

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

UNCLASSIFIED

AID-DLC/P-583
June 1, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Nicaragua: Industrial Development - INFONAC II

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$5,000,000 to Instituto de Fomento Nacional (INFONAC) to assist INFONAC in making loans and equity investments for the establishment and expansion of Nicaraguan industries.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Friday, June 9, 1967.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES I-V

UNCLASSIFIED

June 1, 1967

NICARAGUA: INDUSTRIAL DEVELOPMENT - INFONAC II

<u>Table of Contents</u>	<u>Page</u>
SUMMARY AND RECOMMENDATIONS	i
SECTION I - Borrower and Background	1
A. Description of INFONAC	1
1. Functions	
2. Organization	
3. System of Project Analysis	
4. Agricultural Diversification Program	
5. Cattle Development Program	
6. Industrial Program	
7. Experience with 1st AID Loan	
8. Historical Phases of Infonac Industrial Program	
B. History and Background of AID Role in INFONAC	19
C. Country Team Comments	19
D. Alternate Sources of Financing	20
SECTION II - Project Description	21
A. Purpose of the Loan	21
B. Detailed Description of the Project	21
1. Industrial Lending and Equity Investment	
2. Non Banking Operations	
3. GON Participation in Project	
SECTION III - Economic Analysis	26
A. Industry with Nicaraguan Economy	26
B. GON Priority of Industry	27
C. Relation to US Assistance Strategy	28
D. Contribution to Economic Development	28
E. Nicaragua's Foreign Debt, Reserves and Repayment Position	31
F. Impact on US Economy	32
SECTION IV - Financial Analysis	33
A. Borrower's Financial Situation of INFONAC	33
B. Financial Plan	34
C. Repayment Prospects	39
D. Implementation Plan	39

ANNEXES

I. Legal Exhibits

1. Checklist of Statutory Criteria
2. Draft Capital Assistance Authorization

II. INFONAC Industrial Program

1. Projects carried out under the three year Industrial Development Plan
2. Projects Financed under AID Loan 524-L-009
3. Present situation of Projects promoted by INFONAC (1963-66)
4. Industrial Projects under consideration
5. Projects financed with IDB Industrial Loan to INFONAC
6. CABEL Assistance to Nicaraguan Industry
7. AID Technical Assistance and Participant Training for INFONAC

III. Economic Exhibits

1. Nicaraguan Banking System
2. Social and Economic Benefits of INFONAC Industrial Projects

IV. Financial Exhibits

1. Comparative consolidated Balance Sheet (1954-65)
2. Comparative Consolidated Profit and Loss Statement 1954-65
3. Balance Sheet, June 30, 1966
4. Summary and Cash Flow Projection 1966-75
5. Profit and Loss Projection 1966-75
6. Profit and Loss Statement, Jan. 1 - June 30, 1966
7. Source of Funds INFONAC Industrial Program 1966-75
8. Outstanding Foreign Loans to INFONAC 1967
9. Industrial Loans Portfolio in Arrears
10. Industrial Loans made in 1965
11. Industrial Equity Holdings
12. Benefits of Two-Step Procedure

V. INFONAC Organization

1. Principal Directors and Officers
2. Description of Personnel

June 1, 1967

NICARAGUA - INFONAC

SUMMARY AND RECOMMENDATIONS

1. Borrower

The proposed Borrower is Instituto de Fomento Nacional (INFONAC) best translated as "National Development Institute". This is an autonomous development and credit agency of the Government of Nicaragua founded in 1953. Its paid in capital exceeds US\$7 million. An earlier AID loan to support INFONAC's industrial development program was made in 1964 for US\$4 million (2%, 25 years, ten years grace). That loan is fully committed and should be fully disbursed by February 1968.

2. Guarantor

The Government of Nicaragua will guarantee the loan.

3. Amount

Not to exceed US\$5 million. 100% to be used for procurement of U.S. goods and services. US\$4.75 million would be used for sub loans and equity investments. Up to US\$250,000 might be used for technical assistance.

4. Purpose of Loan

The purpose of this loan is to assist INFONAC expand and further capitalize its industrial credit program so that it may continue and strengthen its role in the development of the Nicaraguan industrial sector on a progressively expanding scale commensurate with the growing development potential of Nicaragua.

5. Description of the Project

The loan project would help to achieve this purpose by enabling INFONAC over the next ten to twenty years adequately to fund its promotional

and developmental activities and the financing of new high risk private enterprises, while at the same time building its capital assets to a point where INFONAC can ultimately continue such activities without benefit of concessional lending or government subsidy. This would be possible by virtue of (a) concessional terms on the loan (b) GON subsidy commitments (c) GON commitment to plow back the benefits of the two step procedure. The loan project would also require further strengthening of INFONAC staffing and organization. As indicated, the loan funds will be used for re-lending and equity investment to finance goods and materials for new private industry or private industrial expansion, with up to \$250,000 allotted to technical services. The project also calls for the GON to continue other forms of financial support in the years ahead to assure INFONAC is adequately capitalized.

The AID loan funds would be used for the following specific undertakings:

- a. Sub loans to industries for US capital goods and materials.
- b. Equity investments involving purchase of US goods and services in priority new industries where private investment is not available.
- c. Technical assistance to INFONAC designed to improve organization, staff competence, and operating procedures.

For the period 1967-69 INFONAC contemplates making loans and investments totalling US \$18.4 million for some 100 industries which are being established or significantly expanded. The AID loan will provide loan and equity financing for \$4.75 million of this total. INFONAC loans will be made for periods ranging from 3 to fifteen years at interest rates not to exceed ten percent. Grace periods will be granted on the basis of repayment capacities. Equity investments will be made in those industries where the potential return to the national economy is great, but where private investment is reluctant to enter because of the newness of the enterprise or other unusual factors. In these cases INFONAC will assume an active role in the direction of the company in order to assure project success and seek to develop the industry to the point where INFONAC's equity can be sold to private investors. Up to \$250,000 of loan funds will finance the cost of US technicians and consultants who will work with INFONAC in improving organization and administration and in up-grading staff capabilities in project selection, analysis, promotion and implementation.

6. Sources of Financing

The AID loan will form part of an overall build up of the Industrial Development program of INFONAC. The following table shows the sources and amounts of capital inputs for loan and equity financing for the period 1967-69:

<u>Source</u>	<u>Amount US\$</u>	<u>% of Total</u>
INFONAC *	7,713,000	42.0
1st AID Loan (Disbur. carryover)	1,857,000	10.0
Proposed AID Loan	4,750,000	26.0
IDB Loan (December, 1965 unused balance)	1,905,000	10.4
Possible CABEL Loan	1,250,000	6.4
Central Bank of Nicaragua	571,000	3.1
Bank of America	383,000	2.1
TOTAL	18,429,000	100.0

* Includes roll over of INFONAC and other funds.

In addition to these funds the GON shall put approximately another \$1.5 million into INFONAC to cover the losses caused by industrial technical service expenditures for this 3 year period.

7. Anticipated Benefits

Projecting past performance into the future, INFONAC's industrial projects should continue yielding substantial benefits to the national economy in the form of foreign exchange earnings, employment and industrial output. The three year investment program (1967-69) will directly contribute to develop industries with annual foreign exchange earnings or savings of about \$20 million, employing over 8,000 workers and with a gross annual production of over \$80 millions. However, considering that this loan project is essentially one for strengthening INFONAC as a permanent development institution which will continue its industrial program at an expanded level, the development implications are even greater than these projected figures.

8. Alternative Financing

The Export Import Bank, IDB, and IBRD have expressed no interest in making this loan.

9. Views of the Country Team

The country team has recommended that this loan be made.

10. Statutory Criteria

All statutory criteria have been met. (see annex I)

11. Issues

- a. Concessional terms: The issue arose during, and even prior to, intensive review over whether this loan should be made on concessional terms. The project committee considers that lower interest rates and an extended maturity is justified for two fundamental reasons. First, the projects contemplated require heavy expenditures in research, technical assistance, and promotion which INFONAC must bear. Non concessional terms might force INFONAC to diminish its role of pioneer in these new industries and seek safer quicker return projects with less development overhead. This would divert the institution and its loan resources from many important development opportunities. Second, plans for INFONAC's growth over the next ten years include institutional and financial consolidation which will permit the institution to operate at a scale sufficient to break even without abandoning its development focus. This loan, made on concessional terms, with a required GON commitment to reinvest the benefits of the two step procedure in INFONAC as increased capitalization, can make that consolidation possible. Because of these factors, but still recognizing INFONAC's improved situation since the first AID loan, the project committee is recommending that the loan be granted on intermediate terms with covenants requiring GON reinvestment of the two step procedure benefits in INFONAC.
- b. Organization, staffing, project selection and analysis. INFONAC has performed well in the past and has able management. However, with the expansion it now contemplates, additional staff will be required and organization will have to be improved. Although a backlog of good projects exists, this will have to be replenished. Selection of projects on the basis of sound development criteria will be increasingly important as the more obviously beneficial projects are

taken care of. These are more in the form of threshold problems than current shortcomings and probably will not directly affect the projects financed with the first use of the AID funds. However, this is the opportune time to confront the matter and, in line with general AID interest in the institution, the project committee is proposing use of loan funds for technical assistance to INFONAC and recommending several conditions and covenants that will require INFONAC to take steps to improve staff and organization.

12. Recommendations

- A. Authorization of a loan to INFONAC for an amount not to exceed US \$5 million on the following two step basis:

(1) INFONAC

Repayment 25 years
Interest: $3\frac{1}{2}\%$
Grace 5 years on amortization.

(2) GON

Repayment 40 years
Interest during grace: 1%
Interest after grace: $2\frac{1}{2}\%$
Grace period: 10 years

- B. Major Conditions and Covenants: In addition to standard conditions, the project committee recommends the following be incorporated into the Loan Authorization Agreement:

- (1) Unless AID should otherwise agree, any payment made by the Borrower to the Government under the terms of this Loan and the two step procedure, which is in excess of the GON's payment obligation to AID under this loan during the first 10 years will be returned to INFONAC as increased GON capitalization.

In the eleventh year the GON and AID shall review this process and decide if the GON will continue to reinvest the two step benefits

in INFONAC or if they should be invested in some other high priority project.

(2) Conditions precedent to first disbursement:

- a. Evidence of having contracted, or plans to contract, mutually agreed upon experts to provide needed advice and assistance in improvement of INFONAC staffing, organization, management, project selection and project analysis and implementation.

(3) Conditions precedent to disbursements other than for technical services:

- a. Presentation of satisfactory criteria for evaluating industrial credit applicants to avoid undesirable tariff-protection in accordance with Nicaragua role within the CACM.
- b. Presentation of acceptable plans for the improved staffing of the industrial section of INFONAC.
- c. Presentation of satisfactory assurances from the GON of timely reimbursement of past and future INFONAC losses.
- d. Adequate assurances from the GON that any profits realized by INFONAC for 20 years from the date of the agreement shall be available to INFONAC for expansion of capital except as AID and the GON may otherwise agree.

(4) Major Covenants

- a. Earnings on the interest spread between the amount charged the Borrower by AID and that charged on sub loans shall remain in the industrial program of INFONAC.
- b. AID funds shall not be used for working capital investment or loans except where such use can add significantly to production, jobs created, or total production of the enterprise, and where such financing is matched by increased equity of the owners. The total amount of such financing from the Loan shall not exceed \$1 million

- c. For proposed projects in which the total amount of INFONAC participation with AID funds exceeds US\$200,000, or in which INFONAC's equity participation would exceed 50% of the enterprise's total equity, a statement of no objection by AID shall be obtained before making any commitments.
- d. Prior to financing technical assistance required by INFONAC, AID and INFONAC shall mutually agree on the contracts as well as the contractors.
- e. Except as AID may otherwise agree sub-loans shall not bear interest in excess of 10% and terms shall not be less than three years.
- f. Loan funds shall be for the procurement of goods and services from the United States of America in accordance with AID regulations and policies.

13. Project Committee

- Chairman Tyrus G. Fain, USAID/Managua
- Capital Development Officer ... Eugene A. Fischer, USAID/Managua
- Industry Advisor Angel Quant, USAID/Managua
- Legal Counsel =

Drafted by: E.A.Fischer/T.G.Fain

June 1, 1967

Section I - Borrower & Background

A. Description of INFONAC

1. Functions of INFONAC

INFONAC is an economic development institution of the Government of Nicaragua (GON) which was organized in 1953 pursuant to a recommendation of an International Bank for Reconstructions and Development team. Its basic purpose is to "promote", diversify and rationalize national production in all its aspects". Its organic law divides this objective into seven points:

- a. "To serve as an active instrument of the government in the execution of programs increasing national production;
- b. To offer technical assistance in all fields of production for their maximum development, either directly or in cooperation with other public or private entities;
- c. To promote agricultural and cattle production and diversification, for the internal market and for exportation;
- d. To promote the establishment, development, and expansion of enterprises which utilize national raw materials and add to the economic welfare of the nation;
- e. To stimulate capital formation through the channeling of private savings toward productive ends;
- f. To assist private enterprise in those economic activities which contribute directly or indirectly to provide well-paid employment for Nicaraguans, as well as strengthen the economic relations of Nicaragua with other nations; and
- g. To assist, with all the means at its disposal, the establishment of the enterprises necessary for the economic development of the nation."

The law further states that INFONAC may undertake foreign borrowing to execute its programs and that all such borrowing will be guaranteed by

the GON. (See Annex I for a summary of its legal authority to execute the project).

From the above it can readily be seen that INFONAC's responsibilities cover a wide field of economic development. Thus INFONAC has been and is involved in diverse activities such as:

- a. Commodity price stabilization through a grain storage operation, until a GON agency for this purpose was created in 1960;
- b. Reforestation of a large cut-over area on the Atlantic coast;
- c. Making power development loans to municipalities outside of Managua with its own funds and from IBRD loans; and
- d. Assisting in the drafting of a new mineral rights law.

INFONAC's principal efforts, however, have been directed to demonstrating opportunities and developing projects in industry, agriculture and cattle raising for the private sector. In doing this INFONAC does not function as a "financiera" which must measure its actions preponderantly in terms of its own relatively short term profit and loss prospects.

Instead, INFONAC is an innovator, and indulges in economic pioneering, measuring its success in terms of national economic returns over long range periods. It conducts on its own account, or in cooperation with other public or private entities, studies of the country's basic resources to identify priority projects of high development potential.

Once a project is identified, INFONAC will try to interest a private investor in it. If no investor is readily available for a project considered to be of very high development priority, INFONAC may make a more detailed feasibility study, if it is an industrial project, or in the case of an agricultural undertaking INFONAC may proceed with a demonstration project to test its feasibility. If an investor is interested, INFONAC will help him look for financing both locally and abroad. If another institution is willing to finance it, INFONAC will drop out at this point. However, since most projects developed are new to the Nicaraguan economy and therefore of higher risk than most private institutions like to finance, INFONAC usually cooperates with another financial institution by supplying a part of the medium or long term financing, or will finance the

project with its own resources or from loans it has received from international development institutions (IDB, IBRD, Ex-IM Bank, AID, etc.) In some situations INFONAC takes an equity position in the enterprises. This is usually in one of the following cases: (1) In new undertakings, better to assure success and a more direct INFONAC voice in the new undertaking (2) With foreign investors who require reassurance and want to share the risk with Nicaraguan capital. The INFONAC practice is to dispose of these equity holdings to private Nicaraguan investors as soon as the project has begun to show its profitability. In most cases to successfully implement a project INFONAC will also supply expert technical assistance. Since the projects are normally ones in which there is little or no Nicaraguan experience this technical assistance usually takes the form of relatively costly foreign experts.

The cost of such studies, promotional, experimental and technical assistance activities have seldom been recovered in the past. The profits made on banking or investment activities have been absorbed by these promotional and development costs. The institute as a whole has suffered losses, totaling over \$2.2 million from its beginning in 1954 through December 1965. Up to December 1965, INFONAC has channeled \$329 million (US \$45.5 million) into its principal programs in loan and equity financing as follows:

TOTAL RESOURCES APPLIED BY INFONAC (1954 - 1965) *

(In thousands of Dollars)

Program	Loans	%	Investments	%	Total	%
Industrial Development	18,674	52.3	2,580	25.8	21,253	46.5
Agricultural Diversification	14,330	40.2	4,089	40.8	18,420	40.3
Cattle Improvement.	2,688	7.5	2,180	21.8	4,868	10.6
Other	5	-	1,163	11.6	1,168	2.6
Total	35,697	100.0	10,012	100.0	45,709	100.0

*Source: INFONAC Statistical Section

2. INFONAC Organization

During the first 12 years of its operation the scope of INFONAC's programs and responsibilities grew considerably while its organizational structure remained fundamentally the same. Although its staff increased in proportion to a greatly expanded program its administration remained extremely centralized. Also INFONAC has lost a large number of its technicians and administrators to private industry and other government institutions.

For these reasons, in 1965 INFONAC contracted ICAITI (Instituto Centro Americano de Investigación Tecnológico-Industrial) out of funds from the AID loan, to do a study and advise the institute on the organizational structure and administrative procedures most suitable to its present activities. This study recommended establishing a new organizational and administrative structure which was approved by the INFONAC Executive Board in August, 1966. This plan has the following objectives:

- a. To obtain a maximum of job specialization and utilization of personnel;
- b. To separate and clearly define the technical operations and control functions within the different sections.
- c. To establish an effective monitoring and control system at the project level, and most fully to make and implement decisions on the basis of objective analysis during the operational phases;
- d. Better to decentralize operations through the creation of the necessary but minimum number of delegated authority points in the organization; and
- e. To establish a progressive wage and salary system so as to decrease the high INFONAC employee turn-over rate.

In the new organizational plan INFONAC is divided into: (1) four operating departments (Industrial, Economic Studies, Agricultural, and Financial); (2) the General Controller's Office which has departmental status; (3) the personnel-administrative and the legal offices; and (4) the Offices of Public Relations and of Organization and Methods; all reporting directly to the General Manager. The General Manager is the

chief executive with the responsibility of executing the Institute's programs through the various departments. Directly above the general manager is the Executive Board of Directors. The Board is chaired by the General Manager of the Institute and in meetings held at least once a week it reviews the progress made in the various programs.

The highest body in the Institute is the Superior Council. It is composed of 9 members (Ministers of Agriculture, Economy, Finance, Presidents of Central Bank and National Bank; Director of National Planning Office, Representatives of Industry and Agriculture; and Representative of Minority Party). It makes broad policy and coordinates INFONAC's activities with other GON programs. It meets at least twice a year. (See Annex V for organization chart, detailed description of INFONAC departments, and bio-data on INFONAC officers.)

INFONAC is presently in the process of implementing the ICAITI plan. It is staffing the new departments and divisions with its 144 technicians and 120 management, administrative and clerical personnel. Some offices such as the Personnel Administration Office and the Organization and Methods Office will not begin functioning until a year or so. Other departments will have a minimal staff. Presently the various departments are preparing operating regulations for submission to the Executive Board of Directors for approval. A special committee reporting to the General Manager is coordinating the various implementation procedures.

The USAID is in full agreement with INFONAC on the need for this reorganization effort, and will continue to work closely with INFONAC in this whole reorganization process. To accelerate implementation of the plan, it is recommended that the loan agreement contain covenants that: (1) by December 31, 1967 INFONAC shall submit a detailed report on the implementation of the new organizational plan with special reference to inter-departmental coordination and (2) by March, 1968 the Personnel and Administrative Office shall be functioning with a wage and salary system. INFONAC has also indicated that they will probably use a portion of the AID loan funds allocated for studies and technical assistance to contract for the services of an American management expert to help with the implementation of the reorganizational plan. The project committee agrees with this use of the loan funds.

3. INFONAC's System of Project Analysis.

INFONAC tries to use its industrial credits only for those industries

It considers of highest development importance.

The three main factors in its selection of projects in the past have been: foreign exchange earnings and savings; utilization of Nicaraguan raw materials; and the creation of new jobs.

a. Three Year Plans and Development of New Industries

In order to define more clearly high priority industrial sectors and projects INFONAC initiated a three year plan system in 1962. These plans outlined:

- (1) The general industrial development objectives of INFONAC for the next three years;
- (2) Industrial sectors within the general objectives which it considers of most importance to Nicaragua's economic development;
- (3) Projects within those sectors which have been studied by INFONAC and which it plans to actively promote; and
- (4) Projects which should be studied by INFONAC and developed if feasible.

Once completed the Plan is presented by the General Manager to the INFONAC Superior Council for Approval. Since the Superior Council includes various GON Ministers and high ranking officials this allows for optimum GON concurrence and coordination.

The plan implemented through the INFONAC Industrial Department Studies, and active promotional work are carried out on those projects carrying highest priority. Foreign technical assistance is contracted when necessary, to do detailed feasibility studies. INFONAC actively promotes the projects through its Managua Promotion Office. If a firm is interested INFONAC will help them look for financing and will usually participate with some of its own funds in either an equity or loan position.

INFONAC has succeeded in implementing most of the industrial projects given highest priority in its last plan (1965-1967). (See Annex II, 2 for a list of the projects) The 1968-70 plans should be presented to

the Executive Council in May, 1967. Its list of priority industrial sectors will be as follows (in order of priority): (a) chemical industries; (b) industries which process national agricultural products; (c) sea food industries; (d) industries transforming copper; (e) wood transforming industries. These priorities have been placed because the development of industries in these sectors will permit: a maximum of vertical industrial integration; increased exportation to the world and C.A. markets; and a high utilization of Nicaraguan raw materials.

b. Existing Industry Financing

In addition to developing new industries as spelled out in its three year plans INFONAC has found that there are many existing industries of economic development importance which need medium and long term financing to improve their production capacities, and are not being attended by normal banking sources. In financing these firms INFONAC has attempted to rank them in importance according to the criteria spelled out in its three year plans. A weighted point system with values assigned to such factors as foreign exchange earnings or savings, increased job creation, utilization of raw material, etc. was devised so as to make the most accurate determination of the importance of each project. The use of these planning and project evaluation techniques has allowed INFONAC to improve its project selection, but there is feeling in both USAID and INFONAC that the systems need to be strengthened and that INFONAC personnel should receive further training in project analysis. INFONAC has indicated its wish to use a portion of the AID loan to contract for the services of a consulting firm or individual to help them improve program planning and project analysis. The project committee fully supports this idea.

4. INFONAC's Agricultural Diversification Program

INFONAC is conscious of the predominant role agriculture plays in the national economy but is also fully aware that the economy is heavily dependent on coffee and cotton, two crops that are highly

susceptible to an unsteady world market position. Consequently, INFONAC has given high priority to agricultural diversification.

The major part of its efforts have taken the form of technical services. These have included general as well as specific investigations, market studies and pilot demonstration projects. The expenses incurred in these activities are paid in part by the GON or by agencies such as the U.N., but for the most part have been financed with INFONAC's own resources.

Since 1954, INFONAC has also made over \$14 million in agricultural loans, complemented by heavy inputs of INFONAC technical assistance. The cost of the technical assistance has generally far exceeded interest earned on the loans. These technical services and credit activities have been concentrated in the following projects: soil conservation, coffee improvement, soils mapping, banana replanting, tobacco introduction, reforestation, irrigation, general studies of the North Atlantic Coast, apiculture, poultry and hog production.

Some of these projects have had somewhat dramatic results such as an egg production project that allowed Nicaragua to supplant 70% of its past egg imports with domestic production. Banana production, virtually abandoned by private enterprise, was studied in detail and put under demonstration by INFONAC. After initial failures a solution to the technical problem was found and Nicaragua is now exporting over US\$ 2 million per year and should export \$5 millions by 1968.

Other projects will only show economic benefits in the long run, such as the ecological studies and mapping of subterranean water, and the north atlantic coast reforestation program. Some agricultural projects have had direct effects on industrial development by supplying the raw materials base for new industries such as a kenaf for a bag factory, tree stumps for a naval stores factory and tobacco for a cigar factory.

INFONAC has been involved in these activities because they were of significant development importance and because no private group had the required capability or interest to pursue them. As other agencies such as the National Bank, the Ministry of Agriculture and the National

Cadastral Studies group have developed or shown interest in these projects, INFONAC has divested itself of them.

Its present agricultural program is primarily in:

- a. Banana and tobacco production;
- b. Reforestation;
- c. Hog production;
- d. Horticulture; and
- e. North Atlantic Coast Development.

Over the next 10 years INFONAC is projecting a doubling of its loan and experimental activities in these areas. These increases will be largely financed out of special project loans from international agencies such as IDB. A new loan application is being presented to IDB for US \$4.5 millions for agricultural diversification (for improvement of dairy herds, hog production, horticulture and citrus fruits). Technical assistance surveys and experimentation expenses are projected to increase proportionately. INFONAC's projected earnings currently show it breaking even by 1972 on the agricultural program, but they do not take into account some probable losses on its loan and equity portfolio due to bad climatic conditions or possible losses on their experimental farms. Even with new income from increased lending, the agricultural program will probably continue to function at a loss.

5. Cattle Development Program

Due to INFONAC's pioneering efforts, cattle raising is now ^{one} of the principal activities in the country and offers very promising possibilities as a major foreign exchange earner. In 1954, INFONAC formulated a comprehensive National Cattle Development Program. The basic objective of this program and those that followed, was to establish an integrated development of cattle-raising and the industrialization of beef products. The program consisted of four fundamental interrelated activities: a) developing the Santa Elena Experimental Cattle Farm, b) improvement of breeds, c) improvement of range management and d) industrial processing of beef products. Total financial resources applied by INFONAC to

the program through December 31, 1965 were US \$10,266,000 of which \$4.8 million was for loan and equity financing. These resources were used for: the purchase of breed stock to upgrade native herds, improving pastures, upgrading nutrition and animal health, experimental breeding to develop new varieties of cattle better adapted to local climatic conditions, the development of a modern slaughterhouse to process cattle for export and local markets; and the establishment and/or modernization of five milk processing plants.

Due to the program Nicaragua's export earnings from sale of beef have increased from US \$1,142 in 1958 to \$6,813,799 in 1965 (there was no export in 1957). For the 1966-75 period INFONAC projects a higher percentage portion of its loan portfolio in cattle development but will decrease substantially its direct investments and technical activities.

6. Industrial Development Program

Until the recent formation of CNI (a private financiera), INFONAC has been the only Nicaraguan public or private entity actively promoting and developing new private industry in Nicaragua. Initially INFONAC was the only source of medium and long term industrial financing. Presently the commercial banks and the National Bank (BNN) are supplying short term credit to the better risk industries. For all practical purposes however, INFONAC and CNI are the only sources of longer term industrial credit. Combining these banking services with its technical and promotional services INFONAC remains as the most important long term industrial development institution in Nicaragua. CNI is the only other important institution but, being private, it allies its activities more closely to shorter term industrial development. While there have been Nicaraguan industries developed without INFONAC assistance, all the major industries established in Nicaragua since 1954 have been financed and/or promoted or in some way significantly assisted by INFONAC. Among the most important examples the following major new industries would literally not have been formed without INFONAC's efforts.

- a. A modern beef cattle slaughtering plant. (Matadero Modelo)
- b. Two modern milk plants (El Hogar and La Salud)
- c. A shrimp processing and packaging plant (Booth de Nicaragua)

- d. Two edible oil extraction plants (La Corona & Grasa)
- e. Four Textile Mills (Fabritex, Godala Marfa, El Porvenir & Textiles C.A.)
- f. Two Steel Structures and Pipe manufacturing plant (Metasa and Tamenic)
- g. One modern shoe factory (CECALSA)
- h. A chemical complex to manufacture insecticides, fertilizers, etc. (Hereasa & Elpasa)
- i. A large brick clay factory (Cerámica Chiltepe, S.A.)
- j. A new modern hotel (Hotel Inter-Continental, S.A.)
- k. A core-veneer plant (MADINSA)
- l. A powdered milk production complex (PROLACSA)
- m. A modern wood doors, windows & furniture manufacturing plant (PROCESA)
- n. An oat meal plant (Cereales de Centroamerica, S.A.)
- o. A new synthetic glue plant (Químicas Borden de C.A.)

The industries developed by INFONAC usually use a high component of Nicaraguan raw materials. The following chart shows that over 60% of INFONAC's industrial portfolio was in food processing and 30% in loans for industries mainly using Nicaraguan raw materials.

INFONAC - Medium and Long Term Industry Loans
1954-1965

(In Thousands of Dollars)

Type of Industry	No. of Loans	Amount	Percent of Total
Food Products	80	11,065	59.4
Construction Material	23	1,490	8.0
Textiles	33	1,428	7.6
Chemicals	36	761	4.1
Hides and Leather	27	560	3.0
Electrical	21	544	2.9
Rubber Products	6	142	0.8
Wood Processing	28	485	2.6
Agro-Indust.	66	2,157	11.6
Total	357	18,632	100.0%

Source: INFONAC Statistical Section

INFONAC's industrial development program can be broken down into the following parts:

- a. Banking Operations - medium and long term loans for capital financing through 3 to 10 year loans and some lesser short term working capital financing (mainly through Central Bank discounting).
- b. Direct equity investment, and
- c. Technical service functions, economic and feasibility studies, foreign and national industry promotional work, technical assistance to established or new industries.

Banking and Investment Operations. INFONAC has functioned as a bank of last resort in its industrial banking operations. However, because Nicaragua's shortage of resources for industrial financing (see financial section), INFONAC estimates that 50% of the feasible industrial projects

presented to it, were not implemented because of lack of financing. From 1954 to 1965 INFONAC made 357 industrial loans to 333 different enterprises for a total of US \$18.6 million. Some 98% of this financing was for the financing of fixed or capital assets. Along with this loan financing INFONAC invested another \$2.7 million in direct equity holdings in 14 industries. INFONAC made these equity investments primarily for three reasons: (1) as a "hand holding" function for private initiative until the financial feasibility of an operation was demonstrated; (2) to improve the financial status of an enterprise by converting loan investments to stock and (3) to allow for part Nicaraguan ownership of a joint venture enterprise. This total of US \$21.3 million of INFONAC loan and equity investment was coupled with another estimated US \$28 million in equity from the businessmen involved and in financing from other sources, for an estimated total worth of enterprises financed of US \$54.3 million.

Of the total of 333 individual industries financed by INFONAC (30% of Nicaraguan industries with more than 5 employees in 1965) it is estimated that over 6,000 jobs were created by 1965 (approximately 25% of the active industrial work force in industries with 5 or more employees in 1965) and that the annual gross production of these industries exceeded \$55 million by 1965 (approximately 30% of the gross production of the industrial sector in 1965).

Technical Services. Along with its loan and equity financing, and possibly more important from a long-range development standpoint, INFONAC has played a role in promoting Nicaraguan industrial development through supplying technical services. Since 1954 INFONAC spent approximately US \$3.7 million in promoting and implementing new priority industry and in expanding and improving existing industry. During 1964 and 1965 alone these technical assistance activities cost INFONAC more than US \$700,000.

These services may be broken down into three broad categories. The first might be called operations, or assistance in the implementation and management of projects. The second might be termed technical services which includes economic and feasibility studies, and the provision of informational and educational services (through productivity centers) to the private sector. The third could be called promotional activities, (through the New York and Managua promotion offices) to stimulate foreign and national investment in projects INFONAC considers of importance.

The following figures may give some idea of these services:

- a. Since 1954 INFONAC produced 81 economic and feasibility studies. (see Annex IV for list of studies).
- b. Over 12 new major industries such as a powdered milk plant, a textile plant and a fertilizer ingredient plant, were organized and over 1,500 contacts with prospective investors were made by the INFONAC Promotion Office since its beginning in 1963.
- c. The full time of three foreign experts and substantial time of INFONAC's regular staff (including at least 75% of the time of 5 industrial experts on INFONAC's staff) went into technical assistance to INFONAC supported projects in 1965-66, and
- d. The INFONAC productivity center gave more than 27 courses and seminars attended by over 1,000 participants in its 4 years of functioning before it was taken over by the Chamber of Commerce in February of 1955.

7. Experience with Earlier AID Loan

On December 23, 1964 AID made a \$4 million loan to INFONAC for general industrial loan and equity financing and for the financing of feasibility studies and technical assistance services to INFONAC. The terms of the loan were: 2% interest and 25 years amortization with a 10 year grace period on amortization. The loan allotted US \$3 million for U.S. procurement of goods and services and US \$1 million for CACM procurement.

This loan was in part a response to a study made by Continental Allied Co. under an AID contract in 1963, recommending that AID finance an industrial relending project in Nicaragua.

The general purposes of the loan as described in the Capital Assistance Paper (CAP) were:

- a. To make medium term industrial credit available in Nicaragua so as to stimulate industrial development.
- b. To cover a part of INFONAC's general operating expenses with

the monies generated by the interest spread between the AID loan terms and the relending terms, and

- c. To give INFONAC leverage with the GON in getting an increase in capitalization of \$500,000 a year for the 1967 to 1971 period and in getting reimbursed for the operating losses incurred through December 1964.

Both INFONAC and the GON are fully living up to the terms and conditions specified in the loan agreement. The GON reimbursed US\$1,418,427 to INFONAC; US\$418,427 more than that specified in the Loan Agreement. This year INFONAC will receive the first of the five \$500,000 capitalization payments authorized by the Nicaraguan Congress in 1965.

INFONAC is surpassing the industrial program projected in the loan paper. Disbursements for industrial loan and equity investment in the 1964-66 period have exceeded \$8 million compared to the \$6.5 projected for that period in the 1964 loan paper. In the first eight months of 1966 alone, industrial project commitments were over US\$5 million (increasing over 59% from the previous year). This acceleration of lending has been accompanied by a US\$1.12 million increase in local capital generated through INFONAC's savings department and bond issues. Savings deposits increased US\$1.76 million between December, 1964 and December, 1966. INFONAC also received US\$470,000 from new bond issue in this period.

INFONAC has committed and is disbursing the loan within the schedule set forth in the CAP. The loan was fully committed by August, 1966 - 17 months after meeting CP's - and should be fully disbursed by December, 1967. - 34 months after meeting CP's.

Up to the present time the arrears and delinquency factors of sub-borrowers financed under the loan have been zero. INFONAC has however a bad debt reserve of 1% and has delinquencies of 13 of 1% of its total portfolio but none on the AID financed portion.

Use of Funds. The \$4 million of loan funds plus \$1.8 million of INFONAC's own funds has been committed in 33 loans and industrial equity financing operations; one loan to a private financier for small sub-loans to cottage industries; three feasibility studies and

In an organization and management study of INFONAC itself.

The following is a breakdown by category of the use of project funds:

Types of Projects Financed with AID Loan 009

	<u>AID Loan</u>	<u>INFONAC Funds</u>	<u>Total</u>	<u>%</u>
Feasibility Studies	128.7	-	128.7	2.2
Industrial Park	42.1	-	42.1	.8
*Wood Processing	371.8	6.2	378.0	6.5
*Tile-brick manufacture	217.1	-	217.1	3.7
*Textiles manufacture	501.0	1015.0	1516.0	26.0
*Construction Industry	483.7	175.2	658.9	11.3
Chemical Products	238.5	-	238.5	4.1
Metal Industry	243.0	284.2	527.2	9.1
*Soap Manufacture	114.2	-	114.2	2.0
Transportation Industry	176.6	252.9	429.5	7.4
Hotel	250.0	-	250.0	4.3
*Cigar Manufacture	120.0	-	120.0	2.1
*Agriculture Related Projects	357.1	-	357.1	6.1
Beds & Mattress Manufacture	142.0	-	142.0	2.4
*Cottage Industry sub-lending	500.0	-	500.0	8.5
Miscellaneous	114.2	86.2	200.4	3.4
	<u>US \$ 4,000.0</u>	<u>\$ 1819.7</u>	<u>\$ 5819.7</u>	<u>100</u>

(*?projects using primarily local materials. Equal to 57.7% of total)

Of the loan and equity operations \$2,060,160 was used for the establishment of new industries (10 new relatively large industries were formed) and \$1,811,840 was for the expansion of existing industries. Combined with these, INFONAC estimates that private investors and other financial institutions put another \$14 million dollars into the enterprises concerned. Once the loans are fully disbursed and the enterprises fully operative, it is estimated that aggregate annual production will exceed \$35 million (25% of 1965 total industrial production) with an annual net savings and generation of foreign exchange for Nicaragua of approximately \$11 million (8% of 1965 foreign exchange earnings), and with approximately 4,500 new jobs created (19% of 1965 total industrial labor force) active in industries with 5 or more employees.

Of the three feasibility studies financed, one was for an organization study of INFONAC which is presently being implemented, another was for the expansion of a steel rolling plant which is being financed by CABEL, and the other was for a general candy manufacture study which was temporarily shelved by INFONAC.

The agriculture related projects were projects which because of their general economic development importance were approved by the USAID for funding out of the loan. They were for (a) the financing of well drilling for commercial irrigation; (b) the financing of breed-quarter horses which are being utilized to produce horses more appropriate for the expanding cattle industry than the native Nicaraguan types and (c) the financing of equipment for large scale commercial rice farming.

The cottage industry sub-lending project is the only one which has been less than successful. This sub-loan was conceived to remove INFONAC's burden of processing very small loans (under \$5,000). Disbursements through the financiers handling the sub-project, INFISA, have been slow (only \$140,000 out of the committed \$500,000) and technical assistance which was to be supplied by INFISA to the small borrowers as a necessary adjunct to this type of lending, has been minimal. The mission finds that this kind of credit requires close supervision and more technical assistance than a private financier is able to provide. With the proposed AID-BNN small enterprise supervised credit program INFONAC feels that this type of activity by them will be unnecessary. Presently INFONAC is thinking of shifting about \$300,000 of the committed amount to another project.

IDB Loan. In December 1965 IDB made a \$3.3 million industrial development loan to INFONAC.

While at first the commitment of this loan was slow, by December 1966 it was fully committed (90% of the commitments were made in the last 4 months of 1966) and by December 1967 the loan should be fully disbursed (it was over 55% disbursed by March 1967).

The rapid utilization of this loan demonstrates the increasing demand for medium and longer term industrial credit in Nicaragua. (see Annex II for a list of projects being financed).

8. Historical Phases of INFONAC Industrial Program

Since the inception of INFONAC some 13 years ago its industrial development program has undergone considerable changes.

For the purpose of discussion these changes may be broken down into three institutional development phases:

Phase #1 (1954-61) - Initial institutional development period;

Phase #2 (1962-65) - Transitional or redefinition of purpose period.

Phase #3 (1966-) - Maturation period.

In the first phase INFONAC was dealing with a traditional society, heavy in agriculture, with little industry, and with almost non-existent industrial entrepreneurial and managerial experience. Along with this INFONAC was a new institution beginning with almost no Nicaraguan industrial development experience. INFONAC's industrial program therefore was aimed at developing a few new projects and improving the productivity of many existing smaller enterprises. An example of this is that from 1954-1961 of \$5.15 million in industrial loans approved \$2.23 million were for three industries which INFONAC started and literally ran and \$2.92 million was divided among 210 small loans.

The second phase can be defined as from 1962-1965 with INFONAC responding to a prospering economy, with Nicaraguan private entrepreneurs becoming more interested in industrial enterprises, with a growing Nicaraguan managerial class, and with increasing interest in Nicaragua on the part of private foreign investors.

INFONAC's industrial loan operations more than doubled in this four year period as compared with the initial 8 years. Industries financed and/or promoted were larger (average amount of loans increased from less than \$40,000 to over \$70,000). With this increasing interest in private Nicaraguan industry INFONAC became more selective utilizing for the first time an INFONAC three year industrial plan with clearly defined priority industrial sectors and projects.

The third phase in which INFONAC presently finds itself is one in which other sources of industrial credit are being made available for established

Industries (through a private financiers - CNI and the commercial banks) and in which the economy is in the fifth year of a general economic boom, offering an ideal opportunity for economic diversification. INFONAC is therefore increasingly concentrating its efforts on developing new high priority industries. The final negotiation stage has already been entered on several large enterprises and a number of others are being actively promoted and developed. For this phase INFONAC is projecting an increased emphasis on project selection and development and a probable tripling of its industrial portfolio from \$8 million in 1966 to \$24 million in 1975.

B. History and Background of AID Role in INFONAC's Development

AID has a long history of close working relations with INFONAC and has played a major role in its development, not only through the 1964 loan, but through a prolonged dialogue involving technical advisors, participant training, and development policy coordination. Thus cooperation has not been limited to industrial fields but has extended also to agriculture, internal management, project analysis, and other subjects. Dozens of U.S. experts and more than thirty Nicaraguan participants have been involved in this cooperative relationship. (See Annex II for more details). This relationship is continuing at the present time in both the industrial and the agricultural fields.

In the projected cash flow presented in the 1964 Capital Assistance paper on INFONAC additional borrowing was contemplated and AID was listed as a possible source. As that loan was utilized and its success became clear the USAID mission and INFONAC began reviewing the needs for another round of borrowing.

In late 1966 an application was submitted to AID. An IRR was prepared by the AID mission and submitted to AID/W in February of 1967. The CAEC approved an intensive review in March which was begun immediately by the USAID staff.

C. Country Team, Comments

The USAID Director presented this proposed project to the Country Team for its consideration and received full concurrence with the USAID view that this is a priority project offering significant support to Nicaraguan industrial growth, employment, and foreign exchange earnings. The Country team re-

commended proceeding with the loan as soon as possible.

D. Alternate Sources of Financing

As can be seen in INFONAC's financial plan additional borrowing is required for the projected growth plan of the institution. IDB, Ex-Im Bank, as well as private institutions will be involved in this. For the phase of INFONAC's build-up contemplated by this loan, there are three basic components needed in the foreign borrowing to be provided: (1) a long term, (2) a concessional interest rate, and (3) technical assistance for further development of the institution. The other potential credit sources are not in a position to provide these necessary features, or as in the case of IDB, defer to AID because of our close working relationship with INFONAC. Expressions of no interest in the project have been received from Ex-Im Bank, IBRD, and IDB.

As INFONAC grows it will increasingly call on other institutions for credits. Many specific industries promoted and financed by INFONAC are logical clients for Ex-Im Bank Credit. One of these, a plastics firm, has expressed interest in an eight million dollar Ex-Im Loan and has commissioned INFONAC to explore possibilities of making an application. Other industries, both large and small have turned to private US and international credit sources such as ADELA, CABEL, Bank of America, Morgan Trust and Guaranty, etc.

Section II - Project Description

A. Purpose of the Loan

The purpose of this loan is to assist with the development of medium and large industry in Nicaragua. The loan project will do this by strengthening INFONAC's industrial development activities in the following ways:

1. By supplying foreign exchange to INFONAC for relending and equity investments in medium and large sized Nicaraguan industry; of the U.S. \$5 million loan 4.75 will be used for sub loans and equity investments.
2. By helping INFONAC improve its financial position through additional capitalization and more rapid reimbursement of operating losses by the GON.
3. By financing U.S. technical assistance to help INFONAC strengthen its technical industrial manpower and to improve its administrative procedures. Total technical assistance financed will amount to \$250,000 equivalent to 6.5 man years.
4. By assisting INFONAC in covering a portion of its industrial promotion, technical assistance and study expenses from the spend between AID and relending terms.

B. Detailed Description of the Project

1. Industrial Lending and Equity Investments

Loan terms will be at 10% over periods of up to 15 years with grace periods corresponding to the needs of the projects. In response to a favorable economic climate and a heavily increasing demand for medium and longer term industrial credit which can only be partially satisfied by private sources of financing, INFONAC is projecting a tripling of its industrial lending and equity financing activities over the next ten years. Since increased commercial sources are handling most of the shorter term industrial financing needs of existing industries INFONAC

Industrial financing will be in great part for new industrial projects which it develops.

For the 1967-1969 period alone INFONAC is projecting disbursing over \$18.4 million in new industrial loans and equity investments. Of this amount \$4.75 million will be from the new AID loan.

This is based on a list of 10 projects costing some \$44 million which INFONAC has developed and has in the final negotiation stage. INFONAC's participation is planned at approximately \$8.1 million through loans and equity financing.

In addition INFONAC has eight projects in advance study or in promotion, 17 others for which feasibility studies are being processed, and 16 others for which information is being gathered. (See Annex II-4 for lists of projects).

The sources of funds for this three year period are as follows: (taken from the Cash Flow, Annex IV-4)

<u>Source</u>	<u>Amount US\$</u>	<u>% of Total</u>
INFONAC *	7,713,000	42.0
1st AID Loan (Disbur. carryover)	1,857,000	10.0
Proposed AID Loan	4,750,000	26.0
IDB Loan (December, 1965 unused balance)	1,905,000	10.4
Possible CABEL Loan	1,250,000	6.4
Central Bank of Nic.	571,000	3.1
Bank of America	383,000	2.1
TOTAL	18,429,000	100.0

* Includes roll over of INFONAC own and other funds.

In addition to the above sources of funds, financial assistance to the new enterprises will be sought from other agencies such as Ex-Im Bank, CNI, CABEL, IDB and ADELA. For one project, a polyethylene plant, INFONAC

has already had discussions with Ex-Im Bank on a possible US\$7 to 8 million loan.

2. Non-Banking Operations

Presently INFONAC has a backlog of industrial projects. However, the 1967-75 program is an ambitious one which will require the development of many new projects. This will necessitate large sums of money invested in studies, promotion and other technical services. For the ten year period 1966-75 INFONAC is estimating that such expenses will be over \$6.8 million and for the three year project period at least \$2.2 million. INFONAC is implementing a new policy of charging, as far as possible, for these services; however, it estimates that less than 8% of these expenses can be recuperated.

The interest spread between the AID lending rate and the re-lending rate, on the two AID loans, once they are fully disbursed, will pick up another approximately 15% of these costs. The remaining approximately 77% of these costs will be incurred by INFONAC as general operating expenses, causing estimated net operating losses of over \$1.6 million during the next 4 year period (such losses will be reimbursed by the GON).

Since the INFONAC approach in this new industrial program phase is one of selectively developing new medium and large sized industries this necessitates the hiring of highly qualified industrial specialists. INFONAC is presently hiring several of these specialists locally. In addition it is felt that six to eight man years or approximately US \$180,000 of such technical assistance usefully could be funded from loan funds.

With the Industrial and Economic Studies Departments fully staffed with competent specialists, and with the use of outside technical assistance or special consultants the project committee believes that INFONAC will have the capacity to evaluate and monitor the projects in the expanded industrial program.

To most effectively implement the ICAITI reorganization plan it is felt that up to \$70,000 of the technical assistance portion could be used to

contract American management consultants or firms. (See Description of INFONAC Organization in Section 1, A 2. for more detail).

3. GON Participation In Project

The GON will contribute approximately \$8.39 millions to INFONAC over the next 10 years, of which \$5.0 millions (60%) will be for the Industrial program.

This will take the form of:

- a. Capitalization of \$2,500,000 from 1967-71 at US\$500,000 per year.
- b. Reimbursement for operating losses - an estimated \$2.7 millions (Based on INFONAC's Cash Flow estimates of deficit).
- c. Taxes from special operations and other special contributions \$3.19 millions.

The USAID also suggests that the option of the two-step procedure be offered to the GON on this loan, with any difference from the GON payments to AID and INFONAC's payments to the GON automatically being invested in INFONAC as additional GON capitalization during the first 10 years of the loan and at the option of AID and the GON for the remaining period of the loan. This would give INFONAC additional capitalization of \$1.8 million over the first 10 years of the loan and, if continued, another \$1.5 million over the following 15 years.

While the GON is required by law to reimburse INFONAC's operating losses they have been somewhat late in making such payments.

In accordance with the first AID loan all such payments covering losses through December 1964 have been made. However, even when payments are on time INFONAC undergoes a temporary decapitalization of about 2 years. This is because the INFONAC financial statements are only completed six months after the INFONAC fiscal year ends, and are only submitted to the GON congress in the following fiscal year.

The project committee suggests that a C.P. be included in the loan agreement on prompt reimbursement. This can be implemented by

requiring that the GON reimburse INFONAC in the immediately following fiscal year for losses incurred on the basis of estimates made by INFONAC's internal accountants.

Section III - Economic Analysis

A. Industry in the Nicaraguan Economy

In 1966 manufacturing industries accounted for 13.3% of the Gross Domestic Product (GDP) ranking not too far behind agriculture (30%) and commerce (21%). Over the past 6 years, while Nicaragua has enjoyed a general economic boom with GDP increasing by almost 8% per annum, the industrial sector grew by over 10% per annum. In 1966, total industrial production equalled 1,427.7 million current córdobas or over \$200 million dollars. This accounted for 24.6% of total Nicaraguan exports (19% of total industrial production was for export) and employed 65,000 people, or 12% of the total active labor force.

As might be expected in a country as dependent on agriculture as Nicaragua over 40% of industrial production was in food processing industries, distributed in the following manner:

Beef Slaughtering	16.1%
Bottling and Canning	0.4
Milk Products	3.1
Fish packing and processing	1.9
Milling	2.9
Bread Manufacturing	4.8
Sugar Refining	4.2
Confectionary Candies	0.1
Others	6.9

The remaining production was fairly widely distributed as follows:

Drinks	9.8%
Tobacco	4.6
Textiles	5.1
Shoes	2.8
Clothing	7.1
Wood	0.7
Furniture	1.5
Paper	1.9
Leather	1.1

Chemicals	10.4
Petroleum	3.1
Non-Metallic Mineral Products	3.1
Metal Products	3.9
Machinery and Electric Apparatus Construction	0.2
Transportation repair and cons- truction	1.1
Jewelry	1.4
Others	4.2

Comparing these figures with those of 1960 we see that the structure of Nicaraguan Industrial sector has remained basically the same, i.e. an expansion of production in traditional industrial activities with little new intermediate industry. Some exceptions are textiles, fish processing and petroleum refining in which there was little activity just 5 years ago.

The utilization of raw materials by Nicaraguan industry increased by 7.3% from 1965 to 1966, with the utilization of imported raw materials equal to 22.2% and national raw materials over 30% of the gross value of production.

B. GON Priority to Industrial Development

Nicaragua's dependence on agriculture * has stimulated the country's leadership to place highest priority on diversifying the economy - one of the primary aims of the Five-year National Development Plan adopted in 1965. The urgency of the situation was brought home sharply in 1966 when as a result of poor weather conditions agricultural production decreased by 4.6% from the previous year causing a general slow down in the rate of increase of GDP to 3.6% and a decline in exports by an estimated 5%. Because of this a three-year Immediate action program was launched in early

* The agricultural sector employs 60% of the labor force and in 1965 contributed 35% of GDP and over 85 percent of exports (cotton alone accounted for half of exports and coffee 18 per cent).

1966 at the instigation of the Central Bank. The plans are directed towards three general goals -- broadening the number of export agricultural crops, increasing the production of food crops, and expanding industrial production.

Organized governmental efforts to promote industrialization date from the establishment of INFONAC in 1954. An investment promotion law was passed in 1958 and revised in 1966 providing fiscal incentives for the expansion of industry. Central Bank monetary policies have been increasingly aimed at channeling private bank credit toward the industrial sector, and in 1966 the Bank floated a \$10.7 million bond issue to the private banks, \$4 million of which are being utilized by INFONAC and the National Bank (BNN) for industrial projects (textiles, metal industries and leather and skin production). The establishment within the past few years of a private "financiera" (CNI), a private finance company (INFISA) and two new private commercial banks has made available more capital and provided a stimulus for industrial expansion. Many other developments have facilitated the process in more indirect ways. Among the most important of these are the steady implementation of the Central American Common Market, which has expanded the market for industrial goods and led to healthy and stimulating competition, and the government's very effective efforts to expand the road network, ports, power supply, and other infrastructure.

C. Relation to US Assistance Strategy

U.S. Assistance Strategy in Nicaragua stresses a continuing long range attention to diversification of exports, import substitution, and development of viable private enterprises related to regional and other free world market configurations. The first AID loan, as well as the one under consideration grew out of this emphasis. Secondary benefits in job creation and development of investment opportunities to repatriate capital are also worth noting.

D. Contribution to Economic Development

In analyzing Nicaragua's industrial sector it becomes apparent that:

1. The number of medium and larger industries is very small.

2. There is a growing tendency for larger industries to depend more heavily on imported raw materials.
3. Small industry production is relatively inefficient.
4. General credit sources for industry are expanding, but sufficient longer term development credit is still lacking.

According to preliminary data from an economic census taken in 1965, there were a total of 999 manufacturing establishments employing five or more people. Of this total only 97 could be defined as medium or larger size industries by Nicaraguan standards, i.e. employing 50 or more people and having an annual gross production of \$420,000 or more. Such industries, however, employed 14,218 people or 59% of the active industrial work force, accounted for almost 70% of the gross industrial production, and generated almost all of the foreign exchange earnings of the industrial sector.

According to the Central Bank's report of 1965 while consumption of raw materials by industry increased by 42% during 1963-65 the percentage of national raw materials used dropped from 63% in 1963 to 57% in 1966. One of the principal reasons for this increased utilization of imported raw materials was the establishment of new industries such as paper products, printing, rubber products, petroleum refining, and electric appliances. They accounted for 12% of total industrial production in 1965 and imported virtually all of their raw materials. Small industries (those employing 5 to 50 people) accounted for over 90% of the total manufacturing enterprises, employed 41% of the total active industrial work force and produced only 30% of the gross industrial product in 1965. Furthermore, productivity of workers in these industries was only 2/3 of productivity of workers in larger industries. These factors indicate that smaller Nicaraguan industries are characterized by low-productivity.

Credit resources for industry in Nicaragua are expanding. Total industrial loan portfolio of all commercial sources of credit expanded from about \$11 million in 1960 to \$48.5 million in 1966. The private commercial banks and the National Bank expanded from \$8.2 million in

1960 to \$36 million in 1966. Their industrial lending was however, primarily to existing industries, to prime customers for short terms. Over 61% was in the form of loans for less than 18 months; generally from 3 to 6 months and discounted in advance with the true rate of interest running as high as 14% or, in exceptional cases, 20%. INFONAC and CNI were the only real sources of industrial development lending for new industry with their industrial portfolios totalling \$12.5 million in 1966. (INFONAC \$7.8 million and CNI \$4.7 million). INFONAC has 4.4% of its portfolio in medium term loans of from 3 to 5 years and 87% in longer term loans of 5 to 10 years. CNI had 40% of its portfolio in medium term loans of from 3 to 5 years; the remainder almost all in short term operations. (For more detail on Nicaraguan Banking System see Annex 3, (I).)

The INFONAC industrial program in which the proposed AID loan would play part, would have a direct effect on all of the problems of Nicaraguan industry as listed above. First, the INFONAC program will be mainly aimed at promoting larger sized industries which can produce for and compete more effectively in the CACM and beyond. The INFONAC program over the next 5 years will result in the establishment or improvement of approximately 100 such firms with a total annual production of about \$80 million and foreign exchange earnings or savings of approximately \$20 million.

Second, INFONAC efforts will be concentrated on promoting and developing firms which use the highest possible component of Nicaraguan raw materials possible, and on vertical integration industries (i.e. industries producing goods other Nicaraguan industries can utilize). This will have the effect of guiding the industrial sector into the most competitively advantageous industries.

A third effect of the program will be that INFONAC's increased industrial financing will approximately double the amount of medium and long term industrial credit available in 1966. This greater availability of development credit will provide a stimulus for formation of many new enterprises which could not be formed if they had to depend on short term financing.

Direct Benefits: The INFONAC program by the end of 5 years will have the following direct benefits:

- a. Double the number of medium and large industries from 97 to about 200.
- b. Increase gross annual industrial production by approximately 40%.
- c. Increase foreign exchange earnings or savings by 13%.
- d. Increase the active industrial work force by 30%.

Calculated another way the INFONAC program by the end of the next 5 years will:

- a. Increase annual gross industrial production by \$80 million.
- b. Increase annual foreign exchange earnings or savings by \$20 million.
- c. Increase the active industrial work force by 8,000.

Consequently for every INFONAC dollar invested industries will be formed which add \$4.50 to GDP due to increased annual industrial production. About \$1.10 will be added to foreign exchange earnings or savings per dollar invested and for every \$2,250 INFONAC invests a new job will be created.

E. Nicaragua's Foreign Debt, Reserves and Repayment Position

Nicaragua's long-term public foreign debt, amounting to about \$60 million (on disbursed funds) at the end of 1966, is not large in relation to its servicing capacity. Such foreign debt is less than ten percent of the gross national product. Only about 4 percent of gross foreign exchange receipts from exports are required for servicing the debt.

Nicaragua's net foreign reserves, however, are dangerously low. Although gross foreign exchange reserves grew rapidly in recent years and increased

slightly in 1966, this growth has been significantly offset by an increase in short-term foreign obligations resulting from foreign financing of agricultural crops. The increase in net reserves in 1965 amounted to only \$800,000 (as compared to \$4.8 million in 1964 and \$5.8 million in 1963), and in 1966 there was a drop of \$12.7 million or 45 percent in net reserves, leaving them at a level sufficient to cover only about one month's imports.

The decrease in net reserves was primarily due to a ten percent reduction in cotton and cotton seed exports as a result of drought. This demonstrates the degree to which Nicaragua is dependent upon a few export crops which are subject to serious fluctuations due to weather and market conditions. Over 50 percent of foreign exchange earnings come from cotton, and an additional 18 percent are derived from coffee, for which the growth of sales is limited by the International Coffee Agreement.

Although the Central Bank has taken measures to curtail imports and to diversify exports, the former measure is limited by the economic expansion needs of the country and the latter cannot produce significant results for a number of years. The outlook for foreign exchange reserves, therefore, is that they are not apt to more than recover this year's loss in the next three to five years and will be subject to possible similar drops during the same period.

F. Impact on U.S. Economy

The proposed loan is likely to have several favorable effects on the U.S. economy. To begin with the loan funds will be entirely for procurement of goods and services from the United States. Second, the industries to be financed will probably import the majority of replacement parts for machinery and a part of their raw materials from the United States. Third, the additional relatively well-paid employment generated by the new industries created will widen the Nicaraguan consumer market which will almost definitely increase importation of U.S. goods. Fourth, the importation of these U.S. products will probably be in addition to those already being imported.

Experience over the period 1961 to 1965 shows that along with a startling rise in GDP there has been an accompanying rise in imports from the U.S. far greater than the increase in exports to the U.S. It is reasonable to assume that this favorable trend for US exports will be continued because of the economic growth promoted by the loan to INFONAC.

Section IV - Financial Analysis

A. Financial Situation of INFONAC (Supporting tables in Annex IV)

In June 1966 INFONAC counted its total assets at the equivalent of *US \$17 million. Its capitalization was set at US \$9.64 million of which US \$7.14 million was paid-in from 1954-62. The remaining \$2.5 million will be paid-in through equal annual payments of \$500,000 from 1967-71 pledged by the GON. According to its financial statement of June 30, 1966 INFONAC had \$4.06 million in medium and long term obligations outstanding to international development institutions and foreign banks and \$6.1 million in short and medium term obligations to various Nicaraguan institutions and the general public. Of this latter amount \$3.1 million was in the form of savings and time deposits, \$1.7 million was from the Central Bank in loans and discounts, and \$1.3 million was in bond issues to the general public. Of its total assets \$8.8 million was in loans, mainly medium and long term development credits, \$4.8 million was in equity holdings in industrial and agricultural enterprises, approximately \$500,000 was in cash in banks, \$170,000 in fixed assets of the Institute and approximately \$2.7 million in long term accounts receivable. Presently delinquent industrial loans only account for 3/10 of 1% of the total industrial loan portfolio and in 1965 only \$84,784 was defaulted on a total industrial portfolio of over \$5 million. (INFONAC has these borrowers under litigation). For accounting purposes, the Institute is calculating a bad debt reserve of approximately 1% of its total portfolio.

Of its total equity investments approximately half were in agricultural and cattle projects. These investments are largely for demonstration purposes and INFONAC projects maintaining them at approximately the same level over the next 10 years. INFONAC's present policy is to divest itself of its \$4.2 million in direct industrial investments, as they begin to show commercially acceptable returns. The future policy is to establish a rotating fund investment and sell off procedure with these investments. Under this after reaching a level of \$3 million in 1969, the Institute will sell approximately \$714,000 a year of its investment portfolio and reinvest the same amount in new projects.

INFONAC's comparative profit and loss statements for 1954-65 show a cumulative net profit of \$765,800 in its straight banking operation (an average net return of about 4% on paid-in capital). However, the strictly development operations for this period (technical services, studies, promotional activities, experimental projects, high risk direct investment, etc.) show a cumulative loss of \$3,016,300. Thus for the total program INFONAC had cumulative

*Figures in this CAP are shown in terms of US dollars or US dollar equivalents.

net operating losses of \$2,268,400 for the 1954-65 period. (See Annex IV, 2).

By law the government is obligated to pick up the operating losses of the Institute, with funds from the national budget. Through 1962 the GON was somewhat slow in doing this, causing temporary decapitalization of INFONAC. By December 1966, all losses through December, 1964 had been reimbursed. Operating losses incurred in 1965 and for the first 6 months of 1966 are presently being reimbursed by the GON. It appears that this late payment problem has been remedied, but it may be useful in negotiations to develop a covenant insuring against repetition of the problem.

The principal reasons for INFONAC's past losses were:

1. Failure to recuperate technical services expenditures.
2. A small profit margin on strictly banking operations due primarily to the high overhead costs of managing a relatively small loan portfolio.
3. No close correlation between technical service expenditures and size of loan portfolio.

B. Financial Plan

INFONAC is presently making a concerted effort to improve its financial situation and hopefully start showing a modest profit. It seeks to do this without altering its fundamental development role as the principal source of long term credit and promotion for Nicaraguan industry. The new focus will involve:

1. Increasing interest rates charged on loans from 9% to 10%.
2. Increasing non-banking technical services expenditures less slowly than the projected increase in lending activities and focusing these activities on large projects.
3. Charging for technical services as far as possible. This will take the form of charging clients some of the cost of technical assistance heretofore granted free of charge.
4. Tripling the total industrial loan portfolio by 1975 with only a small corresponding expansion of administration and overhead costs (through more efficient utilization of personnel and more large loans).

5. Obtaining safeguards against decapitalization and assurances of the increased capital required for its future role in Nicaraguan industrial growth.

The following table, adapted from the cash flow and Industrial Program Profit and Loss Projections for 1966-75 (Annex IV), shows some of the effect of these factors on the past and future financial situation of INFONAC.

Income and Expenditures as Percentages of Total Industrial Loan
and Equity Portfolio

	Current (1964-65)	Projected (1966-71)	(1972-75)
1. INCOME	7.18%	9.83%	10.20%
a. Interest & Commission Receivable	7.15	7.91	8.81
b. Investment Dividends	0.52	1.57	1.19
c. Recuperation for Services	0.15	0.35	0.20
2. EXPENDITURES	10.40	12.32	9.70
a. Supervision and Collection	2.05	1.82	1.03
b. Studies, T.A. & Promotion	4.10	4.87	3.17
c. Bad debt reserve	1.00	1.00	1.00
d. Interest Payable	3.30	4.63*	4.50*
Net profit or Loss	(2.58%)	(2.49%)	.50%

*Including first AID loan at 2½% interest and second AID loan at 3½% interest, and INFONAC's own (capitalization, special GON contribution) with no opportunity cost calculated.

If income can be increased as projected and costs controlled adequately, with the volume of business contemplated, INFONAC might show a net profit of as much as \$90,000 by 1972 and reach profit levels of as much as \$200,000 by 1975.

The pivotal point of this financial plan is an increased loan and equity portfolio. To finance this increase INFONAC is projecting drawing on the following sources of funds over the next ten years.

INFONAC SOURCES OF FUNDS*

1966 - 1975

(In U.S. millions)

	<u>Amount</u>	<u>%</u>
Foreign Loans (First disbursement)	34.0	28.0
Loans and Discounting - Local sources	3.2	2.6
INFONAC's own funds & rollover	73.3	60.4
Savings and Bond Issues	4.0	3.2
GON special contribution, income from fisheries tax, Central Bank dividends, etc.	2.8	2.3
Additional GON Capitalization	<u>4.3</u>	<u>3.5</u>
Total	121.6	100

*GON will also cover an estimated \$3 million operating costs in the 1966-75 period. For details see Annex IV, 4 INFONAC Cash Flow, 1966-75 and Annex IV, 7 INFONAC Source of Funds 1966-75.

Measures to improve administration, cut costs, and focus on larger projects have been treated in other parts of this paper. One of the matters that warrants some attention is INFONAC's Capital Structure and AID's role in its strengthening.

*During intensive review on INFONAC's need for additional capitalization, the June 1966 Balance Sheet was carefully considered. It shows that INFONAC had a debt: equity ratio (total liabilities to total equity) of 1.6:1. To implement

the proposed expanded industrial loan program for the 1967-71 period it would have to undertake liabilities which would increase its debt: equity position to 4.4: 1 (based on present capitalization). If the GON increased INFONAC's paid-in capital by reinvesting certain benefits on the two step procedure along with the already scheduled \$2.5 million to be invested in the 1967-71 period, INFONAC could borrow funds necessary to carry out its programs with a more conservative debt:equity ratio of 2.5:1. This need for capitalization is fairly clear. What is hazy is INFONAC's capital needs ten years hence.

The National Planning Office estimates that the Nicaraguan industrial sector will require gross new investments of US \$673 million for the 1967-75 period to keep up with the rate of industrial growth of past years. INFONAC plans to loan and invest approximately \$55.9 million or about 9% of the total investment needed in industrial enterprises over this period. Assuming an equivalent expansion for the 1975-84 period, another US \$1,100 million in gross new investment will be needed. If INFONAC were to continue to supply about 10% of the total industrial investment necessities of the country it would have to approximately double its industrial financing for the 1975-84 period from that of the 1967-75 period. To meet the increased industrial financing needs of this period it would have to increase its liabilities by 250% from those of the 1967-75 period. This would produce a high debt:equity position of about 7 : 1 by 1984, (if capitalization were not increased). If however, the institute were to be further capitalized by reinvesting expected net profits for this period of about \$3 million and receiving the benefits to the GON of the two step procedure to INFONAC as increased capitalization (\$1.5 million), the institute could undertake the debt obligations necessary with a safer debt:equity ratio of 4.1:1.

Based on these capitalization need projections the committee recommends that the loan agreement contain covenants that, except as AID may otherwise agree;

1. The benefits to the GON of the two step procedure be automatically re-invested in INFONAC as increased capitalization during the first 10 years of the loan;

"Benefits" of the two step refers to the difference between what the GON receives from the Borrower in principal and interest on the first step of the loan repayment system and what the GON actually has to pay to AID at that time. This is "benefit" in the sense that the liability has been deferred and the GON has that much money available for use. What AID is doing in this loan is pre-programming its use. See Annex IV -12 for a calculation of these benefits in different years.

2. Any profits INFONAC may show for 10 years after the loan is signed should be retained by INFONAC (the GON has authority to withdraw up to $\frac{1}{2}$ of any INFONAC profits.) This will assure INFONAC capitalization for the foreseeable future.
3. Some form of commitment should also be obtained for beyond the first ten years to assure, as necessary, an adequate growth of capital resources. This would entail defining some rate or level of capitalization with an obligation by the GON to plow back benefits of the two step procedure or refrain from withdrawing profits to the extent necessary to maintain such rate or level of capitalization.

The project committee is in general agreement with INFONAC's overall plan for financial consolidation. It feels that it is a natural step in INFONAC's institutional growth. This is based on the following reasons:

- a) An increase in INFONAC promotion and lending for larger industrial projects will help develop a Nicaraguan industrial sector that can benefit the economy and people and help the country assure its place in the Central American and Latin American Common Market.
- b) By concentrating its efforts on larger new projects INFONAC will continue to play its role as a Nicaraguan bank of last resort, leaving the growing local private banking community an increasing opportunity to finance lower risk established industries.
- c) With Nicaraguan and US private investors increasingly promoting business where INFONAC previously was almost the only interested promotor it is logical for INFONAC to concentrate its promotion, research and technical services on a fewer more specific projects.
- d) The present debt-equity ratio of INFONAC justifies more borrowing to increase its industrial and agricultural lending programs.
- e) It is clear that the Nicaraguan industrial sector is growing and will probably continue to grow. As long as there are not private institutions willing and able to assume a long term outlook, INFONAC should grow along with the industrial sector it serves and provision for this growth through increased capitalization should be made.

Since the implementation of this new approach will be slow, with the institute continuing to incur losses until at least 1972 and probably longer (the projections are probably optimistic), the project committee recommends the AID loan be granted at 3½% interest with a 25 year amortization and a 5 year grace period.

The two step repayment procedure should also be encouraged along with GON agreement to plow back its benefits into INFONAC capitalization along the lines recommended in the preceding paragraphs, thereby assuring the institution a continuing capital growth in conformity with its place in Government of Nicaragua's plans for industrial growth.

C. Repayment Capacity

Projected cash flows, plus general familiarity with the institution among members of the project Committee lead to the conclusion that INFONAC can and will meet its repayment obligations to AID. Furthermore, the Government of Nicaragua will guarantee the loan and assume to foreign exchange risk.

D. Implementation Plan

Assuming the agreement could be signed in August of 1967 the following schedule of implementation appears realistic:

FY 68

Aug. '67	Agreement Signed
Oct. '67	Conditions Precedent to Disbursement Met
Oct. '67	Technicians financed under loan on duty
Nov. '67	Commitments begin and first disbursement made
June '68	US\$1 million disbursed

FY 69

Dec '68	Loan fully committed
June '69	US \$3 million disbursed

-40-

FY 70

Dec '69 Total Disbursements of US\$5
million completed.

The project committee sees no problem in implementing this loan. INFONAC fully committed the last \$4 million AID loan in 17 months and should complete disbursements in December 31, 1967, some 34 months after CPs were met. Probably the most difficult thing will be to locate and contract the technical assistance to be paid for under the loan. Preliminary contacts, without commitment, are already being made so that INFONAC may proceed to make firm plans should the loan be authorized.

CHECK LIST OF STATUTORY CRITERIA

(Alliance for Progress)

UNCLASSIFIED
AID-DLC/P-583
ANNEX I, Page 1 of 11
Exhibit 1, Page 1 of 7
June 1, 1967

In the right-hand margin, summarize for each item the information or conclusion requested. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1966.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1967.

- | | |
|--|--|
| <p>1. <u>FAA §.102.</u> Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development.</p> | <p>1. Adequate control will be exercised to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. The loan will be disbursed as evidence is received that sub-loans have been made for defined purposes.</p> |
| <p>2. <u>FAA §.102.</u> Information on measures taken to utilize United States Government excess personal property in lieu of the procurement of new items.</p> | <p>2. Provision will be made in the Loan Agreement to so procure U.S. excess property in lieu of new items whenever feasible.</p> |
| <p>3. <u>FAA §.102.</u> Information whether the country permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property.</p> | <p>3. The GON has not permitted, and has not failed to take adequate measures to prevent damage to or destruction to U.S. property within Nicaragua.</p> |
| <p>4. <u>FAA §.201(d).</u> Information and conclusion on legality (under laws of country and U. S.) and reasonableness of lending and relending terms of the loan.</p> | <p>4. Loan funds are to be loaned at rates of interest which are not unreasonable or illegal for the Borrower and are within the limits established by this Section.</p> |
| <p>5. <u>FAA §.251(a).</u> Manner in which loan will promote country's economic development and contribute to the welfare of its people.</p> | <p>5. This loan-financed project will promote the country's economic development and contribute to the welfare of its people by assisting in the strengthening of a development institution which is effectively stimulating new and expanded private enterprises which will increase employment and help raise the average level of living in Nicaragua.</p> |
| <p>6. <u>FAA §.251(b)(1).</u> Extent to which country is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political, and social concerns of its people, and extent to which country has demonstrated a clear determination to take effective self-help measures.</p> | <p>6. The GON is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political and social concerns of its people. It has demonstrated a clear determination to take effective self-help measures; i.e., in national planning, tax administrations reform, agrarian reform and social security programs.</p> |

7. FAA §.251(b)(2). Information and conclusion on activity's economic and technical soundness. 7. This activity has been found economically and technically sound. (See Sections III and IV)
8. FAA §.251(b)(3). Information and conclusion on activity's relationship to and consistency with other development activities, and its contribution to realizable long-range objectives. 8. This activity has a basic significance for the development activities of the GON, and will play an essential part in the realization of long-range objectives. (See Section III)
9. FAA §.251(b)(4). Information and conclusion on possible effects on U. S. economy, with special reference to areas of substantial labor surplus. 9. This activity will have certain beneficial direct effects on the U.S. economy, and no significant competition with U.S. enterprise will result directly from it. (See Section III,F)
10. FAA §.251(b)(5). Information and conclusion on the degree to which the country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise. 10. Nicaragua is evidencing progress toward achieving these goals.
11. FAA §.251(b)(6). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment. 11. Nicaragua has taken numerous steps to improve its climate for private investment as evidenced by its participation in the A.I.D. investment guaranty program. The general government-private enterprise sector relationship is favorable.
12. FAA §.251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. 12. Through assisting in the development, expansion and modernization of private enterprises the activity to be financed will contribute to the achievement of self-sustaining growth.
13. FAA §.251(b)(8). Information and conclusion on the extent to which the activity will contribute to the economic and political integration of Latin America. 13. Many of the sub-borrowers will either buy raw materials or sell its final products to other countries in the CACM.
14. FAA §.251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. 14. Financing for this activity is not available from other Free-World sources, including private sources within the United States, on reasonable terms.
15. FAA §.251(b). Information and conclusion on capacity of the country to repay the loan. 15. The terms (whether or not the two-step option is elected by the GON) are such that the Borrower of the GON can meet their obligations. (See Section IV)

16. FAA §.251(b). Information and conclusion on country's efforts to repatriate capital invested in other countries by its own citizens.
17. FAA §.251(b). Information and conclusion on reasonable prospects of repayment.
18. FAA §.251(e). Information and conclusion on availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner.
19. FAA §.251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.
20. FAA §.251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its review of national development activities.
21. FAA §.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
22. FAA §.281. Extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local governmental institutions.
23. FAA §.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
16. The GON is making reasonable efforts to encourage repatriation of capital invested in other countries by its own citizens. (See Sec. III)
17. There are reasonable prospects that the loan will be repaid(See Sec. IV, C).
18. An application has been received for this loan, which when combined with additional data obtained, gives sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner (See Sec.I,B).
19. Some of the sub-borrowers of these funds might be cooperative, particularly in the agricultural processing field, but the type of industry to be financed will not generally lend itself to cooperative movement will not be hurt by this project.
20. This activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its review of national development activities.
21. This loan is being made directly to a private intermediate credit institution for sub-loans entirely to the private sector which will import U.S. goods from U.S. private exporters.
22. The nature of this activity will assure maximum participation on the part of the people in the economic development of Nicaragua.
23. This project should encourage efforts of the GON to increase the flow of international trade, foster private initiative and competition, and improve the technical efficiency of agriculture, industry and commerce.

24. FAA §.601(b). Information and conclusion on how the loan will encourage U. S. private trade and investment abroad and how it will encourage private U. S. participation in foreign assistance programs (including use of private trade channels and the services of U. S. private enterprise).
25. FAA §.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U. S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest.
26. FAA §.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it.
27. FAA §.604(a); App. §.108. Compliance with restriction of commodity procurement to U. S. except as otherwise determined by the President and subject to statutory reporting requirements.
28. FAA §.604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U. S. at time of purchase.
29. FAA §.604(d). Compliance with requirement that marine insurance be purchased on commodities if the host country discriminates, and that such insurance be placed in the U. S.
30. FAA §.604(e). Compliance with requirement that funds not be used for procurement of any agricultural commodity or product thereof outside the United States when the domestic price of such commodity is less than parity.
31. FAA §.611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States.
32. FAA §.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan.
24. Private sector participation in this project will be substantial as all of the loan funds will be used for sub-loans to finance procurement of goods and services in the United States. Many of the sub-borrowers represent U.S. interests.
25. Technical assistance contracted by the Borrower will be from U.S. individuals and firms.
26. A.I.D.'s regulations regarding small business notification for commodities procured will be followed.
27. Equipment, materials, and services (except marine insurance) financed under the loan shall have their origin in and be procured from the United States.
28. Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.
29. If the host country discriminates against any U.S. marine insurance company, any commodities purchased with loan funds shall be insured against marine risk with a U.S. company.
30. Will be complied with.
31. Necessary financial and other plans have been completed, and a reasonably firm estimate of the cost to the United States of the activity to be financed has been obtained.
32. No legislative action is required of the CON.

33. FAA §.611(b); App. §.101. If water or water-related land resource construction project or program, information and conclusion on benefit-cost computation. 33. Not applicable.
34. FAA §.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable. 34. Not applicable.
35. FAA §.612(b) and 636(h). Appropriate steps that have been taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services and foreign currencies owned by the U. S. are utilized to meet the cost of contractual and other services. 35. The Borrower is contributing all the local currency needed to meet the local costs of the project. The United States owns no local currency that could be used for this project.
36. FAA §.619. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate. 36. Not applicable.
37. FAA §.620(a); App. §.107(a) and (b). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance to Cuba. 37. No assistance will be furnished under this loan to the present Government of Cuba, nor does the GON furnish assistance to the present Government of Cuba. The GON has taken appropriate steps to prevent ships or aircrafts under its registry from engaging in any Cuba trade.
38. FAA §.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement. 38. The GON is not controlled by the International Communist movement.
39. FAA §.620(c). If assistance to the government of a country, existence of indebtedness to a U. S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty given by such government. 39. No such loan exists to the best knowledge of the USG.
40. FAA §.620(d). If assistance for any productive enterprise which will compete in the U. S. with U. S. enterprise, existence of agreement by the recipient country to prevent export to the U. S. of more than 20% of the enterprise's annual production during the life of the loan. 40. Not applicable.

41. FAA §.620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U. S. citizens or entities beneficially owned by them without taking appropriate steps to discharge its obligations.
42. FAA §.620(f); App. §.109. Compliance with prohibitions against assistance to any Communist country.
43. FAA §.620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property.
44. FAA §.620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U. S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries.
45. FAA §.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts.
46. FAA §.620(i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U. S. or countries receiving U. S. assistance.
47. FAA §.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U. S. will exceed \$100 million, identification of statutory authority.
48. FAA §.620(l). Consideration which has been given to denying assistance to the government of a country which after December 31, 1966, has failed to institute the investment guaranty program for the specific risks of inconvertibility and expropriation or confiscation.
49. FAA §.620(n); App. 107(b) and 116. Compliance with prohibition against assistance to countries which traffic or permit trafficking with North Viet-Nam.
41. The GON has taken no such known action.
42. Assistance provided under this loan will not be furnished by any Communist country.
43. Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
44. This Section will be complied with.
45. The President has not determined that the GON is engaging in or preparing for aggressive military efforts.
46. There is no information to the effect that Nicaragua has been represented at any international conference when that representation included planning of activities involving insurrection or subversion against the United States or countries receiving U.S. assistance.
47. Not applicable.
48. The Investment Guaranty Program has been in effect in Nicaragua since 1958.
49. Available information reveals no case of trafficking with North Vitenam.

50. FAA §.620(o). If country has seized, or imposed any penalty or sanction against, any U. S. fishing vessel on account of its fishing activities in international waters, information on the consideration which has been given to excluding the country from assistance.
50. Nicaragua has not taken the measure mentioned.
51. FAA §.620(q). Existence of default under any Foreign Assistance Act loan to the country.
51. Nicaragua is not in default under any Foreign Assistance Act loan.
52. FAA §.621. Information and conclusion on how the loan in providing technical assistance will utilize to the fullest extent practicable goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.
52. U.S. technical assistance will be contracted from U.S. private individuals and firms.
53. App. §.102. Compliance with requirement that payments in excess of \$25,000 for architectural and engineering services on any one project be reported to Congress.
53. Obligations of funds in excess of \$25,000 for architectural and engineering services on this project will be reported to Congress.
54. App. §.104. Compliance with bar against funds to pay pensions, etc., for military personnel.
54. Funds obligated by the loan and local currency generated thereby will not be used to pay pensions, annuities, etc., as prohibited in this Section.
55. App. §.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U. S. citizens generally, application which will be made in negotiations of contrary principles as expressed by Congress.
55. No case is known of attempts to create distinctions in the granting of rights to American citizens.
56. App. §.111. Compliance with existing requirements for security clearance of personnel.
56. This requirement will be enforced.
57. App. §.112. Compliance with requirement for approval of contractors and contract terms for capital projects.
57. This requirement will be enforced.
58. App. §.114. Compliance with bar against use of funds to pay assessments, etc., of U. N. member.
58. Loan funds will not be used to make any payment to the UN.
59. App. §.115. Compliance with regulations on employment of U. S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).
59. This Section will be enforced.
60. App. §.401. Compliance with bar against use of funds for publicity or propaganda purposes within U. S. not heretofore authorized by Congress.
60. Local funds will not be used for publicity or propaganda purposes within the United States.

DRAFT CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from Alliance for Progress Funds

Pursuant to the authority vested in the Deputy US Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority thereunder, I hereby authorize the establishment of a Loan pursuant to Part 1, Chapter 2, Title VI, Alliance for Progress to Instituto de Fomento Nacional (INFONAC), (Borrower) of not more than five million United States dollars (\$5,000,000) to assist INFONAC in making loans and equity investments for the establishment and expansion of Nicaraguan industries.

With prior AID approval up to two hundred thousand dollars of the proceeds of this loan may be used to finance technical assistance and participant training contracted by the borrower. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment

- (a) The Borrower shall pay interest on this loan at three and one half percent (3-1/2%) per annum on the disbursed balance of the loan. The loan shall be repaid within twenty-five (25) years by the Borrower including a grace period of not to exceed five (5) years.
- (b) The Government shall guaranty fulfillment of Borrower obligation to pay interest and repay principal.
- (c) The Borrower shall fulfill its dollar obligations under the loan by paying to the Government in the currency of Nicaragua the equivalent, at the times called for in the loan agreement, of the United States dollar amounts payable under (a) above, determined at the rates of exchange prevailing on the dates of disbursement, and the Government shall be the primary obligor and shall pay to A.I.D.:

- (1) Interest in United States dollars on the disbursed balance of the loan at the rate of one percent (1%) per annum during a grace period of not to exceed ten (10) years ("Government Grace Period") and two and one-half percent (2-1/2%) per annum thereafter;
- (11) The principal in United States dollars within forty (40) years, including the Government Grace Period.

2. Other Terms and Conditions

In addition to standard conditions, the project committee recommends that the following be incorporated into the Loan Authorization:

- (a) Unless AID should otherwise agree, any payment made by the Borrower to the Government under the terms of this Loan and the two step procedure which is in excess of the GON's payment obligation to AID under this Loan during the first 10 years will be returned to INFONAC as increased capitalization.

At the end of that time, if INFONAC can demonstrate need for further capitalization satisfactory to AID, the GON will continue to reinvest the two step benefits in INFONAC.

- (b) Conditions precedent to first disbursement:

Evidence of a suitable contract or firm plans to contract, mutually agreed upon experts to provide needed advice and assistance in improvement of INFONAC staffing, organization, management, project selection, project analysis and project monitoring.

- (c) Conditions precedent to disbursements other than for technical services:

- (1) Presentation of satisfactory criteria for approval of industrial credit to avoid financing those industries which require tariff protection.
- (2) Presentation of acceptable plans for the improved staffing of the industrial section of INFONAC, including arrangements for the participant training of staff required in the future.

- (3) Presentation of satisfactory assurances from GON that past INFONAC losses and any other incurred during the life of this loan will be budgeted and reimbursed in the GON budget for the immediately following year.
- (4) Presentation of satisfactory assurances from the GON that steps have been taken or will be taken within a year from signing of this agreement to assure that any profits realized by INFONAC for 20 years from the effective date of this agreement will not revert to the GON, except as AID may otherwise agree.

(d) Major Covenants:

- (1) Earnings on interest spread between the amount charged under AID interest and that charged on sub-loans should remain in the industrial program of INFONAC.
- (2) Except as AID may otherwise agree, at least seventy-five percent of the disbursements under this loan should be applied to projects within the scope of INFONAC's three year industrial development plan.
- (3) AID funds will not be used for working capital investment or loans except where such use can add significantly to production, jobs created, or total production of the enterprise, and where such financing is matched by increased equity of the owners. The total amount of such financing from loan funds shall not exceed \$1 million.
- (4) Projects in which the total amount of INFONAC participation with AID funds exceeds US\$200,000, or in which INFONAC's equity participation would exceed 50% of the enterprise's total equity, shall be submitted for AID review and no commitment shall be made until A.I.D. has advised that it has no objection to commitment of A.I.D. loan funds to this project.
- (5) For professional services to the borrower to be financed under this loan AID shall have approval rights on the contracts entered into for these services as well as the contractors to provide the services and no commitment shall be made until AID has approved the contract and contractor.

UNCLASSIFIED

ANNEX I - Page 11 of 11

Exhibit 2 Page 4 of 4

- (6) Except as AID may otherwise agree sub-loans shall not bear interest in excess of 10% and terms may be not less than three years.
- (7) Disbursements under the loan shall be for the procurement of goods and services from the United States of America in accordance with AID regulations and policies.
- (e) This loan shall be subject to such other terms as A.I.D. may deem advisable.

Administrator

Date

June 1, 1967

UNCLASSIFIED
 AID-DLC/P-583
 Annex II, Page 1 of 12
 Exhibit 1, Page 1 of 1

Projects which INFONAC has carried out, within its
 Three Years Industrial Development Plan (1965-1967):

<u>Name of Enterprise</u>	<u>Type of Activity</u>	<u>Total Investment Thousands of Cordobas *</u>
Centroamericana de Calazdo S.A.	Shoes	¢ 2,043
Electroquímica Pennsalt S.A.	Chlorine, Caustic Soda	26,740
Hercules de Centroamérica S.A.	Insecticide	20,443
PROMISA	Ready made wood products for construction	2,200
Atlantic Coast Chemical Co.	Naval Store	13,300
Plásticos MABER	Plastic Goods	863
CICA	Plastic Goods	950
Atlas de Centroamérica	Chemicals	3,500
Industrias Nacional de Clavos y Alambres S.A.	Wires, Nails	8,367
Acumuladores C.A. S.A.	Batteries	850
Bolígrafos de C.A. S.A.	Ballpoint Pens	1,620
Consortio C.A. S.A.	Construction	1,500
INFISA	Financing	2,500
INQUISA	Holding Co.	17,000
SACOS C.A. S.A.	Kenaf Bags	11,081
Textiles C.A. S.A.	Textiles	11,646
		¢ 124,603
		<u>Total US\$ 17,800,428</u>

* U.S.\$ 1 = ¢ 7

UNCLASSIFIED

STATEMENT OF THE AID LOAN - 504-1-009 TO 057/ 22, 1966
 (In Thousands of Dollars)

SPECIAL PROJECTS:	Date of approval month/year	Loans approved by IFFONAC with AID Funds	Additional contribution by IFFONAC	Contribution by Entrepreneurs and other Sources	Total Investment	Value of Production	Netting Currency Savings	Number of Jobs Created	Time of Payment (years)	Time of Term (years)	Interest rate %	
												VEF
Hotel Intercontinental, Manag.	2/65	250.0	-	3,050.0	3,300.0	-	-	269	-	-	-	
Importación Cabello & Cilla	6/65	100.0	-	100.0	100.0	-	-	50	(5)	(1)	(9)	
Indif. y Ferros. Madruger	11/65	109.7	-	59.7	209.4	-	-	-	-	-	-	
Estudio de Confiteo	4/65	19.3	-	19.3	19.3	-	-	-	-	-	-	
NETAMA	8/65	55.9	-	-	55.9	-	-	-	-	-	-	
Estudio de Frutas	8/65	37.5	-	-	37.5	-	-	-	-	-	-	
Centras	3/65	377.5	-	1,070.4	2,225.9	2,000.0	2,000.0	980	5	-	9	
A. Gedala María Cía. Ltda. Sucre.	3/66	89.1	530.0	1,577.5	2,127.5	2,040.0	2,040.0	688	10	(4)	9	
El Forvenir, S.A.	3/66	100.0	485.0	1,546.0	1,720.0	3,031.4	2,162.0	699	6	6	9	
ICAITI	2/65	1.4	-	15.0	16.4	-	-	-	-	-	-	
INVIDA	6/65	200.0	-	89.0	289.0	-	-	170	-	-	6	
Corporación Centro. de Tabaco	5/65	120.0	-	373.0	493.0	647.0	400.0	79	10	-	9	
AGROPECUARIO												
Acumuladora Cent., S.A.	6/65	7.1	35.7	85.7	128.5	14.7	120.0	12	5	1	9	
Industria BACAL	6/65	172.4	-	70.2	247.6	500.0	-	60	5	1	9	
Chemorro y Cuadra Cía. Ltda.	6/65	35.9	2.1	85.8	121.6	232.1	-	79	5	1	9	
Procesadora Industrial de Maduros	6/65	17.2	6.2	11.4	34.8	364.3	200.0	50	5	1	9	
Cácer Belgadillo y Sucre.	6/65	15.9	-	1.2	17.1	-	-	50	5	1	9	
Industria BACAL	7/65	57.1	2.5	30.0	97.6	258.1	-	50	5	1	9	
Guardián de Impresiones	7/65	67.2	-	10.3	100.3	294.1	20.0	79	5	1	9	
S. Barique Insa	9/65	50.0	-	16.3	150.3	2,000.0	15.0	120	10	1	9	
Financiera de Inversiones	9/65	42.1	-	1.5	43.6	130.0	-	40	5	1	9	
Aceroa Nacionales	10/65	35.0	87.0	102.8	302.8	500.0	200.0	50	5	1	9	
Los 3 To.	11/65	7.1	50.5	23.6	81.2	300.0	-	21	5	1	9	
Lily Leoncy Monteloge	12/65	71.4	-	42.7	117.1	114.3	150.0	50	5	1	9	
Leonardo Ciano y Nicolás Leytón	1/66	19.1	-	38.0	59.9	37.5	-	15	5	1	9	
Corámica Tobaca S.A.	1/66	48.0	-	317.1	317.1	340.7	350.0	77	5	1	9	
Cuadric Borden de S.A.	2/66	138.5	-	302.9	441.4	645.0	300.0	27	5	1	9	
Cardania Philtop, S.A.	3/66	17.1	-	8.6	25.7	200.0	-	20	5	1	9	
Chemorro y Cuadra Cía. Ltda.	3/66	47.6	-	38.2	85.8	324.3	-	120	5	1	9	
Esco de Contracción	4/66	118.2	-	140.0	258.0	169.7	120.0	19	10	1	9	
Coroholama Litografada, S.A.	4/66	95.8	197.2	408.9	711.9	335.3	127.9	25	10	1	9	
KIPPO	4/66	100.0	-	1,323.4	1,423.4	1,997.0	1,997.0	200	10	1	9	
SCVPS	5/66	60.9	52.7	959.3	1,071.9	600.0	-	130	5	1	9	
Generadora Nacional	6/66	21.4	-	130.3	157.9	304.2	-	10	5	1	9	
E. Chemorro e Hijos Cía. Ltda.	6/66	118.2	60.5	509.1	702.5	900.0	397.2	24	5	1	9	
COAC-EMIC	6/66	136.5	160.6	704.0	905.0	900.0	-	79	5	1	9	
COAC-EMIC	6/66	24.2	65.3	907.4	1,020.0	950.0	-	270	10	1	9	
Rebec y A. Perdra	10/66	6.5	-	117.0	123.5	100.0	-	10	5	1	9	
AIDA	3/66	-	64.6	217.5	282.1	2,003.0	-	150	10	1	9	
					299.20	7,143.9		300				

PROJECTS PROMOTED BY INFONAC
AND THEIR CURRENT SITUATION
1963-1966

<u>NAME</u>	<u>PURPOSE</u>	<u>CURRENT SITUATION</u>	<u>FINANCED BY *</u>
x PROLACSA	Powdered Milk Manufacture	In Installation Phase	IDB-INFONAC
x Sacos Centroamericanos, S.A.	Kenaf Cloths and Bags	In Installation Phase	INFONAC
x Centroamericana de Calzado, S.A.	Shoe Manufacture	In Operation	INFONAC
x Pensalt de C.A., S.A.	Caustic Soda, Chcrine, Chloridric Acid, other chemicals for manufacture of insecticides and fertilizers	Installation Phase	
x Hercules de C.A., S. A.	Toxaphene Insecticide	Installation Phase	
x Electra de C.A., S.A.	Refrigerators	Project abandoned due to failure in negotiations with Westinghouse	
x Booth Nicaragua, S.A.	Sea Foods Processing	In Operation	INFONAC
+ Tenerta Bataon	Tannery	In Operation	INFONAC,
x Fabritex	Textiles	In Organization	& CNI & ADELA
x Cfa. Nicaraguense de Inversiones	Financing	In Operation	CABEI
x Cfa. Maderera Nicaraguense, S.A.	Turpentine, Turpentine Oil, Pine Oil	Installation Phase	INFONAC, & BNN
+ Industrias Nac. de Clavos y Alambres, S. A.	Wire, galvanized and otherwise	In Operation	INFONAC, INFONAC, & BNN
x Hojuelas de C.A., S.A.	Oat flakes	In Operation	
x Boligrafos de C.A., S.A.	Ballpoint pens	In Operation	

UNCLASSIFIED

<u>NAME</u>	<u>PURPOSE</u>	<u>CURRENT SITUATION</u>	<u>FINANCED BY *</u>
+ Textiles de C.A., S.A.	Textiles	In Operation	INFONAC
x IFAGAN & CIA. LTDA.	Meat Processing	In Operation	INFONAC
x El Hogar, S.A.	Milk for Child Feeding	In Operation	INFONAC
+ El Porvenir, S.A.	Textiles	In Operation	INFONAC, & BNN
+ Gadala Marfa & Cia.	Textiles	In Operation	INFONAC
+ Adán Vivas Lacayo	Gelatin Manufacture	In Operation	INFONAC
x INQUISA	Holding Company	In Operation	ADELA, INFONAC, CNI
x Polietileno	Poyetheylene	In Negotiations	
x Cloruro de Polivinilo	Polyvinyl	In Negotiations	
x Papel de bagazo de caña	Paper from cane baggasse	In Negotiations	
x Hotel Intercontinental	Hotel construction	In Negotiations	

- x Projects Promoted by INFONAC
- + Studies Carried out by INFONAC for Private Sector
- * Blank Spaces are Industries Financed by Other Sources

UNCLASSIFIED

UNCLASSIFIED

Annex II, Page 5 of 12
Exhibit 4, Page 1 of 3

INDUSTRIAL PROJECTS UNDER CONSIDERATION BY INFONAC

The sustained development of Nicaragua's industrial sector will depend primarily on the ability of national and foreign investors, to identify feasible new projects. INFONAC, using its technical personnel and the access it has to consulting firms of known prestige, continues to develop feasibility studies on its own account and to finance private firms wishing to do so.

The following list comprises those projects for which feasibility studies are being made or considered.

i. PROJECTS IN ADVANCE STUDY OR IN PROMOTION

- Canned Fruits and Juices
- Machinery Repair Shop
- Balanced feeds for cattle (expansion)
- Nylon and Polyesters
- Amonium Chloride
- Hydrogen Peroxide
- B.H.C. Insecticide
- Refrigerators

2. LIST OF FEASIBILITY STUDIES PRESENTLY BEING PROCESSED

- Candy
- Edible by-products from slaughterhouse operation
- Gelatine and adhesives
- Coniferous wood pulp and paper
- Wood carbonization and distillation
- Chlorine: Other potential uses
- Hydrochloric acid: Other potential uses
- Brass casting and transformation (faucet and cocks)
- Steel rolling mill and iron foundry
- Stamping and forge shop for small and medium parts
- Air conditioning appliances
- Metallic staples
- Modernization of saw-mills

UNCLASSIFIED

UNCLASSIFIED

Annex II , Page 6 of 12

Exhibit 4, Page 2 of 3

Ceramic mosaics
Viscose Rayon and Cellophane
Tropical Fruit extracts
Tin containers

3. TENTATIVE LIST OF FUTURE FEASIBILITY STUDIES FOR WHICH PRELIMINARY INFORMATION IS BEING GATHERED

Amonia and urea
Plant for tannin extraction
Pharmaceutical products (aspirin production and fermentation of antibiotics)
Sulphuric acid
Simple phosphate, super-phosphate and diamonium phosphate
Sodium silicate
Urea-formadehyde resins
Yeast production
Agricultural trailers
Hand-tools for agriculture
Construction haware
Assembling of motorized vehicles
Aluminum utensils
Electrical Accesories (fuse boxes)
Enameled products
Paper-board containers

Rough calculations of the amount and source of investment required for several of these enterprises have been made and are presented in the following table:

UNCLASSIFIED

INFONAC - PROJECTS UNDER ACTIVE CONSIDERATION
(In Thousands of Dollars)

	TOTAL INVESTMENT	Total	PROBABLE INFONAC PARTICIPATION	
			A.I.D. Funds	Other Sources
A) PROJECTS IN WHICH INFONAC HAS DEFINITE COMMITMENTS				
- PROLACSA S.A. (+1)	2,500	1,220	350	870
- FABRITEX S.A. (+1)	8,000	1,000	750	250
	<u>10,500</u>	<u>2,220</u>	<u>1,100</u>	<u>1,120</u>
B) CONCRETE PROJECTS IN WHICH INFONAC HAS DEFINED INTEREST				
- INDUSTRIAL PARK	1,930 (two stages)	1,000	250	750
- INDUSTRIAS PAPELERAS S.A. (+1)	12,000	1,500	1,000	500
- CLORURO DE POLIVINILO (+2)	4,500	750	750	-
- POLIETILENO (+2)	13,430	1,500	1,500	-
	<u>31,430</u>	<u>4,750</u>	<u>3,500</u>	<u>1,250</u>
C) PROJECTS IN WHICH INFONAC IS CONSIDERING PARTICIPATION				
- MADERAS LAMINADAS S.A.	1,100	500	-	500
- BICYCLE MANUF.	110	60	60	-
- STAINLESS STEEL UTENSILS	150	80	80	-
- SOLAR SALT -	1,000	500	250	250
	<u>2,370</u>	<u>1,140</u>	<u>390</u>	<u>750</u>

(+1) It is expected that C.N.I. and CABEL might play an active part in the financing of these projects.
(+2) Export Import Bank might play a role in financing these projects.

INFONAC'S SUB-LOANS WITH BID LOAN No. 119-OC-NI

<u>Sub-Borrower</u>	<u>Purpose of Loan</u>	<u>Disbursements as of Nov 1966 (US\$)</u>
Prod de Concreto (PROCON)	Machinery pre-stressed concrete	71,428.57
Plywood de Nicaragua	Plant expansion	33,816.04
Cerámica Chiltepe	Machinery	2,128.35
Lyonel S. Aguilar	Machinery for tannery	52,809.88
Litog. Robelo	Machinery for Litho	68,775.82
Aceros Nacionales	Steel bars production	54,447.81
Mercadeo Industrial	Adhesive	15,000.00
Pedrera Nic.	Machinery	71,428.57
Vanity Fair de C.A.	Confectionary machinery	40,000.00
Armando Navas Ferrari	Machinery for tannery	7,956.25
Gurdian S.A. de Impresiones	Litho mach. & bldg.	11,823.05
Las 3-F, S.A.	Mach. for passementerie	6,261.92
SOVIPE	Mach.-earthmoving and construction	44,768.75
Maderera del Norte	Trucks and tractors for lumbering	50,000.00
Comp. de Cabotaje y Estibadores de Nic. (COMCABESNIC)	Equipment and warehouses	164,481.05
A. Gadala Maria Cía Ltda., Sucrs.	Textile machinery	200,000.00
El Porvenir	Textile machinery	200,000.00

<u>Sub-Borrower</u>	<u>Purpose of Loan</u>	<u>Disbursements as of Nov 1966 (US\$)</u>
Cisne y Leyton (CISLEY)	Sawmill	17,142.86
Arq. Ing. S.A. (AISA)	Earthmoving equipment and concrete mixer	30,000.00
PROLACSA	Milk powder plant	1,000,000.00
Cía Nac. de Prod. de cemento	Concrete oven	500,000.00
Corcholata Litogra- fiada, S.A.	Crown cork	197,285.71
Plywood de Nic.	Plant expansion, No. 2	<u>104,478.75</u>
	Sub-total	\$ 1,801,764.46
	Equiv.	€ 12,612,351.00

Total Commitments as of Nov. 1966 US\$ 2,944,033

Disbursement as of Nov. 1966 US\$ 1,801,764

UNCLASSIFIED

ANNEX II , Page 10 of 12
Exhibit 6, Page 1 of 2CABEI NICARAGUAN INDUSTRIAL LOAN PORTFOLIO
(in US \$)

<u>Date:</u>	<u>Loan granted to:</u>	<u>Amount:</u>	<u>Purpose:</u>
23/7/62	Van Heusen de C.A.	57.142.86	Shirt factory
26/9/62	Metasa	937.204.00	Metal tube mfg.
4/5/63	Leopoldo Riestra	2.700.00	Pre-Invest.(pharmaceutical products)
30/4/63	Gonzalo Córdoba	40.000.00	Vulcanized rubber plant
1/8/63	Galletas Cristal	160.000.00	Biscuit mfg.
20/12/63	Daboud Leal & Cfa.	89.748.57	Plastic goods
3/2/64	Nic. Long Leaf Pine L.	500.000.00	Turpentine, resin
6/7/64	INGABO	100.000.00	Sanitary napkins
30/5/64	HASA	75.000.00	Agricultural implem.
29/5/64	A. Roman & Assoc.	3.500.00	Pre-Invest. Chocolate factory(feasib. study)
7/9/64	Daboud Leal & Cfa.	14.285.00	Loan increase (plastic goods)
21/5/65	INCESA	225.000.00	Toilets mfg.
22/10/64	Sacos Centroamericanos	900.000.00	Kenaf bags mfg.
23/10/65	Elect. Pennsalt	1.600.000.00	Chemical plant
23/10/65	Hercules de C.A.	1.100.000.00	Insecticides mfg.
23/5/65	Ind. Quim. Atlas de C.A.	100.000.00	Emulsifiers mfg.
27/9/65	Inv. Hoteleras	540.000.00	Hotel const.

UNCLASSIFIED

CABEI Nicaraguan Industrial Loan Portfolio (continuation)
 (in US \$)

<u>Date:</u>	<u>Loan granted to:</u>	<u>Amount:</u>	<u>Purpose</u>
16/12/66	W. Buhler	3,000.00	Pre-Invest. Feasibility Study for a passementary plant
16/10/66	Ind. Vulcano	122,000.00	washing machine & stoves mfg.
11/2/67	GRACSA	1,200,000.00	edible oil extracting plant
5/12/66	FABRITEX	4,100,000.00	Textile mill
4/2/67	Aceitera Corona	1,300,000.00	Edible oil extracting plant
14/2/67	Alej. Pereira V.	8,000.00	Feasibility study to install refrigerating plants for vegetables.
14/2/67	Mario Lovo	9,320.00	Feasibility study for a plant to mfg. "emetina & cefalina".
	TOTAL.....	<u>13,186,900.43</u>	

UNCLASSIFIED

ANNEX II, Page 12 of 12
Exhibit 7, Page 1 of 1

A.I.D. and Predecessor Agencies
TECHNICAL ASSISTANCE GIVEN TO INFONAC:
Officers & Employees Participant Training

<u>Participant's Name</u>	<u>Training Purpose</u>	<u>Year</u>	<u>Duration</u>	<u>Place of Training</u>
1. Juan Ramón Castillo	Bus. Administration	62	24 months	Mexico
2. Ricardo Martínez	Bus. Administration	62-64	36 months	Mexico
3. José Montalván	Beekeeping	58	3 months	Costa Rica
4. Aquiles González	Agronomy	58	3 months	Costa Rica
5. Daniel Gutiérrez	Agronomy	58	3 months	Costa Rica
6. Elmer Jackson	African Palm	55	12 months	U.S.A.
7. Alfredo Sacasa	Small Industry	61	2 weeks	Mexico & P.R. *
8. Enrique DeBayle	Economics	61	12 months	U.S.A.
9. Gustavo Guerrero	Small Industry	62	3 weeks	U.S.A.
10. Luis Tercero	Animal Husbandry	58	15 days	Costa Rica
11. Ariel Solórzano M.	Industrial Marketing	62	5 months	Mexico
12. Humberto Torres M.	Management	63	2 months	U.S.A.
13. Edgar Saenz	Chemical Engineering	66	12 months	Mexico
14. Miguel A. Vanegas	Bus. Administration	66	12 months	U.S.A.
15. Ricardo Martínez	Operation Market Prog.	65	12 months	Central America
16. José María Molina	Operation Market Prog.	65	12 months	Central America
17. Jaime Sotelo	Operation Market Prog.	66	12 months	Central America
18. Francisco Salazar	Operation Market Prog.	66	12 months	Central America
19. Julio Cárdenas	Chemical Engineering	66	12 months	Mexico
20. Fco. Javier Ortíz	Electro-Mechanical Engr.	66	12 months	Mexico
21. Gustavo Sánchez	Bus. Administration	66	12 months	Mexico
22. Adolfo Cuadra	Bus. Administration	64	9 months	Mexico & U.S.A.
23. Enrique Dreyfus	Small Industry Study	62	2 weeks	P.R. & Mexico
24. Rodolfo Jerez	Small Industry Study	62	2 weeks	P.R. & Mexico
25. Silvio Arguello C.	Small Industry Study	62	2 weeks	P.R. & Mexico
26. Mauricio Robelo h.	Small Industry Study	62	2 weeks	P.R. & Mexico
27. Jorge Arguello B.	Small Industry Study	62	2 weeks	P.R. & Mexico
28. Leonel Blandón (R.I.P.)	Small Industry Study	62	2 weeks	P.R. & Mexico
29. Jaime Tefel	Bus. Administration	64	12 months	U.S.A.
30. Pedro A. Romero	Irrigation	65	24 months	U.S.A.
31. Luis A. Bravo	Agric. Economics	64	24 months	U.S.A.
32. Benjamín Gutiérrez	Economics	64	12 months	U.S.A.
Total.....			293.75 months	

* Puerto Rico

UNCLASSIFIED

NICARAGUAN BANKING SYSTEM

June 1, 1967

The banking system of Nicaragua is primarily geared to short term commercial lending operations and more specifically to agricultural lending. Over 60% of all lending from the principal sources of credit in 1966 was for short term loans, and agricultural lending accounted for US\$74.1 million or 51% of total loan portfolios. The industrial portion only accounted for US\$46 million or 31%.

The industrial loan portfolios of the principal sources of credit in 1966 were as follows:

	Dollars (000's)			Total
	Short	Medium	Long	
INFONAC	0.7	0.4	6.7	7.8
CNI	2.9	1.8	-	4.7
BNN	9.1	10.9	-	20.0
Commercial Banks	10.5	3.0	-	13.5
Total				<u>46.0</u>

A short description of the different credit institutions follows:

Banco Nacional de Nicaragua

The Government-owned Banco Nacional de Nicaragua (BNN) is the largest source of commercial credit. Its commercial lending operations equalled about 57% of all such activities in Nicaragua in 1966. Of its total loan portfolio in 1966 62% was in agriculture and 24% in industry. Of the industrial loans the greater part were commercial loans to prime customers. Except in the field of small enterprises, the BNN does not pursue industrial development activities but rather leaves this to INFONAC. Once experimentation is completed and an industrial project has shown its profitability the BNN will make available commercial credits.

The BNN's total loan portfolio in 1966 of US\$82.7 million was distributed as follows:

-2-

Dollars (millions)

<u>Short Term</u>	Dollars (millions)	<u>Medium and Long</u> *
-------------------	--------------------	--------------------------

Commercial	4.7		
Agricultural	25.6	Agricultural	25.4
Industrial	9.1	Industrial	10.9
Small Business	2.9	Others	3.9

*No specific breakdown available, but almost all medium term - 3 to 5 years.

Commercial Banks

The Commercial Banks are the next biggest source of commercial credit in Nicaragua but are primarily geared to short term lending operations to prime customers at interest rates of 8% + 1% commission. However, as loans are often discounted in advance and renewed every three to six months (and occasionally monthly) the true rate can be as high as 14% and in exception cases 20%.

The five private commercial banks (a sixth, the First National City Bank is being organized), had total loan portfolios in 1966 of US\$43 million of which US\$36 million or 83% was invested in short term loans (up to 18 mos.) distributed as follows:

	<u>Millions of Dollars</u>
Commercial	12.8
Agricultural	8.4
Livestock	4.3
* Industrial	10.5

* The industrial loans were mainly for working capital financing.

Medium term loans (18 mos. to 5 years) accounted for US\$7 million or 16% of total portfolio. This type of lending was mainly for small machinery and tool financing for industry, 43%, and for farm improvement, 39.5%. No longer term lending was granted.

CNI

The Nicaraguan Investment Corporation (CNI) is a private financiera, formed in 1963 with the help of INFONAC and AID. It has received two AID loans totaling US\$8 million, has a paid-in capitalization of US\$2 million and has lines of credit from different U.S. and other foreign banks of over US\$ 6 million.

Of its total loan portfolio in 1966 US\$4.7 million or 56% was in industrial lending of which 40% was for medium term financing.

Other Credit Institutions

There are other private credit institutions in Nicaragua such as INFISA and INDESA which make industrial loans but actually their operations are limited. INFISA which received financing from both CNI and INFONAC out of AID loan funds, has some lending activities with small entrepreneurs but only had about \$140,000 out of its total loan portfolio of \$814,000 in 1966 invested in such small industries.

INDESA is a credit institution just started which is primarily concentrating on consumer financing.

The National Housing Bank (BVN) is just starting a free savings and loan system with three private companies for housing mortgage financing.

The five private and public insurance companies in Nicaragua mainly invest in loans to policy holders (47.6% of their portfolio in 1965 at 10½% interest + 1% commission) and medium term real estate mortgage loans (52.4% in 1965).

Central Bank

In 1965 the Central Bank floated a bond issue of US\$10.7 million at 8% interest. The issue was almost immediately bought up by the commercial banks to avoid competition with their savings depositors. The money from this bond issue was primarily channeled to agricultural and industrial development through the BNN and INFONAC.

The Central Bank also does some discounting for the BNN and INFONAC but this is mainly to help the liquidity position of these institutions.

External Credit Institutions

The BNN and the commercial banks in Nicaragua receive lines of credit mainly for agricultural operation from different U.S. and other foreign banks. For industrial credit the main external direct sources are CABEI and EX-IM Bank. Their lending is specifically directed to individual industrial projects.

Presently INFONAC is requesting a US\$7 to US\$8 million loan from EX-IM for a polyethylene industry.

CABEI has invested more than US\$7 million in Nicaragua since 1960.

SOCIAL - ECONOMIC BENEFITS
INDUSTRIES PROMOTED AND FINANCED BY INFONAC

<u>Name</u>	<u>No. of Jobs Created</u>	<u>Value of Industry</u>	<u>Foreign Exchange Savings & Earnings</u>
PROCESA	43	Q 960,000.00	Q 1,400,000.00
Plásticos Record	9	138,000.00	325,000.00
Plásticos Maber	7	120,000.00	250,000.00
Cía. Industrial Centroamericana	6	95,000.00	300,000.00
Kativo de Nicaragua	25	200,000.00	340,000.00
Marcos A. Zeledón	30	2,530,676.85	962,409.00
Cerámica Chiltepe	150	3,000,000.00	-
INFISA	170	-	-
CECALSA	50	700,000.00	1,500,000.00
Plywood de Nicaragua	250	3,500,000.00	3,500,000.00
Cesar Delgadillo y Cía.	9	-	-
Guardián de Impresiones	75	775,000.00	140,000.00
C.C.T.S.A.	300	2,100,000.00	2,100,000.00
Tenerfa Bataan	73	1,500,000.00	750,000.00
PROSAN	30	500,000.00	-
J.E. Luna	120	185,000.00	350,000.00
Financiera de Inversiones	40	775,000.00	-
A. Navas Ferraris	28	70,000.00	-
Aceros Nacionales	58	2,500,000.00	4,800,000.00
Mercadeo Industrial	41	147,000.00	289,000.00
Cía. Nacional Productora de Cemento	350	13,000,000.00	-
Vanity Fair de C.A.	25	210,000.00	70,000.00
Ceramica Itsmica	77	1,300,000.00	258,290.00
Química Borden C.A.S.A.	27	1,299,375.00	2,230,000.00
Cisne Leyton S.A.	15	560,000.00	-
Adan Vivas Lacayo	6	15,000.00	-
Pedreira Nicaraguense	5	8,000.00	-

-2-

<u>Name</u>	<u>No. of Jobs Created</u>	<u>Value of Industry</u>	<u>Foreign Exchange Savings and Earnings</u>
A. Gadala Marfa	620	\$ 5,397,000.00	\$ 14,392,000.00
El Povenir	659	6,895,000.00	18,634,000.00
Rheen de C.A. S.A.	19	785,000.00	1,400,000.00
Concretera Nacional	16	215,000.00	-
E. Chamorro e hijos	21	1,175,000.00	2,150,000.00
COMCABESNIC	270	7,600,000.00	-
MAMENIC	73	6,328,000.00	-
Salvador Zelaya	5	3,000,000.00	-
TIP-TOP S.A.	40	500,000.00	-
J. Montenegro López	4	4,500.00	-
Mercadeo Industrial	15	1,200,000.00	350,000.00
G. López C.	7	7,000.00	-
Madereras del Norte	10	500,000.00	420,000.00
Camas Luna	80	1,982,195.53	5,160,260.00
Luis Caracas Santos	3	35,000.00	15,000.00
Ricardo Arguello P.	20	2,100,000.00	-
Nestor y Armandó Pereira	250	4,500,000.00	-
Moldex S.A.	40	546,000.00	314,300.00
COPRENIC	27	450,000.00	-
SOVIPE	130	5,700,000.00	-
GINSA	15	870,000.00	-
AISA	275	4,200,000.00	-
CORLISA	25	650,100.00	-
Cfa. Cervecera de Nicaragua	50	6,700,000.00	8,935,316.00
Rodolfo Jeréz	8	450,000.00	-
INCA	43	1,508,669.00	21,000.00
GORN (T.C.A.)		1,050,000.00	2,037,489.00
Acumuladores Centroamericanos	30	1,400,000.00	4,350,000.00
			2,800,000.00

<u>Name</u>	<u>No. of Jobs Created</u>	<u>Value of Industry</u>	<u>Foreign Exchange Savings and Earnings</u>
Industrias Químicas Atlas	17	1,409,128.00	2,319,597.00
Industrias DACAL	165	3,500,000.00	-
Chamorro y Cuadra	180	600,000.00	-
Litografía Robelo	75	250,000.00	200,000.00
PROCON	22	325,000.00	-
TOTAL	<u>7,063</u>	<u>₪ 107,320,644.38</u>	<u>₪ 83,063,661.00</u>
	Equivalent to US \$	15,331,430.00	11,866,300.00

End of Year

COMPARATIVE CONSOLIDATED GENERAL BALANCE SHEETS OF INFOMAG, 1955-1965

In thousands of US Dollars

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
ASSETS												
1. Cash	680.5	541.4	114.6	339.9	151.7	113.8	259.6	481.5	445.2	847.7	780.1	676.5
2. Loans	261.8	1,327.4	2,402.1	2,894.6	4,986.4	6,120.5	5,812.1	7,215.1	8,143.4	9,199.2	8,181.8	8,453.7
3. Equip., merchandise, equipment	1.8	3.5	5.6	22.0	39.9	61.1	89.0	31.5	128.7	291.3	136.3	308.5
4. Investments	54.5	480.0	539.5	581.2	961.5	1,049.0	2,136.8	2,047.4	1,857.4	1,886.1	2,514.0	4,076.5
5. Land, furniture + fixtures	31.6	35.1	43.2	62.7	60.5	59.4	58.0	68.8	66.2	77.0	98.5	111.3
6. Other assets	85.4	852.6	1,205.6	1,663.9	719.3	971.7	1,115.1	1,212.1	1,708.3	849.5	1,465.0	2,888.5
7. Deferred charges	5.1	13.0	14.8	206.7	28.8	29.2	49.8	31.7	25.0	36.2	27.9	53.6
Total Assets	1,620.7	3,053.0	4,825.4	5,770.4	6,948.1	8,404.7	9,520.4	11,138.1	12,374.2	13,186.9	13,203.6	16,570.6

LIABILITIES

1. Savings deposits	109.4	161.8	247.9	309.7	401.7	448.3	524.6	686.3	892.8	1,509.0	2,094.3	2,786.7
2. Debts in national currency	2.5	9.5	4.2	347.4	480.4	997.6	1,886.0	3,256.2	3,607.1	3,875.2	2,651.5	2,411.9
3. Debts in foreign currency	-	204.0	602.9	962.9	1,230.0	1,442.1	1,157.1	1,030.9	1,319.2	1,368.7	2,227.6	4,272.4
4. Other liabilities	5.4	22.5	40.8	51.6	143.8	73.7	87.2	178.8	250.3	213.4	320.0	42.9
5. Deferred credits	-	.1	1.1	15.2	1.7	2.3	8.4	9.7	46.6	48.7	23.3	11.7
6. SOC-Contributions to Special Prof.	-	-	-	-	-	-	-	-	-	-	-	26.2
Total Liabilities	117.3	397.9	896.5	1,666.8	2,257.6	2,964.2	3,663.3	5,161.9	6,116.0	7,015.0	7,136.7	10,779.9
7. Net Capital	1,503.4	2,655.1	3,928.9	4,103.6	4,690.5	5,440.5	5,857.1	5,976.2	6,258.2	6,171.9	5,856.9	5,790.7
Total Liabilities and Capital	1,620.7	3,053.0	4,825.4	5,770.4	6,948.1	8,404.7	9,520.4	11,138.1	12,374.2	13,186.9	13,203.6	16,570.6

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENTS, 1954-1965

(In thousands of U.S. dollars)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
I. Banking Operations												
A. Financial Department												
1. Earnings	18.9	69.5	219.0	329.8	407.6	506.5	544.5	546.9	567.8	578.1	696.6	731.9
a. Interest	2.1	19.9	14.6	13.5	15.3	4.7	6.2	14.7	67.1	106.7	223.9	378.0
b. Other	16.8	49.6	204.4	316.3	392.3	501.8	538.3	532.2	500.7	471.4	472.7	353.9
Total earnings	21.0	89.1	233.6	343.3	422.9	511.2	550.7	561.6	634.9	684.8	862.5	1111.9
2. Expenditures	(26.9)	(64.4)	(89.4)	(95.2)	(99.9)	(105.9)	(106.4)	(114.0)	(120.5)	(150.9)	(195.2)	(221.9)
a. Wages & salaries	(1.8)	(8.7)	(45.6)	(61.7)	(96.8)	(128.4)	(149.3)	(206.2)	(298.2)	(301.4)	(310.7)	(345.5)
b. Interest	(14.1)	(32.4)	(33.0)	(49.8)	(56.5)	(68.6)	(65.3)	(93.7)	(80.3)	(102.7)	(160.3)	(192.1)
c. Other	(42.4)	(105.2)	(170.0)	(206.7)	(253.2)	(302.9)	(321.0)	(413.9)	(499.0)	(575.0)	(666.2)	(779.5)
Total Expenditures	(22.4)	(25.1)	(63.4)	(134.4)	(169.7)	(208.3)	(229.7)	(147.7)	(335.9)	(129.8)	(195.3)	(352.4)
Net Profit of Financial Dept.	-	-	170.2	208.9	323.0	302.9	324.5	413.9	299.0	555.0	667.2	759.5
B. Savings Section												
1. Earnings	-	-	14.7	19.3	25.4	26.7	35.1	42.8	55.6	-	-	-
2. Expenditures	-	-	(21.9)	(30.1)	(34.9)	(35.6)	(40.9)	(46.2)	(54.7)	-	-	-
Net Profit of Savings Section	-	-	(7.2)	(10.8)	(9.5)	(8.9)	(5.8)	(3.4)	9	-	-	-
C. Amortization, depreciation & write-offs												
Net Profit or Loss of Banking Operations	(21.4)	(25.1)	56.2	121.6	160.2	199.6	223.9	144.3	56.0	.1	52.3	(201.9)
II. Other Operations												
A. Technical Department Salaries, other costs and losses	(116.3)	(160.3)	(126.4)	(123.3)	(141.3)	(189.9)	(201.2)	(234.5)	(268.6)	(493.1)	(639.6)	(784.2)
B. Own enterprises and participations												
1. Earnings	-	-	-	37.7	45.0	35.2	35.5	56.0	79.7	-	-	623.6
2. Expenditures	-	-	-	(22.6)	(32.7)	(62.6)	(59.6)	(87.9)	(111.0)	-	-	-
Net Profit or Loss	-	-	-	(21.7)	(77.7)	(28.4)	(24.1)	(31.9)	(31.3)	-	-	623.6
Net Profit or Loss of other Operations	(116.3)	(160.3)	(126.4)	(145.0)	(181.0)	(199.3)	(216.3)	(282.2)	(299.9)	(493.1)	(639.6)	(161.2)
Total Net Profit or Loss	(137.7)	(185.4)	(70.2)	(23.4)	(20.8)	10.3	7.6	(41.2)	(243.9)	(493.0)	(587.3)	(353.2)

INFONAC BALANCE SHEET AS OF JUNE 30, 1966

UNCLASSIFIED
ANNEX IV, Page 3 of 18
Exhibit 3, Page 1 of 1

A C T I V O

RENTAS DISPONIBLES:

DISPONIBILIDADES EN MONEDA NACIONAL
DISPONIBILIDADES EN MONEDA EXTRANJERA

Q 3,174,720.59
" 1,943,952.60

Q 3,368,514.29

COLGACIONES:

PRESTAMOS AL PUBLICO
PRIMEO A TER. DEL SEVILLO Y CORP. DES. PUBLICO
OTRAS COLGACIONES

Q 573,862,516.50
" 667,185.88

Q 573,862,516.50
" 667,185.88

RESERVA PARA SANEAMIENTO DE LA CAJEREA
REPRODUCTORES, MUEBLES Y EQUIPO PARA LA VENTA:

Q 4,154,944.22

Q 1,894,963.28

REPRODUCTORES
MUEBLES
EQUIPO RECARBADO
RESERVA
EQUIPO RECARBADO EN EMPRESA VTA. (579,664.76)
RESERVA DEPUSC. EQUIPO RECARBADO EN 60,904.42

Q 377,145.33
" 1,939,077.07

Q 1,55,715.59

INVERSIONES:

EN VALORES MONTAÑOS
EN EMPRESAS Y PROYECTOS
BIENES MUEBLES E INMUEBLES ADQUIRIDOS EN PA-
GO DE CREDITOS
RESERVA PARA SANEAMIENTO DE MUEBLES ADQUIRIDOS
EN PAGO DE CREDITOS

Q 7,157,600.00
" 26,049,244.50

Q 7,157,600.00
" 26,049,244.50

MUEBLES E INMUEBLES AL SERVICIO DEL INSTITUTO:

FRANJE INMUEBLES
BIENES MUEBLES
RESERVA PARA REPARACION

Q 1,791,219.79

Q 362,224.17

OTRAS ADEUDAS:

GOBIERNO DE NICARAGUA
CUENTAS DIVERSAS DEUDADAS
RESERVA
RESERVA POR AMORTIZACION
RESERVA POR AMORTIZACION
RESERVA POR AMORTIZACION
RESERVA POR AMORTIZACION
RESERVA PARA INVERSIONES ACUMULADAS POR INTERES
CUENTAS EN CANCELACION DEUDADAS

Q 2,879,491.51

Q 2,879,491.51

OTRAS DEUDAS:

SAVOS Y PAGOS POR ANTICIPADO

Q 12,447.22

Q 12,447.22

T O T A L

Q 19,251,222.11

Q 19,251,222.11

P A S I V O

POSITIVO Y OBLIGACIONES EN MONEDA NACIONAL:

DEPOSITOS DE ABOREMOS
ABORNO ESPECIALIZADO
OBLIGACIONES FINANCIERAS
BANCO CENTRAL DE NIC. - FONDOS Y RESERVA
OBLIGACIONES POR FONDOS EN ABOREMOS
OTRAS OBLIGACIONES

Q 22,982,774.77
" 4,510.65
" 9,224,900.00
" 9,966,102.05
" 169,615.72
" 280,000.00

Q 42,617,901.11

OBLIGACIONES EN MONEDA EXTRANJERA:

CON BANCOS
CON OTRAS INSTITUCIONES FINANCIERAS

Q 24,578,378.66
" 1,853,829.85

Q 26,442,198.51

OTRAS PASIVOS:

ANTICIPOS RECIBIDOS
INTERESES ACUMULADOS POR PAGAR
ACREDORES VARIOS
GASTOS ACUMULADOS POR PAGAR
GOBIERNO DE NICARAGUA - EQUIPO AGRICOLA
CUENTAS EN SUSPENSO ACREDORES

Q 158,544.10
" 956,954.90
" 823,805.02
" 572,206.87
" 22,295.59
" 99,909.72

Q 2,660,716.09

CREDITOS DIFERIDOS:

INTERESES RECIBIDOS POR ADERAZADO
UTILIDAD DIFERIDA SERVIDO RECARBADO
MAYOREO SOBRE IMPORTACIONES

Q 4,962.00
" 38,541.22
" 1,581.21

Q 45,084.43

CUENTAS ESPECIALES:

APORTACIONES DE FONDOS PARA PROYECTOS

Q 295,438.07

CAPITAL Y RESERVA:

CAPITAL PAGADO
RESERVA
ACUERDO EXTRAORDINARIO DE CAPITAL

Q 690,000,000.00
" 1,212,526.09
" 51,212,526.09

NOTAS:

RENTAS DE CAPITAL POR RESERVA:
AÑO 1965 (a) Q 3,404,600.29
1er. SEMESTRE/66 (e) " 2,285,711.22

(c) Gastos de Asistencia Técnica, Estudios e Investigaciones de Desarrollo Económico, que recaudará el Gobierno de Nicaragua, según reforma del Arto. 7 de la Ley - Constituyente de esta institución, conforme Decreto No 5-1 - del 8 de Marzo/65, publicado en el Diario Oficial "LA GACETA" No 81, del 5 de Abril de 1965.

T O T A L

Q 19,251,222.11

Q 19,251,222.11

N.I.C.G.A., D. F., 30 DE JUNIO DE 1966

SUMMARY AND CASH FLOW PROJECTION 1966-75

INFONAC-SUMMARY OF INFLOWS, OUTFLOWS & DEVELOPMENT PROGRAMS
PROJECTION 1966/1975
(In thousands of Cordobas)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
A. INFLOW OF FUNDS										
I. Cash and Banks	1,731	2,083	3,311	2,352	2,036	3,764	3,090	3,122	11,643	4,569
II. Funds Contributed by GCM	9,214	9,247	9,044	9,513	7,775	6,775	4,067	4,108	4,092	4,088
III. Extraordinary Contributions	875	1,075	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
IV. Inflows from Infonac & Owned Projects	8,018	17,827	16,973	15,330	15,996	17,290	18,240	19,590	20,240	20,790
V. Savings Deposits and Bonds	3,350	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
VI. Financial Department Operations	19,033	22,513	25,532	50,674	64,532	75,510	86,264	94,264	99,429	102,272
Sub-Total	42,221	55,745	68,992	82,044	94,563	108,094	116,386	125,275	139,535	135,210
VII. Loans from Foreign Banks & Agencies	44,940	60,907	50,103	42,929	35,261	26,524	21,143	20,302	6,000	10,000
VIII. TOTAL INFLOW OF FUNDS	87,161	116,652	120,733	124,973	130,404	134,618	137,529	145,580	145,535	145,210
B. OUTFLOW - COMMITMENTS										
	20,099	14,915	20,302	26,495	31,169	34,734	37,078	35,412	39,996	34,303
C. SURPLUS TO BE APPLIED TO ANNUAL PROGRAMS										
	67,062	101,737	100,431	98,478	99,235	99,884	100,451	110,168	105,539	111,507
D. ANNUAL LOANS & INVESTMENT PROGRAM										
1. Agricultural Diversification	23,198	39,722	33,823	30,805	33,620	32,120	30,120	29,120	39,720	40,320
2. Natural Resources Development Program	2,490	2,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
3. Cattle Development	3,840	2,045	5,641	6,671	7,841	9,674	11,393	12,655	2,450	2,450
4. Pecuarian Diversification	640	6,298	7,135	7,276	1,830	1,850	1,500	1,500	1,500	1,500
5. Industrial Development Program	30,175	43,304	43,950	44,192	44,500	45,500	46,500	47,500	49,500	52,000
6. Technical Assistance, Promotion & Investigation	4,636	2,050	2,300	2,300	2,450	2,450	2,550	2,550	2,500	2,500
7. TOTAL PROGRAM	64,979	98,419	98,049	96,444	95,441	96,794	97,263	98,525	100,970	102,170
E. CASH & BANKS CARRIOWE										
	2,083	3,518	2,382	2,034	3,794	3,090	3,188	11,643	4,569	7,337

Fig. 1.

CASH FLOW STATEMENT, 1966/1972
 (In Thousands of Cordobas)

	1966	1967	1968	1969	1970	1971	1972	1972	1972
I. CASH AND BILLS									
1.1.21	2,083	3,218	2,182	2,074	2,794	2,090	2,188	11,643	4,569
2.1. Deficit: Technical Operations	3,500	3,500	3,500	1,500	1,000				
2.2. Additional Capitalization	3,537	3,744	4,113	4,375	4,375				2,388
2.3. Treasury Bonds and Interests	510	-	-	-	-	-	-	-	-
2.4. SUBSCRIPTIONS to Cattle Program	700	700	700	700	-	-	-	-	-
2.5. SUBSCRIPTIONS to SF-Project	795	-	-	-	-	-	-	-	-
2.6. Primary Export Tax.	950	1,000	1,200	1,300	1,400	1,500	1,600	1,650	1,700
Sub-Total	9,247	9,044	9,513	7,875	6,775	4,067	4,108	4,098	4,088

III. INTERMEDIATE CONTRIBUTIONS

- 3.1. Contributions to Promotion Office
- 3.2. Central Bank Aportations

	400	600	650	650	650	650	650	650	650
	475	475	475	475	475	475	475	475	475
Sub-Total	875	1,075	1,125	1,125	1,125	1,125	1,125	1,125	1,125

IV. INFLOWS FROM INFONACOS OWNED PROJECTS

- 4.1. Cattle Development Projects
 - 4.1.1. Cattle Development Project (in cash)
 - 4.1.2. Cattle Ranch Santa Elena
- 4.2. Agricultural Diversification Projects
 - 4.2.1. Coffee Plantation San Cayetano
 - 4.2.2. Banana Plantations
 - 4.2.3. Agricultural Project
 - 4.2.4. Recuperation of Investments
 - 4.2.5. Recuperation of Technical Assist.
- 4.3. Industrial Development Projects
 - 4.3.1. Sale of Stocks
 - 4.3.2. Revenue from Investments
 - 4.3.3. Recuperations from Investigation

	450	500	650	700	800	900	1,000	1,200	1,300
	260	270	280	290	300	300	300	300	300
	18	20	20	20	20	20	20	20	20
	2,400	3,795	4,100	4,300	4,550	4,550	4,550	4,550	4,550
	35	250	1,200	1,250	1,300	1,350	1,400	1,450	1,500
	-	2,492	-	-	-	-	-	-	-
	40	200	400	600	850	1,200	1,500	1,900	2,200
	600	700	700	600	600	2,000	2,500	2,700	3,000
	170	120	120	120	120	120	120	120	120
	2,220	7,500	7,280	5,000	5,000	5,000	5,000	5,000	5,000
	1,300	1,630	1,875	2,100	2,100	2,100	2,100	2,100	2,100
	525	350	350	350	350	350	350	350	350
Sub-Total	8,018	17,827	16,973	15,330	15,990	17,890	18,840	19,590	20,240

V. SAVINGS DEPOSITS AND BONDS

VI. FINANCIAL OPERATIONS

- 6.1. Repayments on INFONACOS Loan Portfolio
- 6.2. Interest Received

	3,350	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	14,298	15,707	24,608	34,527	45,110	57,547	62,356	69,065	73,396
	4,735	6,806	10,924	16,147	19,429	21,853	23,508	25,199	26,683
Sub-Total	19,033	22,513	35,532	50,674	64,559	75,510	86,264	94,264	102,238

CASH FLOW STATEMENT, 1966/1972
(In thousands of Cordobas)

Page 2.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
7.1. IDB Agropecuario Loan 94-OC-WI (10,010)	2,300	1,767	-	-	-	-	-	-	-	-
7.2. IDB Irrigation Loan 94-OC-WI (6,300)	-	3,000	-	-	-	-	-	-	-	-
7.3. IDB Industrial Loan 119-OC-WI and 77-SP-WI (24,500)	4,927	7,123	12,450	-	-	-	-	-	-	-
7.4. AID Industrial Loan 524-L-009 (26,000)	12,294	13,000	-	-	-	-	-	-	-	-
7.5. Bank of America Loan (INQUIVA) (9,993)	4,200	2,681	-	-	-	-	-	-	-	-
7.6. Banco Central de Nic. Industrial Loan	4,356	4,000	-	-	-	-	-	-	-	-
7.7. Banco Central de Nic. Agropecuario	10,300	7,000	-	-	-	-	-	-	-	-
7.7.1. Tobacco Project	6,440	6,433	-	-	-	-	-	-	-	-
7.7.2. Banana Project	-	-	-	-	-	-	-	-	-	-
7.8. Anticipated Future Loan Requirements (35,000)	-	6,000	15,000	14,000	-	-	-	-	-	-
7.8.1. AID Industrial Loan	-	8,656	10,770	10,885	-	-	-	-	-	-
7.8.2. IDB Agropecuario Loan	123	2,619	2,742	2,743	-	-	-	-	-	-
7.8.2.1. Tobacco	-	3,841	4,801	4,801	5,841	-	-	-	-	-
7.8.2.2. Hogs Project	-	-	-	-	-	7,524	9,143	10,305	-	-
7.8.3. IDB Cattle Loan-PROLACSA I (14,483)	-	-	-	-	-	-	-	-	-	-
7.8.4. IDB Cattle Loan-PROLACSA II (26,972)	-	-	-	-	-	-	-	-	-	-
7.8.5. IDB Agropecuario (28,500)	-	-	2,000	5,000	17,500	16,000	12,000	10,000	-	-
7.8.6. IDB Agropecuario (38,000)	-	-	-	-	-	-	-	-	-	-
7.8.7. IDB Agropecuario (21,000)	-	-	-	-	-	-	-	-	-	-
7.8.8. IDB Industrial? (21,000)	-	-	-	5,500	12,500	3,000	-	-	6,000	10,000
Sub-Total	44,940	62,274	30,485	42,929	35,841	26,524	21,143	20,305	6,000	10,000
7.9. Minus: Reimburse. from Pilot Project Expenses	-	1,272	-	-	-	-	-	-	-	-
Sub-Total	44,940	60,907	30,485	42,929	35,841	26,524	21,143	20,305	6,000	10,000
III. TOTAL INFLOW OF FUNDS	81,161	116,652	120,733	124,973	130,404	134,618	135,529	145,580	145,335	145,810

IV. DEBIT COMMITMENTS

11. SAVINGS DEPOSITS, BOND ISSUES & DISCOUNTS

10.1. Interest on Savings Prefeclite	1,029	1,164	1,299	1,434	1,579	1,704	1,839	1,974	2,109	2,244
10.2. INFOMAR Saviro - Banco Interest	486	486	486	486	486	486	486	486	486	486
10.3. Bonds Amort. & Discounts	3,500	-	-	-	-	-	-	-	-	-
Sub-Total	5,015	1,650	1,785	1,920	2,065	2,190	2,325	2,460	2,595	2,730

12. ADMINISTRATIVE EXPENSES

10.1 Central Office (Administration)	80	100	100	100	100	100	100	100	100	100
10.2 Financial Department	2,250	2,300	2,350	2,400	2,450	2,500	2,550	2,600	2,650	2,700
10.3 Savings Division	425	450	475	500	525	550	575	600	625	650
Sub-Total	2,755	2,850	2,925	2,975	3,025	3,075	3,125	3,175	3,225	3,275

13. AMORTIZATION & INTEREST ON LOANS

14. TOTAL COMMITMENTS

15. SURPLUS AS APPLIED TO SPECIAL PROGRAMS (VIII - XIII)

UNCLASSIFIED
ANNEX IV, Page 1 of 13
Exhibit 4, Page 3 of 4

DEVELOPMENT PROGRAM 1966/1972									
(in thousands of Córdobas)									
	1966	1967	1968	1969	1970	1971	1972	1972	1972
: 47.3									
1. AGRICULTURAL DIVERSIFICATION									
1.1. Investments and Expenses									
1.1.1. Banana Plantations	2,735	3,243	3,333	3,500	3,700	3,700	3,700	3,700	3,700
1.1.2. San Cayetano Experimental Plantation	20	20	20	20	20	20	20	20	20
1.1.3. Technical Assistance (Banana, Tobacco)	1,900	2,250	2,400	2,400	2,400	2,400	2,400	2,400	2,400
1.2. Loans	8,440	9,433	4,000	3,000	-	-	-	-	-
1.2.1. Banana	-	1,120	-	-	-	-	-	-	-
1.2.2. Tobacco Experimental Stations	10,300	17,658	15,470	14,385	6,000	-	-	-	-
1.2.3. Tobacco Expenditures	-	6,000	8,600	7,500	21,500	26,000	24,000	23,000	23,600
1.2.4. Irrigation	-	-	-	-	-	-	-	-	-
Sub-Total	23,198	39,722	33,823	30,805	33,620	32,120	30,120	29,120	39,720
2. NATURAL RESOURCES DEVELOPMENT PROGRAM									
2.1. Investments and Expenses									
2.1.1. Atlantic Coast Reforestation Project	1,600	2,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200
2.1.2. Atlantic Coast Agriculture, Cattle and Forestry Development Planning Survey	990	-	-	-	-	-	-	-	-
Sub-Total	2,490	2,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200
3. CATTLE DEVELOPMENT									
3.1. Investments and Expenses									
3.1.1. Cattle Restocking Project	2,300	395	800	820	850	800	800	800	800
3.1.2. Technical Assistance	790	800	350	350	350	350	350	350	350
3.1.3. Cattle Ranch Santa Elena	490	500	650	700	800	800	1,000	1,100	1,200
3.2. Loans	-	-	3,841	4,801	5,841	7,824	9,143	10,205	-
3.2.1. Cattle Breed Improvement Program (Meat)	3,840	2,045	5,641	6,671	7,841	9,674	11,393	12,655	2,450
3.2.2. Cattle Breed Improvement Program (Milk)	-	-	-	-	-	-	-	-	-
Sub-Total	4,580	5,485	10,336	12,092	14,482	17,318	20,343	23,953	25,550
4. PISCICULTURE DEVELOPMENT PROGRAM									
4.1. Investments and Expenses									
4.1.1. Fish Development Project	290	470	1,050	1,180	1,200	1,200	1,200	1,200	1,200
4.1.2. Aquaculture Development Project	180	590	600	610	630	650	600	600	600
4.1.3. Fisheries Development Project	210	590	610	610	630	650	600	600	600
4.2. Loans	-	-	5,258	5,485	-	-	-	-	-
4.2.1. Fish Development Program	640	6,298	7,135	7,276	1,830	1,850	1,500	1,500	1,500
4.2.2. Fish Development Program	-	-	-	-	-	-	-	-	-
Sub-Total	1,120	7,958	13,603	14,661	3,680	3,650	3,100	3,100	3,100
5. INDUSTRIAL DEVELOPMENT PROGRAM									
5.1. Investments									
5.1.1. Industrial Development Project	4,796	10,805	9,760	7,275	5,000	5,000	5,000	5,000	5,000
5.1.2. Industrial Development Project	180	32,450	34,250	36,917	39,500	41,500	42,500	44,500	46,000
5.2. Loans	20,179	53,304	57,950	64,192	64,500	65,500	66,500	67,500	68,500
Sub-Total	25,155	96,559	101,960	108,384	114,500	116,500	117,500	118,500	124,000
6. TECHNICAL ASSISTANCE, PROMOTION & INVESTIGATION									
6.1. Technical Assistance, Promotion & Investigation									
6.1.1. Technical Assistance, Promotion & Investigation	3,254	3,950	3,500	3,500	3,650	3,650	3,750	3,750	3,750
6.1.2. Technical Assistance, Promotion & Investigation	630	900	1,000	1,000	1,000	1,000	1,000	1,000	1,000
6.2. Promotion Office	728	800	800	800	800	800	800	800	800
6.3. Feasibility Studies	4,636	5,050	5,300	5,500	5,450	5,450	5,590	5,590	5,600
Sub-Total	9,248	10,700	11,400	11,600	11,950	12,900	13,940	13,940	14,150
7. TOTAL PROGRAM									
Sub-Total	64,979	98,419	98,059	95,444	95,774	97,253	97,253	98,525	104,170

PROFIT AND LOSS PROJECTION - INFONAC INDUSTRY PROGRAM - 1966-75
(in thousands of US\$)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
<u>INDUSTRIAL LOAN AND EQUITY INVESTMENT PORTFOLIO</u>										
1. Total Industrial Loan Portfolio (as of January 31)	5,829	8,277	11,610	14,560	17,209	19,501	21,568	21,568	22,373	23,179
2. Loan Amortizations During Year	-1,186	1,309	1,942	2,625	3,350	3,718	5,928	5,266	5,551	5,876
3. Total Disbursement for New Industrial Loan	+3,634	4,642	4,892	5,274	5,642	5,785	5,928	6,071	6,357	6,714
4. Total Year End Industrial Loan Portfolio (as of December 31)	<u>8,277</u>	<u>11,610</u>	<u>14,560</u>	<u>17,209</u>	<u>19,501</u>	<u>21,568</u>	<u>21,568</u>	<u>21,373</u>	<u>23,179</u>	<u>24,017</u>
5. Total Equity Investment (Balance Outstanding as of January 1)	1,497	1,857	2,329	2,675	3,000	3,000	3,000	3,000	3,000	3,000
6. Total New Equity Investment - Annual	+ 677	1,543	1,386	1,039	714	714	714	714	714	714
7. Sales of Shares in Equity Investment	- 317	1,071	1,040	714	714	714	714	714	714	714
8. Year End Equity Investment (as of December 31)	<u>1,857</u>	<u>2,329</u>	<u>2,675</u>	<u>3,000</u>						
<u>INDUSTRIAL PROGRAM EXPENDITURES</u>										
1. Supervision and Collection	266	258	279	279	300	286	271	257	257	257
2. Studies, Technical Assistance, Promotion	662	721	757	757	778	778	793	793	800	800
3. Bad Debt Reserves (1% of Loan Portfolio)	58	83	116	145	172	195	216	216	226	232
4. Reserve for Investment Losses (1% of Investment Portfolio)	15	19	23	27	30	30	30	30	30	30
5. Interests Payable (Average of 4.5%)	330	456	627	892	910	1,013	1,106	1,106	1,142	1,178
	<u>1,331</u>	<u>1,537</u>	<u>1,802</u>	<u>2,100</u>	<u>2,190</u>	<u>2,302</u>	<u>2,416</u>	<u>2,402</u>	<u>2,453</u>	<u>2,497</u>
<u>INCOME INDUSTRIAL PROGRAM</u>										
1. Interest and Commissions	466	662	1,045	1,384	1,720	1,950	2,157	2,157	2,237	2,318
2. Investment Dividends (10% annual return)	150	186	233	267	300	300	300	300	300	300
3. Recuperation of Expenses	75	50	50	50	50	50	50	50	50	50
	<u>691</u>	<u>898</u>	<u>1,328</u>	<u>1,701</u>	<u>2,070</u>	<u>2,300</u>	<u>2,507</u>	<u>2,507</u>	<u>2,587</u>	<u>2,668</u>
PROFIT OR LOSS INDUSTRY PROGRAM	- 640	- 639	- 474	- 399	- 120	- 2	+ 91	+ 105	- 134	+ 171

INSTITUTO DE FOMENTO NACIONAL

ESTADO DE PERDIDAS Y GANANCIAS
POR EL SEMESTRE DE ENERO A JUNIO 1966

OPERACIONES BANCARIAS

G A S T O S

Gastos del Depto. de Crédito	€ 1,130,348.35
Gastos Sección de Ahorros	" 633,572.37
Gastos Departamento Comercial	" 43,426.42
Intereses Pagados	" 1,004,533.32
Cambios Pagados	" 11,091.03
Castigos, Amortizaciones y Quebrantos Diversos	" 64,914.49

P R O D U C T O S

Productos Depto. de Crédito	€ 2,661,886.81
Productos Sección de Ahorros	" 3,787.37
Productos Financieros	" 20,657.52
Comisiones Ganadas	" 87,317.08
Cambios Ganados	" 30,749.88
Otros Productos	" 83,487.32

S U M A N € 2,887,885.98 € 2,887,885.98

OPERACIONES NO BANCARIAS

G A S T O S

Gastos del Depto. Técnico	€ 2,154,278.88
Gastos Depto. Promoción y Proyectos - en Desarrollo	" 550,590.23
Gastos Departamento Ganadería	" 113,773.82
Pérdidas en Empresas Propias	" 215,832.26

P R O D U C T O S

Recuperaciones del Depto. Técnico ... € 770,763.67

(Pasan) S U M A N € 5,922,361.17 € 3,658,649.65

Vienen

€ 5,922,361.17 € 3,658,649.65

Gastos de Asistencia Técnica, Estudio
e Investigaciones de Desarrollo Eco-
nómico del Primer Semestre de 1966,
que reembolsará el Gobierno de Nica-
ragua, conforme Arto. 7, Decreto 5-L
de Marzo 8, 1963.

€ 2,263,711.52

S U M A N € 5,922,361.17 € 5,922,361.17

Managua, D., N., 30 de Junio de 1966

BREAKDOWN OF INFONAC's INDUSTRIAL PROGRAM SOURCES OF FUNDS (1966-75)

(in thousands of US\$)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
INDUSTRIAL DEVELOPMENT PROGRAM										
Investments	677	1,543	1,386	1,039	714	714	714	714	714	714
Loans	3,634	4,643	4,893	5,274	5,643	5,786	5,929	6,071	6,357	6,715
Feasibility Studies	107	114	114	100	57	57	57	57	57	57
TOTAL	4,418	6,300	6,393	6,413	6,414	6,557	6,700	6,842	7,128	7,486
FOREIGN LOANS										
First Disbursement	3,060	4,115	3,921	2,786	1,786	429	-	-	-	-
IDB Industrial Loans	704	1,018	1,778	-	-	-	-	-	-	-
AID Industrial Loan-009	1,756	1,857	-	-	-	-	-	-	-	-
AID (new Industrial Loan	-	857	2,143	2,000	-	-	-	-	-	-
Bank of America (INQUISA)	600	383	-	-	-	-	-	-	-	-
IDB Industrial Loan	-	-	-	786	1,786	429	-	-	-	-
LOCAL RESOURCES										
Banco Central	622	571	-	-	-	-	-	-	-	-
Rollover AID Loan 524-L-009	-	-	64	350	675	667	724	833	879	699
Rollover New AID Loan	-	-	-	143	500	833	857	939	1,078	1,078
Industry Rollover Applied to Industry	158	260	1,050	1,241	1,342	1,624	2,358	2,575	2,954	3,337
Agriculture Rollover Applied to Industry	-	-	-	-	-	844	995	715	408	527
GON Capitalization	-	-	-	500	500	500	-	-	-	-
Savings Deposits and Bonds	-	-	-	329	428	428	428	428	428	428
Central Bank Apportionments	-	-	-	-	68	68	68	68	63	68
Fishery Export Tax	-	-	-	-	69	100	114	114	114	114
Interest Received	-	-	-	-	-	-	92	106	135	171
Sales of Stock	317	1,071	1,040	714	714	714	714	714	714	714
Income Investments	186	233	268	300	300	300	300	300	300	300
Recuperation Investigation Expenses	75	50	50	50	50	50	50	50	50	50
TOTAL	4,418	6,300	6,393	6,413	6,414	6,557	6,700	6,842	7,128	7,486

OUTSTANDING FOREIGN LOANS TO INFONAC

(In U.S. Dollars - January 31, 1967)

Institution	Purpose	Date	Amount (000)	Int.	Maturity	Grace
IBRD	Agric. & Industry	August 55	1,500	4 1/4	10 yrs	2 yrs
IBRD	Electrification	July 55	400	4 3/4	17 "	3 "
BID	Industrial	July 61	2,000	5 3/4	10 "	2 "
BID	Agricultural Livestock	Sept. 64	1,430	5 3/4	15 "	4 "
BID	Rivas Irrigation	Sept. 64	900	5 3/4	25 "	4 "
BID	Industrial	Dec. 13/65	3,300	6	12 "	4.5 "
BID	Studies & Tech. Assist. to Industry	Dec. 13/65	100	4	12 "	4.5 "
AID	Industrial	Dec. 23/64	4,000	2	25 "	10 "
BANK OF AMERICA	Chemical Plant	May 66	933	7	5 "	2 "
BANK OF AMERICA	Line of Credit	---	1,100	6.575	---	---
BANK OF AMERICA	Export & Import	---	400	6.575	---	---
MANUFACTURERS HANNOVERS TRUST COMPANY	Line of Credit	---	1,00	6.5	---	---
MANUFACTURERS HANNOVERS TRUST COMPANY	Export & Import	---	750	6.5	---	---
Total U.S.			\$ 17,873			

DETAIL OF INDUSTRIAL LOANS PORTFOLIO AMOUNTS IN ARREARS
(in Nicaraguan Cordobas ₡) *

Short-Term

78-CP-I	E. Gurdían y P.J. Quintanía	₡ 9,750.00
---------	-----------------------------	------------

Medium-Term

16-MP-I	Francisco Szabo Wallach	₡ 6,136.26
62-70 y 97-MP-I	Van Heusen de Centroamérica	" 19,999.00
113-MP-I	Metales y Estructuras	" 3,848.00
130 "	Van Heusen de Centroamérica	" 39,998.00
123 "	Metales y Estructuras S.A.	" 5,772.00
144 "	Metales y Estructuras S.A.	" 54,337.63
143 "	Adrián Cuadra Gutiérrez	" 11,668.00

₡ 141,758.89

Long-Term

1-LP-I	Cía. Nacional de Productores de Leche	₡ 65,000.00
2-LP-I	Godala Marfa & Cía. Ltda.	" 21,282.30
32 "	Manufact. Bertha Argüello de Lacayo	" 16,000.00
40 "	Belli Castellón & Cía. Ltda.	" 43,300.59
48 "	Argüello Tefel & Cía. Ltda.	" 142,272.00
55 "	Manufact. Bertha Argüello de Lacayo	" 32,385.00
6 "	Compañía Eléctrica de Masaya	" 133,171.70

₡ 453,411.59

DETAIL OF INDUSTRIAL LOANS PORTFOLIO - AMOUNTS OF DEFAULTED LOANS UNDER LEGAL CLAIM

Short-term

13-CP-I	Silvio Parodi Basset	₡ 7,000.00
---------	----------------------	------------

Medium - Term

4-MP-I	Gustavo Kuper	₡ 16,261.02
66-MP-I	Horvilleur y Leetz & Cía. Ltda.	" 120,000.00
75-MP-I	Salvo Bermúdez & Cía. Ltda.	" 150,000.00
79-MP-I	Benard Horvilleur & Eduardo Leetz & Cía. Ltda.	" 132,930.00
109-MP-I	Lacayo Bergin & Cía. Ltda.	" 175,000.00

₡ 594,191.02

*: \$1: ₡7.-

INDUSTRIAL LOANS MADE BY INFONAC - 1965

(US \$)

<u>Name</u>	<u>Amount</u>	<u>Type of Industry</u>
1. Consorcio C.A. de Construcciones, S.A.	42,857	Construction Industry
2. Industrias Dacal	228,571	" "
3. Chamorro & Cuadra Cía. Ltda.	33,895	" "
4. Fábricas de Productos de Concreto, S.A.	71,429	" "
5. Cerámica Chiltepe, S.A.	66,571	" "
6. Financiera de Inversiones, S.A.	42,143	" "
7. Plywood de Nicaragua, S.A.	38,930	Wood Industry
8. Procesadora Industrial de Maderas, S.A.	16,280	" "
9. Lyonel E. Aguilar (Tenerifa Bataan)	53,000	Leather Industry
10. Antenor Berríos	7,143	" "
11. Armando Navas Ferrari	8,000	" "
12. Enrique Lichtenstein	5,143	" "
13. Centroamericana de Calzado, S.A.	177,571	Shoe Industry
14. Aceros Nacionales, S.A.	120,000	Metal Industry
15. Nestor Campbell	136,416	Metal Industry
16. Mercadeo Industrial, S.A.	27,000	Chemical Industry
17. Kativo de Nicaragua, S.A.	3,140	" "
18. Acumuladores Centroamericanos, S.A.	7,143	" "
19. Industrias Químicas Atlas de C.A., S.A.	20,000	" "
20. Cía. Industrial C.A., S.A.	51,000	Plastic Industry
21. Plásticos Maber	10,714	" "
22. Max Najman (Plásticos Record)	4,286	" "

UNCLASSIFIED

ANNEX IV, Page 14 of 18

Exhibit 10, Page 1 of 2

UNCLASSIFIED

<u>Name</u>	<u>Amount</u>	<u>Type of Industry</u>
23. Gurdán S.A. de Impresiones	100,000	Lithography
24. Litografía Robelo, S.A.	71,429	Lithography
25. Las 3-F, S.A.	57,143	Textile Industry
26. Jorge Wheelock	6,428	Textile Industry
27. Inversiones Nicaragüenses, S.A.	75,000	Fishing Industry
28. Manuel Pomares Hinos.	21,429	Fishing Industry
29. Severino Kennedy	10,000	Fishing Industry
30. Cereales de Centroamérica, S.A.	11,428	Other Industries
31. Enrique Luna Ch.	142,857	"
32. César Delgadillo Sucrs., S.A.	15,857	"
33. Productos Sanitarios S.A.	57,143	"
34. Envases Industriales Nicaragüenses, S.A.	85,714	"
35. Cía. Nacional Productora de Cemento, S.A.	500,000	"
36. Corporación C.A. de Tabacco, S.A.	425,528	"
37. Cía. Leonesa de Productos Lácteos, S.A.	374,200	"
38. INFISA	500,000	Medium and Small Industry
TOTAL:	<u>\$3,625,394</u>	

Source: Credit and Investment Department

UNCLASSIFIED

UNCLASSIFIED

ANNEX IV, Page 16 of 18

Exhibit 11, Page 1 of 1

INFONAC'S PARTICIPATION IN PRIVATE ENTERPRISE

Name of the Company	Infonac's Paid-in Investment as of 2/28/67	Total Amount of Infonac's subscribed equity	% Infonac's subscribed equity in the company's capital stock
Inversiones Químicas S.A. (Chemical Investments, Inc.)	936,000	1,040,000	70 %
Cfa. Hotelera de Nic. S.A. (Nicaraguan Hotel Company Inc.)	20,120	200,000	14 %
Corp. Centroamericana de Tabaco S.A. (C.A. Tobacco Corp., Inc.)	40,000	100,000	12 %
Soc. Centroamericana de Calzado S.A. (Shoe company)	114,285	114,285	100 %
Cfa. Leonesa de Prod. Lácteos "El Hogar" S.A. ("El Hogar" Milk Plant)	246,100	246,100	74 %
Booth de Nicaragua S.A.	40,000	40,000	10 %
Corp. Nicaragüense de Inversiones S.A. (Nicaraguan Investment Corporation)	142,850	142,850	6.66%
Nipco (Lumber & chemicals)	1,500	1,500	0.6%
Ifagán & Cfa. Ltda. (Meat packing)	714,280	714,280	50 %
Maderas Industrializadas S.A. (Wood products)	57,500	250,000	17.5 %
Cocibolca Jockey Club S.A.	143	714	--0--
TOTAL US\$ 2,312,778		US\$ 2,849,729	

Managua, D.N. February 28, 1967

UNCLASSIFIED

POSSIBLE BENEFITS OF THE TWO-STEP PAYMENT AGREEMENT TO INFONAC
CAPITALIZATION

Difference between amount of
principal and interest paid to
GON and GON payment at that
time, to A.I.D.

After First Disbursement	
$\frac{1}{2}$ year	5,350
1 year	10,712
1 $\frac{1}{2}$ year	24,100
2 years	37,500
2 $\frac{1}{2}$ years	50,000
3 years	62,500
3 $\frac{1}{2}$ years	62,500
4 years	62,500
4 $\frac{1}{2}$ years	62,500
5 years	184,451
5 $\frac{1}{2}$ years	182,317
6 years	180,183
6 $\frac{1}{2}$ years	178,048
7 years	175,914
7 $\frac{1}{2}$ years	173,781
8 years	171,646
8 $\frac{1}{2}$ years	169,512
9 years	167,377
9 $\frac{1}{2}$ years	165,244
10 years	81,143
10 $\frac{1}{2}$ years	79,418
11 years	41,423
11 $\frac{1}{2}$ years	40,314
12 years	39,984
12 $\frac{1}{2}$ years	39,984
13 years	39,984
13 $\frac{1}{2}$ years	39,984
14 years	39,984
14 $\frac{1}{2}$ years	39,984
15 years	39,984
15 $\frac{1}{2}$ years	39,984
16 years	39,984
16 $\frac{1}{2}$ years	39,984

UNCLASSIFIED

ANNEX IV, Page 18 of 18

Exhibit 12, Page 2 of 2

-2-

Difference between amount of
principal and interest paid to
GON and GON payment, at that
time, to A.I.D.

17 years	39,984
17 ½ years	39,984
18 years	39,984
18 ½ years	39,984
19 years	39,984
19 ½ years	39,984
20 years	39,984
20 ½ years	39,984
21 years	39,984
21 ½ years	39,984
22 years	39,984
22 ½ years	39,984
23 years	39,984
23 ½ years	39,984
24 years	39,984
24 ½ years	39,984
25 years after disbursement	39,983

UNCLASSIFIED

June 1, 1967

PRINCIPAL DIRECTORS AND OFFICERS OF INFONAC

1. Directors (as of October 1966)

- a. Dr. José María Castillo, President of Board and General Manager of INFONAC

Born: September 5, 1912 - Academic Titles: B.A. and Master in Economics, George Washington University, Washington, D.C.; advanced studies in Economic Development at Santiago de Chile, with the Economic Commission for Latin America (ECLA); Fellowship of the administration of Technical Assistance of the U.N. to study at the GATT, Benelux and the European Common Market. - Positions Held: Minister Advisor for Economic Affairs of the Nicaraguan Embassy in Washington, Alternate Executive Director of IDB; Alternate Delegate of the Social and Economic Council of the OAS; Permanent Delegate at the International Consultative Committee on Cotton; Permanent Delegate at the International Council for Coffee (1961-65); Executive Secretary of the National Economic Council and Member of the Central Customs Commission (1958-60); Adjunct Secretary of the National Economic Council (1955-57); Commercial and Financial Attache at the Nicaraguan Embassy in Washington and Alternate Delegate at the Social and Economic Council of the OAS (1952-54); Chief of Economic Research at the Banco Nacional de Nicaragua (1951-52); Comptroller of the Republic of Nicaragua (1949-50); Secretary of the Exchange Commission (1949-50); Vice-Consul of Nicaragua in New York and Economic Attache at the Permanent Mission of Nicaragua at the U.N. (1948-49); Since 1953 he has been a delegate to most of the international conferences related to economics.

- b. Mr. Alfonso González Pasos, Member of the Executive Board in representation of the Minority Party.

Born: April 5, 1934 - Academic Titles: Studies in Agriculture at the Escuela Agrícola Panamericana de Tegucigalpa, Honduras - Positions Held: General Manager and President of "administradora Mercantil, S.A." (1966 -); General Manager and President of "Embotelladora de Nicaragua, S.A." (1964-66); Private agricultural activities.

UNCLASSIFIED

ANNEX V, Page 2 of 6
Exhibit 1, Page 2 of 5

- c. Ing. José Wong Valle, Member of the Executive Board as
Agricultural Expert appointed by
the Superior Council.

Born: July 20, 1925 - Academic Titles: B.S. in Agriculture, from the University of Texas (1945-47), State University of New York (1947-49)
Positions Held: Chief of the Cattle Division of the Experimental Agropecuario Center, from the Ministerio de Agricultura y Ganadería (1963 -); Inspector General of Cattle (Ganadería) (1961-63); Assistant Chief of the "Inspección General de Ganadería (1955-61); Manager of the 3rd Pecuarian Fair of Central America.

- d. Lic. Ricardo Parrales, Member of the Executive Board as Economic
Expert appointed by the Superior Council.

Born: February 13, 1931 - Academic Titles: B.A., University of Maryland; Post-graduate studies at George Washington University; - Positions Held: Vice-Minister of "Hacienda" (1965-); Member of the National Economic Council; Alternate Member of the Board of Directors of the "Banco Central de Nicaragua"; Alternate Member of the "Autoridad Portuaria de Corinto"; Alternate Member of the "Instituto Nacional del Café (INCAFE)"; Nicaraguan Delegate at the CIAP; Member of the Central Customs Commission; Vice Minister of Economy (1964-65); Chief of INFONAC's Industrial Promotion Office (1962-63); Director of the Center of Technical Industrial Cooperation (CCTI) of INFONAC (1961-62); He has been a member of the Interamerican Consultive Committee on Cotton and the "Comisión de Cooperación Técnica" from the Interamerican Economic Council. He has been a delegate to the Interamerican Economic Council, at the "Convenio Constitutivo del BID" at the "Convenio Internacional del Café," etc.

- e. Dr. Jorge I. Montealegre, Member of the Executive Board, in
representation of the Private Activities

Born: November 23, 1918 - Academic Titles: Doctor at Law, Universidad Nacional de Nicaragua - Positions Held: Director of the Chamber

UNCLASSIFIED

UNCLASSIFIED

ANNEX V, Page 3 of 6
Exhibit 1, Page 3 of 5

of Commerce; Director Secretary of the Coffee-growers Cooperative; Director of the National Institute of Interior and Exterior Commerce (INCEI); Director Secretary of the insurance company "La Protectora"; General Manager of "Montealegre y Cía. Ltda."; Swedish Honorary Consul; Former Director IMF and IDB.

f. Ing. Alfredo J. Sacasa, Member of the Executive Board,
Delegate from the Executive Power

Born: December 26, 1917 - Academic Titles: B.S., Chemical Engineering, Purdue University (1937-41). Studies at the Graduate School of Engineering, University of Michigan, (1941-42); courses in Finance, American University - Positions Held: General Manager, Compañía Cervecería de Nicaragua; General Manager and President of INFONAC (1953-65); Attache and Commercial and Financial Advisor of the Nicaraguan Embassy in Washington; Alternate Delegate to the Inter-American Social and Economic Council (1946-53); Chemical Engineer in the Department of Research and Development of the Goodyear Tire and Rubber Co. (1942-45).

2. Management

a. Dr. José María Castillo, General Manager (since 1965) -
(see preceeding)

b. Lic. Anibal Ramírez, Assistant Manager, Chief of the Department of Economic Studies (since 1965).

Academic Titles: Licenciado in Economics (Universidad de Costa Rica); Post-graduate studies in Commercial Law and Agricultural Economics. - Positions Held: Collaborating Economist Central Bank of Nicaragua (1963-64); since 1963 Assistant Dean of the Faculty of Economic Sciences in the Universidad Nacional de Nicaragua; (1964-65), Chief Credit Department of INFONAC; 1965, Chief of the Programming Office of INFONAC.

c. Lic. J. Román González, Assistant-Manager, Chief of the Financial Department (since 1964).

UNCLASSIFIED

UNCLASSIFIED

ANNEX V, Page 4 of 6
Exhibit 1, Page 4 of 5

Academic Titles: B.A. in Economics, University of Texas; postgraduate studies, University of Stanford, Calif., specialized studies INCAI, Nicaragua and Costa Rica. - Positions Held: Assistant to the Manager of the National Granery (1959-60); assistant to the General Manager of INFONAC and Chief of the Commercial Department (1960-64); instructor of Mathematics, National University; instructor of Marketing, Central American University.

d. Mr. Hector J. Wilkinson, Special Advisor to the Manager

Academic Titles: Public Accountant (Universidad Nacional de Argentina), studies in engineering at University of California, U.S.A. - Positions Held: Adjunct Consul at the Argentine General Consulate in New York (1947-48); Secretary of Argentina Embassy, Washington, D.C. (1948-51); Advisor in the Secretariat of the National Economic Council, Buenos Aires, Argentina (1952-53); Advisor General Secretariat of the Ministry of Economic Affairs (1953-55); Advisor, National Economic Council of Nicaragua (1955); Chief of the Section of Economic Studies of the Ministry of Economy; Secretary of the National Commission for Cotton and National Commission for Coffee (1956-58); Chief Economic Studies Section, INFONAC (1958-59); Deputy Chief Technical Department, INFONAC (1959-60); Chief Technical Department, infonac (1960-65); Chief Industrial Promotion and Project Development Department, Infonac (1965-66).

e. Ing. Edmundo Astorga, Assistant Manager, Chief of Agropecuarian Department (1966)

Academic Titles: B.S. in Agriculture, University of Oklahoma, A.A. in Agriculture, Corneson ~~Hot~~ Agricultural College, Lawton, Oklahoma; specialization in Agricultural Economics at the Instituto de Zamorano (Honduras). - Positions Held: Chief Agricultural Section, INFONAC (1954)

f. Mr. S. Augusto Castellón, Comptroller (1964)

Academic Titles: Accountant, Accounting School "Silviano Matamoros" (1943) B.S., B.A., Herald Business and Engineering College (1960) -

UNCLASSIFIED

Positions Held: Accountant for "Fabrica Nacional de Licores Bell, S.A." (1946-51); Office Chief of "Canada Dry de Nicaragua, S.A." (1951-57); Since 1960 with INFONAC; Delegate Auditor of "IFAGAN" (1960-62); Chief of Technical Assistance (Accounting) (1962-64).

g. Mr. José A. Monterrey, Internal Auditor

Academic Titles: Commercial Accountant "Escuela Siempre Adelante"; Public Accountant "Escuela de Contadores Públicos." - Positions Held: Accountant, Neptune Gold Mine (3 years); Accountant and Assistant Manager, National Bank of Popular Credit (12 years); INFONAC, Accountant to Auditor (13 years).

3. Industrial Department

a. Dr. Manuel J. Sequeira, Assistant Manager (1966), Chief of Industrial Department

Academic Titles: Doctor in Economics, University of Paris, France (1958). Doctor at Law, Universidad de Oriente y Mediodía, Granada, Nicaragua (1950). - Positions Held: Economist IDB (1960-63); IDB's Regional Representative in Haiti (1964-65); IDB's Loan Officer (1965-66).

b. Mr. Guillermo Lugo-Alaniz, Assistant to Chief of Industrial Department (1965 -)

Academic Titles: B.B.A., Healds Business and Engineering College, San Francisco, Calif. (1958); Diplom Volkswirte (Master in Economics); Ruprecht Karl University of Heidelberg, Germany (1965). - Positions Held: Assistant to the Actuary, Superintendency of Banks and other Credit Institutions (1958); Nicaraguan Consul for the state of Bade-Wurttemberg, German Federal Republic (1959-64); Collaborator International Department "Grün & Bilfinger A.G.", Mannheim, Germany (1961); Collaborator Business Management Section "Brown Boveri and Co.", Kaefertal, Germany (1963). With INFONAC since 1965.

Personnel

As of October 1966, the Personnel Roster of INFONAC was as follows:

Profession	Managua	Field Offices	Total
- Agronomists	11	8	19
- Civil Engineers	2	1	3
- Textile Engineers	1	0	1
- Chemical Engineers	2	-	2
- Mechanical Engineers	1	-	1
- Business Administration	5	1	6
- Economists	13	-	13
- Veterinarians	3	1	4
- Lawyers	9	2	11
- Accountants	38	6	44
- Agronomy Experts	5	26	31
- Forestry Experts	-	4	4
- Journalists, photographers	2	-	2
- Bilingual secretaries	10	-	10
- Typists	40	2	42
- Statistical Clerks	18	-	18
- Surveyors	4	1	5
- Draftsman	3	-	3
- Others	32	6	38
Total	199	58	257

INFONAC also uses technicians from International organizations such as FAO, ILO, ICAITI, etc. Also internationally recognized consulting firms (Arthur D. Little, R.W. Booker, ICAITI, etc.), and individuals are hired from time to time to meet special needs.