Proj. No 5200167 (2)
ON

Project Number - 520-24-130-167
Loan Number - 520-A-002

24p.

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

PD-AAA-882-B1

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

GUATEMALA - RUBBER PRODUCTION

8/28/64

AID-DLC/P-[illegible] Revised
([illegible]/P.123)

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

AID-DLC/P-281 Revised
(Ref. DLF-LC/P-128)
August 28, 1964

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Guatemala - Rubber Production (A.I.D. Loan 520-A-002)

Attached for your review are the revised recommendations for authorization of an amendment to the subject loan.

This paper has been revised in the office of LA/CD following the discussion of the loan by the Development Loan Staff Committee at its meeting on July 31, 1964.

Helen E. Nelson
Secretary
Development Loan Committee

Attachments: (Revised)
Memorandum
Annexes I and II

Distributed July 29, 1964:
Memorandum
Annex I

AID-DLC/P281 Revised
August 28, 1964

MEMORANDUM TO THE DEVELOPMENT LOAN COMMITTEE:

SUBJECT: A.I.D. Loan 520-A-002 (DLF #63)
Guatemala: Rubber Production

Problem: Commitments under this loan have been moving more slowly than desirable and action to expedite commitments is considered necessary. Additionally, an extension in the terminal date for requests for disbursement is needed if more than $2.6 million of this $5 million loan is to be disbursed (Table 1).

Background:

a. Initial Terms

The project as originally considered by the Development Loan Fund envisaged disbursements over a period of ten years, i.e., the funding of four seven-year growing periods spaced one year apart. Total project costs were estimated at $41 million, of which $12 million was estimated to be required from DLF funds. The initial $5 million loan was intended to cover disbursements over the first four years of the project; the DLF anticipated that $4 million in additional funding would be required, supplemented by $3 million in rollover funds generated by repayments from early subloans.

The Rubber Production Loan was signed on August 17, 1959, in an amount of $5 million. The loan provided for one year's grace in principal repayments, with token semiannual principal repayments of $10,000 over a period of nine years, and repayment of substantial principal in the tenth, eleventh and twelfth years. Original interest rate was 5 3/4%. The loan was extended to the Bank of Guatemala, and procedures were established whereunder the BOG would make loan proceeds available to rubber planters through intermediate banking institutions.

b. Modified Terms

During the period 1959-62, the loan was practically inoperative. Rates to planters (6% during the first seven years, 8% during the last three years) were high for a new crop with long maturity. Even so, these rates left the intermediate bank a maximum 2% spread only during the last three years. Consequently, the Bank of Guatemala requested DLF to alter the loan terms. This request and subsequent conferences and communications resulted in the following actions:

i. DLF agreed to extend the terminal date for requesting disbursements to December 31, 1968.

ii. The Bank of Guatemala dropped its charge of 1/4 of 1% for managing the loan.

iii. An amendatory loan agreement was signed which reduced the DLF-charged interest rate from 5 3/4% to 5% and expanded the area eligible for planting.

iv. Loan operating regulations were modified to establish subloan interest rates at 5% (capitalized) for the first seven years and 7% for the next three years.

v. The Government of Guatemala established in the BOG a "Loan Guarantee Fund" as a mechanism for subsidizing interest rates and protecting the BOG against operating losses in administering the rubber loan (See Annex I). The Fund is financed through annual contributions of $100,000 from the National Treasury starting in FY 1960-61 and terminating in FY 1966-67 for a total contribution of ¢ 700,000. It may be used as follows:

a. Payment of annual operating expenses to secondary banks for authorized subloans held by each bank at the rate of 2% per annum./1

b. Payment at the rate of ₡ 10,000 semi-annually to A.I.D. during the first nine years of the program.

c. Payment of 1/5 of 1% per year to the Bank of Guatemala computed on the basis of the outstanding portfolio of the program.

d. Special banking commissions which might require payment from this fund.

e. The balance, at the end of the program, will be utilized to repay possible losses resulting from subloan default, if any, or will revert to the GOG Common Fund.

c. Loan Procedures

Application for subloans under the Rubber Development Loan may be made to any public or private bank of the Guatemalan banking system, but only four of twenty-seven subloans approved to December 31, 1963, have been made by banks other than INFOP, and only one by a private bank. Upon receipt of such an application, the bank requests an inspection by the National Agricultural Institute (NAI) and its certification that the proposed planting site is ecologically suitable for rubber. Upon receipt of this certification, the bank processes the loan application like any other agricultural

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/1 - This fee permits the secondary bank to make subloans at the primary loan rate of 5%, which is capitalized for seven years. The interest rate increases to 7% in the eighth year when subloan amortization begins and the fee is no longer paid. In essence, this arrangement provides the secondary bank with a 2% spread during the subloan term, i.e., the 2% fee for the first seven years and a 2% interest spread during the last three.

loan, e.g., it reviews the application, determines the credit worthiness of the borrower, assures that sufficient collateral is available to secure the loan, etc. When satisfied that all is in order, the bank submits the subloan paper with supporting documents to the Bank of Guatemala. If the requested amount is less than $100,000, the Bank of Guatemala authorizes the subloan. If the amount is $100,000 or more, the Bank of Guatemala requests US AID Mission review and approval. Upon receipt of Bank of Guatemala authorization, the bank grants the subloan.

The subloan is disbursed in installments over a seven-year period. For example:

Year	Purpose	$/Acre
1st	Clearing, plants, planting, weeding	$ 66.50
2nd	Replanting, weeding, pruning, pest control	20.70
3rd	Pruning, weeding, pest control	13.60
4th	Pruning, weeding, pest control	11.80
5th	Pruning, weeding, pest control	9.00
6th	Pruning, weeding, pest control, housing processing plant	56.40
7th	Opening, mapping, tasking, tapping, weeding and pest control	49.00
	TOTAL	$227.00

During this seven-year period, the subloan borrower is charged 5% interest, which is capitalized. During this same period, the bank receives a 2% fee on the disbursed amount from the Loan Guarantee Fund. Amortization of the subloan and capitalized interest begins in the eighth year. At this time, the interest rate to the subloan borrower is increased to 7% and the 2% fee from the Loan Guarantee Fund ceases. Amortization is currently established at 30% in each of the eighth and ninth years and 40% in the tenth year.

d. Utilization

Modifications of the terms of the Rubber Production Loan in 1961 stimulated renewed interest in the use of this loan. By December 31, 1963, 162 applications had been received, resulting in 27 subloans committing $2.7 million, with 33 applications for $2.0 million in various stages of processing:

Applications Received		162
Applications Rejected		48
Land technically disapproved	(33)	
Poor credit rating	(3)	
Lack of land title	(12)	
Applications withdrawn by applicants		54
Applications approved by Bank of Guatemala		27
Applications in process		33
Approved by INFOP	($142,000)	
Under study by INFOP	($275,000)	
Approved technically by NAI	($1,264,000)	
Under investigation by NAI	($380,000)	

The twenty-seven subloans are distributed by size as follows:

Less than 110.5 acres (1 caballeria)	7 farms	650 acres
110.5 to 221.0 acres (2 caballerias)	6 farms	1250 acres
221.0 to 331.5 acres (3 caballerias)	6 farms	1870 acres
331.5 to 442.0 acres (4 caballerias)	4 farms	1770 acres
More than 442.0 acres	4 farms	5840 acres

The establishment of plantations of less than 100 acres is not believed to be desirable in Guatemala until rubber production and processing is more generalized throughout the approved planting zones, since 100 acres is the minimum area which will support a suitable latex processing plant. Also, landowners capable of developing plantations of this size presumably have the managerial competence needed to assure the successful development of the plantation, thus reducing the risk inherent in planting a non-traditional crop. Only two subloans have been approved for plantings of smaller size. One of these is located within a short distance of established producing plantations with their own processing plants, so he should have no trouble in selling liquid latex. The other farmer is repaying the first payments made from his subloan and will complete plantation development on his own, using more rudimentary processing methods until a processing plant is established in his area.

Applications withdrawn by applicants include applications made with little intent to follow through, applications withdrawn when the owner recognized his inability to comply with the guarantees required by INFOP, withdrawn because of the time required for processing. Many of these applicants subsequently obtained other financing and established rubber plantations.

e. Utilization Rate

Commitments by subloan agreements reached $2.7 million on December 31, 1963, or an average rate of more than $1 million per year since the loan became truly operative. Disbursements under the Rubber Production Loan lag behind subloan commitments since the subloan payments are made over a seven-year period to conform to annual costs of planting and developing the plantation. Therefore, the maximum amount which could qualify for disbursement under the present terminal date for requests for disbursements wouldbe $2.6 million. (Table 1.) Table 1 also projects the anticipated utilization rate through full loan disbursement if the recommendations made in this paper are implemented.

f. Economic Feasibility

Rubber production in Guatemala continues to be a fundamentally sound proposition. The Central American Common Market in 1962 had a net import of bulk rubber, tires, tubes and related products of more than 12,000 metric tons, equivalent to the production from about 18,000 acres. By a trade rule-of-thumb, rubber consumption could be expected to double each decade, e.g., to 24,000 tons by 1972 and 48,000 by 1982. The maximum additional acreage which could enter production by 1972 is estimated at 42,000 acres (21,000 financed from the Rubber Production Loan, 21,000 privately financed). During the early 1970's, yields are estimated at 1200 lbs. per acre, or a total production of 23,000 metric tons. As these plantations mature, yields should advance to 1500 lbs. or more, or a total production of about 28-30,000 metric tons.

World rubber prices are steady at about 25¢ per lb. and are not expected to drop below 20¢ in the next ten years./1 Central American prices are currently about 2¢ per pound higher than world prices, reflecting transportation costs on imported rubber. Cost analyses indicate that Guatemala could compete satisfactorily on the world market at much lower prices:

	Yield per Acre		
	1200 lbs.	1500 lbs.	2000 lbs.
All Costs (cents/lb.)	12.2	10.4	8.3
Direct Production Costs (cents/lb.)	9.7	8.4	6.8

/1 - Recent statement by Sir G. Edward Beharrel, Chairman of Dunlap Rubber and internationally recognized authority on rubber marketing:

> "Dealing with the various types of rubber, natural and synthetics, now available to consumers, it would appear that the real advantage and potentiality of natural rubber may have been underplayed relative to the prominence recently given to man-made materials. Therefore, it should not be too readily assumed that victory in a price war would go to synthetic rubber, and our attitude in this respect is best summed up in the decision of the board to establish another plantation in Nigeria and to continue the extensive replanting program of the Malaya subsidiary."

At this time, the following rubber companies are currently establishing new plantations:

Goodyear - Guatemala & Brazil
Firestone - Brazil & Philippines
Goodrich - Liberia
U.S. Rubber - Brazil
Dunlop - Brazil & Nigeria

g. Techni.al Feasibility

A program of rubber introduction, testing and breeding, initiated in 1943 with USDA assistance, continues to the present time. Two zones, totalling more than 400,000 acres, have been investigated and approved for rubber planting: (1) the Pacific Slope is characterized by ecological conditions which prevent development of the South American Leaf Blight and permit use of high yielding clones/1 of Eastern origin; (2) the North Coast and related areas of the Caribbean Lowland have a more favorable rainfall distribution, but the development of the South American Leaf Blight requires the use of resistant, lower yielding clones, or of more expensive but higher yielding three-component trees. The lower yields or more expensive trees are somewhat offset by lower land costs.

Guatemala has perhaps the most advanced program of rubber breeding and testing in the Americas. All clones recommended for planting have been tested in Guatemala for at least twelve years, with at least eight years tapping record, and genetic origin of planting stock is controlled by the National Agricultural Institute (NAI). Individual plantings are normally made in five blocks of the five highest yielding Eastern or Western clones depending on the location and the managerial competence of the planter. Average tested yield of the Eastern clones is over 1600 lbs. per acre; Western clones average more than 1100 lbs. per acre. Several clones now in the last years of the yield test are far superior to these averages; if they hold up throughout the eight-year test, they will be added to the recommended list and will substitute for lower yielding clones.

/1 - A clone is the term applied to genetically pure plant propagating material derived from a single ancestor by vegetative reproduction. Clonal material is budded onto seedling rootstocks to provide planting stock of known productive capacity.

The planting area is divided into five equal units, or blocks, each of which is planted to planting stock from a single recommended clone, so that the resulting plantation includes one block each of the five highest yielding clones. This tends to offset minor ecological variations from the norm of the yield testing area.

Technical assistance of high quality is available to planters. The first step in processing of subloan applications is a certification by NAI technicians (to date this inspection has been made by US AID technicians) that the proposed planting site is ecologically suitable for rubber production. The Guatemalan rubber production program was developed with the guidance of USDA and US AID technicians who continue to advise on all aspects of the research, extension and development programs. After the loan has been approved, NAI technicians provide advice on planting stock, field layout, and cultural practices. Normally, each farm is visited three times during the first year and at least once a year thereafter. Short courses are provided to plantation owners, managers and workers on plantation and nursery management, rubber tapping and processing, etc.

Not enough time has elapsed to permit rubber planted under the loan to enter production. However, several plantings made in the late 1940's and later by Firestone, United Fruit, the GOG and private growers totalling about 1000 acres have been producing satisfactorily for several years.

Problems Impeding More Rapid Utilization

The status of this loan was discussed at length among AID/W and US AID personnel, and Guatemalan banking officials in mid-April. Information developed prior to and during these discussions revealed the following factors which limit accelerated commitment of remaining funds:

1. Inadequate Service Charge. The present fee of 2% per annum is insufficiently attrative to the commercial banking system, and only INFOP, as a government institution, is prepared to process loans for this fee. The lack of participation by banks other than INFOP is a major factor in delaying commitments, and may be responsible for elimination of many applicants who cannot arrange

security except through their own bank./1 Bank of Guatemala officials state that a 4% spread is required to encourage private banks to participate actively in this program. A.I.D. concurs in this assessment; although no commitments were made, commercial banks indicated in informal discussion that they would be willing to process rubber subloan applications if provided a 4% spread.

ii. Level of Risk. Although Bank of Guatemala has authorized INFOP to accept crop mortgages and/or guarantees instead of land and building mortgages and to use the anticipated increase in land values in calculating security, INFOP has been afraid to make subloans without land and building mortgage guarantees. Rubber is a relatively new Guatemalan crop and its development requires a longer period of investment than is traditional for agricultural loans in Guatemala. Although the Loan Guarantee Fund was intended partially to encourage more liberal terms, it has not been entirely effective in its present form. The Fund does not protect the intermediate bank until the liquidation of the Rubber Production loan, since other uses of the Fund have priority over risk guarantee. Thus, in the event of any default by a sub-borrower, INFOP's legal reserve with the Bank of Guatemala is debited.

Although INFOP is agreeable to (and indeed has accepted) crop mortgages and potential increases in land values as collateral in calculating total security requirements, they still insist on a land and building mortgage to cover disbursements for the first year

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/1 - It is a common practice in Guatemala for farms to be entirely mortgaged to a bank for a loan of considerably lesser value. Since second mortgages are virtually unknown, this disqualifies the property for use as security by another banking institution. However, A.I.D. understands that the holder of the first mortgage may grant additional loans to the farmer, using the original mortgage as security.

(about one-fourth of total disbursements). They feel that land is the only adequate security against misapplication of loan funds in the initial land clearing and planting operation, and could not accept the risk of lesser guarantees with the current 2% fee unless the Loan Guarantee Fund provided immediate coverage.

These interrelated problems can be largely resolved by reducing the interest rate on the A.I.D. Rubber Production Loan from 5% to 3%. The 2% spread thus achieved, added to the 2% fee now paid from the Loan Guarantee Fund, would provide the secondary bank with a 4% spread which should be adequate to cover the service charges and ordinary commercial risks. However, since the interest on subloans is capitalized for seven years, the additional 2% spread would have to be paid to the secondary bank in essentially the same manner as the current 2% fee in order to permit the secondary bank to fund its risk coverage. Otherwise, it would be risking interest as well as capital. This payment could be made directly by the Bank of Guatemala or by the GOG. Interest accrued on capitalized interest should revert to its original source (i.e., to the agency paying interest to the secondary bank in order to permit the subloan borrower to capitalize his interest) in order to avoid a windfall to the secondary bank or the other agency.

iii. Short Amortization Period

The current three-year amortization period for repayment of capital and capitalized interest provides inadequate margin for a decline in rubber prices or low yields (Table 3). An extension of the repayment period and modification of the amortization table as outlined in this table would permit an increasing scale of payments geared to a conservative production schedule at prices as low as 16¢ per pound.

Recommendations:

On the basis of the foregoing, it is recommended that the loan be amended as follows:

a. The terminal date for requests for disbursements (Section 7.02) should be extended from the present date of December 31, 1968, to December 31, 1972. Although it is estimated that interest rate adjustments, as recommended below, should accelerate commitments under the loan, the 1972 date is conservative and will provide seven years of disbursements for commitments made as late as 1965, and, with rollover, for 1966 commitments. Limitation of disbursements to $2.6 million (the amount which could qualify for disbursement under the present terminal date) would deliberately negate and disrupt an agricultural development program which, even with the limitations described above, steadily is moving ahead and will make a major contribution to Guatemalan and Central American development and trade.

b. The interest rate [illegible] should be reduced from 5% to 3% [illegible] the secondary banks. This would [illegible] of other banks of the system, broaden [illegible] ible borrowers, and perhaps ease the [illegible] secondary banks.

c. The amortization schedule should [illegible] and extended to December 31, 197?, and this two-year [illegible] ion should be passed on to subloan borrowers. This [illegible] allow a five-year repayment period adjusted to [illegible] estimate of rubber yields during this period [illegible] protect the farmer and the bank [illegible] decline in rubber prices.

d. Conditions. The foregoing modifications are recommended in the interests of obtaining an effective, fully viable loan project. No arithmetical [illegible] is required of the GOG, although it should be [illegible] the GOG in 1961 voluntarily established the Loan Guarantee Fund which pays a 2% fee to secondary banks handling Rubber Production Loan subloans in order to maintain a 5% interest rate to subloan borrowers. However, qualitative action is required by the GOG to assure that the above-recommended modifications to the loan achieve their appropriate ends.

(i) Therefore, it is recommended as a condition to the eased terms that the US AID, the Bank of Guatemala and Government should conduct a thorough joint review of all loan regulations and procedures with appropriate modifications to assure effective local implementation of the loan at all levels.

(ii) As a further condition, A.I.D. will require satisfactory evidence from the GOG that appropriate procedures are being established so that the intermediate credit institutions will receive a 4% spread on a current basis. In effect, this means that the GOG or the BOG will have to advance an additional 2% (in addition to the amount already provided by the Guarantee Fund). However, the additional 2%, as noted in the paper, will be in the nature of an advance rather than a subsidy, and will be repayable to the original lender after the grace period at compound interest.

DRAFTED BY A.Brown:US AID/G - W.T.Murphy:LA/CD

Clearances: PHornbostel:GC/LA draft
KPSteins:CEN/G
SGrand:LA/CD

GOG LOAN GUARANTEE FUND

The Rubber Loan Guarantee Fund (Fondo de Garantia del Prestamo del Hule) was legally established by the GOG Ministry of Finance and the Bank of Guatemala through Public Document 596 of June 12, 1961, and its implementation initiated through a regulatory document approved on February 19, 1962. The term "Loan Guarantee Fund" is somewhat misleading, since the Fund does not in fact guarantee repayment of the rubber loan. Its primary purpose is to provide a mechanism for subsidizing interest rates to subloan borrowers from the Rubber Production Loan and to protect the Bank of Guatemala against operating losses in administering that Loan.

The Fund was established primarily to allow rubber planters to obtain subloans under the Rubber Production Loan at the same 5% interest rate charged by DLF, by providing a 2% fee to secondary banks to cover administrative expenses and covering administrative expenses of the Bank of Guatemala. It may be used for the following purposes:

1. Payment of annual operating expenses of secondary banks handling subloans for rubber production at the rate of 2% per annum of their rubber subloan portfolio.

2. Payment of token capital amortization payments to DLF at the rate of $10,000 semi-annually during the first nine years of capital repayment.

3. Payment of 1/5 of 1% per annum to the BOG, paid monthly and computed on the basis of the outstanding portfolio of the Rubber Production Loan.

4. Payment of special banking commissions which may require payment from this Fund.

5. The balance remaining in the Fund at the end of the rubber production program will be used to repay possible losses from administration of the program, including defaults on subloans.

The Fund will exist throughout the life of the Rubber Production Loan. Upon completion of that Loan and payment of all debts incurred by the program, the balance will be transferred to the GOG Common Fund account in the Bank of Guatemala.

The Fund is financed by seven annual contributions of $100,000 each beginning in FY 1960-61 and terminating in FY 1966-67 for a total of $700,000. These contributions are automatically deducted by the BOG from GOG accounts in the Bank of Guatemala. The status of the Fund on August 3, 1964, was as follows:

Income		
Quotas paid by GOG	¢409,580.00	
Accrued interest	9,879.71	
Total Income		¢419,459.71
Expenses		
Administrative expenses of secondary banks (2%)	¢ 32,972.38	
BOG service charges	4,340.58	
Total Expenses		37,312.96
Net Balance		¢382,146.77

All semi-annual amortization payments made to AID have been withdrawn from other accounts of the Bank of Guatemala and not from the Fund, although the Bank could charge the Fund. These payments are recuperable upon repayment of the subloans. The Bank, rather than the Fund, also pays the interest on the Rubber Production Loan.

The following table presents a theoretical cash flow of the Fund through the period of nominal loan principal repayments based on planting schedules presented in Table 1, without considering the interest accumulating to the Fund's credit or the payments to the Bank of Guatemala for services, which tend to offset each other:

Year	2% Fee to Secondary Banks	Amortization Payments	Cumulative Charges	Income
1962	40	20,000	40	100,000
1963	17,540	20,000	17,580	100,000
1964	22,160	20,000	59,740	100,000
1965	33,330	20,000	113,070	100,000
1966	44,900	20,000	177,790	100,000
1967	57,040	20,000	255,010	100,000
1968	66,960	20,000	341,970	100,000
1969	38,100	20,000	400,070	
1970	28,600	20,000	448,670	
1971	19,340	20,000	488,010	
1972	7,280	20,000	515,290	
Totals	335,290	180,000		700,000
				-515,290
Available for risk coverage				184,710

This table is illustrative only; if the Bank of Guatemala continues to make amortization payments from other accounts, funds available for risk coverage would be increased accordingly.

DLF 63 (GUATEMALA: Rubber Production)

STATUS OF SUBLOAN COMMITMENTS (PART A) AND

PROJECTION OF SUBLOAN COMMITMENTS THROUGH FULL LOAN UTILIZATION (PART B)

(Based on Bank of Guatemala Report of December 31, 1963)

UNCLASSIFIED

	SUBLOANS GRANTED			AMOUNT DRAWN TO -	UNDRAWN AMOUNTS											
	Acre	No.	Amt.	12/31/'63	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
PART "A" (Actual Subloan commitments approved by Bank of Guatemala)																
1959-61	54.2	1	6.0	2.0	2.5	0.5	0.5	0.5	- Repayment -							
1962	7413.3	11	1834.0	874.5	141.0	167.0	273.6	275.6	102.3	- Repayment -						
1963	3814.1	15	878.5	231.2	147.5	63.5	59.2	81.2	177.0	118.9	- Repayment -					
Sub-Total	11381.6	27	2718.5	1107.7	291.0	231.0	333.3	357.3	279.2	118.9						
PART "B" (Additional Subloan commitments projected through full loan utilization at 4000 acres/year 1/																
1964	4000.0		908.9		266.1	83.2	54.3	47.4	36.2	226.2	195.5	- Repayment -				
1965	4000.0		908.9			266.1	83.2	54.3	47.4	36.2	226.2	195.5	- Repayment -			
1966	2050.0		463.7				136.3	42.7	27.8	22.3	18.6	115.8	100.2	- Repayment -		
Sub-Total	10050.0		2281.5		266.1	349.3	273.8	144.4	111.4	284.7	440.3	311.3	100.2			
TOTAL	21431.6		5000.0	1107.7	557.1	580.3	607.1	501.7	390.7	403.6	440.3	311.3	100.2			

1/ Estimate is conservatively based on 1963 commitment rate.

AIB/bbk
5/7/'64

ANNEX I, Page 4 of 6
TABLE NO. 1

UNCLASSIFIED

CENTRAL AMERICA
IMPORTS AND EXPORTS OF RUBBER AND RUBBER PRODUCTS (1962)
(Tercer Compendio Estadistico Centroamericano - SIECA - October 12, 1963)

(Imports (Metric Tons)
COMMON MARKET

	Total	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama
Bulk (new)	1934	1460	302	2	137	33	3
Bulk (used)	72	42	2	2	9	17	-
Tires, Tubes, & Related Products	11012	4756	2070	1295	1371	1519	1984
Subtotal	13018	6258	2374	1299	1517	1569	1987
Other Rubber Products	844	186	213	79	184	167	99
Total	13862	6444	2587	1378	1701	1736	2086

EXPORTS (Metric Tons)
COMMON MARKET

	Total	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama
Bulk-new and used	439	100	16	109	-	213	18
Tires, Tubes & Related Products	397	392	5	-	-	-	-
Subtotal	836	492	21	109	-	213	18
Other Rubber Products	283	7	-	-	-	1	-
Total	1119	499	21	109	-	214	18

NUMBER AND SIZE OF CENTRAL AMERICAN RUBBER PROCESSING INDUSTRIES

Country	Number	Annual Product Value
Guatemala	11	$731,000 (1958)*
El Salvador	5	341,000 (1956)
Honduras	6	298,000 (1960)
Nicaragua	6	87,000 (1953)
Costa Rica	19	808,000 (1957)

*Year in parentheses indicates year of industrial census supplying data. A substantial increase in size of operation and value of product has occured since these dates.

PRESENT RUBBER LOAN REPAYMENT SCHEDULE (Per Acre Basis)

Year from Field Planting	Estimate of Production Lbs.perAcre	Estimated cost of Prod.per Lb.Basis	Estimated Total Cost of Prod. per Acre	% Repayment of Loan	Amt. of Repayment on Borrowed Capital	Interest on Borrowed Capital	Sub-Total for Loan and Interest	Total Annual Expenses per Acre	Minimum Sales Price to Cover Total Obligations
8th Year	700	¢ 0.12	¢ 84.00	% 30	¢ 68.06	¢ 16.13	¢ 84.19	¢ 168.19	¢ 0.241
9th Year	900	0.10	90.00	30	68.06	11.11	79.17	169.17	0.188
10th Year	1000	0.09	90.00	40	90.74	6.35	97.09	187.09	0.187
					¢226.86	33.59			

OPTIONAL REVISED RUBBER LOAN REPAYMENT SCHEDULE

8th Year	700	¢ 0.12	84.00	5%	¢ 11.35	¢ 16.13	¢ 27.48	¢ 111.48	¢ 0.159
9th Year	900	0.10	90.00	15%	34.02	15.08	49.10	139.10	0.155
10th Year	1000	0.09	90.00	20%	45.37	12.70	58.C	148.07	0.148
11th Year	1100	0.09	99.00	25%	56.72	9.53	66.25	165.25	0.150
12th Year	1200	0.085	102.00	35%	79.40	5.56	84.96	186.96	0.156
					¢226.86	¢ 59.00			

UNCLASSIFIED
ANNEX I, Page 6 of 6
TABLE No. 3

AMENDATORY LOAN AUTHORIZATION
Provided from: Development Loan Funds
Guatemala Rubber

Pursuant to the authority vested in the Deputy United States Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, and having taken into consideration the Resolution of the Development Loan Fund Board of Directors DLF-LC/P-128, dated June 24, 1959, as amended November 29, 1960, I hereby amend said resolution to read as follows:

"WHEREAS, the Republic of Guatemala (hereinafter called the "Applicant") has applied to the Development Loan Fund (hereinafter called the "DLF") for a loan from the DLF to assist in financing the putting into production of rubber, by private investors, of approximately 80,000 acres of technically suitable land in Guatemala (such putting into production being hereinafter called the "Project"); and

"WHEREAS, such a loan would assist, on a basis of self-help and mutual cooperation, the efforts of the peoples of Guatemala to develop their economic resources and to increase their productive capabilities; and

"WHEREAS, this application is eligible for a loan under the authority provided in Title II of Chapter II of the Mutual Security Act of 1954, as amended;

"NOW, THEREFORE, BE IT RESOLVED that there be and there hereby is authorized the establishment of a loan by the DLF to the Banco de Guatemala or other agency of the Applicant selected by the Managing Director of the DLF of not to exceed five million dollars ($5,000,000) to assist in financing the foreign exchange and local currency costs of acquiring equipment, materials and services required for the Project, this loan to be subject to the following terms and conditions:

"1. Interest.

"(a) On all balances outstanding on the loan to finance subloan or other commitments entered into by Borrower on or before the date on which Borrower and the Agency for International Development ("A.I.D.") enter into a Second Amendatory Agreement ("Amendment Date"), interest shall accrue at a rate of not less than four and three-quarters percent (4-3/4%) per annum nor more than five percent (5%) per annum. Interest shall be payable semi-annually, the first payment to be due on a date no later than six (6) months after the date of the first disbursement under the loan.

"(b) Interest on the balance of the loan shall accrue at a rate of three percent (3%) per annum. Such interest shall be payable semi-annually, the first payment to be due on a date no later than six (6) months after the date of the first disbursement to finance subloan or other commitments entered into after the Amendment Date.

"2. Terms of Repayment of Principal. Disbursements under the loan shall be repayable in twenty-eight (28) successive semi-annual installments, the first of which shall be due and payable on a date no later than one (1) year after the date of the first disbursement under the loan. Each of the first eighteen (18) installments of repayment of principal shall be in an amount of not less than ten thousand dollars ($10,000).

"3. Currency of Repayment. Provision shall be made for repayment of principal and payment of interest in currency of the United States of America.

"4. Other Terms and Conditions.

"(a) No more than $100,000 of the funds made available under this loan shall be used to finance any single private investor without the approval of the DLF or A.I.D.

"(b) The interest rate charged to private investors with respect to items financed under this loan shall not exceed by more than four percent (4%) per annum the interest rate charged the Applicant on this loan.

"(c) Applicant and the Bank of Guatemala shall agree to conduct with A.I.D. a joint review of all subloan regulations and procedures with a view toward expediting effective implementation of the Project. Such review shall take place promptly after the Amendment Date.

"(d) Prior to the first disbursement to finance subloan or other commitments entered into after the Amendment Date, Borrower shall submit evidence that procedures have been established to assure that intermediate credit institutions participating in the Project will receive an interest spread on subloans financed under the loan of no less than four percent (4%) on a current basis.

"(e) Such other terms and conditions as the DLF or A.I.D. may deem advisable, including appropriate provision with respect to a terminal date for disbursements under the loan.

"RESOLVED FURTHER, that the Managing Director, or any representative to whom he shall delegate this authority, be and he is hereby authorized to execute for the DLF or A.I.D. such agreement or agreements and to take such other actions as he may deem necessary or convenient, consistent with this Resolution and the authorities provided in the above-cited Act, to carry this Resolution into effect."

Deputy U.S. Coordinator
Alliance for Progress

Date