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No. 5895

**UNITED STATES OF AMERICA
and
INTER-AMERICAN DEVELOPMENT BANK**

**Agreement (with annex and exchange of notes) relating to
a Social Progress Trust Fund. Signed at Washington,
on 19 June 1961**

Official text: English.

Registered by the United States of America on 29 September 1961.

**ÉTATS-UNIS D'AMÉRIQUE
et
BANQUE INTERAMÉRICAINNE DE DÉVELOPPEMENT**

**Accord (avec annexe et échange de notes) relatif à un fonds
de développement social. Signé à Washington, le
19 juin 1961**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 29 septembre 1961.

No. 5895. AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND THE INTER-AMERICAN DEVELOPMENT BANK RELATING TO A SOCIAL PROGRESS TRUST FUND. SIGNED AT WASHINGTON, ON 19 JUNE 1961

AGREEMENT dated this nineteenth day of June, 1961, between the Government of the United States of America (United States) and the Inter-American Development Bank (hereinafter sometimes called the Bank), to entrust to the Bank the administration of the Social Progress Trust Fund, constituted from part of the Special Inter-American Fund for Social Progress.

PREAMBLE

WHEREAS the President and the Congress of the United States have endorsed the establishment of a cooperative program for the social progress of the American Republics, complementing measures directed toward accelerated economic growth, and based on the determination of the respective countries to contribute their own efforts and resources in a manner conducive to achieving the purposes of the program;

WHEREAS the representatives of the American Republics, considering it advisable to adopt measures for social improvement and economic development within the framework of Operation Pan America, recognized in the Act of Bogotá of September 12, 1960,² that the preservation and strengthening of free and democratic institutions in the American Republics require the acceleration of social and economic progress in Latin America adequate to meet the legitimate aspirations of the peoples of the Americas for a better life and to provide them the fullest opportunity to improve their status and recognize further that the magnitude of the problems involved will require maximum self-help efforts on the part of the American Republics and, in many cases, the improvement of existing institutions and practices, particularly in the fields of ownership and use of land, education and training, health and housing, and taxation and other aspects of the mobilization of domestic resources ;

WHEREAS in the Act of Bogotá the representatives of the American Republics welcomed the decision of the Government of the United States to establish a Special Inter-American Fund for Social Progress with the Inter-American Development Bank to become the primary mechanism for the administration of such a fund ;

¹ Came into force on 19 June 1961, the date of signature, in accordance with article VII.

² United States of America : Department of State Bulletin, Oct. 3, 1960, p. 537.

WHEREAS the United States has now established the aforesaid Fund to assist in carrying out its declared aims for social improvement in the Latin American Republics and thereby contribute towards fulfilling the purposes of the Act of Bogotá ;

AND WHEREAS the Inter-American Development Bank has determined that the administration of a trust fund for these purposes by the Bank would be consistent with the provisions of the Agreement Establishing the Bank¹ and would strengthen the efforts of the Bank to foster greater social progress and balanced economic growth.

NOW THEREFORE, the Parties hereto agree as follows:

Article I

ESTABLISHMENT AND PURPOSES OF THE SOCIAL PROGRESS TRUST FUND

Section 1.01. There is hereby established the Social Progress Trust Fund (hereinafter called the Fund), constituted by monies transferred to the Fund from time to time by the United States and by any other accruals thereto, pursuant to Article III of this Agreement, to be held in trust and administered by the Bank in accordance with the terms of this Agreement.

Section 1.02. The Bank is hereby designated Administrator of the Fund. The term Administrator will hereinafter be used to refer to the Bank acting in that capacity.

Section 1.03. The purpose of the Fund shall be to provide capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and the relending of repaid funds and interest, in accordance with appropriate and selective criteria in the light of the resources available, to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ efficiently their own resources with a view to achieving greater social progress and more balanced economic growth.

Section 1.04. Consistent with the foregoing purpose, the Administrator shall utilize the resources of the Fund to make loans for projects or programs designed to achieve improved conditions in the countries concerned in the fields of :

- (a) Land settlement and improved land use, including access and feeder roads, assistance to agricultural credit institutions, assistance to supervised credit and agricultural extension, and development of storage and marketing facilities, provided that the resources of the Fund shall not be used for the purchase of agricultural land ;

¹ United Nations, *Treaty Series*, Vol. 389, p. 69.

- (b) Housing for low income groups, through assistance to self-help housing and to institutions providing long-term housing finance and engaged in mobilizing domestic resources for this purpose ;
- (c) Community water supply and sanitation facilities ;
- (d) Such supplementary financing of facilities for advanced education and training related to economic and social development as may be agreed upon from time to time between the United States and the Administrator.

Section 1.05. In addition, the Administrator shall utilize the resources of the Fund to provide technical assistance related to projects in the fields set forth in Section 1.04, and technical assistance related to the mobilizing of domestic financial resources and the strengthening of financial institutions.

Section 1.06. The Fund and its assets and accounts shall be kept separate and apart from all other assets and accounts of the Bank.

Article II

CRITERIA FOR THE ADMINISTRATION OF THE FUND

Section 2.01. In considering applications for loans and for technical assistance, the Administrator shall be guided by the following criteria :

- (a) Consideration shall continuously be given to the institutional improvements which a country is initiating or expanding consistent with Article I, Section 1.03, of this Agreement. Accordingly, assistance shall be made available to those projects or programs which are related to effective self-help measures in countries which demonstrate their determination to achieve the purposes there set forth, and a willingness to employ their own resources efficiently to the end of meeting social needs and strengthening economic development. Special consideration shall be given to proposals which are part of a soundly conceived national development program, taking into account the review and analysis of social and economic progress and problems in each country undertaken at the annual consultative meetings of the Inter-American Economic and Social Council.
- (b) Before acting favorably on a loan request, the Administrator shall be satisfied that measures necessary and appropriate for the success of the particular project or program have been or will be undertaken.
- (c) Loan requests shall be granted only for projects or programs in which the applicant bears an appropriate share of the total costs. Loans may be granted to cover the total costs of a specific project, provided such project is an integral part of an expanding program in the same field financed to an appropriate extent by the applicant. The Administrator shall also be satisfied that the borrower or another appropriate entity is prepared to assume the costs of the continued

support of the project or program, including the costs of maintenance and operation of any structure, installation and equipment connected therewith.

- d) Before committing resources of the Fund to any project or program, the Administrator shall take into account whether the financial and/or technical assistance required can be obtained from national or international agencies or from private sources on terms which, in the opinion of the Administrator, are reasonable for the recipient, considering all pertinent factors.

Article III

RESOURCES OF THE FUND

Section 3.01. The United States undertakes to contribute to the Fund out of monies appropriated by the United States Congress which may be available for this purpose.

Section 3.02. The Administrator shall be entitled to make commitments on behalf of the Fund in an amount of \$394,000,000, which may be increased by mutual agreement.

Section 3.03. The United States contributions will be made available to the Administrator from time to time as needed to meet disbursement from the Fund.

Section 3.04. All monies received in repayment of loans made out of the Fund or by way of interest or by way of other accruals thereto shall be held by the Administrator as part of the resources of the Fund and be available for use in accordance with this Agreement.

Article IV

OPERATIONS OF THE FUND

Section 4.01. Whenever assistance from the Fund is requested, the applicant shall be required to furnish the Administrator such information as may be necessary or desirable to enable the Administrator to determine whether favorable consideration of the application would further the purposes specified in Article I, Section 1.04, of this Agreement. The borrower shall also be required to supply the Administrator such additional information as the Administrator may reasonably request at any time during the course of the operation.

Section 4.02. Capital resources of the Fund shall be provided by the Administrator under such flexible terms and conditions of repayment as it is determined are best suited to carry out the purposes set forth in Article I, Sections 1.03 and 1.04, of this Agreement. The resources of the Fund shall not be loaned or reloaned at

interest rates which the Administrator considers to be excessive or which are higher than the legal rate of interest of the country in which the loan is made.

Section 4.03. Upon request, technical assistance may be provided by the Administrator on a loan, grant or reimbursable basis, for the preparation, financing, and execution of plans and projects for carrying out the purposes set forth in Article I, Sections 1.04 and 1.05, of this Agreement.

Section 4.04. Loans may be made to national governments, government institutions and agencies, to local and municipal governments and to private borrowers within an eligible country, including cooperatives and organizations affiliated with or sponsored by labor unions. The provisions of Article III, Section 7(b), of the Agreement Establishing the Bank shall be followed in applying this Agreement.

Section 4.05. Except as may be otherwise agreed between the United States and the Administrator, no financing or technical assistance shall be extended from the Fund to the government or any government agency of, or to any individual, partnership, association, corporation or other entity in, any country which was not a member of the Bank as of September 12, 1960, or which is being subjected to economic or diplomatic sanctions by the Organization of American States. Moreover, no part of the Fund shall be used for the purchase of goods or services originating in any such country.

Section 4.06. United States dollar funds made available under this Agreement shall be used for the purchase of goods or services from the United States or for the acquisition of goods or services of local origin in the country where the assistance is received. However, subject to the provisions of Section 4.05 of this Agreement, the Administrator may authorize the use of such funds for the acquisition of goods or services produced in other countries which are members of the Bank if such transaction would be advantageous to the borrower.

Section 4.07. Loans made from the Fund may be made repayable in whole or in part, as to both principal and interest, in the currency of the borrower. All loans of dollars shall be denominated in dollars and, to the extent that servicing is called for in a non-dollar currency, the loan contract shall oblige the borrower to make payments of interest and payments of principal in such amount in the case of each payment as is required by provisions in the contract deemed by the administrator to be appropriate to insure that the payment is equivalent in value to the dollar denominated amount due.

Section 4.08. Whenever any part of a loan is made repayable in the currency of the borrower, the Administrator shall require that the country of the borrower agree that its currency received by the Fund may be used by the Fund or by any recipient from the Fund, without restriction by the country, to make payments for

goods and services produced in the territory of the country for use in furtherance of the purposes of the Fund in any country eligible for assistance from the Fund.

Section 4.09. Currencies held by the Administrator in the resources of the Fund shall not be used to purchase other currencies for making loans.

Section 4.10. Decisions relating to the Fund shall be reached by the Administrator in accordance with the provisions of Article IV, Section 9, of the Agreement Establishing the Bank.

Article V

THE ADMINISTRATOR

Section 5.01. In the administration of the Fund, cooperation shall be maintained with national and international organizations, both public and private, operating in the field of social development, and particularly with agencies of the United States administering other portions of the Special Inter-American Fund for Social Development.

Section 5.02. The Bank shall exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own affairs.

Section 5.03. The Administrator shall receive no compensation other than reimbursement for expenses incurred because of services rendered under this Agreement, which will be computed in accordance with the plan set forth in Annex A¹ hereto.

Section 5.04. The Bank shall include in its annual and quarterly reports a separate section containing appropriate information with respect to the receipts and disbursements of, and balances in, the Fund. In addition, within sixty days after the close of each annual accounting period the Administrator shall issue a detailed report containing appropriate information with respect to operations of the Fund, the progress of the projects for which disbursements were made and other matters relating to the Fund, including a factual presentation of the measures being taken in the borrowing countries to accomplish the objectives stated in Section 1 of the Act of Bogotá. Observations which the United States may desire to make to the Administrator upon any such annual report shall be presented as promptly as possible and ordinarily within the annual accounting period in which the report is received.

¹ See p. 48 of this volume.

Article VI

REVISION AND TERMINATION

Section 6.01. Following each annual report made by the Administrator under Article V, Section 5.04, hereof, either Party may propose revision of the terms of this Agreement.

Section 6.02. If at any time it appears to the Administrator or to the United States that the Fund is no longer necessary or that the purposes of the Fund can no longer be appropriately or effectively carried out, the Parties hereto shall forthwith consult with one another concerning the measures to be taken. If a decision to terminate the Agreement is reached, or if no decision is reached within thirty days, or if pursuant to Article X of the Agreement Establishing the Bank, the Bank suspends or terminates its operations, then the operations of the Fund shall cease and its liquidation shall be commenced upon the election of either Party unless both Parties agree on another course of action.

Section 6.03. Any assets remaining in the Fund at the time of termination, including outstanding loans, shall revert to the United States upon the settlement of all accounts due and payable from the Fund.

Article VII

ENTRY INTO FORCE

Section 7.01. This Agreement shall enter into force on the date hereof.

Article VIII

TITLE

Section 8.01. This Agreement may be cited as "Social Progress Trust Fund Agreement".

DONE at the city of Washington in the District of Columbia, this nineteenth day of June, 1961, in two equally authentic originals.

For the Government of the United States of America :

John F. KENNEDY

For the inter-American Development Bank :

F. HERRERA

ANNEX A

1. The Fund shall be charged for the salary costs of time which is spent on work for the Fund by the professional staff of the Office of Special Operations of the Administrator and by the professional staff, exclusive of division heads and assistant division heads, of the Loan, Technical Assistance, Economies, and Legal Divisions of the Administrator.

2. The fund shall be charged for all other expenses clearly identifiable as having been incurred by the Administrator in the Fund's behalf, e.g., staff travel and consultants' costs.

3. For each dollar of the professional salary costs charged to the Fund pursuant to paragraph 1 above, the Fund shall be charged an additional \$1.80, representing the Fund's share of indirect and overhead expenses other than those specified in paragraph 4 hereof. The amount specified herein shall, at the request of either Party, be subject to adjustment at the end of each annual accounting period of the Administrator.

4. No charge shall be made to the Fund for costs of the Annual Meeting of the Board of Governors ; for the Offices of the Executive Directors ; for services of persons in the Offices of the President and the Executive Vice President ; for the salaries of the heads and assistant heads of the Divisions referred to in paragraph 1 hereof ; or for any part of the expenses incurred by the Bank primarily for its own benefit, such as travel, printing, library, books and periodicals, and for various fees and compensation costs (e.g., fees for actuarial services and for handling the retirement fund).

EXCHANGE OF NOTES

I

The Secretary of State to the President of the Inter-American Development Bank

THE SECRETARY OF STATE
WASHINGTON

June 19, 1961

Dear Dr. Herrera :

I have the honor to refer to the Agreement on the Social Progress Trust Fund between the Government of the United States of America and the Inter-American Development Bank signed today.¹

¹ See p. 34 of this volume.

It is the view of my government that in accordance with applicable United States statutes at least 50 percentum of the gross tonnage of any equipment, materials and commodities which are financed with funds derived from a disbursement authorized under this Agreement and which are to be transported on ocean vessels, shall be transported on privately owned United States-flag commercial vessels to the extent such vessels are available at fair and reasonable rates for United States-flag vessels.

I should be grateful if you could confirm on behalf of the Inter-American Development Bank that the foregoing will be applied in the administration of the Trust Fund.

For the Government of the United States :

Dean RUSK

Dr. Felipe Herrera
President
Inter-American Development Bank
Washington 25, D. C.

II

The President of the Inter-American Development Bank to the Secretary of State

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON 25, D. C.

June 19, 1961

The Honorable Dean Rusk
Secretary of State
Department of State
Washington, D. C.

Sir :

I have the honor to acknowledge the receipt of your note of today's date which reads as follows :

[See note I]

On behalf of the Inter-American Development Bank I herewith give the confirmation requested.

Felipe HERRERA
President