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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548



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The Honorable Dante B. Fascell, Chairman
Subcommittee on Inter-American Affairs
Committee on Foreign Affairs
House of Representatives

R Dear Mr. Chairman:

In your letter of October 9, 1973, you requested that we advise your Subcommittee of the amount of U.S. dollars and local currencies that would be available from the Social Progress Trust Fund during fiscal year 1974 and to estimate the funds which would be available in fiscal year 1975. In addition, you requested that we verify the commitment of \$15 million against the Trust Fund for "project preparation" and any other commitments for fiscal years 1974 and 1975.

We estimate that, net of commitments and other uses, about \$54.5 million, consisting of \$53 million in local currencies and \$1.5 million in U.S. dollars, will be available for use during fiscal year 1974. We estimate also that about \$39.8 million, consisting of \$37.6 million in local currencies and \$2.2 million in U.S. dollars, will be available for use during fiscal year 1975. The primary sources of these funds are the liquid assets on hand at June 30, 1973, and the repaid principal and interest on Trust Fund loans and participations in the Fund for Special Operations loans during fiscal years 1974 and 1975.

As of September 30, 1973, commitments against the Trust Fund included \$15 million for project preparation, to be paid in U.S. dollars from a special letter of credit; \$4.5 million for the preinvestment fund for Latin American integration; and \$6.8 million for technical assistance.

38
In our calculations we considered that all the commitments would be paid from Trust Fund resources in fiscal year 1974 and did not include any participations in Fund for Special Operations loans that had been or would be made after September 30, 1973. More details concerning the amount of Trust Fund resources available for use, the extent of the

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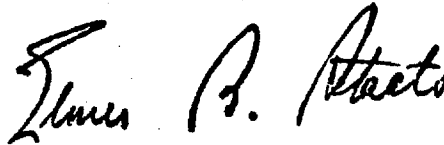
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commitments against these resources, and the basis for our estimates are included in the enclosure.

Our overall report on the results of our review of the current status and future prospects of Trust Fund operations, which you also requested, should be issued shortly.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks". The signature is written in dark ink and is positioned above the typed name.

Comptroller General
of the United States

Enclosure

SOCIAL PROGRESS TRUST FUND RESOURCES AVAILABLE FOR USE

<u>Fiscal year 1974</u>	<u>U.S. dollars</u>	<u>Local cur- rency</u>	<u>Total</u>
	——(000 omitted)——		
Resources:			
Liquid assets (as of 6-30-73)	\$22,757	\$28,641	\$51,398
Estimated reflows	<u>2,864</u>	<u>36,787</u>	<u>39,651</u>
Total	<u>25,621</u>	<u>65,428</u>	<u>91,049</u>
Application of resources:			
Commitments (as of 9-30-73):			
Project preparation fund	15,000	-	15,000
Preinvestment fund	3,375	1,125	4,500
Technical assistance	5,136	1,712	6,848
Participation in Fund for Special Operations loans (7-1 to 9-30-73)	-	9,530	9,530
Administrative expenses	<u>650</u>	<u>-</u>	<u>650</u>
Total	<u>24,161</u>	<u>12,367</u>	<u>36,528</u>
Resources available for use	<u>\$ 1,460</u>	<u>\$53,061</u>	<u>\$54,521</u>
<u>Fiscal year 1975</u>			
Resources:			
Estimated reflows	\$ 2,861	\$37,581	\$40,442
Application of resources:			
Administration expenses	<u>650</u>	<u>-</u>	<u>650</u>
Resources available for use	<u>\$ 2,211</u>	<u>\$37,581</u>	<u>\$39,792</u>

RESOURCES

The liquid assets include (1) \$28.6 million in local currency and about \$90,000 in U.S. dollars, (2) \$4.5 million invested in U.S. Government obligations, which consists wholly of dollar investments, and (3) \$18.1 million due from the U.S. Government, which is the remainder of the original \$525 million that was appropriated for the Trust Fund and which is available for use in a special letter of credit held by the Federal Reserve Bank of New York. The June 30, 1973, cutoff date was used so that we could estimate reflows for the full fiscal year which began July 1, 1973.

Estimated reflows for fiscal years 1974 and 1975

We estimated reflows on the basis of Inter-American Development Bank data, which the Bank kept on a calendar-year basis and which we converted to a fiscal-year basis. We used our estimates in arriving at the total funds available for use in fiscal years 1974 and 1975.

APPLICATION OF FUNDS

Although the liquid assets are as of June 30, 1973, the latest data available on firm commitments was as of September 30, 1973. The firm commitments, and the regular operations of the Trust Fund which may further reduce the funds available for use, are discussed below. Where it was reasonable to expect that some of the commitments would be paid in both dollars and local currencies, we allocated the commitments on the basis of past performance, at 25 percent in local currency and 75 percent in dollars.

Project preparation fund

In 1970, at the eighth special meeting of the Inter-American Economic and Social Council of the Organization of American States, the United States made a unilateral commitment of \$15 million to help the Bank play a greater role in identifying and preparing project proposals. This commitment was formalized in an April 28, 1972, amendment to the Trust Fund agreement. Treasury officials said that this was a U.S. dollar commitment that would be paid from the \$18.1 million balance in the special letter-of-credit account which contained the unused balances of the \$525 million appropriated for the Trust Fund.

Preinvestment fund

The preinvestment fund finances studies and projects which may help Latin American integration. Under a September 7, 1966, amendment to the Trust Fund agreement, the Trust Fund contributes to the preinvestment fund periodically, as agreed to by the Bank and the United States, on a 3-to-1 matching basis, depending on the amount contributed by Latin American countries. The Bank told us that Latin American countries had contributed about \$0.5 million of the \$1.5 million they could contribute; thus the Trust Fund's current commitment is \$1.5 million. Treasury officials said that the Trust Fund's commitment could increase to as much as \$4.5 million if the Latin American countries continued to contribute to the preinvestment fund. For that reason, we used the \$4.5 million figure in estimating the Trust Fund's future commitments to the preinvestment fund.

Technical assistance

The Trust Fund has been funding technical assistance since its inception in the fields of (1) land settlement and improved land use, (2) housing for low-income groups, (3) community water supply and sanitation, (4) advanced education, (5) mobilizing domestic financial resources, and (6) strengthening financial institutions. In addition to its firm commitment of \$6.8 million undisbursed as of September 30, 1973, for approved technical assistance projects, the Trust Fund may make expenditures for technical assistance as a part of its regular operations. The Bank submits a yearly program for funding proposed technical assistance projects; it programmed \$9.4 million for the Trust Fund for calendar year 1973. Only \$2 million had been approved for 1973 funding, and we included that amount in the firm-commitment figure. Consequently, \$7.4 million of the 1973 programmed amount was available and could have been approved for funding during the remainder of 1973.

Participation in Fund for Special Operations loans

The Trust Fund has been purchasing participations in Fund for Special Operations loans since 1967, and these participations have been limited to local currency since 1970. The Trust Fund purchased \$9.5 million in participations from July 1 to September 30, 1973, which reduced its total

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resources. Since 1970 the Trust Fund's yearly purchase of participations has averaged \$25 million.

Administrative expenses

Yearly administrative expenses to compensate the Bank for administering the Trust Fund should be deducted from funds available for use. On the basis of our analysis of previous administrative costs, we estimate that about \$650,000 a year is reasonable for fiscal years 1974 and 1975.