



INTER-AMERICAN  
DEVELOPMENT  
BANK

Treaty Series No. 71 (1971)

# Agreement

between the Government of the  
United Kingdom of Great Britain and Northern Ireland  
and the Inter-American Development Bank

establishing the United Kingdom  
Development Fund for Latin America  
with  
Exchanges of Letters

Washington, 1 June 1971

[The Agreement entered into force on 1 June 1971]

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
October 1971*

LONDON  
HER MAJESTY'S STATIONERY OFFICE

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**AGREEMENT  
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE  
INTER-AMERICAN DEVELOPMENT BANK ESTABLISHING  
THE UNITED KINGDOM DEVELOPMENT FUND FOR  
LATIN AMERICA**

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter called "the Government") and the Inter-American Development Bank (hereinafter called "the Bank");

Desiring to co-operate in promoting the economic and social development of Latin America;

Have agreed as follows:

**ARTICLE 1**

**Establishment of the United Kingdom Development Fund for  
Latin America**

There is hereby established the United Kingdom Development Fund for Latin America (hereinafter called "the Fund"), constituted by the resources described in Article 7 of this Agreement.

**ARTICLE 2**

**Designation of Bank as Administrator**

On behalf of the Government and subject to the provision of this Agreement, the Bank shall be the Administrator of the Fund, which it shall administer in accordance with the terms of this Agreement.

**ARTICLE 3**

**Purpose of the Fund**

The Fund shall be used to provide loans to any government of, or entity or person in, the developing countries which are members of the Bank to assist in the financing of goods and services for projects which are designed to promote the economic and social development of such member countries of the Bank being projects which are consistent with the general lending policies of the Bank.

**ARTICLE 4**

**Terms of Loans**

(a) Loans from the Fund shall have maturities of twenty-five (25) years with a grace period for the beginning of amortisation payments of four (4) years.

(b) Loans from the Fund shall bear interest at the rate of 3 per cent per annum.

(c) Consistent with its normal procedures, the Bank is authorised to require each borrower to pay to the Bank a commission of up to  $\frac{1}{2}$  of 1 per cent per annum on amounts committed or outstanding on loans to compensate it for services rendered under this Agreement.

(d) Consistent with its normal procedures, the Bank is authorised to require each borrower to pay to the Bank a one-time charge of 1 per cent of the loan amount as a contribution towards the cost of special supervision and inspection of loans.

(e) Amortisation, interest and commissions shall be payable in pounds sterling.

#### ARTICLE 5

##### **Responsibility for Selection of Projects**

The Bank shall have responsibility for selecting, processing and approving loan projects and, subject to the provisions of this Agreement, for establishing terms and conditions of loans, using its normal policies, procedures, and staff, provided, however, that the Bank shall consult the Government at an early stage in the selection of projects and shall obtain their consent to the use of the Fund for the respective loan project before granting any loan. The Bank shall furnish to the Government such information and documentation as the latter shall reasonably request.

#### ARTICLE 6

##### **Loan Agreements**

Loan agreements shall be signed by the Bank as Administrator of the Fund. In loan projects or programmes where the Bank is also extending a loan from its own resources, separate agreements shall be signed by the borrower and the Bank with respect to the commitment of the Bank's resources and the resources of the Fund.

#### ARTICLE 7

##### **Resources of the Fund**

(a) The Fund shall be constituted by the following resources:

- (i) two million pounds sterling (£2,000,000) to be contributed by the Government;
- (ii) any additional contributions to the Fund by the Government.

(b) Cash balances of the Fund shall be held in a special account in pounds sterling to be opened by the Bank in London for that purpose. The account shall be denominated "Inter-American Development Bank—United Kingdom Development Fund for Latin America" (hereinafter called "the Fund Account").

(c) The Government shall deposit, within thirty (30) days of signing this Agreement, a non-interest bearing non-negotiable promissory note for two million pounds sterling (£2,000,000) with the bank holding the Fund Account. The Bank may draw against this promissory note for disbursement on specific sub-loans at such time or times as shall be agreed by the Government and the Bank.

(d) All monies received in repayment of loans from the Fund or by way of interest thereon, shall be paid to the Bank, which shall transfer such monies to the Government through the Foreign and Commonwealth Office (Overseas Development Administration) within thirty (30) days after their receipt by the Bank.

## ARTICLE 8

### **Separation of Assets**

The assets and accounts of the Fund shall be kept separate and apart from all other assets and accounts of the Bank and shall be separately designated in appropriate manner.

## ARTICLE 9

### **Use of Loan Funds**

(a) Loans from the Fund may be used only for payments for goods and services originating in the United Kingdom or in such other countries as are members of or significant contributors to the Bank.

(b) The policies and procedures applied to loans from the Fund shall in all other respects be consistent with the normal policies and procedures applied by the Bank to loans from its ordinary capital resources.

## ARTICLE 10

### **Disbursements under Loans**

Disbursements from the Fund shall be effected by the Bank in accordance with its normal disbursement procedures.

## ARTICLE 11

### **Records of the Bank**

The Bank shall maintain separate records and accounts of funds provided under this Agreement and shall make such of these records and accounts available to the Government as the latter may reasonably request, and in any event shall furnish to the Government an annual report containing information about the operations of the Fund and the status and progress of each loan made with funds provided under this Agreement.

## ARTICLE 12

### **Project Supervision**

The Bank, as Administrator of the Fund, shall have the sole responsibility for project inspection and supervision and for this purpose may require a contribution from each loan to be paid to the Bank consistent with its general practice and as set forth in Article 4 (d).

## ARTICLE 13

### **Standard of Care**

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.

## ARTICLE 14

### **Bank not Obligated**

Loans made by the Bank under this Agreement shall not constitute part of the Bank's own resources or involve any financial obligation on the part of the Bank.

## ARTICLE 15

### **Consultation**

The Government and the Bank shall consult with each other from time to time on all matters arising out of this Agreement.

## ARTICLE 16

### **Entry into Force, Amendment and Termination**

(a) This Agreement shall enter into force on signature thereof.

(b) This Agreement may be extended to cover any additional funds which the Government may from time to time make available for the purposes of the Agreement.

(c) Either party may at any time propose modifications to this Agreement, particularly if it is extended to cover additional funds.

(d) If it appears to either party that the co-operation envisaged by this Agreement can no longer appropriately or effectively be carried out, this Agreement may be terminated at the initiative of such party on ninety-one (91) days' notice in writing.

(e) Upon termination of this Agreement, unless the parties agree on another course of action, all assets of the Fund, including any contracts entered into hereunder, shall be transferred to the Government. Upon such transfer the Fund and the Bank's responsibility hereunder shall be considered terminated, and the power of the Bank to draw against the promissory note

deposited under Article 7 (c) shall cease, except to the extent to which specific commitments have been made by the Bank (and if the Bank remains liable in respect thereof) with regard to the utilization of the Fund in loans.

(f) In any discussion of termination, due consideration shall be given to the disposition of loans in process.

IN WITNESS WHEREOF the parties hereto have signed this Agreement in Washington, D.C., this first day of June, nineteen hundred and seventy-one in two equally authentic originals.

For the Inter-American Development Bank:

ANTONIO ORTIZ MENA

For the Government of the United Kingdom of Great Britain and Northern Ireland:

CROMER

**EXCHANGES OF LETTERS  
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE  
INTER-AMERICAN DEVELOPMENT BANK**

No. 1

*Her Majesty's Ambassador at Washington to the President of the  
Inter-American Development Bank*

*British Embassy,  
Washington.  
June 1, 1971.*

Sir,

In connection with the Agreement signed today between the Inter-American Development Bank and Her Majesty's Government providing for the establishment of the United Kingdom Development Fund for Latin America, I have the honour to state that it is the understanding of Her Majesty's Government that goods financed under this Agreement will be shipped in accordance with normal commercial competitive practice and will not be directed to ships of any particular flag. I have the honour to propose that this letter, together with your acknowledgement of it, will place on record our mutual understanding and agreement on this matter.

I am,  
Sir,  
Yours truly,  
CROMER

No. 2

*The President of the Inter-American Development Bank to Her Majesty's  
Ambassador at Washington*

*Inter-American Development Bank,  
Washington.*

Dear Mr. Ambassador,

*June 1, 1971.*

I wish to acknowledge receipt of your letter of today's date which states:

[As in No. 1]

I have the honour to confirm that your letter, together with this acknowledgement of it, will place on record our mutual understanding and agreement on this matter.

Yours truly,  
ANTONIO ORTIZ MENA

No. 3

*Her Majesty's Ambassador at Washington to the President of the  
Inter-American Development Bank*

*British Embassy,  
Washington.*

*June 1, 1971.*

Sir,

In connection with Article 9 (a) of the Agreement signed today between the Inter-American Development Bank and Her Majesty's Government providing for the establishment of the United Kingdom Development Fund for Latin America, the text of which reads as follows:

"Loans from the Fund may be used only for payments for goods and services originating in the United Kingdom or in such other countries as are members of or significant contributors to the Bank."

I have the honour to state that Her Majesty's Government in the United Kingdom are prepared to determine which countries are significant contributors to the Bank. My Government propose that procurement in respect of the initial amount of £2 million in the United Kingdom Development Fund shall be open to the United Kingdom, members of the Inter-American Development Bank, Norway, Sweden and the Vatican. It is the intention of Her Majesty's Government to up-date the list if other non-member countries contribute similar funds.

I have the honour to propose that this letter, together with your acknowledgement of it, will place on record our mutual understanding and agreement on this matter.

I am,

Sir,

Yours truly,

CROMER

No. 4

*The President of the Inter-American Development Bank to Her Majesty's  
Ambassador at Washington*

*Inter-American Development Bank,  
Washington.*

Dear Mr. Ambassador,

*June 1, 1971.*

I wish to acknowledge receipt of your letter of today's date which states:

[As in No. 3]

I have the honour to confirm that your letter, together with this acknowledgement of it, will place on record our mutual understanding and agreement on this matter.

Yours truly,

ANTONIO ORTIZ MENA

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