U.S. private property, unless the President determines that steps are being taken to provide prompt, adequate and effective compensation. Provisions similar to this latter requirement are standard in most foreign aid legislation.

Swine Influenza

A sense of the Congress provision has been included in the bill calling for the President to furnish assistance to countries and international organizations for investigation and planning for the control of swine fever.

Conclusion

Enactment of the bill will demonstrate United States support for two important regional development institutions and be consistent with the United States position in the North/South dialogue. No agency commenting on the bill finds the congressionally added provisions unduly objectionable. While the human rights amendments discussed above contain some confusing language and are not desirable, we do not believe they are sufficiently objectionable to warrant disapproval of the bill. In this connection, Justice's letter on H.R. 9721 states the view that these provisions, which permit congressional oversight by the designated committees but do not authorize a committee veto of Executive Branch actions, do not raise constitutional questions.

Because of delays in congressional action on the IDB legislation, the United States faces a June 1, 1976, deadline for approval and subscription to the ordinary capital increase--a deadline set internationally several months ago.

The Treasury Department, therefore, urges that you sign this bill before June 1 to avoid our having to seek a special extension of that deadline.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

To: J. Cavanaugh
5-27-76
6:00 P.M.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 27 1976

MEMORANDUM FOR MR. LINDER

Subject: Presidential action on H.R. 9721

OMB's enrolled bill memorandum on H.R. 9721 -- U.S. participation in the Inter-American Development Bank and African Development Fund -- is attached.

Although the President's date is June 2, 1976, please note Treasury's concern, addressed in the last paragraph of our memorandum, that the President act on this bill before June 1.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 27 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 9721 - Increased U.S. participation in the Inter-American Development Bank, and initial U. S. participation in the African Development Fund
Sponsor - Rep. Gonzalez (D) Texas

Last Day for Action

June 2, 1976 - Wednesday

Purpose

Provides for U.S. approval of, and subscriptions to, increases in the ordinary capital and Fund for Special Operations of the Inter-American Development Bank (IDB); provides for U.S. membership in the African Development Fund (AFDF) and authorizes appropriations for a U.S. subscription; and for other purposes.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of State	Approval
Agency for International Development	Approval
Council on International Economic Policy	Approval
Department of Commerce	Approval
National Security Council	No objection
Export-Import Bank of the United States	No objection
Federal Reserve Board	No objection (Informally)
Department of Justice	Defers to other agencies
Department of Health, Education, and Welfare	Defers to other agencies

Discussion

The enrolled bill consolidates three Administration proposals pertaining to the IDB and AFDF and adds several congressional initiatives including an unrelated provision regarding swine fever.

Inter-American Development Bank - As requested, the enrolled bill:

- -- authorizes the U.S. Governor to the IDB (the Secretary of the Treasury) to approve a $5,300 million increase in authorized IDB ordinary capital stock for loans to Latin American member countries at near commercial terms and a $1,045 million increase in the Bank's Fund for Special Operations (FSO) for loans on very concessional terms;
- -- authorizes appropriations for a $1,650 million U.S. subscription to the ordinary capital increase, of which $120 million would be paid-in and the remainder would be in callable capital;
- -- authorizes appropriations for a $600 million FSO contribution by the United States, all to be paid-in;
- -- authorizes the U.S. Governor to approve membership in the Bank for industrialized countries outside the Western Hemisphere;
- -- authorizes the U.S. Governor to approve membership in the Bank for the Bahamas and Guyana and to approve IDB loans to the Caribbean Development Bank for relending to some non-IDB members; and
- -- removes an undesirable restriction from the 1975 FSO appropriation for the IDB which earmarked $50 million of the U.S. contribution only for loans to credit unions and cooperatives.

Provision has been made in the budget for annual installment payments on the ordinary capital contribution during 1976-79 and for FSO installments during 1977-79. The subscription increases will allow the IDB to increase annual lending from both funds during the period. Nevertheless, as a result of U.S. efforts during the IDB replenishment negotiations, U.S. total paid-in contributions will be lower than in the previous replenishment since other industrialized countries and the Latin American member nations will assume a greater share of the funding burden.

African Development Fund - In line with an Administration request, the bill authorizes the United States to participate in the AFDF, the concessional lending facility of the African Development Bank. The Congress increased the Administration's request for a $15 million AFDF contribution by the United States to $25 million and provided for payment in three annual installments of $9 million, $8 million, and $8 million. The budget provides for the $15 million originally requested and, in connection with Secretary Kissinger's African trip, you approved seeking appropriations for the additional $10 million in 1978.

Restrictive Provisions

The bill contains provisions requiring the executive directors representing the United States in the two banks to vote against loans to countries which engage in a consistent pattern of gross violations of human rights unless the loans will directly benefit needy people. It provides that the authorizing committees of the Congress (Foreign Relations in the Senate and International Relations and Banking, Currency and Housing in the House) may require written information from the Secretary of the Treasury demonstrating that a loan will help the needy. In determining the human rights practices of a country, the designated committees are required to consider the extent to which a country is cooperating in permitting an unimpeded investigation of alleged human rights violations by appropriate international organizations such as the International Committee of the Red Cross.

These provisions are almost identical to prohibitions on bilateral aid for human rights violators included in amendments to the development aid sections of the Foreign Assistance Act which you signed last December. For the AFDF and the IDB ordinary capital, they are somewhat less restrictive because the United States does not have sufficient voting power (based on the size of our contribution) to stop a loan. The United States does have veto power over FSO loans by the IDB, but these loans are intended basically to be directed at needy people.

The AFDF provisions also call for a negative vote on loans to countries which give refuge to hijackers, unless such loans will benefit the needy, and which permit uncompensated expropriation of U.S. private property, unless the President determines that steps are being taken to provide prompt, adequate and effective compensation. Provisions similar to this latter requirement are standard in most foreign aid legislation.

Swine Influenza

A sense of the Congress provision has been included in the bill calling for the President to furnish assistance to countries and international organizations for investigation and planning for the control of swine fever.

Conclusion

Enactment of the bill will demonstrate United States support for two important regional development institutions and be consistent with the United States position in the North/South dialogue. No agency commenting on the bill finds the congressionally added provisions unduly objectionable. While the human rights amendments discussed above contain some confusing language and are not desirable, we do not believe they are sufficiently objectionable to warrant disapproval of the bill. In this connection, Justice's letter on H.R. 9721 states the view that these provisions, which permit congressional oversight by the designated committees but do not authorize a committee veto of Executive Branch actions, do not raise constitutional questions.

Because of delays in congressional action on the IDB legislation, the United States faces a June 1, 1976, deadline for approval and subscription to the ordinary capital increase--a deadline set internationally several months ago.

The Treasury Department, therefore, urges that you sign this bill before June 1 to avoid our having to seek a special extension of that deadline.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures

THE WHITE HOUSE

WASHINGTON

ACTION MEMORANDUM

LOG NO.:

Date: May 28

Time: 900am

FOR ACTION: NSC/S
Max Friedersdorf
Ken Lazarus
Bill Seidman
Spencer Johnson

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: May 29

Time: noon

SUBJECT:

H.R. 9721 - Increased U.S. participation in the Inter-American Development Bank and initial U.S. participation in the African Development Fund

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 27 1976

MEMORANDUM FOR MR. LINDER

Subject: Presidential action on H.R. 9721

OMB's enrolled bill memorandum on H.R. 9721 -- U.S. participation in the Inter-American Development Bank and African Development Fund -- is attached.

Although the President's date is June 2, 1976, please note Treasury's concern, addressed in the last paragraph of our memorandum, that the President act on this bill before June 1.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

MAY 25 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 9721, "To provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes."

Title I of the enrolled enactment amends the Inter-American Development Bank Act to authorize the United States Governor to vote for increases in the authorized capital stock of the Bank and in the resources of the Fund for Special Operations. The U.S. Governor is also authorized to agree on behalf of the United States to subscribe to 136,777 additional shares of the capital stock of the Bank, amounting to $1,650 million, and to pay to the Fund for Special Operations the sum of $600,000,000.

Moreover, Title I authorizes the U.S. Governor to agree to resolutions relating to the creation of inter-regional capital, the admission of nonregional members, and an increase in the callable ordinary capital stock of the Bank. Finally, it authorizes the U.S. Governor to approve a proposal for the admission of the Bahamas and Guyana as members of the Bank and for lending to the Caribbean Development Bank.

Title II of the enrolled enactment authorizes the United States to join the African Development Fund and to contribute $25 million in three annual installments of $9 million, $8 million, and $8 million. Title III expresses the sense of the Congress that the President should furnish assistance to foreign countries and international organizations for the investigation and planning for the control of swine influenza.

The enrolled enactment contains provisions directing the Executive Director representing the United States in the Inter-American Development Bank and the African Development Fund to vote against extensions of financial assistance to any country which engages in a consistent pattern of gross violations of internationally recognized human rights, unless such assistance will directly benefit the needy people in such country. While this Department has reservations with regard to such provisions, it strongly supports the other provisions relating to the Inter-American Development Bank and the African Development Fund.

The Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

Richard R. Albrecht

DEPARTMENT OF STATE

Washington, D.C. 20520

MAY 27 1976

Dear Mr. Lynn:

The Department of State recommends that the President promptly sign the bill H.R. 9721, calling for United States participation in the replenishment of the resources of the Inter-American Development Bank (IDB) and an initial contribution to the African Development Fund (AFDF). The bill contains the full expenditure authorization sought by the Administration for the IDB. The Administration's initial request for the African Fund was for $15 million while the bill now authorizes a $25 million contribution over three years.

The Inter-American Development Bank is a main component of our Latin-American policy. It is a viable expression of hemispheric cooperation. The Bank's lending has now replaced United States bilateral aid as the largest source of development financing for Latin America. Under the Bank's replenishment program, larger and relatively more prosperous Latin nations are increasing substantially their share of the Bank's capital. Paralleling this development, ten European nations plus Japan and Israel will soon join the Bank and contribute $745 million. These developments will further spread the burden of the Bank's operation.

Our participation in the African Development Fund has been under consideration for years and the delay in our joining has become a source of embarrassment in our relations with some African states. They have seen our failure to back the Fund as an indication of our lack of interest in African development. American businessmen will remain ineligible to bid on projects financed by the Fund until the United States participates formally and makes an initial contribution. This legislation authorizes the United States to join the Fund

Honorable James T. Lynn,
Director, Office of
Management and Budget.

and make an initial contribution. The $25 million authorized by the bill is now an appropriate amount for an initial United States' contribution in light of expansion of the Fund which has taken place since the original Administration request was made to Congress in 1973.

Three amendments of note have been added by Congress. One proviso calls on the U.S. representative to each financial institution to vote against loans for countries engaged in gross violations of internationally recognized human rights. The bill, however, exempts from such provisions economic assistance which will directly benefit the needy people of an offending country. This provision is comparable to the human rights amendment included in this year's bilateral foreign assistance legislation. Although the implementation of such a constraint on the activities of multilateral institutions may cause some difficulties, we believe that the amendment cannot be deleted or significantly improved.

In the section dealing with constraints on the African Fund relating to human rights (Section 211a), Congress also has inserted a clause calling for the United States to vote against loans for those "providing refuge to individuals commiting acts of international terrorism, such as the hijacking of an aircraft, unless such assistance will directly benefit the needy people in such country." We sought unsuccessfully to have this provision deleted from earlier versions of the bill on the grounds that it is unlikely to deter terrorism and yet would require officials to make complex legal judgments as to whether the recipient of a prospective loan was guilty of terrorism. We believe that the waiver allowing the United States to support loans when "such assistance will directly benefit the needy people..." permits us sufficient flexibility to administer this portion of the legislation.

Another amendment calls on the Inter-American Development Bank to incorporate in its loan programs an expanded use of light capital or intermediate technology for developing countries. We fully endorse this initiative.

A third amendment calls on the United States' representative to the African Development Fund to vote against loans for the benefit of any country which has (1) expropriated American property, (2) repudiated contracts with American citizens or corporations, or

(3) enforced discriminatory taxes or otherwise restricted operations which have the effect of seizing ownership of property. Exemptions are allowed when the President determines that steps are being taken to provide prompt, adequate, and effective compensation. Although no waiver is authorized for other reasons, such as national interests, we believe the phrasing of the amendment is the best that can be obtained.

Finally, a "sense of Congress" resolution calls on the President to furnish aid to foreign countries and organizations leading to the control of swine influenza. We have no objection to this initiative.

Overall, this legislative package is comparable to the original Administration proposal, and the Department of State strongly recommends that the President sign the bill.

Sincerely yours,

Robert J McCloskey

Robert J. McCloskey
Assistant Secretary
for Congressional Relations

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

25 MAY 1976

Mr. James Frey
Assistant Director
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Re: H.R. 9721

Dear Mr. Frey:

I have received your request for an enrolled bill report on the subject legislation dealing inter alia with increased U.S. participation in the Inter-American Development Bank, and the authorization of participation by the U.S. in the African Development Fund. A.I.D. recommends that the President sign the bill into law.

A.I.D. has long supported an active U.S. role in all phases of the operations of the Inter-American Development Bank as a demonstration of U.S. concern for the developing nations of this hemisphere. The proposed increase in the capital stock at the Bank, the proposed increase in the Bank's callable capital, and increased resources for the Fund for Special Operations together with the authorizations of increased U.S. subscriptions are in accordance with our long standing development policies for Latin America. Our approval will also make possible the payment of contributions pledged by the other members of the Bank. I would note that A.I.D. is pleased with the inclusion of section 104 of the enrolled bill which calls attention to the importance of light-capital or intermediate technologies in the development strategy of the Bank. A.I.D., as you know, is already heavily involved in the intermediate technology field and looks forward to working closely with the IDB in this area.

Similarly, A.I.D.has strongly supported the creation of the African Development Fund in the hopes that it would play a vital and constructive role in the development of the African continent as has the Inter-American Development Bank in this hemisphere. The authorization of U.S. participation in the

Fund provided for in the enrolled bill will allow the U.S. to play an active role in assuring that this institution lives up to the expectations of both the developing and the developed nations with regard to its potential contribution to African development.

Finally, in the legislation on both the IDB and the African Development Fund, provisions have been included with regard to assistance to nations which engage in a consistent pattern of gross violations of internationally recognized human rights. A.I.D. is deeply concerned about the problem of human rights and development and, as you know, is implementing legislation similar to that contained in this bill with regard to our bilateral assistance programs. While we support the objectives of human rights provisions contained in H.R. 9721, we would note that the U.S. role in encouraging improved respect for human rights through regional institutions such as these may prove to be a more delicate one than is the case of our own bilateral program.

Sincerely yours,

Charles L. Gladson
General Counsel

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

May 25, 1976

MEMORANDUM FOR:

James M. Frey
Assistant Director for
Legislative Reverence
O M B

SUBJECT: Enrolled Bill Request
H.R. 9721

CIEP recommends Administration concurrence with H.R. 9721.

John C. Bennison

John C. Bennison
Acting General Counsel

GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

MAY 25 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 9721, an enrolled enactment

> "To provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of non-regional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes."

The principal purposes of H.R. 9721 are to authorize an increase in the United States subscription to the Inter-American Development Bank, to authorize U.S. participation in the African Development Fund, and to call upon the President to render assistance to foreign countries and international organizations for the investigation and planning for the control of swine influenza.

The Department of Commerce recommends approval by the President of H.R. 9721.

Enactment of this legislation would involve no increase in the budgetary requirements of the Department of Commerce.

Sincerely,

General Counsel

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

May 25, 1976

MEMORANDUM FOR: Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget

FROM: Jeanne W. Davis JWD
Staff Secretary

SUBJECT: Enrolled Bill H. R. 9721

The NSC Staff has reviewed the enrolled bill H. R. 9721 regarding authorizations for the Inter-American Development Bank and Africa Development Fund, and finds no objection to the President signing it. We believe, however, that the memo to the President should apprise him of the human rights provisions contained in this legislation.

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D.C. 20571

PRESIDENT
AND
CHAIRMAN

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

May 26, 1976

Dear Sirs:

In response to your request of May 24, 1976, I am pleased to inform you that the Export-Import Bank of the United States has no objection to signature by the President of enrolled bill H.R. 9721, "To provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes."

Sincerely yours,

Stephen M. DuBrul, Jr.

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Attention: James M. Frey
Assistant Director
for Legislative Reference

ASSISTANT ATTORNEY GENERAL
LEGISLATIVE AFFAIRS

Department of Justice
Washington, D.C. 20530

May 26, 1976

Honorable James T. Lynn
Director, Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of the Justice Department on H.R. 9721, an enrolled bill which, among other things, provides for increased participation by the United States in the Inter-American Development Bank and for the participation of the United States in the African Development Fund.

In general, the role of the United States in these two organizations is not a matter within the jurisdiction of the Department of Justice. We therefore defer to agencies more directly involved as to whether the President should sign this bill.

We have, however, reviewed sections 28 and 211, which are concerned with violations of human rights by recipients of assistance from these two bodies. The two provisions require United States representatives to vote against assistance to any country which engages in a consistent pattern of gross violations of human rights unless the assistance will directly benefit the needy people in such country.

In determining whether this standard is being met, designated congressional committees may require the U.S. representatives in the two bodies to submit in writing information demonstrating that the assistance will directly benefit those persons to which the assistance is supposed to be directed. In determining whether a country is a violator of human rights, the designated committees are directed to give consideration to the

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

MAY 26 1976

The Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 9721, an enrolled bill "To provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes."

Title III of the enrolled bill, the only portion of the bill of direct concern to this Department, states that "It is the sense of the Congress that the President should furnish assistance to foreign countries and international organizations for the investigation and planning for the control of swine influenza." We have no objection to this statement of Congressional concern with the possible world-wide significance of an influenza epidemic. Because this provision is only a minor provision of the enrolled bill, we defer to other agencies as to the merits of the enrolled bill as a whole.

Sincerely,

Marjorie Lynch

Under Secretary

extent of cooperation of the country in permitting an unimpeded investigation of alleged violations by appropriate international organizations.

As we read sections 28 and 211, the designated congressional committees have the right of oversight but not to approve or disapprove actions by U.S. representatives in a way that would be legally binding. If a committee had the power to veto individual actions, serious constitutional questions would, of course, be raised. See, _e.g._, 41 Op. A.G. 300, 308-09 (1957). Where Congress has attempted to exercise comparable powers, the purported rights of Congress or its committees have been spelled out in explicit terms. Compare the human rights provision in the Conference Report on the International Security Assistance and Arms Export Control Act of 1976, H. Rep. No. 94-1013, pp. 23-25 (vetoed May 7, 1976). The Senate Report on H.R. 9721 describes the human rights provisions as being similar to that in the Security Assistance bill. S. Rep. No. 94-673, p. 13. The language is quite different, however. In keeping with the general rule that legislation be construed so as to avoid constitutional issues, it is our opinion that sections 28 and 211 do not authorize a committee veto of executive branch actions. The President may wish to point this out in any statement he may make on the bill.

Sincerely,

Michael M. Uhlmann

Michael M. Uhlmann
Assistant Attorney General
Office of Legislative Affairs

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: May 28 Time: 900am

FOR ACTION: NSC/S
Max Friedersdorf
Ken Lazarus
Bill Seidman
Spencer Johnson

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: May 29 Time: noon

SUBJECT:

H.R. 9721 - Increased U.S. participation in the Inter-American Development Bank and initial U.S. participation in the African Development Fund

ACTION REQUESTED:

____ For Necessary Action ____ For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

x ____ For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection -- Ken Lazarus 5/28/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 28

Time: 900am

FOR ACTION: NSC/S
Max Friedersdorf W.J.
Ken Lazarus
Bill Seidman
Spencer Johnson

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: May 29

Time: noon

SUBJECT:

H.R. 9721 - Increased U.S. participation in the Inter-American Development Bank and initial U.S. participation in the African Development Fund

ACTION REQUESTED:

____ For Necessary Action

____ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

x For Your Comments

____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Approval

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
For the President

MAY 28 REC'D

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 28

Time: 900am

FOR ACTION: NSC/S
Max Friedersdorf
Ken Lazarus
Bill Seidman
Spencer Johnson

cc (for information): Jack Marsh
Jim Cavanaugh
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WS

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James M. Cannon
For the President

MEMORANDUM 3138

NATIONAL SECURITY COUNCIL

May 28, 1976

MEMORANDUM FOR: JAMES M. CANNON

FROM: Jeanne W. Davis

SUBJECT: H. R. 9721

The NSC Staff concurs in H. R. 9721 - Increased U.S. participation in the Inter-American Development Bank and initial U.S. participation in the African Development Fund.

94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94-541

INCREASED U.S. PARTICIPATION IN THE INTER-AMERICAN DEVELOPMENT BANK

OCTOBER 8, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REUSS, from the Committee on Banking, Currency and Housing, submitted the following

REPORT

together with

SUPPLEMENTAL VIEWS

[To accompany H.R. 9721]

The Committee on Banking, Currency, and Housing, to whom was referred the bill (H.R. 9721) to provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana, in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purposes of H.R. 9721 are to authorize $2.25 billion as the U.S. share of a replenishment of the funds of the Inter-American Development Bank (IDB), to authorize the U.S. Governor of the Bank to vote for the admission of new members in the Bank and for Bank lending to the Caribbean Development Bank, and to authorize $25 million as the U.S. contribution to the African Development Fund (AFDF).

H.R. 9721 specifically will:

(1) Authorize the U.S. Governor of the Bank to vote in favor of resolutions which provide for a $5,303 million increase in the authorized capital stock of the Bank and a $1,045 million increase in the resources of the Fund for Special Operations.

(2) Authorize for appropriation $1,650 million for the United States subscription to additional capital stock of the Bank, including $930 million for the United States subscription to inter-regional

57-006—75——1

callable capital stock of the Bank, $120 million for paid-in inter-regional capital, and $600 million for callable ordinary capital.

(3) Authorize for appropriation $600 million for the United States contribution to the Fund for Special Operations.

(4) Authorize the U.S. Governor of the Bank to vote in favor of resolutions which would admit nonregional countries—ten European plus Japan and Israel—to membership in the Bank and would amend the Agreement Establishing the Bank (the "Agreement) to provide for the creation of a new class of stock designated as Inter-Regional Capital Stock.

(5) Authorize the U.S. Governor of the Bank to vote for the amendments to the Agreement which provide for Bank membership for the Bahamas and Guyana.

(6) Authorize the U.S. Governor of the Bank to vote for the amendments to the Agreement to provide for Bank lending to the Caribbean Development Bank.

(7) Amend the Foreign Assistance and Related Programs Appropriations Act, 1975 to delete that portion of Title III, Investment in Inter-American Development Bank, which earmarks specific amounts of the appropriated U.S. contribution to the Fund for Special Operations.

(8) Authorize United States participation in the African Development Fund and authorize an appropriation of $25,000,000 to be paid in three annual installments of $9,000,000, $8,000,000 and $8,000,000 as the U.S. contribution to the African Development Fund.

The $2.25 billion IDB authorization in H.R. 9721 contains the following:

$600 million contribution to the Fund for Special Operations, to be provided in three equal installments of $200 million over the period fiscal year 1977–79.

Subscriptions to capital stock of $1,650 million, of which $1,200 million is to be subscribed in three equal installments of $40 million paid-in and $360 million callable in fiscal year 1976–78. An additional $450 million of callable capital is to be subscribed in fiscal year 1979. It should be noted that of the $1,650 million in capital subscriptions, $600 million will be in ordinary capital shares and $1,050 million in inter-regional capital shares (a new class of stock being created in conjunction with the admission of nonregional countries to Bank membership).

The $2,250 million authorization will require appropriations of $1,320 million but cash outlays of only $720 million. (It will not be necessary to appropriate $930 million out of the $2,250 million authorization in H.R. 9721, and of the amount to be appropriated, only a portion is paid-in in cash.) It should be recognized that this projected cash outlay will follow the actual disbursement requirements of the Bank, which, in effect, will spread the budgetary impact into several fiscal years beyond the replenishment period of fiscal year 1976 to fiscal year 1979. The ordinary capital subscription is all callable capital, while the inter-regional capital subscription consists of paid-in capital and callable capital as detailed above and in Table 1.

TABLE 1.—AUTHORIZATIONS AND APPROPRIATIONS FOR U.S. PARTICIPATION IN IDB REPLENISHMENT, 1976–79 AND U.S. PARTICIPATION IN AFRICAN DEVELOPMENT FUND. ($MILLIONS)

	Fiscal year 1976 authorizations	Fiscal year 1976 Appropriations	Fiscal year 1977 Appropriations only	Fiscal year 1978 appropriations only	Fiscal year 1979 appropriations only
Total IDB	2,250	240	440	440	200
Fund for special operations (FSO)	600	(1)	200	200	200
Capital shares	1,650	240	240	240	0
Ordinary (OC)	600	200	200	200	0
Paid-in	(0)	(0)	(0)	(0)	(0)
Callable	(600)	(200)	(200)	(200)	(0)
Interregional (IRC)	1,050	40	40	40	0
Paid-in	(120)	(40)	(40)	(40)	(0)
Callable	(930)	(0)	(0)	(0)	(0)
Total AFDF	25	25			
Bill total	2,275	265	440	440	200

[1] The administration is requesting $275,000,000 in fiscal year 1976 to complete committment under 1970 IDB replenishment.

TITLE I—INTER-AMERICAN DEVELOPMENT BANK

U.S. SUPPORT OF THE INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank since its establishment in 1959, has been a major component of our Latin American policy. The United States has continued to participate actively in the Bank because it represents the type of mutual cooperation which is the heart of our hemispheric system. U.S. membership in the Bank is a concrete expression of our strong commitment to the economic and social development of Latin America; participation in the current replenishment is essential to maintain this commitment.

During public hearings before the Subcommittee on International Development Institutions and Finance, the Secretary of the Treasury presented the basic reasons for U.S. support of the Inter-American Development Bank. The Committee feels that the following segment of is testimony is especially noteworthy:

> The IDB is a central institution of the Inter-American system, a framework for cooperation having considerable economic and political significance to the United States as well as to the other nations of the hemisphere. Despite diverse interests and differences in views deriving from different levels of development and cultural roots, the Americas have been remarkably free of conflicts and have had a truly unique history of cooperation in the management of intra-regional relationship. We have a vital interest in preserving this long and close association with the countries of Latin America and the Caribbean.
>
> Our economic interest in Latin America must be viewed at two levels. First are our obvious interests in trade, investment, and access to raw materials. The United States enjoys an aggregate trade surplus with Latin America. This surplus amounted to about $1 billion in 1974. The $15

billion in U.S. exports to the region accounted for about 15 percent of total U.S. exports in that year, while almost $14 billion, or 14 percent of all U.S. imports, came from Latin America.

Through its direct investments, the United States has an important economic stake in Latin America. Latest data on U.S. direct investment indicate that nearly 14 percent of total U.S. direct investment abroad, or about $15 billion, is in Latin America. This represents about 60 percent of total U.S. direct investments in the developing countries of the world.

Latin America is important as a source of supply for several commodities essential to the U.S. economy. Last year, for example, we obtained the following percentages of our mineral imports from the Latin America and Caribbean region: iron ore—34 percent; copper—48 percent; petroleum—24 percent; bauxite—47 percent. In addition to minerals, we obtain about 47 percent of our sugar imports, 82 percent of our bananas, 60 percent of our cocoa beans, and 40 percent of our coffee from Latin America.

The Latin American countries are also important to us in a perhaps less obvious but, in the long-run, more significant sense. The existing international economic order is being challenged by some Third World spokesmen. If the changes being advocated for the world economic order were widely adopted, they would impair the continuation of the open, free market orientation in the U.S. and other developed countries. Moreover, the proposed changes would reduce efficiency of resource use and thus reduce productivity in both developing and developed countries. Thus, the economic success of our Latin American neighbors and their allegiance to market-oriented economies and an open world trading system will, in an important way, affect prospects for our own free economy, as well as for world prosperity in general.

Assistant Secretary of State for Inter-American Affairs, William D. Rogers, speaking in behalf of the Secretary of State emphasized the importance of U.S. support for the Bank.

The Inter-American Development Bank, since its establishment in 1959, has been a principal component of our Latin American policy. It is a key symbol—and living expression—of continuing hemispheric cooperation for a better life for the peoples of the Americas. * * * Our willingness to continue our support for the IDB, on terms reflecting greater Latin American participation than ever before, is a test of the seriousness of our hemispheric foreign policy * * *. Our prompt adoption of this legislation will eliminate any uncertainty about where the United States stands in its commitment to help Latin America help itself.

The United States should and does give priority to the development challenge facing Latin America. Our historical, cultural, geographic and economic ties lead to an interdependence within the Hemisphere. Continuing and accelerating development in Latin America is vital evidence of the potential for cooperative and nonconfrontational policies between developed and developing countries worldwide.

Finally, it should be noted that the House of Representatives recently passed as a part of the International Development and Food Assistance Act of 1975, a provision (Section 310(1)) which expressed the sense of the Congress that the President should increase the commitment of the United States to multilateral lending institutions like the IDB. The Inter-American Development Bank is a leading multilateral lending institution, which has an outstanding record of helping to finance economic and social development.

Background on the Bank

The Inter-American Development Bank came into existence on December 30, 1959, began operations in the fall of 1960, and made its first loan in February 1961. Members of the Organization of American States, Canada, nonregional countries which are members of the IMF, and Switzerland, are presently eligible to become members of the IDB. Nineteen Latin American countries and the United States were Charter members. Trinidad and Tobago joined the Bank in 1967, Barbados and Jamaica in 1969, and Canada in 1972, bringing total present membership to 24 countries. Membership for the Bahamas, Guyana, Japan, Israel and ten European countries is provided for in H.R. 9721.

In its fifteen years of existence, the Bank has assumed an important and growing role in Latin American social and economic development, not only from the point of view of actual project financing, but also through technical assistance, and development planning and programming.

The Bank carries out its financing operations through two lending windows—ordinary capital and the Fund for Special Operations (FSO). The IDB also serves as administrator for the U.S. Social Progress Trust Fund, the recently established Venezuelan Trust Fund, and a number of special funds provided by Canada, several European countries, Argentina and the Vatican.

The ordinary capital, or "hard" loan window, provides development loans on conventional terms. It began operations with governmental subscriptions of paid-in capital but now obtains its funds largely from private financial markets by borrowing against callable capital. The current interest rate on ordinary capital loans is 8 percent, and the maturities range from 15 to 30 years depending on the nature of the project. At the end of 1974, the IDB subscribed capital totalled $5,965 million, of which the paid-in portion was $983 million and the callable portion $4,982 million. The U.S. share of the total was 40 percent.

The Fund for Special Operations was designed to offer concessional loans for economic and social development when lending on conventional terms is not appropriate. The FSO is used to finance projects that, while economically and socially important, are not likely to generate directly a stream of income sufficient to amortize an ordinary capital loan. FSO lending is concentrated in health, education, and rural water supply projects. FSO loans are made at interest rates ranging from 1 to 4 percent for periods of up to 40 years, including up to 10 years of grace. FSO loans are extended entirely from funds provided by members of the Bank, and to date total $3.5 billion.

The FSO was initially established with authorized resources of $146 million—$100 million from the United States and $46 million from the Latin American countries. By the end of 1974, funds provided to the FSO had totalled $3,900 million, of which the United States had provided $2,715 million or 69 percent. These amounts do not include the $325 million pledged by the United States to the replenishment initiated in 1970 but not yet provided to the Bank (i.e., $275 million remaining to be appropriated and $50 million appropriated but earmarked in fiscal year 1975).

In its 15-year operating history, the IDB has loaned a total of $7.4 billion for 822 projects in Latin America. Of this total, approximately $3.3 billion in loans were made from the Bank's ordinary capital resources and $3.5 billion from the FSO. The U.S. Social Progress Trust Fund provided $494 million and other miscellaneous resources $99 million. The IDB has been the leading source of official external capital for Latin America; the total amount loaned by the IDB through 1974 represents about 40 percent of the total development financing received by Latin America from the World Bank Group, the U.S. Agency for International Development, and IDB.

The Bank has tried to achieve a balance among loans for the directly productive, the economic infrastructure and the social infrastructure sectors. Table 2 shows the historical sectoral distribution of IDB loans.

TABLE 2.—IDB DISTRIBUTION OF LOANS

[Dollars in millions]

Sector	1961–74	Percent
Directly productive:		
Agriculture	$1,672	23
Industry and mining	1,080	15
Economic infrastructure:		
Electric power	1,570	21
Transportation and communication	1,311	17
Social infrastructure:		
Sanitation	752	10
Urban development	415	6
Education	306	4
Other:		
Preinvestment	133	2
Export financing	108	1
Tourism	69	1
Total	7,416	100

Since it was founded fifteen years ago, the IDB has developed into a well-run lending operation. In addition to project loans, the IDB makes technical cooperation loans and grants. Through 1974, the IDB had authorized $256 million for technical cooperation—$184 million as loans and $72 million on a grant basis.

The IDB aids the development effort in Latin America in numerous other ways. For example, the IDB also has a long-standing program for training technicians from its member countries. This program consists of courses in project evaluation and analysis, management, and loan administration. Special attention is given to the agricultural sector. From 1961 through 1974, the IDB directly trained over 6,200 Latin American technicians, both at its headquarters and in the field. Another 6,900 technicians received training through IDB collaboration with national, regional, and other international institutions.

The IDB is in the forefront in encouraging Latin American economic integration projects. With a view to increasing economic efficiency, the IDB has taken a leading role in promoting individual projects that benefit more than one member country. Examples include IDB loans for the Acaray hydro-electric project in Paraguay, which delivers part of its output to Argentina and Brazil; an integrated road project that serves several countries in Central America; and the Trans-Andean Highway between Argentina and Chile.

The net income on the ordinary capital operations of the IDB during 1974 was $55 million, raising total reserves to $308 million. These reserves assure holders of the Bank's obligations of their financial soundness and provide a substantial margin against potential calls on callable capital.

The net income of the Fund for Special Operations during 1974 was $38 million, raising the FSO General Reserve to $134 million. The reserve was established for possible future loan losses, and the net income of the FSO is automatically allocated each year to the reserve.

To date, the Bank has incurred defaults on loans to only two borrowers. In both cases, they were private borrowers who defaulted in 1966. The loans totalled $11 million, of which the Bank expects to recover all but $1.8 million.

The Need for New Resources

Without this replenishment the IDB will exhaust its ordinary capital commitment authority by the end of October 1975 and the convertible currency resources of the FSO by the end of 1976.

Latin America requires an expanded flow of external finance over the next several years to maintain its development momentum. The region still includes a sizable group of poor countries needing access to a substantial flow of concessional resources. Moreover, several major sectors of regional economic and social development are lagging far behind in some countries and need preferential attention.

On the basis of its operational experience, the Bank has concluded that a 7 percent annual rate of increase in real terms is a reasonable goal for the next several years. Within this goal, the Bank will continue to give concentrated attention to the needs of the less developed countries in the region, especially with FSO resources. Additionally, its more developed members will have increased access to ordinary capital resources.

Although the ordinary capital and FSO resources of the Bank are in need of replenishment, ordinary capital resources are in particularly short supply. The ordinary capital lending program for 1975, although only 3 percent larger than the actual level of lending in 1974 requires new capital if it is not to run out of commitment authority by the end of October, 1975, since only modest amounts become available from repayments.

As for FSO requirements, the $275 million requested by the Administration for fiscal year 1976 to complete the last replenishment would provide for carryover of only $365 million at the end of 1975. This alone would not suffice to maintain lending in 1976 at the contemplated 1975 level of $410 million, but will permit lending to go forward in an orderly fashion in anticipation of additional funds that should become available in the latter part of 1976. Thus, the first $200 million in the proposed U.S. contribution to the FSO replenishment will be needed in fiscal year 1977.

IDB Borrowing

As of December 31, 1974, the Inter-American Development Bank had used its borrowing authority under callable capital to borrow a total of $1,346.7 million, and it has expanded the market for its bonds in capital markets worldwide. As a result, only 31 percent, or $421.4 million of the total, was borrowed in the United States. Borrowings in 14 nonmember countries (principally in Europe) accounted for $811 million of the total, and borrowings in Latin America the remaining $114.3 million. Ordinary capital borrowing authority available at the end of 1974 was $700 million, or U.S. callable capital subscriptions less outstanding debt. After 15 years of operations, the Bank enjoys a reputation as a well-managed and sound financial institution; consequently its bonds carry the highest ratings. The Bank has never defaulted on any of its borrowings.

Implementation of nonregional membership will involve the creation of inter-regional capital stock in order that callable capital subscriptions in non-U.S. dollar convertible currencies not be wasted owing to restrictions in the covenants of outstanding ordinary capital bonds. These covenants limit IDB borrowing against callable subscriptions to the amount of U.S. callable capital available on demand (i.e., appropriated by the United States Congress). The Bank will be able to borrow against all of the inter-regional callable capital, but borrowing on ordinary callable capital will remain limited to the U.S. portion. This legislation, therefore, will increase substantially the borrowing capability of the Bank.

The IDB Replenishment

The proposed IDB replenishment[1] provides for an increase of $5,303 million in the authorized capital stock of the Bank, and $1,045 million for the Fund for Special Operations for a total replenishment of $6,348 million. Of the $6,348 million, $203 million are unassigned subscriptions. Table 3 summarizes the proposed replenishment based on actual subscriptions of $6,145 million (i.e., the total less unsubscribed). The proposed replenishment by country is shown in Table 4.

The U.S. share of the capital increase will amount to $1,650 million of which $1,200 million is to be subscribed in three equal installments of $40 million paid-in and $360 million callable in fiscal year 1976, 1977, and 1978. An additional $450 million of callable capital is to be subscribed in fiscal year 1979. The distinction between ordinary capital and inter-regional capital is discussed below. U.S. contributions to the FSO will total $600 million to be provided in three equal annual installments over the period fiscal year 1977–79.

[1] The term "replenishment" is used throughout this report to refer to the increase in IDB resources excluding the nonregional subscriptions.

TABLE 3.—SUMMARY OF PROPOSED IDB REPLENISHMENT, 1976–79

[In millions of U.S. dollars]

	Amount	Percent
By source	[1] 6,145	100.0
United States	2,250	36.6
Latin America	3,588	58.4
Canada	307	5.0
By window	6,145	100.0
Ordinary/interregional capital	5,100	83.0
Paid-in	(332)	
Callable	(4,768)	
Fund for special operations	1,045	17.0
Ordinary/interregional capital	[1] 5,100	100.0
United States	1,650	32.4
(Paid-in)	(120)	
(Callable)	(1,530)	
Latin America	3,193	62.6
(Paid-in)	(192)	
(Callable)	(3,001)	
Canada	257	5.0
(Paid-in)	(20)	
(Callable)	(237)	
Fund for special operations	1,045	100.0
United States	600	57.4
Latin America	395	37.8
Canada	50	4.8

[1] In addition to authorized and subscribed shares, the replenishment resolutions will create unassigned shares equivalent to $203,000,000. Thus, total capital shares will be $5,303,000,000 and the replenishment grand total will be $6,348,000,000.

TABLE 4.—PROPOSED IDB REPLENISHMENT FOR 1976–79, BY CURRENT MEMBER COUNTRY

[In millions of U.S. dollars]

	Ordinary/interregional capital		Fund for special operations	
	Amount	Percent	Amount	Percent
Argentina	694.6	13.6	82.8	7.92
Barbados	8.3	.2	.3	.03
Bolivia	55.8	1.1	6.6	.63
Brazil	694.6	13.6	82.8	7.92
Canada	256.7	5.0	50.0	4.78
Chile	190.8	3.7	22.7	2.17
Colombia	190.6	3.7	22.7	2.17
Costa Rica	27.9	.6	3.3	.32
Dominican Republic	37.2	.7	4.4	.42
Ecuador	37.2	.7	4.4	.42
El Salvador	27.9	.6	3.3	.32
Guatemala	37.2	.7	4.4	.42
Haiti	27.9	.6	3.3	.32
Honduras	27.9	.6	3.3	.32
Jamaica	37.2	.7	4.4	.42
Mexico	446.5	8.8	53.2	5.09
Nicaragua	27.9	.6	3.3	.32
Panama	27.9	.6	3.3	.32
Paraguay	27.9	.6	3.3	.32
Peru	93.2	1.8	11.1	1.06
Trinidad and Tobago	27.9	.6	3.3	.32
United States	1,650.0	32.4	600.0	57.40
Uruguay	74.5	1.5	8.9	.85
Venezuela	372.1	7.3	60.0	5.74
Total	5,099.5	100.0	1,045.3	100.00

The U.S. share of the total replenishment will be 37 percent, compared with the 52 percent U.S. share in the last replenishment initiated in 1970. The composition of U.S. participation will be 73 percent capital stock and 27 percent FSO, compared to 45 percent and 55 percent, respectively, in 1970.

U.S. actual cash outlays over a 4-year period will amount to $720 million ($120 million paid-in inter-regional capital and $600 million FSO). This cash outlay represents 32 percent of our total participation, a reduction from the $1,150 million, or 64 percent, in the last replenishment in 1970.

From inception through 1974, the United States had pledged 76 percent of total FSO funds. As a result of the proposed replenishment, the cumulative U.S. share will be reduced to 68 percent. Through 1974, the total cumulative U.S. share of capital subscriptions was 40 percent. The proposed replenishment will reduce this cumulative share to 37 percent.

Of the proposed total United States subscription of $1,650 million, the Administration proposes subscribing to $1,050 million of inter-regional capital: $600 million in fiscal years 1976–78 (with $120 million paid-in and $480 million callable) and an additional $450 million, all callable, in fiscal year 1979. Since the covenants limiting borrowing to the amount of U.S. callable capital available on demand will not apply to inter-regional capital, the Committee has been informed by the Administration that it does not propose to seek appropriation of the $930 million proposed for callable subscriptions to inter-regional capital. They will seek appropriation of the contributions to the callable ordinary capital and paid-in capital subscriptions as well as to the FSO.

Hence, of the proposed U.S. share of the replenishment of $2,250 million, the Administration would seek appropriations of $1,320 million (59 percent of the total). The remainder of $930 million is the inter-regional callable capital.

Of the total ordinary capital replenishment over the period 1976–79, the Latin American and Caribbean members will subscribe $3,193 million, of which $192 million will be paid-in and $3,001 million in the form of callable capital. Canada will subscribe $20 million in paid-in capital and $237 million in callable.

Of total contributions to the FSO, Latin American member countries will make available $395 million. This will account for about 38 percent of the replenishment of the FSO, compared to 33 percent in the 1970 replenishment.

Burdensharing Within the Hemisphere

As part of the replenishment of IDB funds, Latin American countries will be taking major steps toward burdensharing within the Hemisphere. Several of the larger, wealthier countries have agreed to refrain from borrowing from the soft-loan Fund for Special Operations during the replenishment period. They have also agreed to make all or part of their contributions to the FSO fully convertible.

Brazil and Mexico are prepared to guarantee the convertibility of 25 percent of their FSO contributions and Venezuela and Trinidad and Tobago will make 100 percent of their FSO contributions convertible. Argentina is also considering making convertible 25 percent

of its contributions to the FSO. In addition, Venezuela is expected to make convertible approximately another $100 million of local currency already held by the Bank. It is not expected that Venezuela will continue to be a borrower.

This shift toward effective donor status by the Latin American countries able to do so was one of the principal U.S. objectives in negotiations on the replenishment with the other members of the Bank. This shift makes the Bank a more truly inter-American organization as the Latin American countries themselves become larger donors of funds which will finance the development of the poorer countries of the Hemisphere.

In recognition of this increased burdensharing, the Administration in the replenishment negotiations agreed to consider an additional $450 million of callable capital shares in fiscal year 1979. This proposal also reflects the U.S. policy of shifting the emphasis of U.S. participation from the FSO to capital share subscriptions.

This shift in composition of U.S. participation in the IDB is the key to reduction of annual U.S. budgetary outlays. As discussed above, the capital subscription will result in only $120 million of budgetary outlays. The remaining U.S. capital subscription of $1,530 million will be callable only, and will include callable inter-regional capital subscriptions of $930 million ($480 million in fiscal years 1976–78 and the entire U.S. subscription of $400 million in fiscal year 1979) for which the Administration would not seek appropriation.

Admission of Nonregional Members

U.S. participation in the proposed replenishment will parallel the actions by 12 nonregional countries to become members of the Bank. The prospective nonregional members are Japan and Israel plus ten European countries: Germany, Italy, Spain, the United Kindgom, Austria, Belgium, Denmark, The Netherlands, Switzerland and Yugoslavia. To accommodate the addition to the Bank's capital and membership, a number of amendments to the Bank's Articles of Agreement must be approved by the present members. The legislation required for U.S. approval is contained in Section 103(a)(1) of Title I of H.R. 9721.

Through December 31, 1975, the Bank mobilized in excess of one billion dollars in loans from nonregional countries as part of a program to attract and make available nonregional resources for economic and social development in Latin America. These resources were raised principally through bond issues in nonregional countries, although substantial sums came from trust funds, participation in loans and parallel and independent financing arrangements.

Nonregional country membership in the Bank has been a United States Executive and Congressional objective for some time since it increases the involvement of nations outside the Western Hemisphere in financing development in Latin America, and will facilitate the IDB's access to their capital markets as well as making available for IDB resources the direct contributions of the new members. The proposed entry into the Bank of the 12 nonregional countries will culminate 5 years of efforts begun in April, 1970.

Your Committee feels that nonregional membership in the IDB is in the interests of the United States because it will contribute to strengthening multilateral cooperation in a development finance institution in an area of immense economic and political importance to the United States. The nonregional membership proposal provides for nonregional voting power of up to 8 percent but assures the United States of no less than 34.5 percent and the Latin American members of no less than 53.5 percent. Thus, nonregional membership will constitute meaningful burdensharing without adversely affecting the regional character of the IDB or the important role of the United States.

For the purpose of bringing the nonregional countries into the Bank, this legislation authorizes the U.S. Governor to agree to three Resolutions of the Board of Governors of the IDB which (1) amend the Agreement Establishing the Bank with respect to the creation of inter-regional capital and other related matters; (2) establish general rules to govern the admission of nonregional members to the Bank; and (3) permit an increase in the ordinary callable capital stock of the Bank.

As a condition of entry into the Bank, the 12 new nonregional members are expected to contribute to the Bank $745 million over the 3-year period (1976–78). This represents 10.1 percent of the total new resources available to the IDB during the period 1975–79, as shown in Table 5.

The $745 million total will be divided equally between the Bank's hard loan and soft loan windows, providing approximately $373 million to subscribed capital and another $373 million to the FSO. The subscriptions to capital shares would consist of $61.5 million in paid-in capital and the remainder in callable capital. The paid-in portion is 16.5 percent of the total. As a result of their proposed subscriptions, the nonregional members will have voting power of 3.8 percent (after the replenishment and admission of nonregional countries members).

The cash contributions of the nonregional countries will total $434 million ($61.5 million in paid-in capital and $372.7 million in contributions to the FSO).

The Bank hopes that additional nonregional countries will apply for membership in the future. There will be $134 million in unassigned capital shares available for subscription by other nonregional countries or later subscriptions by those which are currently joining the Bank. The additional subscriptions will be paralleled by equal contributions to the FSO.

The nonregional members' capital subscriptions will increase the IDB's current capital stock by 6 percent, and their contributions to the FSO will increase the Bank's concessionary resources by 9 percent.

As in the case of existing regional members, each nonregional member will be entitled to one Governor and one Alternate Governor to represent it at meetings and vote on all matters considered by the Board of Governors. The voting power of each Governor will be determined by the capital shares represented by his country's paid-in and callable subscriptions. The nonregional members as a group will have the right to elect two Executive Directors and two Alternates to serve on the Board of Executive Directors. The voting power of the individual directors will consist of the sum of the voting power of the several nonregional members which he represents.

Of the 12 countries which have expressed an interest in joining the Bank, the largest contributors are Germany, Italy, Japan, Spain, and the United Kingdom. Each of these five countries will provide from

16 to 18 percent of the nonregional group's total contributions to the FSO. The proposed subscriptions to the IDB by the nonregional group are shown in Table 6.

TABLE 5.—COMPARATIVE SHARES OF NEW RESOURCES AVAILABLE TO IDB

[Dollar amounts in millions of U.S. dollars]

	1970–74		1975–79	
	Amount	Percent	Amount	Percent
Replenishment	$3,500		$6,145	
United States	1,824	48.0	2,250	30.4
Latin America	1,676	44.0	3,588	48.5
Canada			307	4.2
Membership	303			
Canada	303	8.0		
Nonregional[1]			745	10.1
Venezuelan trust fund			500	6.8
Total	3,803	100.0	7,390	100.0

TABLE 6.—PROPOSED SUBSCRIPTIONS TO THE IDB BY NONREGIONAL COUNTRIES[1]

[Expressed in thousands of current U.S. dollars]

Country	Interregional ordinary capital stock[2]			Contributions to fund for special operations
	Paid-in amount	Callable amount	Total amount	
Austria	832	4,223	5,055	5,055
Belgium	2,063	10,435	12,498	12,498
Denmark	893	4,499	5,392	5,392
Germany	10,411	52,681	63,092	63,092
Israel	821	4,173	4,994	4,994
Italy	10,157	51,439	61,596	61,596
Japan	11,340	57,385	68,725	68,725
Netherlands	1,544	7,817	9,361	9,361
Spain	10,157	51,439	61,596	61,596
Switzerland	2,268	11,484	13,752	13,752
United Kingdom	10,157	51,439	61,596	61,596
Yugoslavia	832	4,223	5,055	5,055
Total	61,475	311,237	372,712	372,712

[1] These subscriptions and contributions are subject to parliamentary approvals and the IDB expects to receive them by the end of calendar 1976.

[2] One share equals 10,000 U.S. dollars of 1959, which is presently equivalent to 12,063.48287 current U.S. dollars.

Creation of Inter-Regional Capital Stock

The most important change in the Bank required by the entry of the nonregional countries is the creation of a new series of capital stock to be designated as inter-regional capital stock. This new stock will be created as a means of avoiding certain limitations attached to ordinary capital borrowings which would reduce the utility of the new members' subscriptions.

In the past, the Bank has included covenants in its bond issues which restrict the amount of borrowings backed by its callable ordinary capital resources to the callable capital of the United States available on demand. The existence of this covenant means that contributions to the callable capital of the Bank from countries other than the United States cannot presently serve the purpose of supporting additional borrowings. The presence of the covenant enabled the Bank bonds to be highly rated at the inception of the Bank's borrowing program. Resources were therefore obtained in the international market place at the lowest prevailing rate and under favorable terms and conditions. However, after 15 years of successful operational experience the Bank has earned such an excellent reputation in the world financial community that beginning in 1975, it was no longer necessary to include the covenants in IDB bonds in order to secure the high rating originally provided by the U.S.-government guarantee. Nevertheless, since such covenants were included in previous bond issues—some of which will not mature until 1995—the holders of these bonds could enjoin the Bank from borrowing for its ordinary capital resources in excess of the U.S. callable capital subscription until all these bonds have been retired or redeemed.

The newly created inter-regional capital of the Bank will not be subject to such limitations thereby allowing the Bank to issue bonds backed by the callable capital of countries other than the United States. When there are no more outstanding bonds subject to the ordinary capital covenant, it will be possible to merge the ordinary capital and the inter-regional capital into a single series of capital stock.

While the inter-regional and ordinary capital will be kept entirely separate for legal and accounting purposes, the Bank will continue to have a unified capital structure for purposes of computing voting power and preemptive rights.

Any member country will have the option of subscribing in whole or in part to either ordinary capital or inter-regional capital. For the 1976–78 period, one-half of the U.S. subscription will be made to inter-regional capital. In the same period, Canada and Venezuela will make 100 percent of their subscriptions to inter-regional capital, as will the nonregional countries.

A United States subscription to inter-regional capital is important to encourage other regional countries (e.g., Canada and Venezuela) to do the same, and thereby permit the Bank to borrow additional funds against their capital. It was considered most beneficial if the United States made a portion of its replenishment subscription to callable ordinary capital and thereby increased the proportion that its subscription to paid-in inter-regional capital bore to its total subscription to such capital.

Under the proposed replenishment, ten percent of a country's capital subscription (to inter-regional and/or ordinary capital) is to be made to paid-in capital and ninety percent to callable capital. If the United States were to subscribe wholly to inter-regional capital, its subscription to paid-in inter-regional capital would amount to ten percent of its total subscription to such capital. Because of its subscription to callable ordinary capital shares, the United States will be able to make 20 percent of its inter-regional capital subscription to paid-in capital. This increases in the paid-in portion to 20 percent will assist in strengthening this new series of capital stock. It will also maintain a parallel situation with the proportion of paid-in inter-regional capital (16.5 percent) to which the new nonregional members will be subscribing.

Effect on U.S. Voting Power

The effect of the nonregional membership and the proposed replenishment will be to reduce U.S. voting power from the present 40 percent to slightly less than 35 percent. This voting power will preserve the veto of the United States in the Fund for Special Operations since decisions on such operations must be approved by a two-thirds majority. (Ordinary capital loans are approved by a simple majority). In addition, one of the proposed amendments to the IDB charter provides that the United States will have not less than a 34.5 percent voting share in the Bank as long as it desires such a share. The amendments also provide that the voting power of the regional developing countries may not drop below 53.5 percent and Canada below 4 percent. As a result of these amendments, the nonregional members may have up to 8 percent of the voting power.

The above voting ratios are preserved through the mechanism of preemptive rights, which apply to the total capital stock of the Bank, both ordinary and inter-regional. The relevant proportion with respect to any capital increase is the proportion that a member's capital stock theretofore subscribed bears to the total capital stock of the Bank.

Membership for the Bahamas and Guyana

H.R. 9721 will authorize the U.S. Governor of the Bank to agree to amendments to the Agreement Establishing the Bank to provide for membership for the Bahamas and Guyana in the Bank. Guyana and the Bahamas applied for membership in the Bank in 1973. Guyana gained its independence in the mid-1960's and the Bahamas in 1973, but since these two countries are not members of the Organization of American States (OAS), their admission to membership in the Bank requires an amendment to the Bank's Charter.

Guyana is precluded from OAS membership by Article 8 of the OAS Charter which rules out the admission of countries which are subjects of territorial claims by member states. An unresolved border dispute with Venezuela has resulted in Guyana being the subject of such a claim. Venezuela has not opposed Guyana's membership in the Bank.

The Bahamas has chosen not to seek membership in the OAS at this time. Given its limited size and resources, the Bahamas apparently has decided that the direct benefits of OAS membership would not be commensurate with the administrative costs of maintaining separate representation in the OAS.

The United States Government is interested in the economic development and political stability of the Bahamas and Guyana and believes that they should be accorded the same treatment in the Inter-American Development Bank as other Latin American countries.

IDB Lending to the Caribbean Development Bank

The bill would authorize the U.S. Governor of the Bank to agree to amendments to the Agreement Establishing the Bank to provide for lending to the Caribbean Development Bank (CDB). The Bank will lend ordinary capital and FSO funds to the CDB for the purpose of relending to CDB member countries whether or not they are also members of the Inter-American Development Bank. Presently, in accordance with its Charter, the IDB can only lend, directly or indirectly, to countries which are members of the IDB. The IDB has made loans to other subregional organizations such as the Central American Bank for Economic Integration, but in these cases the end recipients of the loans have been IDB members.

The CDB, in the opinion of the Committee, is a well-run development institution. It was established in 1970 and provides develop assistance to the less developed countries of the Caribbean, most of which have a per capita GNP below $300.00.

The United States is not a member of the CDB but has loaned it funds through the Agency for International Development. Venezuela, Columbia, Canada and the United Kingdom are donor members of the CDB. Borrower members of the CDB include: Barbados, Guyana, Jamaica, Trinidad and Tobago, Antigua, Belize, Dominica, Grenada, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, Montserrat, British Virgin Islands, Cayman Islands and the Turks and Caicos Islands.

IDB lending to the CDB will be an efficient means of channelling assistance to a numbe of small countries in the hemisphere without having to expand IDB membership to include a large number of new mini-countries. Given its special expertise and knowledge of the needs of its area, the CDB is a logical vehicle for helping to finance the development of the Caribbean region. The Committee feels that IDB lending to the CDB is in the interests of the United States as it will improve economic conditions in the smallest and poorest countries of the neighboring regions, the Caribbean.

EARMARKING OF CONTRIBUTIONS TO THE IDB

Earlier this year, the Foreign Assistance and Related Programs Appropriation Act for fiscal year 1975 (Public Law 94–11) earmarked $50 million of the $225 million appropriated for Inter-American Development Bank soft loans to "increase the productive capacity" and "provide basic housing to rural and urban citizens at the most economically disadvantaged level." The rationale for this earmarking is as follows:

> This effort to direct a portion of the Bank's soft loan resources (of which the United States has supplied 66.3 percent) through cooperatives operating at the grass roots was necessary to overcome the Bank's almost exclusive preference for lending through governmental entities.

This earmarking provision was not contained in th House-passed foreign aid bill, but was accepted by the House conferees and contained in the conference reported bill to the House. In the opinion of the majority of the Members of your Committee, a point of order would have prevailed against this provision contained in the conference reported bill, based on the proposition contained in the House Rules that this conference bill was in fact legislating in an appropriations bill and therefore violated the House Rules. Other considerations mitigated against raising a point of order at that time. Members of this Committee were fully aware of the fact that the earmarking of funds for this institution flew in the face of the charter creating the Inter-American Development Bank and legally could not be accepted by the institution. Unfortunately, this has turned out to be the case precisely.

In a letter from the President of the Inter-American Development Bank, the Honorable Antonio Ortiz Mena, to the Secretary of the Treasury, the Honorable William E. Simon, dated April 23, 1975, President Ortiz Mena stated:

> Any unilateral mandate by an individual member with respect to the use of funds would flow both against the letter and the spirit of the Bank's charter and even though there might be very worthwhile circumstances, it would open the door for all members to similarly lay down terms governing the use of their respective contributions and subscriptions. The intrusion of such mandates into the decisions of the Board of Directors would, in my opinion, do irreparable harm to the international cooperative character of this or any similar institution. If any one member can determine that its resources be utilized for only one purpose, then another member may, for example, require that the resources it contributed be utilized only in certain countries and not in other countries. The possibility of restrictions of this kind is limitless. Any decision to dedicate resources for a particular purpose should be determined in a multilateral manner in accordance with the decisionmaking process provided in the Bank's charter, so that all members contribute with the same understanding. In any event, dedication of funds for a specific purpose in advance of project presentations presents serious handicaps for a financial institution.

It is for this precise reason that your Committee seeks to remove the earmarking provision contained in the Foreign Assistance and Related Programs Appropriation Act. It appears to the Committee to be less than fully responsive to our participation in the IDB to authorize and appropriate funds on the one hand, and on the other hand to place such restrictions on the use of those funds as to make the funds unacceptable to the IDB.

More specifically, the representations made that the IDB has been oblivious to the needs of low- and moderate-income people by not providing funds to cooperatives and cooperative-type endeavors is not the case. It has been stated that out of a total of $3.7 billion contributed by all member nations to the IDB's funds for such operations, only $2 million has gone to credit unions and savings and loan associations. Without arguing whether savings and loans are cooperatives, but speaking to the basic point of whether or not cooperatives and cooperative-type institutions have been helped by the Bank, the following is the actual fact:

In 1972, the Bank made $1.9 million in loans to agricultural, fishing, industrial and other types of cooperatives;

In 1973, $46.6 million in loans was made to these types of institutions;

In 1974, $78.1 million in loans was made to these types of institutions;

In 1975, from January to date, $28.7 million has been approved for these types of institutions, and around $100 million additional is under consideration for the remainder of the year to cooperatives, credit unions, and similar type organizations.

Many Members of your Committee completely share the sentiments expressed that the Bank should devote as much funds as possible for direct assistance to low- and moderate-income people. We agree that in large part this can best be done through lending directly and indirectly to cooperatives, both agricultural and urban, to credit unions, etc. But the proper approach to carry out these objectives is through our United States Governor and Executive Director to the Bank through their voting rights on the IDB Board, and not through the earmarking provision contained in the Foreign Assistance and Related Programs Appropriation Act.

The above constitutes the background and justification for your Committee's action in this instance.

Cuba

Cuba is not a member of the Inter-American Development Bank. Under the IDB Charter, Cuba, as a regional country, would only be eligible for membership in the IDB if it is a member of the Organization of American States (OAS). Although the legal situation is not absolutely clear, it is highly unlikely that Cuba would qualify for IDB membership since Cuba is presently excluded from participation in the Inter-American System, including the OAS.

The background is as follows: Cuba was excluded from participation in the Inter-American System by Resolution at the 1962 meeting of Foreign Ministers under the Rio Treaty. It can only become a participating member in the System if ⅔ of the States which are parties to the Rio Treaty vote in favor of a Resolution to that effect.

Even if Cuba were to become eligible for membership in the IDB, it would not be admitted automatically. Under the Bank's Charter, Cuba would only be admitted in accordance with such terms and conditions as the Bank's Board of Governors by majority vote would determine. In this connection, several factors are relevant which would be given serious consideration by the Board.

Cuba is already a member of the International Investment Bank, a Communist bloc regional development institution, and the question would be raised of the appropriateness of Cuba's belonging to more than one regional bank. The IDB Board of Governors would also have to be satisfied that Cuba would fulfill all its obligations under the Bank's Charter and would comply with all the conditions necessary before receiving loans. These would include full rights for firms of all member countries, including the United States, to bid on projects and send the necessary technicians to Cuba.

Finally, it should be pointed out that the United States will have between 35 and 40 percent of the voting power in the Bank. If the question of Cuban IDB membership were to arise, the Administration would consult with the Congress, including your Committee.

The Caribbean Development Bank (CDB) makes loans only to its members. Since Cuba is not a member, it could not borrow from the CDB.

As a country in the Caribbean region, Cuba would be eligible for membership in the Bank. Admission would not be automatic—Cuba

would be admitted on such terms and conditions as the CDB would determine by vote of not less than two-thirds of the total number of Governors representing not less than three-fourths of the total voting power.

Cuba is not pursuing membership in the CDB. Even if Cuba applied for admission to the Bank, it is very doubtful, in spite of Cuba's economic situation, that it would be admitted as anything but a donor member. In October 1971, the Board of Governors of the CDB decided that as a general rule non-funding regional members could not borrow from the Bank for five years after their admission. After that period, they could borrow from the ordinary capital of the Bank only up to the amount of their paid-in capital. Columbia and Venezuela were admitted to the Bank on those terms.

Agricultural and Rural Lending

Agriculture has received more Bank lending support than any other sector. Twenty-three per cent of the Bank's total volume of $7.4 billion in loans, or $1.7 billion, has gone into agriculture. The Bank's agricultural loans are helping to improve production and marketing by expanding irrigation works, rural electrification, farm-to-market roads and storage facilities and by providing farmers with machinery and equipment, fertilizer, seeds and breeding livestock. Some loans are financing land clearance, settlement, housing and sanitation projects and other rural services. Others are helping to improve education and research in the agricultural sciences.

The IDB has provided funds to the leading agricultural research centers such as the International Center of Tropical Agriculture in Colombia and the International Maize and Wheat Improvement Center in Mexico. The IDB was instrumental in the formation in April 1975 of the Group for International Cooperation in Agricultural Development and Food Production in Latin America.

Many operations in other fields have directly benefited agriculture. For example, loans for hydroelectric plants have made possible flood control or irrigation on large tracts. Loans in industrial development have helped foster the manufacture of farm machinery, fertilizer and other agricultural inputs. The IDB estimates that about 40 percent of the Bank's total lending has a direct or indirect impact on agriculture.

The IDB has been a leader in lending for integrated rural development where organizational and logistical problems are especially difficult, such as in rural health services, education, small farmer credits, and feeder roads. Rural water supply is also a good example of a sector in which the IDB has played a pioneering role. Over the past five years, IDB-financed projects provided potable water for the first time to an estimated additional 10 million people in nearly every Latin American country. Even with this effort, only 25 percent of Latin America's rural population has access to potable water and much remains to be done to raise the living standards of the rural poor.

Expropriation Disputes in Latin America

The Administration has advised the Committee that at this time there are no outstanding disputes which would require the United States to vote negatively on Bank loans to Latin America. It is presently unclear whether Marcona Mining Company will be compensated for the recent expropriation of its investment in Peru, and the Administration is following closely developments in that situation as well as a few others.

Legislative History of United States Participation in the Inter-American Development Bank

The United States participated actively and constructively in the founding of the IDB in 1959. Since then, the United States has supported the IDB and reaffirmed its commitment to help finance Latin American economic and social development through periodic contributions to replenishment of the Bank's resources. At the same time, increased contributions from the Latin American members and a new member, Canada, have permitted the U.S. contributions to decline as a share of the Bank's total resources. Moreover, the Bank's increasing ability to borrow funds in private capital markets, has permitted the United States to reduce its paid-in subscriptions and thus the absolute U.S. budgetary outlay in support of the Bank.

Through June 30, 1975, the United States had contributed a total of $3,040 million to the Fund for Special Operations and had subscribed to $2,409 million in capital (of which $362 million had been paid-in). Tables 7 and 8 show the history of the IDB legislation.

TABLE 7.—U.S. PARTICIPATION IN ORDINARY CAPITAL, CHRONOLOGY OF AUTHORIZATIONS AND APPROPRIATIONS [1]

[Dollar amounts in millions]

	Public Law	Amount	Date
I. Authorizations:			
Original paid-in capital	86–147	$150.0	Aug. 7, 1959.
Original callable capital	86–147	200.0	Do.
Increase callable capital	88–259	411.8	Jan. 22, 1964.
Increase callable capital	90–325	411.8	June 4, 1968.
Increase in paid-in capital	91–599	150.0	Dec. 30, 1970.
Increase in callable capital	91–599	673.5	Do.
Total		[2] 1,997.1	
II. Appropriations:			
1. Original paid-in capital:			
1st payment	86–213	30.0	Sept. 1, 1959.
2d payment	87–329	60.0	Sept. 30, 1961.
3d payment	87–872	60.0	Oct. 23, 1962.
2. 1st increase paid-in capital	92–18	25.0	May 25, 1971.
2d payment	92–242	75.0	Mar. 8, 1972.
3d payment	92–571	25.0	Oct. 26, 1972.
4th payment	93–240	25.0	Jan. 2, 1974.
Total		300.0	
3. Original callable capital	86–213	200.0	Sept. 1, 1959.
4. 1st increase callable capital:			
1st installment	88–634	205.9	Oct. 7, 1964.
2d installment	89–273	205.9	Oct. 20, 1965.
5. 2d increase callable capital:			
1st installment	90–581	205.9	Oct. 17, 1968.
2d installment	91–305	205.9	July 6, 1970.
6. 3d increase callable capital:			
1st installment	92–18	200.0	May 25, 1971.
2d installment	92–242	136.8	Mar. 8, 1972.
3d installment	92–571	168.4	Oct. 26, 1972.
4th installment	93–240	168.4	Jan. 2, 1974.
Total callable capital		1,697.2	
Total ordinary capital		[2] 1,997.2	

[1] MOV legislation is not included.
[2] Difference is attributable to rounding error.

TABLE 8.—U.S. PARTICIPATION IN FUND FOR SPECIAL OPERATIONS CHRONOLOGY OF AUTHORIZATIONS AND APPROPRIATIONS [1]

[Dollar amounts in millions]

	Public Law	Amount	Date enacted
Authorizations:			
Original contribution	86–147	$100	Aug. 7, 1959.
1st increase	88–259	50	Jan. 22, 1964.
Expanded FSO	89–6	750	Mar. 24, 1965.
2d increase	90–88	900	Sept. 22, 1967.
3d increase	91–599	100	Dec. 30, 1970.
4th increase	92–246	900	Mar. 10, 1972.
Total		2,800	
Appropriations:			
1. Original contribution:			
1st payment	86–213	50	Sept. 1, 1959.
2d payment	87–329	50	Sept. 30, 1961.
2. 1st increase	88–258	50	Jan. 6, 1964.
3. Expanded:			
1st payment	89–16	250	Apr. 30, 1965.
2d payment	89–273	250	Oct. 20, 1965.
3d payment	89–691	250	Oct. 15, 1966.
Subtotal		750	
4. 1967 expansion:			
1st payment	90–249	300	Jan. 2, 1968.
2d payment	90–581	300	Oct. 17, 1968.
3d payment	91–194	300	Feb. 9, 1970.
Subtotal		900	
5. 1970 expansion:			
1st payment	92–18	50	May 25, 1971.
2d payment	92–571	225	Oct. 26, 1972.
3d payment	93–240	225	Jan. 2, 1974.
4th payment	94–11	225	Mar. 26, 1975.
Subtotal		725	
Total		2,525	

[1] MOV legislation is not included.

Conclusion

The Committee believes that the United States should continue to contribute to the Inter-American Development Bank. The Bank is a well-run development institution making a major contribution to the growth and development of an area of key importance to the United States.

The Committee has long believed that the foreign development assistance efforts of the United States should emphasize multilateral development banks. These banks provide an effective and cooperative international approach to the economic development of the Third World.

In the opinion of the Committee, the bill provides a well balanced package of regional burdensharing, new nonregional contributions and a U.S. contribution that relies more on callable capital and less on direct cash outlays.

TITLE II—AFRICAN DEVELOPMENT FUND

Introduction

The African Development Fund and Bank face an extremely challenging task because Africa is the world's least developed continent. Over half of the 25 poorest, least developed countries in the world are in Africa; 13 of the world's 18 land-locked developing countries are African; and 22 of 33 of the United Nations' "most seriously affected" (MSA) countries are African, (Cameroon, Central African Republic, Chad, Dahomey, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Malagasy Republic, Mali Mauritania, Niger, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, and Upper Volta). The MSA countries are those judged to be so poor and so short of food that crop failures and the high prices of grain, fertilizer and petroleum threaten them with bankruptcy and their people with starvation.

In the past few years, severe drought in the Sahelian zone as well as in the East African countries of Ethiopia, Somalia, Kenya and Tanzania has had a particularly devastating impact. Since the late sixties, prolonged drought conditions have affected approximately 23 million people in Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta in the Sahel region of Africa. An estimated 8.4 million people have experienced hunger, malnutrition and disease, as well as loss of livestock, crops, dwellings, and means of livelihood. As many as 100,000 persons are estimated to have died of starvation or related causes in these countries. Some seven million cattle have perished at an estimated loss of over $288 million. Crop losses have been in excess of $183 million. Losses in foreign exchange earnings are not known. While the spotlight has been on the magnitude of human suffering, the effect on the economies of the Sahelian countries has been so devastating it is likely to hold back development in many areas of the region for some time to come.

According to the Bank, in 22 of 41 African nations, food production is failing to keep pace with the population growth. Africa has sufficient land to feed its people but needs additional irrigation, fertilizer, technical assistance and other input.

Millions of acres of arable land have either remained unused because they are physically inaccessible due to the lack of roads, irrigation and other infrastructure, or else are underexploited due to the prevalance of disease such as onchocerciasis and trypanosomiasis.

There is also a need for increasing agricultural credit services to farmers if they are to expand output and adopt new technologies. The Bank estimates that only about 5 percent of African farmers currently receive institutional credit, compared to 15 percent each in Asia and Latin America.

About 75 percent of the African population is engaged in subsistence agriculture, and in half of the countries per capita income is less than $100 per year.

Africa has some of the highest population growth rates in the world. The average annual rate of population growth in Africa during the period 1970–75 was 2.66 percent, compared with 2.64 percent in South Asia, 1.63 percent in East Asia, 2.73 percent in Latin America and 0.99 percent in North America.

Health care facilities in Africa are among the worst in the world. According to the World Bank, the life expectancy at birth for 1965–70 in Africa was 43.3 years, compared with 52.2 years in East Asia, 48.8 years in South Asia, 60.2 years in Latin America and 70.4 years in the developed countries. In some African countries the life expectancy is astonishingly low, e.g., 34 years in Cameroon, 33 years in the Central African Republic and 29 years in Chad. Vast regions of Africa are

afflicted with debilitating diseases such as river blindness and schistosomiasis. In sub-Sahara Africa, about 270 million people remain exposed to malarial infection without any organized protection. In some areas, the malarial infection rate is 90 to 95 percent.

Importance of Africa to the United States

In his state of the World address to Congress on April 10, 1975, President Ford expressed the desire of the United States to develop closer relations with the nations of Africa. U.S. interests in Africa are both political and economic.

From a political standpoint, it is recognized that because of their numbers, the independent countries of Africa play an important role in the United Nations and hold a key position in the councils of the less developed and nonaligned countries on policy issues of direct concern to the United States.

Africa has a growing economic significance for the United States as well. Total U.S. exports to all of Africa rose from just over $2 billion in 1973 to a little under $4 billion in 1974. As a result, Africa's share of U.S. world exports grew from 3 percent in 1973 to 4 percent in 1974. Under the Articles of the Fund, procurement of goods and services for projects financed by the Fund is limited to members only. Until the United States joins the Fund, we will be unable to compete for this potentially substantial source of export earnings.

During the 10-year period from 1964 to 1974, U.S. investment in Africa increased from approximately $0.8 billion to $4.5 billion, and Africa's share in U.S. direct investment abroad increased from 2 to 5 percent, excluding South Africa.

The long-term trade and investment figures show a clear trend toward greatly increased interest by American business in African countries, both as suppliers and as purchasers of goods and services.

Any consideration of Africa must take into account the substantial resources found there. Africa possesses approximately: 96 percent of the world's diamonds; 60 percent of its gold, 45 percent of its chrome; 42 percent of its cobalt; 34 percent of its bauxite; 23 percent of the known reserves of uranium ore; and 17 percent of the copper.

Investment and trade in minerals and petroleum account for the largest share of U.S. economic activity in Africa. Three-quarters of U.S. direct investment in Africa is in these areas. In 1974, African petroleum alone accounted for 26 percent of total U.S. imports of crude oil. Last year the U.S. obtained the following percentages of its mineral imports from Africa: cobalt—52 percent; manganese—41 percent; antimony—36 percent; platinum—35 percent; and industrial diamonds—almost 100 percent by origin. In addition to minerals, the United States obtains 30 percent of our coffee and 37 percent of our cocoa from Africa exporters.

This growth in our trade and investment relations with Africa has also involved a significant shift in geographic emphasis. Until the nineteen sixties, when the majority of black African nations achieved independence, the American economic stake in the Republic of South Africa was almost as important as our economic involvement in the rest of Africa combined. However, when Angola becomes independent this year, 73 percent of direct American investment in Africa south of the Sahara and over three-fourths of our trade with that area will be with independent black African countries. Thus, our interest in those countries belonging to the African Development Bank has grown substantially.

The African Development Fund

In 1966, in recognition of these problems and in an effort to increase the involvement of non-African industrial nations in Africa's development efforts, the African Development Bank undertook discussions with developed countries on establishing a concessional facility associated with the Bank. After 6 years of negotiations, and with U.S. assistance in drafting the charter, the African Development Fund (AFDF) was inaugurated in July 1973. The present members of the Fund are Canada, Brazil, Japan, 12 European donors and the Bank, itself, representing all of its member countries. The European members are: Belgium, Denmark, Germany, Finland, Italy, The Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, and Yugoslavia.

The Fund is legally separate from the Bank and managed by its own Board of Directors, six of whom are chosen by the Bank and six by the donor countries. A 75 percent weighted vote is required for all operational decisions.

The Fund uses the Bank's staff and draws upon its expertise, as do the concessional funds of the other international development lending institutions. All loans bear a three-fourths of 1 percent service charge, with a 50-year maturity including a 10-year grace period. The Fund directs its loan resources toward social development projects. Although all members of the AFDB are theoretically eligible for concessional loans, in practice, only the poorest receive them.

Fund Resources

Since the Fund's establishment, donor nations have pledged about $135 million in concessional loan resources and the Bank has contributed another $7 million. The U.S. contribution of $25 million for the African Development Fund provided for in H.R. 9721—which represents about 15 percent of the contributions so far pledged by members—will bring the level of total subscriptions to about $167 million. The U.S. contribution will be equal to that of Canada. Japan and Germany each have pledged $167 million. Contributions by prospective members, Argentina and Saudi Arabia, would result in a U.S. share of about 14 percent.

The AFDB recognizes the importance of concessional lending in a region as poor as Africa and is continuing to seek additional resources for the Fund through the enlistment of new members, the increase in donor subscriptions, and bilateral loans and grants. Replenishment of the Fund's capital resources for the 1976–78 period was discussed in Geneva in June 1975. New resources of over $300 million are expected from these discussions. The Bank management is also continuing efforts to involve additional donors more intimately in its operations through concessional loans to the Bank and membership in the African Development Fund.

Table 9 shows the breakdown of donors and their subscriptions.

TABLE 9.—AFRICAN DEVELOPMENT FUND STATEMENT OF CONTRIBUTIONS

[In millions of dollars] [1]

	Subscriptions	Percent share actual members	Percent share actual and prospective members
Actual members as of May 31, 1975:			
AFDB	7.3	5.141	4.071
Belgium	3.3	2.324	1.840
Brazil	3.3	2.324	1.840
Canada	25.0	17.606	13.943
Denmark	7.8	5.493	4.350
Germany	16.7	11.761	9.314
Finland	2.2	1.549	1.227
Italy	11.1	7.817	6.191
Japan	16.7	11.761	9.314
Netherlands	6.6	4.648	3.680
Norway	8.4	5.915	4.685
Spain	3.3	2.324	1.840
Sweden	10.0	7.042	5.577
Switzerland	6.9	4.859	3.648
United Kingdom	10.2	7.183	5.689
Yugoslavia	3.3	2.324	1.840
Subtotal	142.0	100.000	
Prospective members:			
Argentina	2.2		1.227
Saudi Arabia	10.0		5.577
United States	25.0		13.943
Subtotal	37.2		
Grand total	179.2		100.000

[1] Converted at UA1=$1.11. Totals may not add due to rounding.

AFDF Lending

During its first year of operations in 1974, the Fund made 17 loans totalling $47 million to finance development projects and feasibility studies in thirteen countries, predominantly in the area of agriculture. Seven of these loans, for $19 million, were for long-term development projects such as village wells, roads, earthen dams, and irrigation in the drought-affected countries of the Sahel. The largest borrowers from the Fund are Lesotho ($5.6 million), Mauritania ($9 million) and Rwanda ($5.1 million) which together account for 42 percent of the Fund's total lending in 1974, its first year of operation.

The Fund staff has laid out an ambitious lending program for the next 3 years, and plans to double the amount of its loans during 1975. Agriculture and transportation will be given particular attention and the most needy borrowers will be given priority. (See Table 10 for more detail on the Fund lending programs by country and sector).

Both the AFDF and the AFDB use their resources to provide financing for projects and programs which promote the economic and social development of their members. The primary distinction between the lending criteria for the Bank and the Fund is that the Fund directs its lending to those countries whose economic situation and prospects require development financing to be on highly concessional terms.

The Bank lends to the wealthiest as well as to the poorest of its members. The average per capita income of the countries it has lent to is $237. The Fund, however, restricts its lending to the poorest African nations. The 13 countries it lent to in 1974 had an average per capita income of $123. Nine of them, which are classified by the United

Nations as among the "most seriously affected", received 78 percent of the Fund's resources last year. These same countries are scheduled to receive 23 of the 30 loans planned for 1975.

The Bank and the Fund also differ somewhat in the types of projects they finance. The Bank has concentrated its lending primarily in the areas of public utilities and transportation, although it has also extended lines of credit to local development banks and financed some agricultural projects. Over half of the Fund's lending in 1974, its first year in full operation, was for agricultural projects. A few loans were made for transportation and public utilities. Unlike the Bank, the Fund has not financed any industrial projects nor extended financing to local development institutions. The Fund also uses its resources to finance studies and projects in the health field, an area in which the Bank does not lend.

TABLE 10.—AFRICAN DEVELOPMENT FUND—LOANS BY COUNTRY AND SECTOR 1974

[In millions of dollars] [1]

Country	Sector	Amount
Burundi	Water supply	2.2
Chad	Agriculture	4.4
Dahomey	Transport	.2
Gambia	Agriculture	2.2
Lesotho	do	5.6
Mali	do	4.4
Do	Transport	.4
Mauritania	Water supply	4.0
Do	Agriculture	.2
Do	do	4.8
Rwanda	do	4.7
Do	Transport	.4
Senegal	do	4.4
Somalia	do	3.3
Sudan	do	4.4
Swaziland	Agriculture	.3
Upper Volta	Transport	.4
Total		46.6

[1] Converted at UA1=$1.11. Totals may not add due to rounding.

Source: AFDF 1974 annual report.

The African Development Bank

The Bank was established on September 10, 1964, to assist in the economic and social development of the newly independent African nations and to promote economic cooperation among them. The Bank's headquarters are in Abidjan, Ivory Coast, and it has 41 member countries, all African.[1]

The Bank's authorized capital was initially $302 million. The authorized share capital of the Bank has been increased in each of the last two years and now totals $484 million. Half of this is to be paid in and half is to be callable. As of December 31, 1974, the paid-in capital of the Bank amounted to $225 million—all from African countries and all in convertible currencies. (See Table 11). The Bank also has about $13 million of borrowed resources from Canada, Sweden, and Austria and is continuing its efforts to borrow at favorable terms from nonmembers. The Bank plans to begin placing two-year bonds on the markets of member countries this July and is also seeking to obtain long-term loans from financially stronger members.

[1] Algeria, Botswana, Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Egypt, Ethiopia, Gabon, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Libya, Malawi, Mali, Mauritania, Mauritius, Morocco, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Upper Volta, Zaire, Zambia, Guinea Bissau, Equatorial Guinea.

The Bank's lending activities, which totaled only $31 million for the 4-year period 1967–70, reached $43 million in 1973 and $89 million in 1974. Through December 31, 1974, the Bank had authorized $214 million for Ordinary Capital loans for 80 projects in 32 member countries, mainly in the public utilities and transportation sectors.

The sectoral distribution of AFDB loans from inception through 1974 was as follows: transportation, 37 percent; public utilities (i.e., electric power, water supply and communications), 32 percent; industry and financial institutions, 19 percent; and agriculture, 12 percent.

The Bank gives priority to specific projects or groups of projects involving two or more member countries which demonstrate clear efforts towards self-help, the mobilization of local resources and the promotion of trade among members. The Bank also makes loans to development institutions which relend to medium and small businessmen and farmers. Since 1972, all its loans have been made at 6 percent per annum plus a 1 percent fee, and with maturities normally ranging from 5 to 20 years plus a grace period of 3 to 6½ years.

The Bank has made considerable effort to secure resources from both African and Arab oil producing countries. The four OPEC members of the Bank—Algeria, Gabon, Libya and Nigeria—have increased their subscriptions to the Ordinary Capital of the Bank. These four countries accounted for 32 percent of total subscribed capital of the Bank in 1972 and 39 percent in 1974. In 1973 and 1974 the Bank increased its ordinary capital stock by $170 million. Of the $148 million paid in by 28 member states, 51 percent or $76 million was accounted for by the OPEC members. While contributing almost 40 percent of the Bank's subscribed capital, these four countries received only 13 percent of its loans. In fact, Libya has never borrowed from the Bank and Nigeria has declared itself ineligible to receive any AFDF concessional assistance. Some member countries have turned to the Bank to administer development contributions which are apart from their regular subscriptions to the Bank. For example, Algeria turned over its $20 million of the Arab Oil Fund for Africa to be administered by the Bank. All of these funds were disbursed by March 1975, for concessional loans to pay for oil imports.

Recognizing that its resources are limited and that it needs to improve the technical skills of its staff, the Bank has made considerable effort to increase its effectiveness and that of the Fund through cooperation with international organizations and bilateral agencies. Fourteen of the Bank's 85 professionals have attended the Economic Development Institute of the World Bank which trains officials in the techniques of project development and appraisal. The United Nations Development Program, the World Health Organization and the Food and Agriculture Organization have worked closely with the Bank staff in preparation of programs in health and agriculture. The Bank has also received cooperation through externally provided funding and personnel for technical assistance. To date the Bank has received $16 million in technical aid to improve and speed up the appraisal of potential projects. This past February there were sixteen technical experts working with the Bank from various bilateral and international organizations.

TABLE 11.—AFRICAN DEVELOPMENT BANK

SUBSCRIPTIONS TO ORDINARY CAPITAL AND LOANS RECEIVED AS OF DEC. 31, 1974

[Dollar amounts in millions][1]

Country	Subscribed capital	Paid-in due[2]	Paid-in received	Amount of loans received	Number of loans received
Algeria	$47.4	$17.9	$17.9	$10.2	3
Botswana	1.2	.1	.1	2.7	1
Burundi	2.9	.7	.7	4.8	1
Cameroon	7.3	3.3	3.3	3.6	1
Central African Republic[4]	1.2	.5	.4	1.2	1
Chad[3]	1.9	.7	.4	0	0
Congo Brazza	4.2	1.0	1.0	7.9	3
Dahomey	1.7	.9	.9	2.3	2
Ethiopia[3]	12.5	6.3	4.4	0	0
Egypt[3]	36.3	18.2	1.2	6.1	1
Gabon	6.1	.9	.9	4.8	1
Gambia[3]	1.2	(4)	(4)	0	0
Ghana	15.5	7.7	7.7	7.6	2
Guinea[3]	4.0	1.7	1.5	8.1	2
Ivory Coast	11.5	4.4	4.4	4.5	2
Kenya	11.5	4.2	4.2	11.5	4
Leosotho	1.3	(4)	(4)	0	0
Liberia	4.4	1.8	1.8	5.8	4
Libya[3]	60.5	20.6	18.2	0	0
Malawi	3.1	1.3	1.3	6.2	3
Mali	2.8	1.5	1.5	.7	1
Mauritania	2.1	.7	.7	1.1	1
Mauritius	3.6	(4)	(4)	0	0
Morocco	22.5	9.9	9.9	16.7	4
Niger	1.9	1.0	1.0	1.7	1
Nigeria	60.5	22.4	22.4	11.7	3
Rwanda	1.5	.7	.7	0	0
Senegal	6.7	3.4	2.8	31.4	3
Sierra Leone[3]	3.8	1.5	1.5	8.2	4
Somali	3.3	1.5	1.5	3.0	2
Sudan	15.3	6.2	6.2	12.8	4
Swaziland	2.9	.5	.5	3.6	2
Tanzania	11.5	4.9	4.9	9.9	3
Tongo[3]	2.4	.7	.6	5.1	2
Tunisia	8.3	4.2	4.2	9.1	4
Uganda	6.8	2.8	2.8	11.0	4
Upper Volta	1.6	.9	.9	4.8	2
Zaire	36.3	9.1	9.1	7.0	2
Zambia	19.4	8.1	8.1	8.1	3
Total	449.1	171.6	149.0	204.7	76
Multinational projects				9.1	4
Grand total				213.8	80

[1] Converted at UA1=$1.21. Totals may not add due to rounding.
[2] Half the subscribed capital ($225,000,000) is to be paid in and half is callable. Of the paid in, $172,000,000 was due as of Dec. 31, 1974.
[3] In arrears. Arrearages amounted to $23,000,000.
[4] Less than $100,000.

Note: Guinea Bissau joined in May 1975 and Equatorial Guinea joined in June 1975 as the 40th and 41st members.

Source: AFDB 1974 annual report.

Why Join Another Lending Institution

Why should the United States join another international financial institution since the United States is already a member of the World Bank and IDA? Your committee believes that our past experience with the Asian and Inter-American Development Bank demonstrates that a smaller institution with a predominance of local citizens can do a better job of meeting certain requirements than the much larger, worldwide organization. The African countries concur in this belief, since the regional institution gives them more control over the course of their own development. Moreover, the work of the AFDF and that of the World Bank in Africa are complementary. The World Bank concentrates on larger, more complex projects

utilizing expertise gained from worldwide operations. The AFDF focuses on small-scale, basic infrastructure projects and calls upon the first-hand knowledge and African experience of its staff to meet problems unique to Africa.

Because of their responsiveness to the particular conditions in their regions, the United States believes that regional banks have a special role in the development process. We are not alone in supporting development banks as an important element of foreign assistance. The regional banks are strongly supported by most of the other Western aid donor countries. Of the fourteen OECD countries which are the largest contributors of development assistance, only France, Australia and the United States do not contribute to the AFDF.

Voting Provision of the Fund Agreement

The two decisionmaking bodies of the African Development Fund are its Board of Governors and Board of Directors. All the powers of the Fund are vested in the Board of Governors which, except for certain specified powers, can be delegated to the Board of Directors. The Board of Governors is responsibile for admitting new members to the Fund, amending the Articles of Agreement, authorizing increases in subscriptions, and other major policy decisions. The Board of Directors, on the other hand, is responsible for the direction of the general operations of the Fund, including making decisions on individual loans.

According to the Agreement Establishing the African Development Fund, the Governors of the Bank also serve as Governors of the Fund. In addition the nonregional donor countries are each entitled to appoint a Governor in the Fund. The Bank, as a group, and the donor countries, as a group, each have 50 percent of the voting power. The voting power of each Governor of the Fund who is also a Governor of the Bank is proportionate to his share of the Bank's votes. The voting power of each governor appointed by a donor country is proportionate to that country's share of the subscriptions of the donor countries.

The Board of Directors of the Fund is composed of twelve directors, six from the donor countries and six from the Board of Directors of the Bank. The directors designated by the Bank have 50 percent of the voting power and the directors selected by the donor countries have 50 percent of the voting power. Each of the six directors from the Bank controls one-sixth of the votes allotted to them as a group.

Each of the six directors representing donor countries may represent several donors, constituting a constituency. The vote controlled by such a director is based on the total votes of the countries represented in the constituency. If there is a disagreement within the constituency on an issue, the director can split the vote accordingly.

All operational matters before the Board of Governors or the Board of Directors must be decided by a 75 percent majority of the total voting power of the participants.

Because of the 75 percent majority vote provision on operational matters, any country or group of countries controlling more than 25 percent of the voting power would be able to block action on a decision. At present, no single donor country has anywhere near 25 percent of the total voting power. Canada, which has the largest subscription, only has 9.3 percent, while Japan and Germany each control 6.2 percent of the vote. However, it is possible that if the four largest donor countries formed a voting block they would have a veto power over decisions. For example, Canada, Japan and Germany and Italy, the four largest subscribers, together control 25.8 percent of the vote, which would be sufficient to veto any operational decision.

Likewise, if the Bank directors chose to vote as a block, they would have an effective veto over Fund operational decisions (including loans) because the Bank controls 50 percent of the voting power in the Fund. The 75 percent voting provision ensures that neither the Bank as a single entity, nor the donor countries as a group, will be able to impose its will in the Fund.

U.S. Representation on the Board of Directors

In contrast with its representation in the other developing lending institutions, the United States will probably have to share a Director with one or more donor countries in the Fund. When the United States joins the Fund, it will designate a director then representing one or more donor countries to represent it and cast its votes. In this manner, the United States will be assured that its vote will be fully exercised even if it is not represented by a U.S. citizen. The Administration has not yet negotiated with any of the present Fund members as to which constituency the United States would join.

The next election of the Board of Directors will take place in the Spring of 1976, at the third annual meeting of the Fund. At that time, the United States may be able to secure a directorship through negotiating with other donor countries for one of the six directorships allotted to the donors. For example, the United States may join with several other countries to form a constituency with an American as the Director of the group. At present, five of the six Directors represent other countries as well as their own. Japan has a sole directorship although it has only 12 percent of the voting power—the minimum necessary under present procedures for the selection of a sole director—of the donor countries.

To be absolutely assured of obtaining one of six directorships allocated to the donor countries in the next election, the United States would have to hold at least ⅙ or 16.6 percent of the voting power of the donor countries. Because the membership of the Fund and the size of the total subscriptions of the donor countries will be increasing between now and the next election, we cannot accurately determine the size of the U.S. subscriptions necessary to maintain a ⅙ share of the donor countries' voting power.

Expropriation Policy

Section 210 of Title II contains an expropriation policy for U.S. participation in the African Development Fund, as do the public laws authorizing U.S. membership in the International Development Association, the Asian Development Bank and the Inter-American Development Bank.

Section 210 provides that the U.S. Governor of the AFDF will have the Executive Director representing the United States in the AFDF cast our votes against any loan to a country which has nationalized or otherwise expropriated the property owned by a U.S. citizen, unless the President determines that (A) an arrangement for prompt, adequate, and effective compensation has been made, (B) the parties have submitted the dispute to arbitration under the rules of the Convention for the Settlement of Investment Disputes, or (C) good faith negotiations are in progress. This is the same language contained in the other development bank legislation except that in the case of AFDF the United States will not initially have its own director and therefore must exercise this expropriation section through a director shared with other member countries.

This section reflects the view of the Committee that legislation on U.S. participation in multilateral development lending institutions should provide for our casting negative votes against loans to countries which expropriate U.S. owned property.

This section conforms with well established Congressional policy on U.S. participation in the development lending institutions. The Committee notes that there have been a number of expropriations in Africa, and that a number of disputes remain unresolved. As of January 1, 1975, there were 24 unsettled cases involving expropriation or nationalization of properties owned by U.S. firms in Africa. Eight of these expropriations occurred in 1974. The countries involved are Central African Republic, Congo (Brazzaville), Dahomey, Libya, Somalia, Sudan, Tanzania, Uganda and Zaire. Dahomey, Somalia and Sudan received loans from AFDF in 1974.

The Committee understands that the U.S. Government has in the past used its good offices in negotiating settlements in expropriation cases and that results have been good. Nevertheless, in view of our uniform policy on expropriation elsewhere, the Committee feels that such policy should also apply to our participation in the African Development Fund.

Conclusion

Your Committee believes that the United States should participate in the African Development Fund. The cost of participation is comparatively small and the U.S. percentage share is modest. Yet the potential benefits to the United States are significant—a strengthened economic presence in an area of growing importance to the United States and demonstration of our concern for the development and prosperity of the region.

Your Committee believes that participation in the Fund is consistent with our national interest in building cooperative economic relations and will be viewed by the Africans as a clear indication of our good will and our interest in their growth and prosperity.

Committee Consideration

The Subcommittee on International Development Institutions and Finance held hearings on bills providing for increased participation in the Inter-American Development Bank and participation in the African Development Fund on July 15 and July 29, 1975. Witnesses testifying before the Subcommittee included the Secretary of the Treasury, Assistant Secretaries of Treasury and State and other representatives from those departments. The Subcommittee also heard testimony of Members of Congress. The Subcommittee held a markup session on September 23, 1975, and unanimously reported H.R. 9721 to the Committee. The Committee favorably reported H.R. 9721 on October 2, 1975 by a vote of 23 in favor and 2 opposed.

Budgetary Impact

The impact of this bill on the U.S. budget is substantially less than the total authorization. Of the $2,250 million authorization, actual cash outlays would amount to $720 million, a substantial reduction from the $1,530 million cash outlay in the last replenishment. The remaining $1,530 million of the authorization is callable capital and is not expected to require any expenditures now or in the future because such capital would be called only in the unlikely event of a massive and widespread default by Bank borrowers. No outstanding callable capital has ever been drawn down.

Appropriation of the first $40 million of the three equal installments of paid-in capital and the first $200 million of ordinary callable capital installments, would be sought in fiscal year 1976. Since the covenants limiting borrowing to the amount of U.S. callable capital available on demand would not apply to inter-regional capital, the Committee has been informed by the Administration that it does not intend to seek appropriation of the $930 million proposed for callable subscriptions to inter-regional capital. The Committee agrees that no appropriation is necessary except in the highly unlikely event that a call is made and that U.S. payment is required as a result of such a call.

On the basis of authorization legislation, U.S. interregional callable capital subscriptions would be backed by the full faith and credit of the United States. Payment of the paid-in portion ($120 million) would be in the form of a noninterest bearing letter of credit, and only a part of this would result in cash outlays in fiscal year 1976. An appropriation would be requested in fiscal year 1977 for the first $200 million of the U.S. contribution to the FSO but only a small fraction of this amount would result in cash expenditures in fiscal year 1977. The FSO contributions would also be made in noninterest bearing letters of credit so that the Bank may draw down the funds as they are needed. As a result of this procedure, there is little budgetary impact in the early years.

H.R. 9721 authorizes also $25 million for the African Development Fund to be paid in installments of $9 million, $8 million and $8 million in fiscal years 1976–78. The Administration plans to pay these amounts into the Fund in those years, rather than using letters of credit, to avoid problems with maintenance of value. The Administration has informed the Committee that in keeping with current U.S. objectives relating to maintenance of value in the other international development lending institutions it will try to work out an arrangement with the Fund to avoid potential maintenance of value obligations. These arrangements may accelerate budgetary outlays in the short-run, but they may eliminate the need for later maintenance of value payments.

Compliance With the Rules of the House

Committee Vote

H.R. 9721 was favorably reported by the Committee by a roll call vote on October 2, 1975, with 23 votes cast for and 2 votes cast against reporting the bill.

Oversight

The Subcommittee on International Development Institutions and Finance has oversight responsibility on the subject matter of the bill and held oversight hearings on U.S. participation in multilateral development institutions prior to the consideration of this bill. The bill is consistent with the consensus of views in the oversight hearings.

Congressional Budget Office

No estimate or comparsion has been prepared by the Director of the Congressional Budget Office relative to any provisions of this bill.

Cost of the Legislation

The Committee estimates that the following costs will be incurred in carrying out the provisions of H.R. 9721. The Bill provides for authorizations totalling $2,275 million ($2,250 million in Title I for the Inter-American Development Bank and $25 million in Title II for the African Development Fund). Appropriations are expected to be requested in the following sequence: fiscal year 1976, $265 million; fiscal year 1977, $440 million; fiscal year 1978, $440 million; and fiscal year 1979, $200 million. (See Table 1 of this report). Hence the total amount in the Bill for which appropriations would be sought is $1,345 million. As discussed earlier in this Report, the Administration will not seek the appropriation of $930 million for subscriptions to inter-regional callable capital stock of the Inter-American Development Bank.

The cash cost to the United States of H.R. 9721 will be $745 million ($720 million for IDB and $25 million for AFDF), which would be appropriated as follows: fiscal year 1977, $265 million; fiscal year 1978, $240 million; and fiscal year 1979, $240 million. (These appropriations are included in the appropriations cited in the paragraph above, i.e. they are the cash portion of those appropriations). The expenditures of these appropriations will be spread over a number of years. The funds for AFDF would be paid out in the year of appropriation. However in the case of IBD, the United States would give the Bank non-interest bearing letters of credit; the Bank would draw on the letters of credit for actual disbursement needs over a period of several years beyond the year of appropriation.

Cost Estimate

Title I, Inter-American Development Bank of H.R. 9721 is the authorization legislation submitted to the House of Representatives by the Department of the Treasury, therefore the cost estimates are those prepared by this department. Title II, African Development Fund, authorizes the appropriation of $25 million. The Department of the Treasury submitted legislation providing for an authorization of $15 million.

Inflationary Impact

Your committee concludes that under the classical definition of inflation, enactment and ultimate funding of this legislation will not increase the inflationary pressures in our economy and will not have an inflationary impact on prices and costs.

The classical definition of inflation—too much money chasing too few goods, thereby leading to an increase in prices—is not applicable or appropriate as regards the legislation under consideration. Funds which may be appropriated as a result of the enactment of this authorizing legislation to either the Inter-American Development Bank or the African Development Bank will be used to purchase "large ticket" infrastructure goods and services. Items purchased in the United States by recipient countries or loans made by these multilateral lending institutions will consist of engineering services, heavy equipment such as generators and transmission facilities, road-building equipment, etc. Companies within these major industries are now operating substantially below capacity. Employment in these industries is also substantially down.

Enactment and funding of this legislation will have a beneficial effect on these particular industries, increasing employment and production, without in any way increasing prices or adding to any inflationary tendencies.

Section-by-Section Analysis

TITLE I

Section 101. Amends the Inter-American Development Bank Act by adding Section 26 and Section 27. Section 26 authorizes the U.S. Governor to vote in favor of two resolutions of the Bank's Board of Governors increasing the authorized capital stock of the Bank and increasing the resources of the Fund for Special Operations, and Section 26 authorizes to be appropriated $1,199,997,873 for the United States subscription to the capital stock of the Bank and $600 million for the U.S. share of the increase in the resources of the Fund for Special Operations. Section 27 authorizes the U.S. Governor to vote for an additional increase in the authorized callable capital stock of the Bank and authorizes to be appropriated $450,002,218 for the increase in the U.S. subscription to the Bank.

Section 102. Amends the Foreign Assistance and Related Appropriations Act, 1975, in the section headed "Investment in Inter-American Development Bank" in Title III by deleting the words that provide that certain portions of the U.S. contribution to the Fund for Special Operations be used for the specific purposes of financing cooperatives, credit unions and mortgage credit institutions.

Section 103(a)(1). Amends the Inter-American Development Bank Act by adding Sections 23, 24 and 25. Section 23 would authorize the U.S. Governor of the Bank to vote in favor of three resolutions of the Bank's Board of Governors which provide for: (1) Amendments of the Agreement Establishing the Bank necessary for the creation of Inter-Regional Capital Stock; (2) rules for the admission of non-regional countries to membership in the Bank; and (3) an increase in the ordinary callable capital stock of the Bank in conjunction with the admission of the nonregional members. Section 24 would authorize the U.S. Governor to agree to amendments to the Agreement Establishing the Bank to provide for membership for the Bahamas and Guyana. Section 25 authorizes the U.S. Governor to agree to amendments to the Agreement to provide for Bank lending to the Caribbean Development Bank.

Section 103(a)(2). Amends the Inter-American Development Bank Act to include Inter-regional Capital Stock in the description of certain acts not to be taken by the President nor any person or agency on behalf of the United States unless Congress by law authorizes such actions. The existing language applies only to ordinary capital and the Fund for Special Operations.

Section 103(a)(3). Amends the Inter-American Development Bank Act to include in the description of SEC exempt Bank securities, those securities which are issued in connection with the Bank's inter-regional capital. The present language only covers ordinary capital.

Section 103(b) provides that the amendments made by Sections 103(a)(2) and 103(a)(3) become effective when the Board of Governors of the Bank approve the nonregional membership resolutions cited in Section 103(a)(1), above.

TITLE II

Section 201. Title II may be cited as the African Development Fund Act.

Section 202. Authorizes the President to accept membership in the African Development Fund.

Section 203. The President appoints the U.S. Governor and an alternate Governor for the Fund, and the Governor votes for the Director which will represent the U.S. in the Fund. The Director and his alternate if U.S. citizens may receive pay comparable to that of a Chief of Mission, Class 2.

Section 204. Annual Reports on U.S. participation in the African Development Fund will be submitted to Congress in the same manner as for the other development banks.

Section 205. The President may not agree to additional subscriptions or obligate the United States to the Fund for new funds or loans without Congressional authorization.

Section 206. Authorizes the appropriation of $25,000,000 without fiscal year limitation, to be paid in three annual installments of $9,000,000, $8,000,000 and $8,000,000.

Section 207. Authorizes Federal Reserve Banks to be depositories for the Fund if requested by the President.

Section 208. Establishes venue and jurisdiction for civil actions in the United States against the Fund.

Section 209. The Fund agreement has full force and effect in the United States, its territories, possessions and in Puerto Rico, including without limitation that portion of the agreement dealing with the international immunity of the Fund. The United States retains for itself the right to tax salaries paid by the Fund to U.S. citizens.

Section 210. The President shall instruct the Executive Director representing the United States in the Fund to vote against loans to any country which has expropriated the property of a U.S. citizen unless compensation has been made, the parties have submitted the dispute to arbitration, or good faith negotiations are in progress.

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTER-AMERICAN DEVELOPMENT BANK ACT

* * * * * * *

TITLE I—INTER-AMERICAN DEVELOPMENT BANK

* * * * * * *

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional shares of stock under article II, section 3, *or article IIA, section 2*, of the agreement; (b) request or consent to any change in the quota of the United States under article IV, section 3, of the agreement; (c) accept any amendment under article XII of the agreement; or (d) make a loan or provide other financing to the Bank, except that loans or other financing may be provided to the Bank by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for any increase of capital stock of the Bank under article II, section 2, *or article IIA, section 1*, of the agreement of any increase in the resources of the Fund for Special Operations under article IV, section 3(g) thereof.

* * * * * * *

SECURITIES ISSUED BY BANK AS EXEMPT SECURITIES; REPORT FILED WITH SECURITIES AND EXCHANGE COMMISSION

SEC. 11. (a) Any securities issued by the Bank (including any guarantee by the Bank, whether or not limited in scope) in connection with raising of funds for including in the Bank's [ordinary] capital resources as defined in article II, section 5, *and article II A, section 4*, of the agreement, and any securities guaranteed by the Bank as to both the principal and interest to which the commitment in article II, section 4(a)(ii), *or article II A, section 3(c)*, of the agreement is expressly applicable, shall be deemed to be exempted securities within the meaning of paragraph (a)(2) of section 3 of the Act of May 27, 1933, as amended (15 U.S.C. 77c), and paragraph (a)(12) of section 3 of the Act of June 6, 1934, as amended (15 U.S.C. 78c). The Bank

shall file with the Securities and Exchange Commission such as annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the public interest or for the protection of investors.

(b) The Securities and Exchange Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the provisions of subsection (a) at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension. The Commission shall include in its annual reports to Congress such information as it shall deem advisable with regard to the operations and effect of this section and in connection therewith shall include any views submitted for such purpose by any association of dealers registered with the Commission.

* * * * * * *

SEC. 23. The United States Governor of the Bank is authorized to vote for three proposed resolutions of the Board of Governors entitled (a) "Amendments to the Agreement Establishing the Bank with respect to the Creation of the Inter-Regional Capital Stock of the Bank and to Related Matters," (b) "General Rules Governing Admission of Nonregional Countries to Membership in the Bank," and (c) "Increase in the Authorized Callable Ordinary Capital Stock and Subscriptions Thereto in Connection with the Admission of Nonregional Member Countries," which were submitted to the Board of Governors pursuant to a resolution of the Board of Executive Directors approved on March 4, 1975.

SEC. 24. The United States Governor of the Bank is authorized to agree to the amendments to article II, section 1(b) and article IV, section 3(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for membership for the Bahamas and Guyana in the Bank at such times and in accordance with such terms as the Bank may determine.

SEC. 25. The United States Governor of the Bank is authorized to agree to the amendments to article III, sections 1, 4, and 6(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for lending to the Caribbean Development Bank.

SEC. 26. (a) The United States Governor of the Bank is hereby authorized to vote in favor of two resolutions proposed by the Governors at a special meeting in July 1975, and now pending before the Board of Governors of the Bank, which provide for (1) an increase in the authorized capital stock of the Bank and additional subscriptions of members thereto and (2) an increase in the resources of the Fund for Special Operations and contributions thereto. Upon adoption of such resolutions, the United States Governor is authorized to agree on behalf of the United States (1) to subscribe to ninety-nine thousand four hundred and seventy-four shares of $10,000 par value of the increase in the authorized capital stock of the Bank of which eighty-nine thousand five hundred and twenty-six shall be callable shares and nine thousand nine hundred and forty-eight shall be paid-in and (2) to contribute to the Fund for Special Operations $600,000,000, in accordance with and subject to the terms and conditions of such resolutions.

(b) There are hereby authorized to be appropriated, without fiscal year limitation, the amounts necessary for payment by the Secretary of the

Treasury of (1) $1,199,997,873 for the United States subscription to the capital stock of the wank and (2) $600,000,000 for the United States share of the increase in the resources of the Fund for Special Operations.

SEC. 27. (a) The United States Governor of the Bank is hereby authorized to vote for an additional increase of one hundred and eight thousand shares of $10,000 par value in the authorized callable capital stock of the Bank as recommended in the resolution of the Board of Governors entitled 'Increase of US$4 Billion in the Authorized Capital Stock and Subscriptions Thereto'. Upon adoption of a Board of Governors resolution increasing the authorized capital stock of the Bank by such amount, the United States Governor is authorized to agree on behalf of the United States to subscribe to thirty-seven thousand three hundred and three shares of $10,000 par value of such additional increase in callable capital in accordance with and subject to the terms and conditions of such resolution.

(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated, without fiscal year limitation, $450,002,218 for payment by the Secretary of the Treasury.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS ACT, 1975

* * * * * * *

TITLE III—FOREIGN ASSISTANCE (OTHER)

* * * * * * *

INVESTMENT IN INTER-AMERICAN DEVELOPMENT BANK

For payment to the Inter-American Development Bank by the Secretary of the Treasury for the United States share of the increase in the resources of the Fund for Special Operations authorized by the Acts of December 30, 1970 (Public Law 91–599), and March 10, 1972 (Public Law 92–246), $225,000,000, to remain available until expended [: *Provided*, that of this amount $25,000,000 shall be made available only to responsible cooperatives whose primary purpose is to increase the productive capacity of rural and urban citizens at the most economically disadvantaged level: *Provided further*, that $10,000,000 of this amount shall be made available only to local credit unions or national or regional federations thereof, whose primary purpose is to increase the productive capacity of rural and urban citizens at the most economically disadvantaged level: *Provided further*, that $15,000,000 of this amount shall be made available only to responsible savings and loan associations or other mortgage credit institutions, or national or regional federations thereof, whose primary purpose is to provide basic housing to rural and urban citizens at the most economically disadvantaged level].

* * * * * * *

SUPPLEMENTAL VIEWS OF MR. GRASSLEY

On October 2, while this committee was reviewing H.R. 9721, a bill to increase participation by the United States in the Inter-American Development Bank, I was on the floor of the House debating a measure of crucial importance to Iowa's farmers. Thus, I did not have an opportunity to comment on this legislation.

Section 102 of the committee-passed version is particularly disturbing to me. It is intended to legislate the removal from the Foreign Assistance Appropriations Act of 1975 (Public Law 94–11) a provision which earmarks certain amounts of funds appropriated for the Fund for Special Operations to be used "to increase the productive capacity of rural and urban citizens at the most economically disadvantaged level." Specifically, of the $50 million earmarked, $25 million is to be made available to "responsible" cooperatives, $10 million to local credit unions or national or regional federations thereof, and $15 million to savings and loans, which in Latin America are similar to our old building associations. Section 102 authorizes the removal from Public Law 94–11 Congress' mandate that $50 million be used to help those who need assistance most.

There is a clear need for this sort of provision as is evidenced by a revealing statement of Senator Inouye in the Senate Appropriations Committee hearing on the Foreign Assistance Appropriations authorization. He noted that information available indicated that less than $2 million out of a total $3.741 billion contributed by all member nations to the IDB's Fund for Special Operations has gone to credit unions and savings and loans. (Out of this $3.741 billion, the U.S. has contributed $2,540,350,000, or about 70 percent.) In fact, exact figures on just how much has gone to these sorts of institutions, and to grassroots cooperatives are not readily available. Congress has long sought, but been unable to obtain, such figures from the IDB. Unfortunately, I believe the IDB has opted to protect certain institutional interests rather than to provide such figures. Apparently, certain members are opposed to American efforts to earmark funds for cooperatives and similar sorts of institutions. This is supported by a statement of Mr. John Hennessey, former Assistant Secretary of the Treasury for International Affairs who stated in testimony before the Senate Appropriations Committee:

> I think part of the problem with the credit unions and the cooperatives which we have not totally bridged, is the fact, that, in the past the governments themselves, the nations involved, have not generally been willing to back them up financially.

I cannot understand why the governments in question should be so hesitant to back up those sorts of institutions when, in the 1973 Annual Report of the IDB is written:

> For many Latin American farmers, the cooperative associations or related organizations based on collective service

have been very useful as a means of improving their standard of living and providing greater participation for them in socio-economics that countries have hoped to achieve.

Mr. Hennessey has even stated that "you just can't get at small farmers unless you work through cooperatives and intermediate types of institutions such as that."

The Treasury Department which is responsible for administering American affairs which related to the IDB argues that the earmarking of funds to credit unions, S & L's and the like is not good, because money that flows through the former goes primarily to government employees, and money that goes through the latter finances $5,000 to $10,000 homes for the better off Latin Americans. Such specious arguments fail to take account of the language of the provision of Public Law 94–11 in question, which mandates that the U.S. funds be used "to increase the productive capacity of rural and urban citizens *at the most economically disadvantaged level.*"

The Treasury argues further that earmarking would upset the operations of the IDB. But such earmarking already characterizes the contributions of certain other member nations. As a contributor of almost 70 percent of the money that makes up the Fund for Special Operations, it is incumbent upon Congress that we assure the American people that their money is going to assist those Latin Americans who are truly in need. In a regular commercial bank, you can be sure that anyone whose deposits make up over a few percent of its cash assets will have an influence on how his money is used. So is it wrong for a contributor of nearly 70 percent to insist that at least a small portion of its contribution be used specifically for what is intended by the contributor?

In this country, co-ops and credit unions draw their membership from a defined community of individuals whose purpose it is to accumulate a pool of capital which can aid other members. Co-ops, in particular, are democratically controlled and thus help create a community of trust which facilitates the access to loan money at reasonable rates. That sort of set-up has made farming and other sorts of endeavors in free enterprise work in this nation. Similar sorts of institutions in Latin America, when given aid and assistance, have worked equally as well.

In areas of the world where there are vast differences in wealth among citizens of a single country, dissatisfaction among the poor citizens has often created an ideal breeding ground for Communism. Frankly, I believe that if the United States does not insist that substantial sums be used to facilitate the growth of productively oriented lending institutions at the grassroots level, we will simply be inviting the seeds of Communist organization into this hemisphere. This is a risk Congress cannot take.

Thus it is incumbent upon Congress that it delete from H.R. 9721 the provision which deletes the earmark now contained within Public Law 94–11. We must give a signal to the American people that Congress will spend their money as they would want it spent. And we must signal our willingness to play a meaningful role in affecting the nation's policies toward Latin America. Finally, we must make clear our intention to assist those citizens in South America who do not have the means to finance their own productive endeavors independently.

Charles E. Grassley.

SUPPLEMENTAL VIEWS OF MESSRS. JOHN H. ROUSSELOT, CHALMERS P. WYLIE, GEORGE HANSEN, RICHARD T. SCHULZE, HENRY J. HYDE, AND WILLIS D. GRADISON, JR. ON H.R. 9721

H.R. 9721, a bill providing for increased participation in the Inter-American Development Bank and for initial participation in the African Development Fund, needs to be considered in light of (1) the amount of economic assistance, of various types, which the United States has already provided to foreign nations since World War II, and (2) the diminished ability of the United States to continue to provide such assistance in the future.

The attached tables indicate that during the years 1946–1974, the United States provided a net total of more than $11.5 billion in economic assistance to Latin America and another $4.75 billion to Africa. Projections provided in the President's budget for fiscal year 1976 called for new obligational authority and for additional outlays of approximately $4 billion.

This level of foreign economic assistance will have to be reduced to some extent if a significant reduction in the budget of the Federal government is to be made during the next 3 years to achieve the President's announced goal of a balanced budget at the end of that period.

The following additional comments are addressed specifically to the proposed $25 million initial contribution to the African Development Fund:

1. The $25 million contribution to the Fund, the "soft loan" counterpart to the African Development Bank, which is to be paid in annual installments of $9 million, $8 million, and $8 million, respectively, exceeds the budgeted amount by $10 million, or 67 percent. For our Committee to increase the amount of the initial contribution from the budgeted amount of $15 million to $25 million is to head in the opposite direction from that in which economic reality demands that we proceed.

2. Not all of the member countries of the African Development Bank itself have fully paid their own subscriptions to provide paid-in capital for the Bank. This point was established as a result of an answer provided by the Honorable Charles A. Cooper, Assistant Secretary of the Treasury for International Affairs, in response to a question submitted by Subcommittee Chairman Henry B. Gonzalez:

> *Question.* Are all of the subscriptions of the African countries of the Bank up to date?
>
> Answer. The AFDB has had a problem with arrearages on paid-in capital but has negotiated settlements with the delinquent members and the amount of arrears had been reduced from 40 percent of paid-in capital in 1969 to 13 percent of paid-in capital in 1974. In April 1975, total arrears were $20 million compared to $24 million the previous year.

One country, Egypt, which accounted for 70 percent of all arrearages, has formally agreed to a 3-year settlement schedule. Settlements have also been negotiated with Ethiopia and Senegal. Chad and the Central African Republic have yet to sign settlement agreements.[1]

3. The United States is being asked to contribute capital to the African Development Fund under conditions which sharply restrict this country's ability to influence decisions regarding assistance to be provided by the Fund. Unlike other multilateral international financial assistance institutions in which the United States participates, the ADF provides that one half of the voting power is to be exercised by the African Development Bank. This arrangement leaves only the remaining half of the voting power to be exercised in proportion to the amount of capital contributed to the Fund itself. *In other words, the U.S. has the opportunity to make a contribution of money to the ADF, but the weight of its influence will be confined to one half of the proportional amount of its contribution.*

Some place along the line Congress must demonstrate that it is acutely aware of the terms and conditions, as well as of the amounts, of U.S. contributions to international economic assistance institutions.

[1] The African Development Fund, Hearing before the Subcommittee on International Development Institutions and Finance of the Committee on Banking, Currency, and Housing, p. 98.

FOREIGN AID

[In millions of dollars]

Assistance programs	Budget authority 1974 actual	Budget authority 1975 estimate	Budget authority 1976 estimate	Outlays 1974 actual	Outlays 1975 estimate	Outlays 1976 estimate
Economic assistance:						
Security supporting assistance	118	386	580	382	319	398
Middle East special requirements fund		25	25		12	12
Indochina postwar reconstruction	499	617	952	246	508	762
Multilateral development assistance	2,383	1,195	759	615	876	990
International financial institutions	2,237	1,006	546	446	704	818
International organizations	146	190	214	168	171	173
Bilateral development assistance	782	839	669	785	936	780
Agency for International Development	820	961	1,023	863	1,035	1,129
Overseas Private Investment Corporation	25			−21	14	−6
Inter-American Foundation				6	9	10
Proprietary receipts from the public	−63	−122	−354	−68	−122	−354
Food for peace	554	778	1,336	639	1,165	1,070
Migration and refugee assistance	56	34	10	43	66	10
International narcotics control	42	42	42	5	27	38
Total, economic assistance	4,434	3,917	4,373	2,715	3,909	4,060

Source: The Budget of the U.S. Government, fiscal year 1976, p. 83.

[U.S. fiscal years; millions of dollars]

Program	Postwar relief period, 1946–48	Marshall plan period, 1949–52	Mutual security act period, 1953–61	1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	Total FAA period, 1962–74	Total loans and grants, 1946–74	Repayments and interest, 1946–74	Total less repayments and interest
	U.S. overseas loans and grants—Obligations and loan authorizations			Foreign Assistance Act period													
LATIN AMERICA																	
1. Economic assistance[1]—Total	98.3	97.8	1,632.4	3,984.6	1,138.3	922.1	9,063.3	739.9	907.2	463.6	581.3	841.7	628.5	11,269.2	12,592.4	1,060.6	11,531.8
Loans	24.9	.4	633.2	2,470.4	612.3	480.6	571.7	269.4	361.8	278.5	276.4	267.5	181.7	5,770.3	6,017.0	1,060.6	4,956.4
Grants	73.4	97.4	999.3	1,514.2	526.0	441.5	490.6	470.5	545.4	185.1	304.9	574.2	446.9	5,499.3	6,575.4		6,575.4
(a) A.I.D. and predecessor agencies		19.5	825.0	2,225.1	684.9	573.7	533.22	325.9	421.7	331.2	338.0	314.4	238.7	6,016.6	6,365.8	558.7	5,807.1
Loans			270.2	1,743.7	544.8	476.1	443.7	237.6	319.5	232.5	244.5	224.7	171.5	4,638.6	4,507.4	558.7	3,948.7
Grants		19.5	554.8	511.4	140.1	97.6	89.5	88.3	102.2	98.7	93.5	89.7	67.3	1,378.1	1,858.4		1,858.4
(Security supporting assistance)	( )	( )	(176.6)	(342.7)	(100.2)	(50.3)	(26.1)	(2.3)	(3.9)	(2.8)	(2.0)	( )	( )	(530.3)	(675.8)		
(b) Food for Peace (Public Law 480)		.1	591.4	673.4	142.3	62.2	192.6	81.9	159.4	103.5	102.6	88.9	50.5	1,657.3	2,238.6	239.7	1,998.9
Title I—Total			403.0	302.2	49.3	4.5	127.7	28.5	42.1	46.2	31.8	42.7	10.2	685.2	1,077.8	239.7	838.1
Repayable in U.S. dollars—Loans				63.4	34.9	4.5	127.7	28.5	42.1	46.2	31.8	42.7	10.2	432.0	421.7	116.2	305.5
Payable in foreign currency—Planned for country use			403.0	238.8	14.4									253.2	656.1	123.5	532.6
(Total sales agreements, including U.S. uses)	( )	( )	(522.0)	(305.6)	(23.8)	( )	( )	( )	( )	( )	( )	( )	( )	(325.4)	(851.3)	( )	(851.3)
Title II—Total		.1	188.4	371.2	93.0	57.7	64.9	53.4	117.3	57.3	70.8	46.2	40.3	972.1	1,160.8		1,160.8
Emergency relief, economical development, and world food			39.2	68.6	43.6	15.5	22.1	14.7	79.6	10.3	24.9	14.6	11.5	305.4	344.7		344.7
Voluntary relief agencies		.1	149.2	302.6	49.4	42.2	42.8	38.7	37.7	47.0	45.9	31.6	28.8	666.7	816.1		816.1
(c) Other economic assistance	98.3	78.2	216.0	1,056.1	311.1	286.2	336.5	332.1	326.1	28.9	140.7	438.4	339.3	3,595.3	3,988.0	262.2	3,725.8
Contributions to International Landing Organization			80.0	470.0	250.0	250.0	300.0	300.0	300.0		104.3	405.4	282.3	2,662.0	2,742.0		2,742.0
Peace Corps			.3	76.4	33.9	24.4	23.7	20.6	20.9	19.0	17.2	16.6	19.2	271.9	272.1		272.1
Other	98.3	78.2	135.7	509.6	27.2	11.8	12.8	11.5	5.2	9.9	19.2	16.4	37.8	661.4	973.9	262.2	711.7

Program	Postwar relief period, 1946–48	Marshall plan period, 1949–52	Mutual security act period, 1953–61	1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	Total FAA period, 1962–74	Total loans and grants, 1946–74	Repayments and interest, 1946–74	Total less repayments and interest
AFRICA																	
1. Economic assistance[1]—total	9.6	5.7	1,106.2	1,559.9	335.0	375.0	317.9	332.9	274.8	323.9	298.9	257.4	300.4	4,375.9	5,218.9	465.6	4,753.3
Loans	9.2	.2	365.6	518.4	148.4	191.0	170.8	115.2	93.4	146.2	166.3	125.4	66.5	1,742.0	1,955.7	465.6	1,490.1
Grants	.4	5.5	740.7	1, 41.3	186.6	184.0	147.0	217.7	181.3	177.7	132.6	131.9	233.9	2,633.8	3,263.4		3,263.4
(a) A.I.D. and predecessor agencies		3.8	804.0	955.0	178.7	205.1	159.7	153.9	155.2	176.1	175.2	163.3	135.0	2,457.0	2,993.6	313.6	2,680.0
Loans			339.6	407.3	91.4	117.2	89.8	67.8	65.0	106.8	107.4	98.6	58.7	1,210.4	1,396.1	313.6	1,082.5
Grants		3.8	464.4	547.5	87.3	87.9	69.9	86.1	90.2	69.3	67.8	64.6	76.3	1,246.7	1,597.5		1,597.5
(Security supporting assistance)			(64.9)	(257.4)	(24.6)	(18.7)	(16.6)	(30.0)	(28.0)	(18.4)	(3.7)			(397.4)	(467.7)		
(b) Food for Peace (Public Law 480)		.5	250.4	530.6	123.6	144.2	134.5	157.0	99.4	127.2	104.3	70.9	141.2	1,632.9	1,876.4	122.2	1,754.2
Title I—Total			10.5	156.3	57.0	73.8	81.3	47.4	30.2	39.4	58.9	26.8	7.8	578.9	581.9	122.2	459.7
Repayable in U.S. dollars—Loans				10.2	32.6	33.7	46.7	32.9	27.0	39.4	58.9	26.8	7.8	316.0	308.5	68.6	239.9
Payable in Foreign Currency—Planned for Country Use			10.5	146.1	24.4	40.1	34.6	14.5	3.2					262.9	273.4	53.6	
(Total sales agreements, including U.S. users)			(14.3)	(196.9)	(36.0)	(54.4)	(42.8)	(17.4)	(3.8)					(351.3)	(365.7)		(365.7)
Title II—Total		.5	239.9	374.3	66.6	70.4	53.2	109.6	69.2	87.8	45.4	44.1	133.4	1,054.0	1,294.5		1,294.5
Emergency relief, economic development and world food			198.7	234.8	40.4	38.3	30.6	86.3	45.0	66.4	25.5	24.6	104.8	696.7	895.4		895.4
Voluntary relief agencies		.5	41.2	139.5	26.2	32.1	22.6	23.3	24.2	21.4	19.9	19.5	28.6	357.3	399.1		399.1
(c) Other economic assistance	9.6	1.4	51.8	74.3	32.7	25.7	23.7	22.0	20.2	20.6	19.4	23.2	24.2	286.0	348.9	29.8	319.1
Peace Corps				70.3	31.7	24.7	22.7	21.0	20.2	20.6	19.4	23.2	24.2	278.0	278.1		278.1
Other	9.6	1.4	51.8	4.0	1.0	1.0	1.0	1.0						8.0	70.8	29.8	41.0

[1] Equivalent to Official Development Assistance (ODA).

Source: U.S. Overseas Loans and Grants and Assistance from International Organizations, Statistics and Reports Division, USAID, pp. 31, 83.

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SUPPLEMENTAL VIEWS OF MESSRS. HENRY J. HYDE AND JOHN H. ROUSSELOT

The United States is being asked to contribute $25 million to the African Development Fund. The Treasury Department has recommended $15 million as the most appropriate figure for the initial United States authorization because this supports the amount agreed upon during the negotiations with the African Development Bank (a separate organization to which only African nations other than Rhodesia and South Africa may belong and which has 50 percent of the voting power in the Fund) and other non-regional donors. The Treasury Department stresses the fact that the Fund is a "relatively small institution and will continue small for some time to come. Because of its size, it cannot effectively handle more than a certain level of resources." The Treasury Department has assessed the capacity of the Fund and taken into consideration the relation of other donors' subscriptions, including the Bank's. It is Treasury's view that, "We do not want to dominate the Fund by making a large subscription nor do we feel that as a new member we must match the largest donor's subscriptions."

It is noteworthy that the African Development Bank, which has 50 percent of the voting power in the Fund, has contributed but $7.3 million to the Fund, which represents slightly over 5 percent of the total contributions.

Also, it should be noted that should we join the Fund we will not be able to have our own director until 1978, when the next election of the directors of the Fund occurs.

No undertaking of this magnitude ought to be done in a vacuum. Whenever this country makes a substantial investment (or contribution) of taxpayers' money, the political as well as the economic environment deserves close study.

As of January 31, 1975, there were 24 unsettled cases of expropriation or nationalization of property of U.S. firms located on the African continent. Eight of these occurred in 1974 involving the Central African Republic, Congo, Dahomey, Libya, Somalia, Sudan, Tanzania, Uganda, and Zaire.

While it is often suggested that the United States has been ungenerous in its support for the developing nations of Africa, United States investment in Africa has increased over the last 10 years very substantially from less than 1 billion to 4.5 billion dollars and Africa's share in United States direct investment abroad has increased from 2 to 5 percent. Moreover, total U.S. bilateral assistance (AID, Public Law 480, Peace Corps) for the years 1971–75 totaled $1.436 billion and during the same period total IDA assistance has been $1.162 billion. Our pro rata share of this total IDA assistance is $609 million.

Unquestionably, Africa has problems unique to a continent so long held under colonial rule. It is unfair to expect its newly developing countries to accomplish in decades what has taken Western Europe centuries to achieve. Nevertheless, these problems cannot be used to excuse the anti-Western and anti-American vituperation which is the stock in trade of certain leading spokesmen of the Organization of African Unity.

True, the economic needs of Africa may be considered a different matter from African political rhetoric. However, political issues and economic needs have a relationship that it is unwise to ignore.

The head of the Organization of African Unity, Ugandan President Idi Amin, made a lengthy address to the United Nations General Assembly on October 1st calling for "extermination of Israel as a state" and charging that Zionists control the United States. According to an article in the October 8 Washington Post:

> Amin, who has been accused of murdering and torturing thousands of his own people, was given a tumultuous ovation by the Assembly last Wednesday after a speech in which he called for the extinction of Israel, belittled the achievements and unity of American blacks, and reiterated the anti-Semitic view that the Zionists "own America."

Our own exceptionally able Ambassador to the United Nations, Daniel Patrick Moynihan, has stated that it is "no accident that President Amin is this year's chairman of the Organization of African Unity."

The head of the African bloc at the United Nations, Tiamiou Abjibade, of Dahomey, thereafter repeated Amin's statements about the "total grip of international Zionism over the United States" and announced that the OAU supports everything in Amin's speech. We can be proud of Clarence Mitchell, head of the Washington office of the NAACP, serving as a public delegate to the United Nations, who said that Amin "sows the seeds of hate with cruel and degrading words * * * we will raise our voices against such an attack on any of our people."

Members of Congress should be aware of these developments, as well as other unpleasantries, such as the Libyan Government's refusal to permit 520 non-Libyan employees of the Occidental Petroleum Corporation, including 230 Americans from leaving Libya and the report that our military attaché in Ethiopia narrowly missed being shot on October 4, when Ethiopian army troops opened fire on his car, all give rise to misgivings of a more profound nature.

Can we ever appease the zeal for anti-Americanism with material concessions granted in the contest of public abuse directed at us in the United Nations? Is it unreasonable to expect a reciprocal understanding of *our* motives and goals while we are expected to understand those of the "third world?" Would not an amendment to our participation in these various multilateral institutions, such as was added on September 10th to the Foreign Assistance Act of 1961 (known as the Harkin amendment, which provides in essence that "no asssitance may be provided to the government of any country which engages in a constant pattern of gross violations of internationally recognized human rights") effectively halt the work of these institutions? It is interesting to note that many of the strongest supporters of increaing our initial contribution to the African Development Fund from the Treasury-recommended figure of $15 million to their own recommendations of $150 million, voted enthusically for the Harkin amendment.

We tend to consider underdeveloped nations in terms of individuals and their aspirations; in terms of shared humanity and equal opportunity. But it is abundantly clear that many of the rulers of these countries speak nationalistically, and their aims are to strengthen and render permanent their own sovereignties rather than to enhance the individual well-being of their subjects. Whether this is a laudable goal to be achieved at our expense is worth considerable thought.

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94TH CONGRESS } SENATE { REPORT
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INTER-AMERICAN DEVELOPMENT BANK AND AFRICAN DEVELOPMENT FUND ACT OF 1976

MARCH 1, 1976.—Ordered to be printed

Mr. SPARKMAN, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany H.R. 9721]

The Committee on Foreign Relations, to which was referred the bill (H.R. 9721) to authorize increased U.S. participation in the Inter-American Development Bank, to initiate participation in the African Development Fund, to Amend the Inter-American Development Bank Act and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

57–010—76——1

I. Purpose of the Bill

The purposes of H.R. 9721 are to authorize $2.25 billion as the U.S. share of a replenishment of the funds of the Inter-American Development Bank (IDB), to authorize the U.S. Governor of the Bank to vote for the admission of new members in the Bank and for Bank lending to the Caribbean Development Bank, and to authorize U.S. participation in the African Development Fund (AFDF) with a subscription of $25 million for that purpose.

In Title I, H.R. 9721 specifically will:

(1) Authorize the U.S. Governor of the Bank to vote in favor of resolutions which provide for a $5,303 million increase in the authorized capital stock of the Bank and a $1,045 million increase in the resources of the Fund for Special Operations.

(2) Authorize for appropriation $1,650 million for the United States subscription to an increase in the capital stock of the Bank, including $930 million for the United States subscription to interregional callable capital stock of the Bank, $120 million for paid-in interregional capital, and $600-million for callable ordinary capital.

(3) Authorize for appropriation $600 million for the United States contribution to the Fund for Special Operations.

(4) Authorize the U.S. Governor of the Bank to vote in favor of resolutions which would admit nonregional countries—ten European plus Japan and Israel—to membership in the Bank and would amend the Agreement Establishing the Bank (the Agreement) to provide for the creation of a new class of stock designated as Inter-Regional Capital Stock.

(5) Authorize the U.S. Governor of the Bank to vote for the amendments to the Agreement which provide for Bank membership for the Bahamas and Guyana.

(6) Authorize the U.S. Governor of the Bank to vote for the amendments to the Agreement to provide for Bank lending to the Caribbean Development Bank.

(7) Instruct the U.S. Executive Director of the Bank to propose a resolution to the Bank providing for the development and utilization of intermediate technologies as major facets of the Bank's development strategy as soon as possible and to report to the Congress about the progress of this resolution.

(8) Instruct the U.S. Governor of the IDB to oppose loans to countries engaging in a consistent pattern of gross violations of human rights unless such loans directly benefit needy people.

In Title II, H.R. 9721 will:

(1) Authorize U.S. participation in the African Development Fund (AFDF) and authorize an appropriation of $25 million to be paid in three annual installments of $9 million (1976), $8 million (1977), and $8 million (1978) as the U.S. subscription to the AFDF.

(2) Instruct the Executive Director representing the United States in the AFDF to vote against loans to countries involved in unsatisfactory expropriation disputes with the United States.

(3) Instruct the Executive Director representing the United States in the AFDF to oppose loans to countries engaging in a consistent pattern of gross violations of human rights unless they directly benefit needy people.

The authorizations which would be enacted by this legislation are larger than the appropriations which would be required and the expenditures which would follow. In specific terms the differences are as follows:

The total $2.25 billion IDB authorization in H.R. 9721 contains the following:

(1) An increase of $1.2 billion in capital stock to be spread over three years (1976–1978) which in turn includes:

Paid-in Inter-Regional Capital of $120 million to be paid out in each of three years (1976–1978) in $40 million installments.

Ordinary callable capital of $600 million to be available in each of three years (1976–78) in $200 million installments.

Inter-Regional Callable Capital of $480 million to be available in each of three years (1976–78) in $160 million installments.

(2) An additional increase of $450 million in inter-regional capital stock to be subscribed in 1979.

(3) A contribution of $600 million to the Fund for Special Operations to be paid out in each of three years (1977–79) in $200 million installments.

About 60 percent or $1.32 billion of the total authorization would require appropriations over the next four years (1976–1979):

(1) Paid-in capital of $120 million (1976–78)

(2) Ordinary capital of $600 million (1976–78)

(3) Contribution to the Fund for Special Operations of $600 million (1977–79)

Roughly one-third or $720 million of the total authorization would result in actual expenditures:

(1) Paid-in capital of $120 million (1976–78)

(2) Contribution to the Fund for Special Operations of $600 million (1977–79)

Budgetary impact in fiscal year 1976 would equal $240 million which is provided for in the Congressional Budget Resolution.

TABLE I.—U.S. PARTICIPATION IN THE IDB REPLENISHMENT AND THE AFRICAN DEVELOPMENT FUND AS PROPOSED BY H.R. 9721, 1976–79—BY YEAR

[In millions of dollars]

	1976		Appropriations		
	Authorizations [1]	Appropriations	1977	1978	1979
Cash outflow:					
Interregional capital (paid in)	120	40	40	40	
Fund for special operations	600	[2] 0	200	200	200
African Development Fund (AFDF)	[3] 25	[3] 25			
Subtotal, cash outflow	745	65	240	240	200
Callable capital:					
Interregional capital (IDB)	[4] 930	0	0	0	0
Ordinary capital (IDB)	600	200	200	200	0
Subtotal, callable resources (IDB)	1,530	200	200	200	0
Overall total (IDB and AFDF)	[3] 2,275	[3] 265	440	440	200

[1] 1976 Authorizations cover currently planned appropriation requests through 1979.

[2] FSO Appropriations for 1976 (of $275,000,000) are being requested. This was authorized under earlier legislation in 1970.

[3] The administration requested $15,000,000 for the African Development Fund. The House added $10,000,000 for a total request of $25,000,000. Although the full authorization would be appropriated in 1976, actual expenditures would be made in 3 annual installments of $9,000,000 in 1976, $8,000,000 in 1977 and $8,000,000 in 1978.

[4] Appropriations will not be sought for interregional callable capital. The amounts authorized would be available to be called in 3 equal installments of $160,000,000 in 1976, 1977 and 1978. The remainder, $450,000,000, is the U.S. contribution to a planned additional capital replenishment which would take place in 1978.

TABLE II.—Breakdown between authorizations, appropriations, and actual expenditures in H.R. 9721

	Millions
Total IDB capital replenishment	$5,300
Total Fund for Special Operations replenishment	1,000
Overall total	6,300
U.S. contribution—Authorization:	
Callable capital	1,530
Paid-in capital	120
Total capital	1,650
FSO: IDB contribution	600
Total (36 percent of total replenishment)	2,250
Plus African Development Fund	25
Total authorization	2,275
U.S. contribution—Appropriation (IDB):	
Paid-In capital (interregional capital)	120
Ordinary capital	600
FSO	600
African Development Fund	25
Total appropriations required (59 percent of authorization)	1,345
U.S. contribution—Actual expenditures (IDB $720):	
Paid-in capital (interregional capital)	120
FSO	600
African Development Fund (32 percent of authorization; 55 percent of appropriation)	25
	745

II. The Inter-American Development Bank

A. Background and Bank Operations

The IDB was created at the end of 1959 and made its first loan in February, 1961. Nineteen Latin American countries and the United States were charter members. Trinidad and Tobago joined the Bank in 1967, Barbados and Jamaica in 1969, and Canada in 1972, bringing total present membership to 24 countries. Membership for the Bahamas, Guyana, Japan, Israel, and ten European countries is contemplated, and H.R. 9721 authorizes U.S. support for this.

In its fifteen years of existence, the Bank has assumed an important and growing role in Latin American social and economic development through project financing, technical assistance, development planning and programming, and the initiation of innovative approaches to development problems. Because it has the experience and staff to give U.S. contributions a multiplier effect on development, the IDB is considered a cost effective development investment.

The Bank carries out its financing operations through two lending windows—ordinary capital and the Fund for Special Operations (FSO). The IDB also serves as administrator for the U.S. Social Progress Trust Fund, the recently established Venezuelan Trust Fund, and a number of special funds provided by Canada, several European countries, Argentina and the Vatican.

(1) Ordinary Capital

The ordinary capital, or "hard" loan window, provides development loans on conventional terms. It began operations with governmental subscriptions of paid-in capital but now obtains its funds largely from private financial markets by borrowing against callable capital. Callable capital represents the contingent liability of the subscribing countries which can be called solely to meet obligations of the Bank to its bondholders, and then only to the extent necessary. It basically constitutes a guarantee which makes it possible for the Bank to issue its own securities in private financial markets.

As long as the Bank is able to meet the obligations on its bonds from the proceeds of loan repayments or from the other resources of the Bank, (including reserves which amounted to $297 million by the end of 1975) the callable capital will not impose any burden on member governments. IDB callable capital has never been called and this seems unlikely because it would result only from massive and sustained defaults by borrowers. To date there have been only two defaults of which only $1.8 million remains unrecovered. Should calls be necessary they must be a uniform percentage of all member governments' capital shares, although each member is ultimately liable to the full amount of its callable capital subscription.

The IDB has recently expanded the market for its bonds to capital markets worldwide. Out of a total outstanding debt of $1.6 billion (Nov. 30, 1975), less than half of the borrowings have come from the United States while non-member, largely European countries, have purchased bonds worth $912 million. Latin American countries themselves hold $116 million. The Bank has never defaulted on any of its borrowings.

The current interest rate on ordinary capital loans made by the IDB is 8% and the maturities range from 15 to 30 years depending on the nature of the project. These loans are provided on conventional terms, similar to those of loans granted by the World Bank and are repayable in the currency lent. In its first 15 years of operations the IDB provided $4 billion in loans from ordinary capital to Latin America. These have been heavily concentrated on helping to build up Latin America's economic infrastructure and support the growth of its agricultural and industrial sectors.

(2) Fund for Special Operations

The Fund for Special Operations (FSO) finances economic and social development on concessional terms. Resources for these loans, therefore, come exclusively from donor contributions and reserves (totaling $134 million in 1974), which are maintained to provide a hedge against possible losses. Latin American local currency contributions to the FSO are used for lending within the contributing country or to finance projects in other member countries when project inputs can be purchased in that currency.

The interest rate on FSO loans ranges from 1 to 4 percent and they are repayable for periods of up to 40 years including 10 years of grace. Until 1973 they were repayable in local currency but now must be repaid in the currency originally lent. In 15 years 4.1 billion in concessional financing has been extended to Latin America through the FSO.

Most FSO loans are made to the less developed borrowing countries either for projects which, while worthwhile, are unlikely to pay for themselves over a short time span or, in the case of the poorest countries, for income generating projects which nevertheless initially require concessional financing. The percentage of concessionary loans made to the poorest Latin American countries increased from 17 percent in 1970 to 53 percent in 1974.

Occasionally FSO loans have been extended to the more developed countries but usually in local currencies and for non-income generating projects. The most developed Latin American countries have been decreasing their FSO borrowing. Venezuela terminated it entirely in 1974 and Brazil, Argentina, Mexico, and Trinidad and Tobago have agreed to limit their FSO borrowing to local currencies during the replenishment period.

Over the years loans from the FSO have gone to finance projects in agriculture, transportation and communications, electric power, education, water and sewage systems, industry and mining, urban development, housing, and preinvestment studies. The emphasis has been primarily on agriculture, education and infrastructure.

(3) Other Resources

The IDB also serves as administrator for special funds provided by several member and non-member countries (Canada, Germany, Sweden, the United Kingdom, and the Vatican). The single largest of these funds is the U.S. Social Progress Trust Fund (SPTF), which was established in 1961. The last $18 million of the total of $525 million is currently being committed on soft terms for additional social development projects in the poorest countries. In addition, the IDB and the U.S. Government are coordinating on programming the local currency reflows from SPTF loans so as to maximize their usefulness in financing technical assistance and appropriate activities related to FSO-funded projects. The IDB also administers a $500 million Trust Fund established by Venezuela in February 1975, from which loans totalling $83 million were extended in 1975 on terms similar to ordinary capital loans.

(4) Lending Activities

In its fifteen years of operation the IDB has provided loans totalling $8.8 billion, amounting to 40 percent of total development financing received by Latin America from the IDB, World Bank Group and AID. This has financed projects involving a total investment of more than $20 billion. In 1975 alone, IDB loans accounted for 47 percent of official external capital in Latin America. IDB programs include not only project loans but also technical assistance and training programs. Over the years the Bank has tried to achieve a balance among loans for the directly productive, the economic infrastructure and the social infrastructure sectors. Table III shows the historical sectoral distribution of IDB loans.

TABLE III.—IDB DISTRIBUTION OF LOANS

[Dollars in millions]

Sector	1961–74	Percent
Directly productive:		
Agriculture	$1,672	23
Industry and mining	1,080	15
Economic infrastructure:		
Electric power	1,570	21
Transportation and communication	1,311	17
Social infrastructure:		
Sanitation	752	10
Urban development	415	6
Education	306	4
Other:		
Preinvestment	133	2
Export financing	108	1
Tourism	69	1
Total	7,416	100

Source: H. Rept. 94–541.

Two specific aspects of current IDB lending policy should be noted: 1) its attempts to develop and implement innovative approaches to development and 2) its commitment to rural and agricultural development as a primary means of assisting the lowest income groups in Latin America. Both of these criteria have been served through IDB lending for integrated rural development and through cooperatives. Rural development projects combine health services, education, small farmer credits, feeder roads, and the provision of potable water. Ten million more people have potable water today than did five years ago because of IDB projects. Recently the IDB has concentrated on assistance to cooperatives, providing almost $300 million in loans to cooperative type institutions since 1972. Fisheries and industries as well as a variety of agricultural cooperatives have benefited from this policy.

Agriculture has received more Bank lending support than any other sector. Twenty-three percent of the Bank's total volume of $8 billion in loans has gone into specific agricultural projects and 40 percent has had a direct or indirect impact upon this sector. Finally the IDB is in the forefront in encouraging Latin American integration projects including the Acaray hydroelectric project in Paraguay which also benefits Argentina and Brazil, and the Trans-Andean highway between Argentina and Chile.

B. Need for New Resources

The ordinary capital and FSO resources of the IDB have totaled more than $10 billion in its fifteen years of operations, $6.2 billion in authorized ordinary capital and almost $4 billion in the FSO. The initial capital subscription in 1959 was $850 million, $380 million paid-in and $430 million callable ($40 million was not subscribed). The FSO started out with $150 million. Replenishments in 1964, 1965, 1967 and 1970 and the entry of Canada in 1972 brought these resources to their present state.

The United States has contributed a large percentage of these resources beginning in 1959 with a capital subscription of $350 million and initial input of $100 million to the FSO. In the most recent replenishment (1970) the United States subscribed $824 million in

ordinary capital and gave $1 billion to the FSO. Total U.S. participation amounts to 40 percent of the capital and over two-thirds of the resources in the FSO.

The IDB is in immediate need of additional resources particularly if it is to continue to increase its lending program at an annual rate of 7 percent in real terms. Its operational experience has indicated that this is important in view of Latin American development priorities. Its ordinary capital commitment authority was virtually exhausted at the end of 1975. Approval of most new loans must now be made in the form of contingent commitments pending replenishment of the Bank's capital resources. The loan commitment authority of the FSO will be exhausted in 1976 even if the full request for fiscal year 1976 appropriations of $275 million (authorized in 1971) is approved.

(1) U.S. Participation in the IDB Replenishment

The Congress is being asked in this bill to authorize U.S. participation in a new replenishment in the amount of $2.25 billion.

Of this total only $1.32 billion will require appropriations since $930 million is for the new variety of callable capital which does not require appropriation. Actual cash outlay will total only $720 million over the next four years since $600 million of the funds appropriated will be used for ordinary callable capital which simply provides collateral for IDB borrowing on commercial markets and does not have to be paid in. (See Tables I and II).[1]

The U.S. contribution to the proposed total replenishment of $6.3 billion would be only 37 percent in comparison to the 52 percent share in the 1970 replenishment. In addition to his replenishment the IDB expects $1.245 billion in additional new resources from non-regional members and a Venezuelan Trust Fund. The U.S. contribution to total new resources, therefore, is likely to be not more than 30 percent. In addition, 73 percent of the U.S. input will go to capital subscriptions and only 27 percent to the soft loan window of the FSO in contrast to percentages in 1970 of 45 percent and 55 percent, respectively. Thus the U.S. contribution would decrease in percentage terms and be more concentrated in the callable capital or collateral category as opposed to direct payments to the FSO.

The Latin American countries themselves are contributing substantially more to this replenishment. The total Latin American contribution has increased to 58 percent from only 39 percent in 1967 and its share in the FSO has increased by 50 percent from that date.

Equally as important as aggregate amounts is the increase in convertible currency contributions from Latin America. Half of the paid-in portion of capital stock subscriptions has always been in freely usable currencies but this time Venezuela will pay all of its paid-in assessment in convertible currencies. For the first time in 10 years the more developed Latin American nations (five) will contribute convertible currencies to the FSO. All of the FSO monies coming from Venezuela and Trinidad and Tobago will be in hard currencies and one-quarter of those from Mexico, Argentina, and Brazil. Thus Latin

[1] Technically H.R. 9721 authorizes the purchase of 136,777 shares at $10,000 each for a total cost of $1.36 billion in 1959 dollars. The purchase price for capital (not including the U.S. contribution to the Fund for Special Operations [FSO]) in 1975 dollars is $1.65 billion.

American nations will provide a total of $228.4 million in freely usable currencies in this round in contrast to $118.2 million in 1970.

TABLE IV.—PROPOSED IDB REPLENISHMENT FOR 1976–79

[In millions of U.S. dollars] [1]

	Fiscal year— 1976	1977	1978	1979	Total	Percent
Total	1,439.3	1,639.3	1,639.6	1,426.6	[1] 6,144.8	100.0
By source:						
United States	400.0	600.0	600.0	650.0	2,250.0	36.6
Latin America	957.5	957.4	957.4	715.7	3,588.0	58.4
Canada	81.9	81.9	82.1	60.9	306.8	5.0
By window:						
OC/IRC	1,290.9	1,290.9	1,291.1	1,226.6	[1] 5,099.5	83.0
Paid-in	(110.4)	(110.5)	(110.6)		(331.5)	
Callable	(1,180.5)	(1,180.4)	(1,180.5)	(1,226.6)	(4,768.0)	
FSO	148.4	348.4	348.5	200.0	1,045.3	17.0
OC/IRC	1,290.9	1,290.9	1,291.1	1,226.6	[1] 5,099.5	100.0
United States	400.0	400.0	400.0	450.0	1,650.0	32.4
Paid-in	(40.0)	(40.0)	(40.0)		(120.0)	
Callable	(360.0)	(360.0)	(360.0)	(450.0)	1,530.0)	
Latin America	825.6	825.7	825.7	715.7	3,192.7	62.6
Paid-in	(63.9)	(64.0)	(63.9)		(191.8)	
Callable	(761.7)	(761.7)	(761.8)	(715.7)	(3,000.9)	
Canada	65.3	65.2	65.4	60.9	256.8	5.0
Paid-in	(6.5)	(6.5)	(6.6)		(19.6)	
Callable	(58.8)	(58.7)	(58.8)	(60.9)	(237.2)	
FSO	148.4	348.4	348.4	200.0	1,045.3	100.0
United States		200.0	200.0	200.0	600.0	57.4
Latin America	131.8	131.7	131.7		395.3	37.8
Canada	16.6	16.7	16.7		50.0	4.8

[1] In addition to authorized and subscribed shares, the replenishment resolutions would create unassigned shares equivalent to $203,000,000. Thus, total capital shares would be $5,303,000,000 and the replenishment grand total would be $6,348,000,000.

Source: Department of the Treasury, U.S. Government.

(2) Budget Impact

The actual impact of the authorizations proposed in this bill on the U.S. budget over the next several years is substantially less than the total request. Of the $2,250 million authorization request, actual cash outlays would amount to $720 million ($120 million paid-in capital and $600 million FSO).

Appropriation of the first $40 million of the three equal installments of paid-in capital and the first $200 million of three equal installments of callable ordinary capital would be sought in fiscal year 1976 and are covered by the second concurrent resolution. Since the covenants limiting borrowing to the amount of U.S. callable capital available on demand would not apply to inter-regional callable capital, appropriations will not be sought for the $930 million proposed for subscriptions to inter-regional callable capital. On the basis of authorization legislation, U.S. inter-regional callable capital would be backed by the full faith and credit of the United States. Payment of the paid-in portion would be in the form of a letter of credit, most of which would not result in cash outlays in fiscal year 1976. An appropriation would be requested in fiscal year 1977 for the first $200 million of the U.S. contribution to the FSO but only a small fraction of this amount would result in budgetary expenditures in fiscal year 1977. Appropriations for the balance of the U.S. contribution to the FSO would be sought in fiscal year 1978 and fiscal year 1979.

This is the only request for authorization in the International Financial Institutions category in fiscal year 1976. In addition, there are pending appropriations requests which are installments of previous authorizations. These include: $275 million for the FSO of the IDB, $375 million as the first installment of the fourth replenishment of the International Development Association (IDA), and $170.6 million for the second installment of the U.S. subscription to the Asian Development Bank.

C. Other IDB Related Aspects of H.R. 9721

(1) Admission of Non-Regional Members and the Creation of Inter-Regional Capital Stock

Section 102 of the bill as reported adds a new section 23 to the Inter-American Development Bank Act which would provide for the membership of countries outside the Western Hemisphere in the IDB and create a new kind of capital stock to increase the usefulness of their contributions. The United States has actively supported non-regional membership in the IDB since 1970 as a means of more actively involving other industrialized countries in Western Hemisphere development efforts and facilitating IDB access to capital markets. The admission of 12 non-regional countries (see Table VI) will provide $745 million in overall funding, $434 million of which represents an actual cash inflow ($373 million to the FSO and $61 million or 16.5 percent of total capital to be paid-in). Although this would decrease U.S. voting power in the IDB from 40 percent to less than 35 percent a proposed amendment to the Charter will preserve indefinitely a voting share of 34.5 percent for the U.S. and thus a veto in the FSO.

In order to acquire maximum benefits from non-regional membership, a new form of capital stock, inter-regional capital, will be created to allow the Bank to borrow against callable capital which is in currencies other than the dollar. Traditionally, in order to qualify for the lowest prevailing borrowing rates in world capital markets, the IDB has used only U.S. dollar contributions to ordinary capital as collateral. Although U.S. callable capital has never been called, this practice made the appropriation of callable capital necessary, though the appropriations have never been used. Since the regulations for the use of inter-regional capital do not include the same restrictions on borrowing, it is not necessary to seek appropriations for the U.S. contribution ($930 million) to inter-regional callable capital.

The new arrangement provides that the U.S. will divide its capital subscriptions between inter-regional and ordinary capital in order to encourage other regional countries to contribute to inter-regional capital. Canada and Venezuela will both make their entire subscriptions to inter-regional capital. This will permit the Bank to borrow additional funds against their capital subscriptions. Furthermore, this division makes it possible for approximately 20 percent of the U.S. contribution to inter-regional capital to be paid in, thereby strengthening this new series and maintaining a parallel situation with the proportion of paid-in inter-regional capital (16.5 percent) to which non-regional members will be subscribing. Tables V and VI provide further information about resources which would be made available through non-regional membership.

TABLE V.—COMPARATIVE SHARES OF NEW RESOURCES AVAILABLE TO IDB

[Dollar amounts in millions of U.S. dollars]

	1970–74		1975–79	
	Amount	Percent	Amount	Percent
Replenishment	$3,500		$6,145	
United States	1,824	48.0	2,250	30.4
Latin America	1,676	44.0	3,588	48.5
Canada			307	4.2
Membership	303			
Canada	303	8.0		
Nonregionals			745	10.1
Venezuelan trust fund			500	6.8
Total	3,803	100.0	7,390	100.0

Source: H. Rept. 94–541.

TABLE VI.—PROPOSED SUBSCRIPTIONS TO THE IDB BY NONREGIONAL COUNTRIES[1]

[Expressed in thousands of current U.S. dollars]

	Interregional ordinary capital stock[2]			Contributions to fund for special operations
Country	Paid-in amount	Callable amount	Total amount	
Austria	832	4,223	5,055	5,055
Belgium	2,063	10,435	12,498	12,498
Denmark	893	4,499	5,392	5,392
Germany	10,411	52,681	63,092	63,092
Isreal	821	4,173	4,994	4,994
Italy	10,157	51,439	61,596	61,596
Japan	11,340	57,385	68,725	68,725
Netherlands	1,544	7,817	9,361	9,361
Spain	10,157	51,439	61,596	61,596
Switzerland	2,268	11,484	13,752	13,752
United Kingdom	10,157	51,439	61,596	61,596
Yugoslavia	832	4,223	5,055	5,055
Total	61,475	311,237	372,712	372,712

[1] These subscriptions and contributions are subject to parliamentary approvals and the IDB expects to receive them by the end of calendar 1976.
[2] 1 share equals 10,000 U.S. dollars of 1959, which is presently equivalent to 12,063.48287 current U.S. dollars.

Source: H. Rept. 94–541.

(2) Membership of the Bahamas and Guyana in the IDB

Section 102 of the bill as reported would amend the Inter-American Development Bank Act to authorize the U.S. Governor to agree to amendments to the Bank's Articles of Agreement which would provide for the membership of the Bahamas and Guyana in the IDB. Their membership requires an amendment because neither is a member of the Organization of American States; Guyana because of a border dispute with Venezuela (who does not oppose its membership in the IDB) and the Bahamas because of its economic decision not to join. The United States has an interest in the economic development and political stability of the Bahamas and Guyana and the Committee believes that they should be accorded the same treatment in the Inter-American Development Bank as other Latin American countries.

(3) IDB Lending to the Caribbean Development Bank

Section 102 of the bill as reported would amend the Inter-American Development Bank act to authorize the U.S. Governor to the IDB to agree to amendments to the Bank's Articles of Agreement which

would provide for the lending of IDB ordinary capital and FSO funds to the Caribbean Development Bank (CDB).

An amendment is required because some members of the CDB are not also members of the IDB. Under existing rules this prevents them from receiving IDB loans.

The U.S. is not a member of the CDB but has loaned funds to it through the Agency for International Development. As a small regional development bank, the CDB is a logical vehicle for financing Caribbean development. IDB lending to the CDB is viewed as an efficient means of channeling assistance to this region without unduly expanding the membership of the IDB by adding many new very small countries. The Committee feels that IDB lending to the CDB is in the interests of the United States as it will improve economic conditions in the smallest and poorest countries of our neighboring region, the Caribbean.

(4) Human Rights Amendment

Section 102 of the bill as reported would amend the Inter-American Development Bank Act to authorize and direct the United States Executive Director of the IDB to vote against the extension of any assistance to any country engaging in a consistent pattern of gross violations of internationally recognized human rights unless such assistance will directly benefit the needy people in such country. In determining whether a country falls into this category consideration will be given to the extent of cooperation of such a country in an investigation by appropriate international organizations.

Similar amendments were included in the International Development and Food Assistance Act of 1976 and the International Security Assistance and Arms Export Control Act of 1976. The Committee views these human rights provisions as measures designed to prevent the use of U.S. funds to oppress rather than to assist people. They would not necessarily be used to eliminate assistance to countries accused of violating human rights but would help to ensure that funds going to such countries would be used for development purposes. This provision is consistent with the accepted procedure for member countries to influence the policy of international financial institutions.

(5) Use of Intermediate Technologies

Section 103 of the bill as reported would amend the Inter-American Development Bank Act by adding section 29 which would instruct the U.S. Executive Director to the IDB to propose a resolution to the Board of Executive Directors which would make intermediate technologies major facets of the Bank's development strategy. This resolution would further provide that (1) such technologies be developed and utilized as soon as possible in all Bank activities, and (2) that some projects using them be developed by the end of 1977. The U.S. Governor would be required to report to Congress after 6 months about the enactment of this provision and after twelve months about the progress being made on it.

A similar provision was included in the International Development and Food Assistance Act of 1975. It is the belief of the Committee that the experience of more than a quarter century of development assistance programs overseas has demonstrated that much of the technology used in industrialized countries is not well suited to the economies of developing countries. It is too complex, too expensive, and does not create the jobs needed to absorb rapidly expanding labor forces. Moreover, it is often inappropriate for use on small farms and in small business enterprises. The Committee believes the use of intermediate technology as an appropriate response to many development problems. Its use should be stressed by international financial institutions as well as within the U.S. bilateral aid program.

(6) Earmarking for Cooperatives

The Foreign Assistance and Related Programs Appropriations Act for fiscal year 1975 (Public Law 94–11) earmarked $50 million of the $225 million appropriated for IDB concessional loans to "increase the productive capacity" and "provide basic housing to rural and urban citizens at the most economically disadvantaged level."

This earmarking was divided into three separate categories: (1) "$25 million for responsible cooperatives whose primary purpose is to increase the productive capacity of the rural and urban citizens at the most economically disadvantaged level"; (2) $10 million for "local credit unions of national or regional federations thereof, whose primary purpose is to increase the productive capacity of rural and urban citizens at the most economically disadvantaged level" and (3) $15 million for "responsible savings and loan associations or other mortgage credit institutions, or national or regional federations thereof, whose primary purpose is to provide basic housing to rural and urban citizens at the most economically disadvantaged level."

H.R. 9721 as it passed the House of Representatives contained a provision (Sec. 102) which repealed this earmarking. H.R. 9721 as reported by the Senate Foreign Relations Committee does not contain Section 102 and thereby leaves the earmarking provision entact.

The Senate Foreign Relations Committee believes that the promotion of all three of these institutions (cooperatives, credit unions and savings and loans) by the IDB in Latin America is highly desirable. Furthermore, it appears that earmarking has helped to influence the IDB to support cooperatives. In 1975, $138.7 million in loans, $54.4 million from soft loan resources, in contrast to only $127 million in 1972–1974 went to cooperative-type institutions. In January 1976, $27 million worth of loans were approved for cooperatives or similar institutions. The President of the IDB, Antonio Ortiz Mena, personally acknowledged the impact of earmarking in a letter to the Secretary of the Treasury:

> While we have in the past made loans to cooperatives, it is fair to say that the views of your Government together with the interest expressed by a number of our other member countries encouraged us in the year 1975 to reach the levels we achieved.

The IDB has been much slower in responding, however, to the sections of the earmarking which referred to credit unions and savings and loans. A $9 million loan was recently given to the Confederation of Latin American Trade Unions [COLAC] but this was composed of soft currency reflows from the Social Progress Trust Fund. The only other way in which credit unions have been included in Bank programs has been through participation in two Mexican programs for industrial and rural development which have received Bank funding. The record on savings and loans is even worse. They have not received Bank support since the 1960s when some Social Progress Trust Fund housing loans involved savings and loans.

The Bank has particularly resisted this portion of the earmarking, contending that in Latin America, savings and loans are weak institutions which cater primarily to the middle classes and that direct support for housing construction would necessitate major policy changes which might precipitate the proliferation of earmarking which, it is feared, would transform international financial institutions into holding companies for trust funds.

The committee nevertheless believes, that the Bank should move promptly to reassess its past attitude toward savings and loans and credit unions. In its opinion not only cooperatives but savings and loans and credit unions can play an important role in the development of Latin America. The IDB as the region's largest lending institution should be seeking to strengthen and develop them.

The Committee wants to see solid movement by the Bank toward the Commitment of its prestige in support of these key institutions. When this is demonstrated by the allocation of new resources in the amounts which the Congress has specified, the Committee will then support the removal of earmarking. Until that time, it is the opinion of this committee that the earmarking should remain in effect and it has, therefore, deleted the provision which would repeal earmarking.

(7) The Integration of Women

The Committee notes with concern that only limited progress has been made in the IDB in implementing Sec. 305 of the Foreign Assistance Act of 1961, as amended. This provision instructs U.S. representatives to international organizations of which the U.S. is a member to integrate women into the national economies of member and recipient countries and into professional and policy-making positions within those organizations.

The IDB has a long way to go before it can be said that women are integrated into the professional and policy-making positions in its organization (see Table VII attached). For example, in 1975, there was only one woman in the top four grades at IDB. In 1976, although the total number of slots in the top four grades increased by four, the number of women in those grades increased only by one. Although women make up almost half of IDB's staff, they are about 85 percent of the lower grades in both 1975 and 1976. It should be noted that in late 1975, instructions were given to emphasize the recruitment of professional women to the IDB and to enhance the upward mobility of women within the bank. It appears, therefore, that the IDB has given some attention to the question of hiring practices in the past year. The Bank has also recently held a one-day conference on women and development. This is only a beginning, however, and the Committee trusts that the U.S. Executive Director to the Bank will continue to encourage the institution to place an emphasis in its development policies and internal administration upon opening new possibilities for an expanded role for women in all development efforts.

TABLE VII.—INTER-AMERICAN DEVELOPMENT BANK

HEADQUARTERS' STAFF BY SEX, 1975–1976

Category	Jan, 1, 1975 Female	Jan, 1, 1975 Male	Jan, 1, 1976 Female	Jan, 1, 1976 Male
Executive—Nonclassified:				
Managers, deputy managers		24	1	23
Division Directors: Grade I	1	31	1	34
Total	1	55	2	57
Professional:				
Grade II		45		41
Grade III		82		87
Grade IV	2	144	2	143
Grade V	11	89	11	99
Grade VI	9	49	14	52
Grade VII	12	35	8	28
Grade VIII	15	13	14	13
Grade IX	29	20	31	18
Total	78	477	80	481
Secretaries:				
Grade X	92	19	97	17
Grade XI	120	18	123	21
Grade XII	92	9	98	15
Grade XIII	128	14	115	13
Total	432	60	433	66
TC consultants	2	18	4	14
Total	513	610	519	618

D. Committee recommendation

The Committee recommends that the United States continue its support for the IDB. The Bank is making a major contribution to the growth and development of Latin America.

The Committee has long believed that the foreign development assistance efforts of the United States should include support for both bilateral and multilateral programs. In this instance the Committee believes that the IDB provides an effective and cooperative international approach to the economic development of this important area of the Third World.

The present bill provides a well balanced combination of regional burdensharing, new nonregional contributions and U.S. contributions. The Committee is particularly pleased to note that this year's U.S. contribution relies more on callable capital and less on direct cash outlays.

II. African Development Fund

The African Development Fund (AFDF) is the concessional lending arm of the African Development Bank (AFDB). In 1964, 33 independent African nations took the initiative and agreed to establish their own regional financial institution to assist in efforts toward economic and social development and to promote economic cooperation among themselves. The Bank now has 41 member nations, all African and $484 million in resources. The Fund is an outgrowth of the Bank's attempt to involve non-African industrialized nations in African development. Following 6 years of negotiations, in which the United States actively participated, the Fund was established in 1973 and inaugurated in July of that year. The United States also provided technical assistance in the drafting of the Fund's charter and governing provisions.

A. African Development Bank

(1) *Bank Resources.*—The original authorized share capital ($302 million) of the African Development Bank (AFDB) was increased in 1973 and 1974, and now totals $484 million. Half of this is to be paid in and half is callable. As of December 31, 1975, subscribed paid-in capital of the Bank amounted to $235 million—all from African countries and all in convertible currencies. (See Table VIII). The Bank also has about $13 million of borrowed resources from Canada, Sweden, and Austria and is continuing its efforts to borrow at favorable terms from non-members.

The AFDB has used several other techniques to augment its resources. It has begun to borrow in the Eurocurrency market, and it placed $13 million in two-year bonds on the markets of member countries. It hopes to do likewise in markets of industrialized member countries of the African Development Fund. It has also sought public loans from bilateral sources, in particular in the Middle East where concrete results are expected during the course of 1976. The four OPEC countries who are members of the Bank (Algeria, Gabon, Libya and Nigeria) hold almost 40 percent of total subscribed capital and contributed 51 percent of the paid-in capital in the 1973–74 replenishment. Finally the Bank is exploring the possibility of becoming a financial intermediary between poor African countries and other Third World countries whose financial capacities permit them to contribute to development assistance. In this connection the AFDB will probably administer an $80 million Nigerian trust fund and the Central Bank of Argentina has agreed to open a $20 million line of credit to the AFDB.

TABLE VIII.—AFRICAN DEVELOPMENT BANK, SUBSCRIPTIONS TO ORDINARY CAPITAL AND LOANS RECEIVED AS OF DEC. 31, 1975

[Dollar amounts in millions]

Country	Subscribed capital	Paid-in due	Paid-in received	Amount in loans received	Number of loans received
Algeria	$47.8	$20.9	$20.9	$10.2	3
Botswana	1.2	.2	.2	2.7	1
Burundi	2.9	1.0	1.0	4.8	1
Cameroon	11.5	4.5	4.5	8.8	3
Central African Republic	1.2	.6	[1] .5	1.2	1
Chad	1.9	1.0	[1] .4	0	0
Congo Brazza	4.2	1.5	1.5	10.0	4
Dahomey	1.7	.8	.8	7.1	3
Egypt	36.3	18.1	[1] 3.0	12.1	2
Equatorial Guinea	1.2	[1] 0	[2] 0	0	0
Ethiopia	12.5	6.2	[1] 4.7	0	0
Gabon	6.0	1.8	1.8	9.6	2
Gambia	1.2	.2	.2	2.4	1
Ghana	19.1	8.3	8.3	17.5	4
Guinea	4.0	1.8	1.8	8.1	2
Guinea Bissea	1.2	.1	.1	0	0
Ivory Coast	11.5	5.0	5.0	10.5	3
Kenya	11.5	5.0	5.0	15.1	5
Lesotho	1.3	.2	.2	0	0
Liberia	4.4	2.0	2.0	12.8	6
Libya	60.5	25.4	[1] 20.6	0	0
Malawi	3.1	1.5	1.5	12.2	4
Mali	2.8	1.4	1.4	.7	1
Mauritania	2.1	.9	[1] .7	2.1	2
Mauritius	4.8	.7	.7	7.2	2
Morocco	22.5	10.5	10.5	16.7	4
Niger	4.4	1.8	1.8	1.7	1
Nigeria	60.5	30.2	30.2	11.8	3
Rwanda	1.5	.7	.7	0	0
Senegal	9.1	3.9	[1] 3.3	9.3	5
Sierra Leone	3.8	1.7	[1] 1.6	8.2	4
Somalia	3.3	1.6	1.6	3.0	2
Sudan	15.3	6.6	[1] 6.1	12.8	4
Swaziland	2.9	.8	.8	4.4	3
Tanzania	11.5	5.7	5.7	9.9	3
Togo	2.4	1.0	1.0	5.1	2
Tunisia	12.2	4.8	4.8	19.6	6
Uganda	6.8	3.0	[1] 2.8	15.2	5
Upper Volta	1.6	.8	.8	4.8	2
Zaire	36.3	13.6	[1] 9.1	14.9	4
Zambia	19.4	8.9	8.9	14.1	4
Total	469.3	204.9	176.6	308.2	102
Multinational projects				9.1	5
Grand total				317.3	107

[1] In arrears. Arreages amounted to $28,000,000.
[2] Less than $50,000.

Source: Department of the Treasury, U.S. Government.

Like other international financial institutions, the AFDB has had some difficulties with arrearages (deficits in paid-in capital) with some of its member countries. Part of the reason for this is the high percentage of total subscriptions which must be paid-in (50 percent in contrast to the IBRD requirement of 10 percent) and the requirement that the entire amount be in convertible currencies. This places a rather severe burden on countries which are chronically short of hard currency. By 1975, the situation had improved in contrast to 1969 when 40 percent of paid-in capital had not been received, as of December 31, 1975 only $28 million or 13 percent of payments due were still outstanding. Egypt, which was largely responsible for the deficit, has agreed to a 3 year settlement schedule, as have Ethiopia and Senegal. With the exception of Libya, the remaining debts are small and come from four of the very poorest African countries (Chad, Central African Republic, Guinea, and Togo).

(2) *Bank Lending Activities.*—The Bank's lending activities, which totaled only $31 million for the four-year period 1967–1970, reached $43 million in 1973 and $89 million in 1974. Through December 31, 1975, the Bank had authorized $317 million for ordinary capital loans for 107 projects in thirty-seven member countries, mainly in the public utilities and transportation sectors. The Bank management estimates that the Bank will make $440 million worth of loans during the next three years (1976–78). As of October 1975, the Bank's pipeline of prospective projects contained 77 operations, totalling $316 million. At the end of 1975 the Bank had disbursed 42 percent of the loans it had committed. This compares favorably with other international development lending institutions.

The sectoral distribution of AFDB loans from inception through 1974 was as follows: transportation, 37 percent; public utilities (i.e., electric power, water supply and communications), 32 percent; industry and financial institutions, 19 percent; and agriculture, 12 percent.

The Bank gives priority to specific projects and groups of projects involving two or more member countries which demonstrate clear efforts toward self-help, mobilize local resources and promote trade among members. The Bank also makes loans to development institutions which relend to medium and small businessmen and farmers. Since 1972, all of its loans have been made at 6 percent plus a 1 percent commission fee, and with maturities normally ranging from 8 to 20 years plus a grace period of 3 to 6½ years.

It should be noted that although OPEC members have made significant contributions to Bank resources they have received only 10 percent of its loans. Libya has never borrowed from the Bank and Nigeria has now disqualified itself from receiving concessional assistance.

(3) *External Assistance and Bank Management.*—Having recognized that its resources are limited and that it needs to improve the technical skills of its staff, the Bank has made a considerable effort to increase its effectiveness and that of the Fund through cooperation with international organizations and bilateral agencies.

This technical assistance has included the use of World Bank training courses to prepare some AFDB professionals, securing the services of 19 technical experts from other organizations, and arranging for the assistance of the United Nations Development Program, World Health Organization and Food and Agricultural Organization in preparing programs in health and agriculture. In aggregate terms the AFDB has received about $10 million annually in outside technical assistance to improve its project appraisal process. This includes two grants from AID to finance feasibility studies. AID plans to make a further $1.8 million in technical assistance available in 1976.

Through this technical assistance and its growing experience in development finance, the AFDB has established a successful lending operation. Both AID and the U.S. Treasury have had opportunities to examine AFDB lending operations and a U.S. Congressional group visited AFDB projects in November, 1975. All of these assessments have been favorable.

B. The African Development Fund

In 1966, in recognition of these problems and in an effort to increase the involvement of the western industrial nations in African development efforts, the Bank undertook discussions with developed countries on establishing a concessional facility associated with the Bank. After six years of negotiations, and with U.S. assistance in drafting the charter, the African Development Fund was inaugurated in July 1973. The present members of the Fund are Canada, Brazil, Japan, Saudi Arabia, 12 European donors and the Bank itself representing all of its member countries.

Currently France, Australia and the United States are the only OECD countries which are not members of the AFDF.

The Fund is separate from the Bank and has its own decision-making process and financial autonomy although it shares the Bank's administrative staff and facilities. Its primary objectives are to finance concessional, low-interest, long-term loans, primarily for the economic and social development of the poorest nations of the Bank, and to promote regional cooperation and international trade.

(*1*) *Fund resources.*—As indicated on Table IX the total resources of the Fund to date are $152 million, $145 from donor members and $7 million from the AFDB. The AFDB recognizes the importance of concessional lending in a region as poor as Africa and is continuing to seek additional resources for the Fund, through the enlistment of new members, the increase in donor subscriptions, and bilateral loans and grants. The replenishment of the Fund's capital resources for the 1976–1978 period was discussed in Paris in November 1975, the fourth in a series of such meetings.

TABLE IX.—*African Development Fund fact sheet*

First Discussed	1966, 2 years after African Development Bank (AFDB) was established.
Established	July 1973.
Membership	Canada, Brazil, Japan, AFDB, and 12 European countries (Belgium, Denmark, Germany, Finland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, and Yugoslavia).
Total capital	$152,000,000 in concessional loan resources. ($145,000,000 from donor nations and $7,000,000 from AFDB).
Loans:	
Total	40 loans totaling $140,000,000 (1974, 1st year of operations).
Countries receiving.	Burundi, Chad, Dahomey, Gambia, Lesotho, Mali, Mauritania, Rwanda, Senegal, Somalia, Sudan, Swaziland, and Upper Volta.
Characteristics of loans.	Overall policy emphasizes loans to the poorest countries which require development financing on highly concessional terms. Average annual per capita income of borrowers was $123. 16 of the loans totaling $60,000,000 went to long-term development projects. Over half of lending in 1974 was for agricultural projects. The 3 largest borrowers (Lesotho, Mauritania, and Rwanda) received 42 percent of total lending. The 9 MSA countries received 78 percent of Fund's resources.
Proposed new members and subscriptions.	Argentina, $2,200,000; Saudi Arabia, $10,000,000; and United States, $25,000,000.

TABLE X.—AFRICAN DEVELOPMENT FUND, STATEMENT OF CONTRIBUTIONS

Actual members as of Dec. 31, 1975	Subscriptions (millions)	Percent voting power: Actual members	Percent voting power: Actual and prospective members
AFDB	$7.2	50.000	50.000
Belgium	3.3	1.139	1.032
Brazil	3.3	1.139	1.032
Canada	25.0	8.632	7.822
Denmark	7.8	2.693	2.440
Germany	16.6	5.732	5.194
Finland	2.2	.760	.688
Italy	11.1	3.833	3.473
Japan	16.6	5.732	5.194
Netherlands	6.7	2.313	2.065
Norway	8.3	2.866	2.597
Saudi Arabia	10.0	3.453	3.133
Spain	3.3	1.139	1.032
Sweden	10.0	3.453	3.133
Switzerland	6.9	2.382	2.159
United Kingdom	10.2	3.520	3.191
Yugoslavia	3.3	1.139	1.032
Subtotal	152.0	100.000	
Prospective members: United States	15.0		4.693
Grand total	167.0		100.000

Source: Department of the Treasury, U.S. Government.

(*2*) *Fund lending activities.*—During the first two years of operation (1974 and 1975) the Fund made 40 loans totaling $140 million to finance projects predominantly in the area of agriculture. Sixteen of these loans, for $60 million, have been for long-term development projects such as village wells, roads, earthen dams, and irrigation in the six drought-affected countries comprising the Sahel. The disbursements are not at the level of the AFDB because loan commitments were initiated in 1974. The projected disbursement rate for 1976 is 22 percent.

The Fund staff has laid out an ambitious lending program over the next three years. Management has estimated that during the 1976–78 period the Fund will lend between $350 and $385 million. As of October 1975 the Fund's pipeline contained 93 projects, mainly in the agricultural and transport sectors, totaling $304 million. (See Table XI for more detail on the Fund lending program by country and sector.

Both the AFDF and the AFDB use their resources to provide financing for projects and programs which promote the economic and social development of their members. The primary distinction between the lending criteria for the Bank and the Fund is that the Fund directs its lending to those countries whose economic situation and prospects require development financing to be on highly concessional terms.

The Bank lends to the wealthiest as well as to the poorest of its members. The average per capita income of the countries it has lent to is $237. The Fund, however, restricts its lending to the poorest African nations. The 13 countries it lent to in 1974 had an average per capita income of $123. Nine of them, which are classified by the United Nations as among the "most seriously affected", received 78 percent of the Fund's resources last year.

The Bank and the Fund also differ somewhat in the types of projects they finance. The Bank has concentrated its lending primarily in the areas of public utilities and transportation, although it has also extended lines of credit to local development banks and finances some agricultural projects. Over half of the Fund's lending in 1974, its first year in full operation, was for agricultural projects. A few loans were made for transportation and public utilities. Unlike the Bank, the Fund has not financed any industrial projects nor extended financing to local development institutions.

TABLE XI.—*African Development Fund: Loans by country and sector, 1975* [1]

Country and sector	*Amount (millions)*
Botswana, public utilities	$0.4
Botswana, health	5.0
Botswana, transportation	5.6
Burundi, transportation	5.6
Central African Republic, agriculture	5.6
Central African Republic, agriculture	5.6
Chad, agriculture	5.0
Dahomey, agriculture	3.9
Ethiopia, agriculture	5.6
Ethiopia, public utilities	5.6
Lesotho, transportation	.1
Malawi, transportation	.8
Mali, public utilities	1.1
Mali, education	5.6
Mali, agriculture	5.6
Niger, health	4.4
Senegal, public utilities	5.6
Somali, agriculture	.6
Tanzania, transportation	5.6
Togo, transportation	5.0
Togo, transportation	.3
Upper Volta, health	5.0
Upper Volta, public utilities	5.0
Total	92.9

[1] Totals may not add due to rounding.
Source: Department of Treasury, U.S. Government.

(3) *Voting Provisions in the AFDF.*—Voting Provision of the Fund Agreement.

The two decisionmaking bodies of the African Development Fund are its Board of Governors and Board of Directors. All the powers of the Fund are vested in the Board of Governors and, with some limited exceptions, can be delegated to the Board of Directors. The Board of Governors' responsibilities include admitting new members to the Fund, amending the Articles of Agreement, authorizing increases in subscriptions, and other major policy decisions. The Board of Directors is responsible for the direction of the day-to-day operations of the Fund, including making decisions on individual loans.

According to the Agreement Establishing the African Development Fund, the governors of the Bank also serve as governors of the Fund. In addition, the nonregional donor countries are each entitled to appoint a governor in the Fund. The Bank, as a group, and the donor countries, as a group, each have 50 percent of the voting power. The voting power of each governor of the Fund who is also a governor of the Bank is proportionate to his share of the Bank's votes. The voting power of each governor appointed by a donor country is proportionate to that country's share of the subscriptions of the donor countries.

There are 12 directors on the Board of Directors of the Fund, six from the donor countries and six from the Board of Directors of the Bank. Each set of directors holds 50 percent of the voting power. Thus each of the six directors from the Bank controls one-sixth of the votes allotted to them as a group.

Each of these six directors representing donor countries may represent several donors. The vote controlled by such a director is based on the total votes of the countries he represents. If there is a disagreement among them, the director can split the vote accordingly.

All operational matters before the Board of Governors or the Board of Directors must be decided by a 75 percent majority of the total voting power of the participants.

C. U.S. Participation in the AFDF

At the time the Fund was first conceived, the U.S. executive branch supported it and, subject to congressional approval, promised to contribute if other donor countries did likewise. In 1967, the United States indicated that it might contribute as much as $60 million over 3 years if other nations would contribute $90 million. Of the countries which participated in the negotiations to establish the Fund, the United States is the only one that has not yet contributed.

Because the United States participated in the drafting of the agreement establishing the Fund, it would have been eligible to be an "original participant" if its initial contribution had been made by December 31, 1974. This would have made U.S. membership in the Fund automatic and entitled the United States to participate in the election of directors in May 1975. Because the 1974 deadline was not met, the terms of U.S. membership are not yet defined and U.S. entry into the Fund is subject to unanimous approval by the Board of Governors. It is believed that if the proposed authorization is approved, the United States will be able to negotiate membership in the Fund under terms similar to the original charter conditions.

The United States' growing economic and political interest in Africa and the long-term desirability of assisting in efforts to raise living standards there constitute strong reasons why the United States should join this new international financial institution. The African countries concur in this belief, since the regional institution gives them more control over the course of their own development. The work of the AFDF and that of the World Bank in Africa are complementary. The World Bank concentrates on larger, more complex projects utilizing expertise gained from worldwide operations. The AFDF focuses on small-scale, basic infrastructure projects and calls upon the firsthand knowledge and African experience of its staff to meet problems unique to Africa.

The Administration is also beginning to recognize the political importance of U.S. participation in the AFDF. Acting Assistant Secretary of State Edward W. Mulcahy, in his testimony before the Foreign Assistance Subcommittee, stated:

> In the African view, our proposed membership in the African Development Fund has become a symbol of America's commitment to African development. [It] provides a highly visible means to emphasize to the Africans that we sincerely seek a pragmatic dialogue on the specific problems of the developing world and joint efforts to develop solutions in which we can actively participate.

Because of their responsiveness to the particular conditions in their regions, the Committee believes that regional banks have a special role in the development process. The United States is not alone in supporting development banks as an important element of foreign assistance; since they are also strongly supported by most of the other Western countries. For all of these reasons the Committee believes it is desirable for the United States to make a commitment to this institution at this time.

The enactment of H.R. 9721 would authorize U.S. participation in the African Development Fund in accordance with procedures established by the Fund and traditional U.S. policy toward international financial institutions (see sections 202–209 in the bill). It would also authorize $25 million as an initial contribution to the institution.

This would be the first time the U.S. has joined the concessional fund of a development bank without also belonging to the bank. It would also be the first time that U.S. voting power is not equal to the U.S. monetary contribution. While the United States will have its own Governor in the Fund it may have to share a Director because only 6 of the 12 directors represent donors. On the other hand, the African Bank is regional and no other non-regional member of the Fund (most major European countries plus Brazil, Canada, Japan and prospectively Argentina and Saudi Arabia) is a member of the Bank. Further, after 16 years of existence the Inter-American Development Bank is only now considering non-regional membership. While the voting arrangements of the Fund are somewhat unorthodox, they will help to alleviate the complaint that donors hold too much power over the internal economic decisions of developing countries. The requirement for a three-fourths vote for all operational decisions will prevent recipient control of donor funds.

(1) *Increase in authorization for the African Development Fund [Sec. 206]*

The original Treasury request for the African Fund was $15 million. On September 24, 1975, Secretary Kissinger told the Organization of African Unity (OAU) that the United States would raise its contributions to $25 million. After lengthy internal discussion and consultation with Treasury the House of Representatives decided to authorize $25 million or about 14 percent of total contributions ($177 million). This decision would make the United States, along with Canada, one of the two largest donors to the Fund with about 7 percent of the voting power but would not put the United States in a dominant position. The original request for $15 million would have given the United States about 4 percent of the votes and made the United States the fourth largest donor after Canada ($25 million) and Japan and Germany (both contributing $16.7 million).

Although appropriations would be requested in 1976, the disbursement of AFDF funds will be divided into three annual installments of $9 million in 1976, $8 million in 1977, and $8 million in 1978.

This division will help the United States avoid being subject to the Fund's maintenance of value provision. Under Article 13 of the Fund's charter, all members are responsible for the maintenance of value of their currency holdings during the period after Fund receipt of the monies and disbursement or exchange for another currency.

The United States has secured an agreement from the Fund management that if its payments are divided into installments they will be converted upon receipt into another currency. In the opinion of the Committee U.S. participation in the AFDF at the recommended level should provide this country with enough experience in the organization so that a future role in the anticipated replenishment and on-going activities of the institution can be adequately assessed.

(2) *Expropriation Policy [Sec. 210]*

As has been U.S. policy in reference to other multilateral lending organizations, the Executive Director representing the United States in the AFDF would be instructed to cast his vote against any loan to a country which has taken expropriation action toward or discriminated against property or businesses which are at least 50 percent owned by U.S. citizens unless the President determines that (1) good faith negotiations are under way or (2) an arrangement for compensation has been made or (3) the dispute has been submitted to arbitration. Although past results in negotiating expropriation cases in Africa have been good, as of January 1, 1975 there were still 24 unsettled cases, eight of which concerned expropriations which occurred in 1974.

(3) *Human rights*

A human rights provision like that contained in Title I for the Inter-American Development Bank is also included in Title II. It instructs the Executive Director representing the United States in the AFDF to vote against assistance to countries violating human rights unless the aid directly benefits needy people.

D. Budget impact

The full $25 million contribution to the AFDF would need to be appropriated for fiscal year 1976. Fifteen million of this is currently contained in the budget pursuant to the original administration request. Real cash outflow for 1976 would involve only the $9 million installment for that year. Because of the arrangements made to avoid maintenance of value responsibilities the United States would not use letters of credit but rather pay the prescribed amounts into the Fund each year. These arrangements may accelerate budgetary outlays in the shortrun but may also eliminate the need for later maintenance of value payments.

Procurement of goods and services for projects financed by the Fund will be from member nations. Thus, when the United States makes its contribution, it will be eligible not only for the procurement financed by its $25 million contribution, but also for the procurement financed by the almost $200 million contributions of all other donors.

E. Committee recommendation

The Committee on Foreign Relations considers this to be a particularly important moment for the United States to demonstrate to the African nations that it is indeed concerned about and willing to assist in their development efforts. It is clearly in our own interest, both in the economic and political spheres, to become more involved in African affairs. In the view of the Committee, U.S. membership in the African Development Fund would be an effective means to begin to accomplish these goals at a relatively low cost. On the contrary, failure on the part of United States to make this commitment after 6 years of discussions with African countries about the Fund can only serve to complicate the already difficult relationship between the United States and the African nations. The Committee therefore recommends strongly that the Senate authorize U.S. participation in this institution.

IV. Committee Consideration

The Administration submitted its request for H.R. 9721 in July, 1975 and the House Banking and Currency Committee held hearings at that time. The bill was favorably reported by the House Committee in September and passed the House of Representatives by a vote of 249 to 166 on December 9, 1975. The Foreign Assistance Subcommittee of the Committee on Foreign Relations held hearings on H.R. 9721 on January 28, 1976. John A. Bushnell, Acting Assistant Secretary of the Treasury for International Affairs; William D. Rogers, Assistant Secretary of State for Latin America and Edward W. Mulcahy, Acting Assistant Secretary of State in the African Affairs Bureau all testified in favor of the bill. The Senate Foreign Relations Committee considered H.R. 9721 on February 3, 1976 and ordered it reported without amendment by a voice vote. On February 17, the bill was reconsidered and amended to preserve the earmarking of funds for cooperative credit union, and savings and loan associations, as described above. The bill was then again ordered reported. All of these actions were taken by voice votes.

V. Cost Estimate

Section 252(a)(1) of the Legislative Reorganization Act of 1972 requires that committee reports on bills and joint resolutions contain:

(A) An estimate made by such committee of the costs which would be incurred in carrying out such a bill or joint resolution in the fiscal year in which it is reported and in each of the five fiscal years following such fiscal year.

The Committee estimates that the appropriations which are authorized by this bill (and thereby its budget impact) along with actual anticipated expenditures for the fiscal years 1976–1979 are as follows:

[In millions of dollars]

	Appropriations	Outlays
1976	$265	$65
1977	440	240
1978	440	240
1979	200	200

VI. Section-by-Section Analysis

TITLE I

Section 101. Amends the Inter-American Development Bank Act by adding Section 26 and Section 27. Section 26 authorizes the U.S. Governor to vote in favor of two resolutions of the Bank's Board of Governors increasing the authorized capital stock of the Bank and increasing the resources of the Fund for Special Operations, and Section 26 authorizes to be appropriated $1,199,997,873 for the United States subscription to the capital stock of the Bank and $600 million for the U.S. share of the increase in the resources of the Fund for Special Operations. Section 27 authorizes the U.S. Governor to vote for an additional increase in the authorized callable capital stock of the Bank and authorizes to be appropriated $450,002,218 for the increase in the U.S. subscription to the Bank.

Section 102(a)(1). Amends the Inter-American Development Bank Act by adding Sections 23, 24 and 25. Section 23 would authorize the U.S. Governor of the Bank to vote in favor of three resolutions of the Bank's Board of Governors which provide for: (1) Amendments of the Agreement Establishing the Bank necessary for the creation of Inter-Regional Capital Stock; (2) rules for the admission of nonregional countries to membership in the Bank; and (3) an increase in the ordinary callable capital stock of the Bank in conjunction with the admission of the nonregional members. Section 24 would authorize the U.S. Governor to agree to amendments to the Agreement Establishing the Bank to provide for membership for the Bahamas and Guyana. Section 25 authorizes the U.S. Governor to agree to amendments to the Agreement to provide for Bank lending to the Caribbean Development Bank.

Section 28 directs the U.S. Executive Director of the IDB to vote against the extension of any assistance to any country engaging in a consistent pattern of gross violations of internationally recognized human rights unless such assistance will directly benefit needy people.

Section 102(a)(2). Amends the Inter-American Development Bank Act to include Inter-regional Capital Stock in the description of certain acts not to be taken by the President nor any person or agency on behalf of the United States unless Congress by law authorizes such actions. The existing language applies only to ordinary capital and the Fund for Special Operations.

Section 102(a)(3). Amends the Inter-American Development Bank Act to include in the description of SEC exempt Bank securities, those securities which are issued in connection with the Bank's inter-regional capital. The present language only covers ordinary capital.

Section 102(b) provides that the amendments made by Sections 102(a)(2) and 102(a)(3) become effective when the Board of Governors of the Bank approves the nonregional membership resolutions cited in Section 102(a)(1), above.

Section 103. Instructs the U.S. Executive Director of the IDB to urge the use of intermediate technologies in Bank projects and to report to Congress about the progress of these proposals.

TITLE II

Section 201. Title II may be cited as the African Development Fund Act.

Section 202. Authorizes the President to accept membership in the African Development Fund.

Section 203. The President appoints the U.S. Governor and an alternate Governor for the Fund, and the Governor votes for the Director who will represent the U.S. in the Fund. The Director and his alternate if U.S. citizens may receive pay comparable to that of a Chief of Mission, Class 2.

Section 204. Annual Reports on U.S. participation in the African Development Fund will be submitted to Congress in the same manner as for the other development banks.

Section 205. The President may not agree to additional subscriptions or obligate the United States to the Fund for new funds or loans without Congressional authorization.

Section 206. Authorizes the appropriation of $25,000,000 without fiscal year limitation, to be paid in three annual installments of $9,000,000, $8,000,000 and $8,000,000.

Section 207. Authorizes Federal Reserve Banks to be depositories for the Fund if requested by the President.

Section 208. Establishes venue and jurisdiction for civil actions in the United States against the Fund.

Section 209. The Fund agreement has full force and effect in the United States, its territories, possessions and in Puerto Rico, including without limitation that portion of the agreement dealing with the international immunity of the Fund. The United States retains for itself the right to tax salaries paid by the Fund to U.S. citizens.

Section 210. The President shall instruct the Executive Director representing the United States in the Fund to vote against loans to any country which has expropriated the property of a U.S. citizen unless compensation has been made, the parties have submitted the dispute to arbitration, or good faith negotiations are in progress.

Section 211. Instructs the Executive Director representing the United States in the AFDF to oppose loans to countries engaging in a consistent pattern of gross violations of human rights unless they directly benefit needy people.

VII. Changes in Existing Laws

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTER-AMERICAN DEVELOPMENT BANK ACT

* * * * * * *

TITLE I—INTER-AMERICAN DEVELOPMENT BANK

* * * * * * *

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

Sec. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional shares of stock under article II, section 3, *or article IIA, section 2* of the agreement; (b) request or consent to any change in the quota of the United States under article IV, section 3, of the agreement; (c) accept any amendment under article XII of the agreement; or (d) make a loan or provide other financing to the Bank, except that loans or other financing may be provided to the Bank by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for any increase of capital stock of the Bank under article II, section 2, *or article IIA, section 1,* of the agreement of any increase in the resources of the Fund for Special Operations under article IV, section 3(g) thereof.

* * * * * * *

SECURITIES ISSUED BY BANK AS EXEMPT SECURITIES; REPORT FILED WITH SECURITIES AND EXCHANGE COMMISSION

Sec. 11. (a) Any securities issued by the Bank (including any guarantee by the Bank, whether or not limited in scope) in connection with raising of funds for including in the Bank's [ordinary] capital resources as defined in article II, section 5, *and article II A, section 4,* of the agreement, and any securities guaranteed by the Bank as to both the principal and interest to which the commitment in article II, section 4(a)(ii), *or article II A, section 3(c),* of the agreement is expressly applicable, shall be deemed to be exempted securities within the meaning of paragraph (a)(2) of section 3 of the Act of May 27, 1933, as amended (15 U.S.C. 77c), and paragraph (a)(12) of section 3 of the Act of June 6, 1934, as amended (15 U.S.C. 78c). The Bank shall file with the Securities and Exchange Commission such as annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the public interest or for the protection of investors.

(b) The Securities and Exchange Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the provisions of subsection (a) at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension. The Commission shall include in its annual reports to Congress such information as it shall deem advisable with regard to the operations and effect of this section and in connection therewith shall include any views submitted for such purpose by any association of dealers registered with the Commission.

* * * * * * *

Sec. 23. The United States Governor of the Bank is authorized to note for three proposed resolutions of the Board of Governors entitled (a) "Amendments to the Agreement Establishing the Bank with respect to the Creation of the Inter-Regional Capital Stock of the Bank and to Related Matters," (b) "General Rules Governing Admission of Nonregional Countries to Membership in the Bank," and (c) "Increase in the Authorized Callable Ordinary Capital Stock and Subscriptions Thereto in Connection with the Admission of Nonregional Member Countries," which were submitted to the Board of Governors pursuant to a resolution of the Board of Executive Directors approved on March 4, 1975.

Sec. 24. The United States Governors of the Bank is authorized to agree to the amendments to article II, section 1(b) and article IV, section 3(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for membership for the Bahamas and Guyana in the Bank at such times and in accordance with such terms as the Bank may determine.

Sec. 25. The United States Governor of the Bank is authorized to agree to the amendments to article III, sections 1, 4, and 6(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for lending to the Caribbean Development Bank.

Sec. 26. (a) The United States Governor of the Bank is hereby authorized to vote in favor of two resolutions proposed by the Governors at a special meeting in July 1975, and now pending before the Board of Governors of the Bank, which provide for (1) an increase in the authorized capital stock of the Bank and additional subscriptions of members thereto and (2) an increase in the resources of the Fund for Special Operations and contributions thereto. Upon adoption of such resolutions, the United States Governor is authorized to agree on behalf of the United States (1) to subscribe to ninety-nine thousand four hundred and seventy-four shares of $10,000 par value of the increase in the authorized capital stock of the Bank of which eighty-nine thousand five hundred and twenty-six shall be callable shares and nine thousand nine hundred and forty-eight shall be paid-in and (2) to contribute to the Fund for Special Operations $600,000,000, in accordance with and subject to the terms and conditions of such resolutions.

(b) There are hereby authorized to be appropriated, without fiscal year limitation, the amounts necessary for payment by the Secretary of the Treasury of (1) $1,199,997,873 for the United States subscription to the capital stock of the Bank and (2) $600,000,000 for the United States share of the increase in the resources of the Fund for Special Operations.

Sec. 27. (a) The United States Governor of the Bank is hereby authorized to vote for an additional increase of one hundred and eight thousand shares of $10,000 par value in the authorized callable capital stock of the Bank as recommended in the resolution of the Board of Governors entitled 'Increase of US$4 Billion in the Authorized Capital Stock and Subscriptions Thereto'. Upon adoption of a Board of Governors resolution increasing the authorized capital stock of the Bank by such amount, the United States Governor is authorized to agree on behalf of the United States to subscribe to thirty-seven thousand three hundred and three shares of $10,000 par value of such additional increase in callable capital in accordance with and subject to the terms and conditions of such resolution.

(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated, without fiscal year limitation, $450,002,218 for payment by the Secretary of the Treasury.

"Sec. 28. (a) The United States Executive Director of the Bank is authorized and directed to vote against any loan, any extension of financial assistance, or any technical assistance to any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhumane, or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial of the right to life, liberty, and the security of person, unless such assistance will directly benefit the needy people in such country.

"(b) In determining whether this standard is being met with regard to activities of the Inter-American Development Bank, the Committee on Foreign Relations of the Senate or the House Committee on International Relations, or the House Committee on Banking, Currency and Housing, may require the United States Governor of the Bank to submit in writing information demonstrating that such loan or assistance will directly benefit those persons in such country to which such loan or assistance is supposed to be directed, together with a detailed explanation of the assistance to be provided (including the dollar amounts of such assistance) and an explanation of how such assistance will directly benefit such persons in such country.

"(c) In determining whether or not a country falls within the provisions of subsection (a), the Senate Committee on Foreign Relations and the House Committee on International Relations and the House Committee on Banking, Currency and Housing shall give consideration to the extent of cooperation of such country in permitting an unimpeded investigation of alleged violations of internationally recognized human rights by appropriate international organizations, including the International Committee of the Red Cross, or groups or persons acting under the authority of the United Nations or of the Organization of American States.".

"Sec. 29. (a) The United States Executive Director of the Bank shall propose to the Board of Executive Directors of the Bank the adoption of a resolution providing (1) that the development and utilization of light-capital or intermediate technologies should be accepted as major facets of the Bank's development strategy, and (2) that such light-capital or intermediate technologies should be developed and utilized as soon as possible in all Bank activities. Such resolution shall further provide that, by the close of the calendar year 1977, some projects that employ primarily such light-capital or intermediate technologies shall be designed and approved.

"(b) The United States Governor of the Bank shall report to the Congress no later than six months after the date of the enactment of this section on the proposal made under subsection (a), and no later than twelve months after such date on the progress that has been made with respect to such proposal.".

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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 94-1121

INTER-AMERICAN DEVELOPMENT BANK

MAY 11, 1976.—Ordered to be printed

Mr. REUSS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 9721]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9721) to provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 2, 4, 6, and 7.

That the House recede from its disagreement to the Senate amendment numbered 3 and agree to the same.

Amendment numbered 5:

That the House recede from its disagreement to the amendment of the Senate numbered 5, and agree to the same with an amendment as follows:

Omit the matter proposed to be inserted by the Senate amendment and on page 13, line 2, of the bill (H.R. 9721) immediately after "person," insert the following: *and including providing refuge to individuals committing acts of international terrorism such as the hijacking of an aircraft,*

And the Senate agree to the same.

Amendment numbered 8:

That the House recede from its disagreement to the Senate amendment numbered 8, and agree to the same with an amendment as follows:

57-006 O

In the Senate amendment, strike out "Title IV" and "Sec. 401." and insert in lieu thereof *Title III* and *Sec. 301.*, respectively.

And the Senate agree to the same.

H. S. REUSS,
HENRY GONZALEZ,
ROBERT G. STEPHENS, Jr.,
PAUL E. TSONGAS,
LINDY (MRS. HALE) BOGGS,
ALBERT W. JOHNSON,
HENRY J. HYDE,
Managers on the Part of the House.

JOHN SPARKMAN,
HUBERT H. HUMPHREY,
GALE W. MCGEE,
GEORGE MCGOVERN,
CLIFFORD P. CASE,
JACOB K. JAVITS,
HUGH SCOTT,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9721) to provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

TITLE I—INTER-AMERICAN DEVELOPMENT BANK

The Senate amendments numbered 1, 2, and 4 struck section 102 of the House bill (and made corresponding technical changes) which repealed a provision under the heading "Investment in Inter-American Development Bank" in title III of the Foreign Assistance and Related Programs Appropriations Act, 1975. The Senate receded to the House.

The Senate amendment numbered 3 amended section 103 of the House bill to change the word "Governor" to "Executive Director". The House receded to the Senate amendment.

TITLE II—AFRICAN DEVELOPMENT FUND

The Senate amendment numbered 5 added a new section, section 212, to the House bill directing the United States Executive Director of the African Development Fund to vote against any loan to any government which provides refuge to individuals committing acts of terrorism, such as the hijacking of an aircraft. The House bill contained no comparable provision. The House receded to the Senate amendment with an amendment placing similar language in section 211.

The Senate amendment numbered 6 added a new section, section 213, to the House bill stating that none of the funds authorized to be appropriated in the bill shall be granted, loaned to, or otherwise used for the benefit of the nation of Uganda. The House bill contained no comparable provision. The Senate receded to the House.

TITLE III—AUTHORIZATION FOR INTERNATIONAL ATOMIC ENERGY AGENCY

The Senate amendment numbered 7 added a new title to the House bill authorizing funds for the International Atomic Energy Agency. The House bill contained no comparable provision. The Senate receded to the House.

TITLE IV—SWINE INFLUENZA

The Senate amendment numbered 8 added a new title to the House bill stating that Congress finds that the problems posed by swine influenza transcend national and political boundaries and that it is the sense of Congress that the President should furnish assistance to foreign countries and international organizations for the investigation and planning for the control of swine influenza. The House bill contained no comparable provision. The House receded to the Senate amendment with a technical amendment which renumbers the title and section added by the Senate amendment.

H. S. REUSS,
HENRY GONZALEZ,
ROBERT G. STEPHENS, Jr.,
PAUL E. TSONGAS,
LINDY (MRS. HALE) BOGGS,
ALBERT W. JOHNSON,
HENRY J. HYDE,
Managers on the Part of the House.

JOHN SPARKMAN,
HUBERT H. HUMPHREY,
GALE W. MCGEE,
GEORGE MCGOVERN,
CLIFFORD P. CASE,
JACOB K. JAVITS,
HUGH SCOTT,
Managers on the Part of the Senate.

○

H. R. 9721

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the nineteenth day of January, one thousand nine hundred and seventy-six

An Act

To provide for increased participation by the United States in the Inter-American Development Bank, to provide for the entry of nonregional members and the Bahamas and Guyana in the Inter-American Development Bank, to provide for the participation of the United States in the African Development Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—INTER-AMERICAN DEVELOPMENT BANK

Sec. 101. The Inter-American Development Bank Act (22 U.S.C. 283 et seq.) is further amended by adding at the end thereof the following new sections:

"Sec. 26. (a) The United States Governor of the Bank is hereby authorized to vote in favor of two resolutions proposed by the Governors at a special meeting in July 1975, and now pending before the Board of Governors of the Bank, which provide for (1) an increase in the authorized capital stock of the Bank and additional subscriptions of members thereto and (2) an increase in the resources of the Fund for Special Operations and contributions thereto. Upon adoption of such resolutions, the United States Governor is authorized to agree on behalf of the United States (1) to subscribe to ninety-nine thousand four hundred and seventy-four shares of $10,000 par value of the increase in the authorized capital stock of the Bank of which eighty-nine thousand five hundred and twenty-six shall be callable shares and nine thousand nine hundred and forty-eight shall be paid in and (2) to contribute to the Fund for Special Operations $600,000,000, in accordance with and subject to the terms and conditions of such resolutions.

"(b) There are hereby authorized to be appropriated, without fiscal year limitation, the amounts necessary for payment by the Secretary of the Treasury of (1) $1,199,997,873 for the United States subscription to the capital stock of the Bank and (2) $600,000,000 for the United States share of the increase in the resources of the Fund for Special Operations.

"Sec. 27. (a) The United States Governor of the Bank is hereby authorized to vote for an additional increase of one hundred and eight thousand shares of $10,000 par value in the authorized callable capital stock of the Bank as recommended in the resolution of the Board of Governors entitled 'Increase of US$4 Billion in the Authorized Capital Stock and Subscriptions Thereto'. Upon adoption of a Board of Governors resolution increasing the authorized capital stock of the Bank by such amount, the United States Governor is authorized to agree on behalf of the United States to subscribe to thirty-seven thousand three hundred and three shares of $10,000 par value of such additional increase in callable capital in accordance with and subject to the terms and conditions of such resolution.

"(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appropriated, without fiscal year limitation, $450,002,218 for payment by the Secretary of the Treasury.".

SEC. 102. Under the center heading "INVESTMENT IN INTER-AMERICAN DEVELOPMENT BANK" in title III of the Foreign Assistance and Related Programs Appropriations Act, 1975, strike out all that follows after "to remain available until expended" and insert in lieu thereof a period.

SEC. 103. (a) The Inter-American Development Bank Act (22 U.S.C. 283 et seq.) is further amended as follows:

(1) By adding after section 22 the following new sections:

"SEC. 23. The United States Governor of the Bank is authorized to vote for three proposed resolutions of the Board of Governors entitled (a) 'Amendments to the Agreement Establishing the Bank with respect to the Creation of the Inter-Regional Capital Stock of the Bank and to Related Matters', (b) 'General Rules Governing Admission of Nonregional Countries to Membership in the Bank', and (c) 'Increase in the Authorized Callable Ordinary Capital Stock and Subscriptions Thereto in Connection with the Admission of Nonregional Member Countries', which were submitted to the Board of Governors pursuant to a resolution of the Board of Executive Directors approved on March 4, 1975.

"SEC. 24. The United States Governor of the Bank is authorized to agree to the amendments to article II, section 1(b) and article IV, section 3(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for membership for the Bahamas and Guyana in the Bank at such times and in accordance with such terms as the Bank may determine.

"SEC. 25. The United States Governor of the Bank is authorized to agree to the amendments to article III, sections 1, 4, and 6(b) of the Agreement Establishing the Bank, as proposed by the Board of Executive Directors, to provide for lending to the Caribbean Development Bank.

"SEC. 28. (a) The United States Executive Director of the Bank is authorized and directed to vote against any loan, any extension of financial assistance, or any technical assistance to any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhumane, or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial of the right to life, liberty, and the security of person, unless such assistance will directly benefit the needy people in such country.

"(b) In determining whether this standard is being met with regard to activities of the Inter-American Development Bank, the Committee on Foreign Relations of the Senate or the House Committee on International Relations, or the House Committee on Banking, Currency and Housing, may require the United States Governor of the Bank to submit in writing information demonstrating that such loan or assistance will directly benefit those persons in such country to which such loan or assistance is supposed to be directed, together with a detailed explanation of the assistance to be provided (including the dollar amounts of such assistance) and an explanation of how such assistance will directly benefit such persons in such country.

"(c) In determining whether or not a country falls within the provisions of subsection (a), the Senate Committee on Foreign Relations and the House Committee on International Relations and the House Committee on Banking, Currency and Housing shall give consideration to the extent of cooperation of such country in permitting an unimpeded investigation of alleged violations of internationally recognized human rights by appropriate international organizations, including the International Committee of the Red Cross, or groups or persons acting under the authority of the United Nations or of the Organization of American States.".

(2) By inserting in the first sentence of section 5 after "article II, section 3" a comma and the words "or article IIA, section 2,"; and by inserting in the last sentence of section 5 after "article II, section 2," the words "or article IIA, section 1,".

(3) By deleting in the first sentence of section 11(a) the word "ordinary"; by inserting in section 11(a) after the words "article II, section 5," the words "and article IIA, section 4,"; and by inserting in section 11(a) after the words "article II, section 4(a)(ii)," the words "or article IIA, section 3(c),".

(b) The amendments made by paragraphs (2) and (3) of this section shall become effective upon approval by the Board of Governors of the Bank of the resolutions referred to in section 23 of the Inter-American Development Bank Act (22 U.S.C. 283 et seq.).

Sec. 104. The Inter-American Development Bank Act (22 U.S.C. 283 et seq.) is further amended by adding at the end thereof the following new section:

"Sec. 29. (a) The United States Executive Director of the Bank shall propose to the Board of Executive Directors of the Bank the adoption of a resolution providing (1) that the development and utilization of light-capital or intermediate technologies should be accepted as major facets of the Bank's development strategy, and (2) that such light-capital or intermediate technologies should be developed and utilized as soon as possible in all Bank activities. Such resolution shall further provide that, by the close of the calendar year 1977, some projects that employ primarily such light-capital or intermediate technologies shall be designed and approved.

"(b) The United States Governor of the Bank shall report to the Congress no later than six months after the date of the enactment of this section on the proposal made under subsection (a), and no later than twelve months after such date on the progress that has been made with respect to such proposal.".

TITLE II—AFRICAN DEVELOPMENT FUND

Sec. 201. This Title may be cited as the "African Development Fund Act".

Sec. 202. The President is hereby authorized to accept participation for the United States in the African Development Fund (hereinafter referred to as the "Fund") provided for by the agreement establishing the Fund (hereinafter referred to as the "agreement") deposited in the Archives of the United Nations.

Sec. 203. (a) The President, by and with the advice and consent of the Senate, shall appoint a Governor, and an Alternate Governor, of the Fund.

(b) The Governor, or in his absence the Alternate Governor, on the instructions of the President, shall cast the votes of the United States for the Director to represent the United States in the Fund. The Director representing the United States and his Alternate, if they are citizens of the United States, may, in the discretion of the President, receive such compensation, allowances, and other benefits not exceeding those authorized for a Chief of Mission, class 2, within the meaning of the Foreign Service Act of 1946, as amended.

SEC. 204. The provisions of section 4 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286b), shall apply with respect to the Fund to the same extent as with respect to the International Bank for Reconstruction and Development and the International Monetary Fund. Reports with respect to the Fund under paragraphs (5) and (6) of subsection 4 of said Act, as amended, shall be included in the first report made thereunder after the United States accepts participation in the Fund.

SEC. 205. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States:

(a) agree to an increase in the subscription of the United States to the Fund;

(b) vote for or agree to any amendment of the agreement which increases the obligations of the United States, or which would change the purpose or functions of the Fund; or

(c) make a loan or provide other financing to the Fund, except that funds for technical assistance may be provided to the Fund by a United States agency created pursuant to an Act of Congress which is authorized by law to provide funds to international organizations.

SEC. 206. (a) There is hereby authorized to be appropriated without fiscal year limitation, as the United States subscription, $25,000,000 to be paid by the Secretary of the Treasury to the Fund in three annual installments of $9,000,000, $8,000,000, and $8,000,000.

(b) Any repayment or distribution of moneys from the Fund to the United States shall be covered into the Treasury as a miscellaneous receipt.

SEC. 207. Any Federal Reserve bank which is requested to do so by the President shall act as a depository for the Fund, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

SEC. 208. For the purpose of any civil action which may be brought within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, by or against the Fund in accordance with the agreement, the Fund shall be deemed to be an inhabitant of the Federal judicial district in which its principal office or agency appointed for the purpose of accepting service or notice of service is located, and any such action to which the Fund shall be party shall be deemed to arise under the laws of the United States, and the district courts of the United States (including the courts enumerated in title 28, section 460, United States Code) shall have original jurisdiction of any such action. When the Fund is defendant in any action in a State court, it may, at any time before the trial thereof, remove such action into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

SEC. 209. The agreement, including without limitation articles 41 through 50, shall have full force and effect in the United States, its territories and possessions, and the Commonwealth of Puerto Rico, upon the acceptance of participation by the United States in, and the entry into force of, the Fund. The President, at the time of deposit of the instrument of acceptance of participation of the United States in the Fund, shall also deposit a declaration that the United States retains for itself and its political subdivisions the right to tax salaries and emoluments paid by the Fund to its citizens or nationals and may deposit a declaration providing for reservations on other matters set forth in article 58.

SEC. 210. The President shall instruct the United States Governor of the Fund to cause the Executive Director representing the United States in the Fund to cast the votes of the United States against any loan or other utilization of the funds of the Fund for the benefit of any country which has—

(1) nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum of which is beneficially owned by United States citizens;

(2) taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum of which is beneficially owned by United States citizens; or

(3) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned;

unless the President determines that (A) an arrangement for prompt, adequate, and effective compensation has been made, (B) the parties have submitted the dispute to arbitration under the rules of the Convention for the Settlement of Investment Disputes, or (C) good faith negotiations are in progress aimed at providing prompt, adequate, and effective compensation under the applicable principles of international law.

SEC. 211. (a) The United States Governor of the Fund is authorized and directed to cause the Executive Director representing the United States to vote against any loan, any extension of financial assistance, or any technical assistance to any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhumane, or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial of the right to life, liberty, and the security of person, and including providing refuge to individuals committing acts of international terrorism such as the hijacking of an aircraft, unless such assistance will directly benefit the needy people in such country.

(b) In determining whether this standard is being met with regard to activities of the African Development Fund, the Committee on Foreign Relations of the Senate or the House Committee on International Relations, or the House Committee on Banking, Currency and Housing may require the United States Governor of the Bank to submit in writing information demonstrating that such loan or assistance will directly benefit those persons in such country to which such loan or assistance is supposed to be directed, together with a detailed explanation of the assistance to be provided (including the dollar amounts of such assistance) and an explanation of how such assistance will directly benefit such persons in such country.

(c) In determining whether or not a country falls within the provisions of subsection (a), the Senate Committee on Foreign Relations and the House Committee on International Relations and the House Committee on Banking, Currency and Housing shall give consideration to the extent of cooperation of such country in permitting an unimpeded investigation of alleged violations of internationally recognized human rights by appropriate international organizations, including the International Committee of the Red Cross, or groups or persons acting under the authority of the United Nations or of the Organization of American States.

TITLE III—SWINE INFLUENZA

SEC. 301. (a) The Congress finds and declares that—

(1) the problems posed by swine influenza transcend national and political boundaries;

(2) no one country, or even one portion of the world, can singularly undertake the search for a worldwide solution to the problems posed by swine influenza;

(3) the global nature of swine influenza demands international cooperation and coordination in the investigation and planning for effective control of swine influenza;

(4) the Public Health Service of the United States has invited the World Health Organization of the United Nations and its International Influenza Reference Centers to participate in the investigation and planning for the control of swine influenza;

(5) special collaboration has already been established among the United States, the United Kingdom, and Canada for mutual participation in the investigation and planning for the control of swine influenza;

(6) the United States Department of State and the Public Health Service of the United States have joint programs to provide information to foreign countries on the nature and extent of swine influenza and the methods necessary to control it; and

(7) the technology of the United States for the surveillance of virus disease and vaccine production should be made available to foreign countries.

(b) It is the sense of the Congress that the President should furnish assistance to foreign countries and international organizations for the investigation and planning for the control of swine influenza.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

May 21, 1976

Dear Mr. Director:

The following bills were received at the White House on May 21st:

H.R. 5272 ✓
H.R. 9721 ✓
H.R. 13172 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.