

**INTER-AMERICAN
DEVELOPMENT BANK**



**FIRST MEETING OF THE
BOARD OF GOVERNORS**

PROCEEDINGS

San Salvador, El Salvador
February 3-16, 1960

INTRODUCTORY NOTE

The First Regular Meeting of the Board of Governors of the Inter-American Development Bank was held in San Salvador, El Salvador, February 3-16, 1960.

Dr. Alfonso Rochac, Minister of Economy of El Salvador and Governor of the Bank, was elected President of the First Meeting.

Pedro Irañeta
Secretary

Washington, D. C.
1960

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PROGRAM

Program of the First Meeting of the Board of Governors

Date	Time	
3	10:00 a.m.	Preliminary session
4	3:00 p.m.	Preliminary session
	7:30 p.m.	Inaugural session
		Speech by the Governor for the host country, Dr. Alfonso Rochac
		Reply by the Governor for Argentina, Dr. Guillermo Klein
		Speech by His Excellency, the President of El Salvador, Lieutenant Colonel José María Lemus
5	11:00 a.m.	Plenary session
		Election of the Chairman of the First Meeting of the Board of Governors
		Report of the Preparatory Committee
	5:15 p.m.	Plenary session
		Election of the President of the Bank
8	11:30 a.m.	Plenary session
	4:00 p.m.	Plenary session
9	10:00 a.m.	Plenary session
10	4:00 p.m.	Plenary session
16	12:30 p.m.	Plenary session
		Election of the Board of Directors of the Bank
		Speech by the President of the Bank, Mr. Felipe Herrera
		Closing of the First Meeting of the Board of Governors of the Bank.

ADDRESSES

Address by His Excellency, Lieutenant Colonel Jose Maria Lemus,
President of El Salvador, at the Inaugural Session
Held on February 4, 1960

Gentlemen:

It is indeed a great honor for me to greet, in the name of the people and Government of El Salvador, this distinguished assembly of outstanding men in the highly specialized field of economics representing nations, governments, entities and institutions interested in the enormous problems facing Latin America and who come here to work with unparalleled enthusiasm at a task whose goal is to convert our America from the Hemisphere of Promise to the Hemisphere of brilliant human accomplishments where life will reflect the splendor resulting from the gifts and riches that nature was kind enough to bestow upon us, and where man may live a life compatible with his dignity and his constant valuable contributions to the well-being of all.

Upon presenting my warm welcome to all those present and expressing my best wishes for the complete success of this fine example of American co-operative effort, I wish, before going further, to voice my thanks for the touching unanimity with which this country was chosen as the seat of the First Meeting of the Board of Governors of the Inter-American Development Bank.

This expression of friendliness toward a nation has a concept, clearly evident in the field of international relations, deriving from both the particular and over-all progress evident in the nations forming part of the Latin American family, and of both the individual and joint contributions necessary in order that its achievement may be more effective, stimulates our zeal and induces us to persist in our efforts to attain better hemispheric understanding and cooperation, an objective toward which the Salvadoran contribution has always been positive through our willingness to advance and stimulate decisive action of any nature that would tend to improve the general well-being and happiness of all in the days ahead.

The name of El Salvador will always shine in the history of the inter-American system, together with that of this group of illustrious Americans who are now meeting together, some undertaking to organize on a practical plane a selfless entity being brought into existence in order to render incalculable benefits to Latin American development, and others to encourage us with their presence and with their erudition at the beginning of one of the greatest accomplishments of Pan Americanism, created to consolidate our efforts and to open new horizons in the world of the inter-American system.

The founding of the Inter-American Development Bank and the beginning of its activities, represent a decisive victory for the Pan American spirit born in the days of national independence of each and every one of the Latin American peoples.

This spirit was encouraged in an animated although abnegated way by the prophetic mentality of the great Bolivar, whose visionary expression is still discernible in all the brilliant achievements of our history that foster the communion and feeling of unity of our peoples and tend to assure a future

greatly improved through work, intelligence and love, entirely fitting for the maintenance of an atmosphere of liberty and democratic principles made possible by the ceaseless vigilance, tremendous sacrifices and copious bloodshed of the Latin American peoples.

Any clear and precise conception of the meaning of history must count this meeting as a substantial step forward in the historical continuity of Pan American ideology and as a natural consequence of the great integrating purpose, which dominated the entire life of the Liberator and which found its highest expression in the Congress of Panama in 1826, the splendid beginning of an era that modern times have put in its true perspective, revealing clearly its just principles and rules of outstanding moral values.

Bolívar achieved this capacity to survive in the minds of men and to indelibly impress his ideals upon them because he served no one class of society or entrenched interests but, rather, labored in behalf of nations destined to experience surprisingly rapid growth. To this end he attempted to build the future of the peoples freed by his sword, his brothers in blood and spirit, based on a vision projected many years beyond the time in which he lived.

In his epoch politics were but little concerned with the vital interests of our peoples and did not, as yet, take cognizance of the problems and needs of a growing civilization, or situations arising from a potentially highly expansive population.

The American man appeared then to be lost among the riches of his land, and the contrast between them and his living standard continued to be almost unnoticed because these riches were but little coveted.

By merely extending his hand he could satisfy his needs from the lavish abundance provided by nature.

Perhaps that is the reason why very little emphasis was placed on the doctrine of Bolívar, in spite of the seriousness of the economic problems, to the degree that, at times, it seemed empty and incomplete, especially when analyzed in the light of modern conceptions and requirements.

Nonetheless, Bolívar's concept of Latin America's destiny based on unity, solidarity and the community of desires and ideals, is still valid. After a century and a half of Pan American existence Bolívar's concepts continue unchanged in certain aspects, outmoded in others, but always illuminating the line of march of our peoples toward their ultimate unification and grandeur.

Because of that I am inclined to believe that in a certain way we are paying tribute to the great vision and person of Bolívar when we carry out an undertaking conceived more than seventy years ago, and which at that time was no more than a dream, very distant from the reality which we are bringing into existence today, thanks to the efforts of a spirit as fraternal as it is free, present in all American decisions, and with the valuable aid of modern techniques, science and talent united for the purpose of improving and dignifying the future of our peoples.

I have considered it convenient to refer to the historical background of this undertaking because it is historical background that usually determines the quality of an institution and of every human activity, especially in the case

of one which, like the present one, is designed to fight underdevelopment and its painful results.

Ideas which are not based on historical facts are often fragile and inconsistent. It is therefore of the utmost importance for us to realize that we have come of age and that we are prepared to continue working for progress and prosperity, not as a matter of chance, but through the orientation and outlines devised by outstanding minds who have been able to understand our just aspirations and who have conceived ways of life that will grow, in time, because they are compatible with our characteristics and our ideals. It is only by asserting these ideas that we will be able to give to any undertaking of ours a quality of greatness and of permanency worthy of our highest aspirations.

At the moment we are engaged in the task of revising and improving our basic concepts of Pan Americanism. We have felt the need to go further, to fill the empty spaces of a system which might stagnate should we remain overly attached to a sentimental tradition and the desire for a Pan Americanism whose greatest strength lies in vehement words, but which is lacking in the positive force that would make us understand fully the significance of collective responsibility.

Through economic action, we are trying to enhance the value of all the things that make for unity, our geographical position, our history, and our common background, in order to achieve our integration and to fulfill our potential for happiness.

We seek to solve the immediate problems of our countries separately, but with a view to a unified future in which our problems and their solutions can be related through our collective efforts and through a feeling of brotherhood which will produce genuine greatness and free us from internal upheavals, from threats by foreign powers, from the loss of democratic principles and from enslavement and forced submission.

Now, as a result of a long historical experience, we are able to accord economic factors their true value and make them predominate over political matters. It is easier to find common grounds, so necessary for a full understanding among our countries, when we agree with the concept that any economic association becomes a source of good will to the extent that it eliminates problems and economic losses stemming from the existence of boundaries which are sometimes vague or set up in an arbitrary manner.

Such is the road to peace. Such is the way to form an ideal state, one without geographical limits and where there is no room for disagreements, violence, foolish disputes over boundaries, or war between brothers, whose only result in the Latin American area, has been a general state of underdevelopment thwarting the highest aspirations of the people of the Americas.

Being receptive to progressive ideas, our countries are perfectly capable of understanding the need for economic associations. Thus it is understandable why steps have been taken toward the establishment of a common Latin American market and toward the integration of regional economic blocs whose significance is enormous for the future of our countries.

Agreements among the South American countries and the important and decisive action taken by Central America for the establishment of a com-

mon market, are encouraging signs that, in the not too distant future, our hopes and ideals of unification will become a reality, fulfilling the aspirations of outstanding men in America, who have pictured her vigorous and strong, both morally and materially, capable of living without fear, uncertainty or insecurity.

In this connection, the creation of the Inter-American Development Bank has come to mean a new conquest, a new achievement and a wonderful triumph of our common aspirations.

Its functioning will make possible a greater cooperation and identification among countries whose bonds have been mainly based, until recent times, on sentimental traditions but which are now going forward, aided by systems of cooperation and unification spurred on by the need for economic improvements and stability, for higher standards of living, and by the desire to occupy a more suitable place in the community of nations.

The Pan American doctrine is being transformed from an ideal into a force of material impact and is experiencing a basic change. In the future, this doctrine will make it evident to us that it has the capacity to create effective economic bonds and to achieve economic progress, as it has advanced in the legal and moral spheres.

The value of the idea which we now see turned into reality was predetermined by its historical background, by the persistence with which it was upheld after it was formulated by Secretary of State James Blaine during the First International Conference of American States, held in Washington in 1889, when recommendations were made to the various governments for the granting of concessions favorable to the development of inter-American banking operations, and particularly those conducive to the establishment of an Inter-American bank empowered to establish subsidiaries or branch offices in all the countries of the American Hemisphere.

This idea reappeared during the Second International Conference of American States held in Mexico in 1901, and also during the Fourth International Conference which convened in Washington in 1931.

During the Seventh International Conference of American States in Montevideo, it arose once again, but the Bank was no longer proposed as a private institution. Instead it was to be a part of an Inter-American system or organization for economic cooperation, functioning as a central bank for the regulation of credit and currency.

Planning continued along the same lines until the Inter-American Conference on the Maintenance of Peace, held in Buenos Aires in 1936, where the Bank was conceived as an inter-American economic and financial institute.

The subject of an Inter-American Bank was again briefly mentioned at the Eighth International Conference of American States, which requested the Pan American Union to direct its economic activities toward the establishment of an inter-American economic and financial institution.

The First Meeting of Consultation of Ministers of Foreign Affairs, held in Panama in 1939, resulted in the establishment of the Inter-American Economic and Financial Advisory Committee, composed of experts from the 21

American republics, which drew up a Convention for the Establishment of an Inter-American Bank.

New emphasis was given this topic at the First Meeting of Ministers of Finance, held in Guatemala in 1939.

By 1948, when the Ninth International Conference of American States convened at Bogotá, the urgent need for the institution was becoming more evident. On this occasion, many of the Latin American republics expressed the conviction that international lending institutions, such as the International Bank for Reconstruction and Development and the Export-Import Bank, were not adequately meeting the credit requirements of the American nations. It was then decided that the Inter-American Economic and Social Council should establish a committee of specialists to consider the possibility of creating an inter-American bank or an inter-American development corporation or both.

The Economic and Social Council, at its Extraordinary Meeting of 1950, held in Washington, recommended against the establishment of an inter-American bank, principally because the prevailing climate of opinion, both in the international money markets and in the governments of those countries having a surplus of resources or capital, did not seem to be favorable. The meeting recognized, however, that circumstances could conceivably arise in the future that would awaken new interest in the idea of an inter-American bank or development corporation.

Despite this situation, the Inter-American Economic and Social Council, at its Fourth Extraordinary Session in Quitandinha, Brazil (1954), resolved to establish a Committee of Experts charged with preparing plans for a regional financial organization, to be submitted to the member countries of the Organization of American States.

The proposal was now close to the final stage, and after further discussion was to become an existing reality. On April 8, 1959, the 21 American countries signed the Agreement establishing the Inter-American Development Bank, whose future will now depend on the wisdom of this assembly in selecting the technical and executive staff that is to shoulder responsibility for the future operations of the Bank as an agency for strengthening the economic and financial foundations of the underdeveloped countries. The final stage of the work has apparently progressed with haste and dispatch. The time it has taken is only that which is needed for the accomplishment of a project conceived, planned and executed under great stress and carefully pondered, discussed, and considered.

All ideas have a history, and the Inter-American Bank is no exception. It has a history in which the tenacity and determined efforts of our hemisphere leaders and nations gained an incomparable victory. The fight was not free of vicissitudes, setbacks, and temporary discouragements. There were moments pervaded with skepticism and doubt and some when the influence of traditionalism and negative thinking seemed to prevail. But the idea of an inter-American bank finally won out with the assistance of powerful forces that have been developing and gaining momentum in the past few decades: increased material wants, a growing popular clamor for better standards of living, and the need for improvement and growth, not only in the over-all economic structure

but also in the economics of the individual countries, faced as they were with the clearcut alternatives of uniting or risking extinction.

Planned by the most capable minds of the Hemisphere on the basis of careful estimates and studies conducted in line with modern economic and financial techniques, the Inter-American Development Bank is uniquely significant in the history of Pan Americanism, not only in terms of immediate aid for the solution of the most anguishing problems of underdevelopment but also for what it means as a concrete measure that could lead to a strengthening of the programs directed to the establishment of a great economic and financial community in the Americas.

Owing to the nature of its functions, the amount of its capital (which can be increased in the years immediately ahead), the characteristics of its operations and the availability of its assets in a manner that promises to eliminate many of the existing problems of international credit by going beyond the restricted field of governmental activity and constituting a source of funds for the mobilization of private enterprise, it can be stated with confidence that the Bank is to play a significant role in stimulating the economies and promoting the industrial development and general well-being of our American countries.

It cannot be doubted that democracy has accepted the challenge of totalitarianism to demonstrate that human happiness and freedom are perfectly compatible; that nations do not need to make painful sacrifices, engage in destructive and terrible conflicts, or take up the banner of class hatred in order to attain a level of well-being that will keep them in circumstances conducive to an enduring belief in democracy as a source of human progress and as the best way of life for those who are zealous of human dignity.

This makes it imperative for the American nations to engage in a multiple program of development and improvement in the social, political, cultural, and economic fields if they are to successfully satisfy the constant demands for better standards of living.

The increasing rate of cultural and technological progress has awakened new hopes and ambitions throughout the Americas. Essential requirements for the fulfillment of these demands are economic development, increased productivity and industrial capacity, the expansion of markets, and the concept of a united economy capable of collective solutions, more feasible than solutions sought individually by nations where social unrest is producing a state of insecurity bordering on the concepts of social tyranny.

In seeking solutions to a state of affairs that could deteriorate to a point where it would threaten the very existence of this part of the Free World, we have placed our trust in a spirit of unity, intelligent thought, and modern techniques. Therein lies the magnitude of this triumph of Pan Americanism in undertaking the task of protecting and promoting the growth of our economic and financial structures; in setting in motion a process whose objectives are the maintenance of fiscal equilibrium and stable currencies, the creation of new industries and the expansion of those in existence, the development of trade and the improvement and mechanization of agriculture, all on the basis of capital mobilization, more effective utilization of national savings, the invest-

ment of domestic and foreign private capital, and a new concept of financing by public or international agencies.

It is especially necessary to stress the fact that in the credit policies of the Bank new procedures, adapted to the actual needs of the American republics, have been introduced. Considered as basic policies are the granting of loans payable in the national currency of each country and the possibility of offering preferential assistance to regional programs of integration and development. Finally, it should be pointed out that loans would not be required to be invested in productive enterprises but may be used in carrying out activities in the social field in any member country.

Ever since the beginning of the talks that led to the creation of the Bank, the Government of El Salvador has expressed its opinion with respect to the beneficial results that could be expected from its establishment.

This was, in our view, a manifestation of the desire of the Latin American nations to solve their own problems by using their own manpower, experience, resources and ideas. We also expressed the belief that its function was to complement and not to replace the services being rendered by other international financial institutions.

Naturally we do not attribute magical powers to the Bank and therefore do not expect that its assets will be sufficient to eliminate all the problems and satisfy all the requirements for Latin American development. But, in addition to the many benefits that will be derived from its operations, the establishment in itself and the soundness of its structure represent one of the greatest triumphs of the inter-American system. Such an accomplishment serves to reaffirm the faith, confidence and hope in the ability of the peoples of the Hemisphere to maintain their loyalty and willingness to strive to unity, fraternity and solidarity and to follow unfalteringly the road towards integration, trying to correct the mistakes and make up for the lack of progress that have resulted from years of disunity, misunderstanding and isolation which have kept them from reaffirming their common heritage in history, ideals and traditions.

Once again I would like to express my best wishes for the success of this First Meeting of the Board of Governors, the new institution's highest authority, and my confidence that it will accomplish its objectives under the influence and inspiration of patriotic and noble ideals.

The presence in this Assembly of an outstanding American, Dr. José A. Mora, adds distinction to this ceremony, and it is through him that I wish to convey deep appreciation, on behalf of El Salvador, to all the countries, governments, individuals and institutions which, through constant interest and effort, and unselfish, firm and intelligent action, have translated into reality an ideal representing for Latin America, not only a brilliant economic and social prospect, but also a lofty and generous tribute to human solidarity, love and understanding.

Address by Mr. Alfonso Rochac, Governor and Minister of Economy of El Salvador, at the Inaugural Session

It gives me great pleasure to extend cordial greetings to those who have come to this ceremony marking the inauguration of the Inter-American Development Bank, particularly to our distinguished guests from all corners of the Americas. There are so many old friends here today: officials with long years of service in public administration; businessmen engaged in many different activities; and professors of Hemisphere-wide reputation who have established new trends in the science of economics. It is a great privilege to have you all here as participants in an event that is destined to be remembered as an outstanding milestone in the history of inter-American relations.

If my country has actively sought the honor of serving as host to the First Meeting of the Board of Governors, we did not do so for reasons of vanity but with a thought to the entire group of countries that constitute Central America. El Salvador was seeking an opportunity for the problems and aspirations of this part of the continent to be considered. It was our feeling that the Assembly would provide an ample forum for the discussion of the basic philosophy and ground rules of what we know as the Central American program of economic integration, which may shortly evolve into a common regional market. We hoped that in the course of this meeting, representatives of Guatemala, Honduras, Nicaragua, Costa Rica, Panamá and our own country would have an opportunity to explain what we are and what we hope to become.

It is highly significant that a small country like ours has been accorded the honor of serving as host of this distinguished assemblage. It is also significant that the great cities of the continent have yielded this privilege to a small country that has always strived to deserve the friendship and esteem of its larger neighbors.

The Inter-American Development Bank comes to life at a most opportune moment, just as we begin to see symptoms of economic difficulties that could develop into tremendous social and political problems.

The American countries have given the world a beautiful example of cooperation. They have developed programs that are a source of legitimate pride to the Hemisphere. It is possible, however, that in the economic field, they have been lacking in effective machinery for promoting development and thereby improving the standard of living for our peoples. Now we will have an institution charged with breaking the vicious cycle that someone has characterized in the following terms: In many Latin American countries there is no rapid economic development because adequate credit is lacking, and adequate credit is lacking because there is no economic development.

The initial capital subscriptions of the Bank and the amount of its fund for special operations are indeed impressive. However, the greatest importance of the Bank for Latin America does not lie in these figures. In the first place, a mechanism has been created which, if adequately used, will make it possible to increase the flow of capital to our countries by amounts perhaps even greater

than the initial resources of the institution. Moreover, the Bank, because of its nature, will be a valuable agency that will contribute to a better orientation of the economic and regional policies of the member countries.

The Bank will not be a competitor to other organizations that have made praiseworthy efforts in behalf of the nations of the free world. We all hope of course, that the Inter-American Bank will be a specialized institution that can better understand the economic needs of the Latin American countries.

It is my wish that this Meeting of Governors will be fruitful in its results and that you will all have a pleasant stay in this warm, friendly corner of the Central American Isthmus.

Thank you.

**Address by Doctor Jose A. Mora, Secretary General of the
Organization of American States,
At the Inaugural Session**

In my capacity as Secretary General of the Organization of American States, and in accordance with the powers conferred upon me by the Agreement for the Establishment of the Inter-American Development Bank, I had the honor to convoke this first Meeting of the Board of Governors under very propitious circumstances owing to the hospitality of the Government and people of the Republic of El Salvador. Thus Central America, at a time of great hope for the peoples of the New World, fulfills her destiny as the geographic link between North and South by offering her generous land as the place where the first hemispheric financial institution created for the development and progress of the American republics is to become a living reality.

It would be long and tedious to attempt to describe all the efforts that went into initiating and giving life to this undertaking. Nevertheless we must call attention to the serious attitude and the firm will of the representatives of the Governments as they sat down to work at the meeting of Ministers of Foreign Affairs which was held in Washington in 1958. The Council of the Organization of American States approved, in December of the same year, a resolution of the "Committee of 21" whereby it endorsed the creation of an inter-American financial institution.

The Inter-American Economic and Social Council and the General Secretariat of the Organization of American States accelerated the work in order that the Specialized Committee of Governmental Representatives, that was to draft the Agreement establishing the Inter-American Development Bank, could meet immediately. It was only a year ago that this Committee met at the Pan American Union to begin its work. The steadiness with which they have worked, within the time limit established for completing all of the requirements before the convening of this meeting in San Salvador, is one more proof of the capacity and efficiency of the Organization of American States as an expression of the unity of the member governments.

Inter-American cooperation in the field of economics has now become a solemn commitment on the part of the Organization of American States and comprises vast areas which we are only beginning to explore. The Inter-American Development Bank will play a prominent part in this campaign which is now in full swing: a broad undertaking that has been named Operation Pan America. When cooperating with the member countries to guide their development policies toward a better utilization of their resources, in a manner compatible with the achievement of more complementary economies and the fostering of an orderly increase in their foreign trade, authorities of the Bank should be assisting constantly in the preparation of plans and in the carrying out of investigations already begun by the OAS as the central mechanism of the regional system. The financial institution will organize and carry out work that our Organization has been demanding for a long time. Unquestionably it will fill the role of a catalyst creating interesting and optimistic prospects

to attract investment capital from private sources and, as the Agreement itself states, will cooperate as far as possible with national and international organizations. Through this new organization it is expected that private capital in Latin America will be directed into enterprises of this hemisphere, and be available to serve the interests of each country.

The objectives of the Bank on matters of technical assistance for the preparation, financing, and execution of development projects, including the consideration of priorities and the formulation of proposals concerning specific projects, will call for a very close coordination of programs with the Organization of American States. The services of the Bank should be useful in considering specific projects or, frequently, in connection with consultations concerning priorities.

At the same time that the Inter-American Development Bank is being created, our countries are going forward with the development of regional markets and free trade zones under the banner of Operation Pan America. At the moment, new measures are being considered and promoted in order to strengthen economic cooperation.

In this regard, concurrently with the Meeting that has brought us together in San Salvador, another very important meeting will be held in Montevideo with the purpose of establishing a free trade zone among several nations to the South. The South American project has been conceived in such broad and flexible terms that it is considered possible for countries like Mexico, now largely industrialized, to become part of it. This project is similar to the plan for accelerating economic integration in Central America.

On this most propitious occasion when we meet on Salvadoran soil, it is a pleasure for me to pay homage to the work being carried on by the Central American republics in order to reach that much sought for goal, one which will constitute a triumph for all of America.

May I refer to some outstanding aspects of the developments we are now witnessing?

I believe, in the first place, that the creation of regional markets and free trade zones as a means of increasing commercial exchange and of stimulating trade and production, will promote, as predicted, new channels for a more rapid industrialization of the Latin American countries. The Informal Meeting of American Foreign Ministers, to which I have referred, produced a statement by the United States to the effect that it was "prepared to help, financially, in the development of already established, solvent enterprises, through the proper organizations and under favorable terms, in order to stimulate the realization of the advantages offered by regional markets through the investment of both public and private capital." Such a statement should be considered very important news, whose impact must not be underestimated since it opens new possibilities which must be studied at the earliest possible time.

In the second place, it should not be forgotten that to protect the economies of the Latin American countries we must protect the markets for basic products. At the same Meeting of Foreign Ministers, this fact was mentioned as being an urgent problem and it was suggested that bilateral and multilateral talks be carried on, not only among the member countries of the Organization

of American States, but also with producing and consuming areas in other parts of the world.

The success obtained in the case of coffee, one of the most important of Latin America's products, clearly outlined the way to approach the problem of some other products which are, or may find themselves in the same situation that formerly prevailed in the coffee market.

In the third place, I would like to join in another suggestion that was made at that Meeting of Foreign Ministers for the consideration of a hemispheric project for the training of technicians to aid in the economic development of our countries. It has been repeated several times that a development project should not be limited to the promoting of capital and sources of investment, but also to the utilization of human resources and the training of specialized personnel. Perhaps the need for technicians in our countries at the present time has become the most critical point in their development.

Through some programs already started the Organization of American States has made significant progress in this field. Examples that may be cited are the programs of Technical Cooperation, Fellowships, Direct Technical Assistance, Scientific Development, Professorships and, particularly, the establishment of the Inter-American Nuclear Energy Commission. Perhaps it is not a question of creating or carrying out new programs, but of modifying existing ones and increasing their resources to an appropriate level that will enable them to make more substantial contributions to the development of the member states.

Concrete realization of these proposals would involve highly complex factors which demand further exploration and continuous research and negotiation among the governments. I should only like to add that for this purpose the governments of the member states have available the machinery of the OAS, which has already proven so useful and effective in the negotiations leading to the establishment of the Inter-American Development Bank.

In summarizing our recent accomplishments in the field of inter-American economic cooperation and some of the major objectives within our immediate grasp, I should like to mention at least one matter which is of importance to the future. The modern world appears to advance ever more rapidly towards the formation of economic associations or groups, both in the Americas and on a world-wide scale. The very nature of these groups could imply preferential treatment for some and restrictive treatment for others. We should be interested in gauging the short- and long-term effects of these trends on economic stability and on the welfare of the American people. It is possible that the situation calls for our countries to maintain an attitude of vigilance, based on sound information, and that the multilateral agencies of the inter-American system can help them do so. The world situation makes it increasingly necessary for the American nations to establish closer unity. In these circumstances the countries of Latin America should feel better able to defend their interests regardless of the types of associations established in other parts of the world.

In conclusion I wish to express my most heartfelt appreciation to President Lemus and all the authorities of the Republic of El Salvador for their important

contributions to this First Meeting of the Board of Governors of the Inter-American Development Bank, as well as fervent hope that the meeting will be a complete success. I should also like to express my best wishes for the happiness of the Salvadoran nation and all peoples and governments represented at this Assembly.

Address by Dr. Guillermo W. Klein, Governor for Argentina, At the Inaugural Session

Mr. President of the Republic of El Salvador, Mr. Minister of Economy, Cabinet Ministers, Chiefs of Mission accredited to El Salvador, Governors of the Inter-American Development Bank, Ladies and Gentlemen:

The Republic of Argentina has been granted a high honor in the appointment of its Governor to speak for all the Delegates to this First Meeting of the Inter-American Development Bank in reply to the cordial greetings of Dr. Alfonso Rochac, Minister of Economy of El Salvador, and to present our greetings to His Excellency Lt. Col. José María Lemus, President of the Republic of El Salvador, and to the authorities and the people of this noble and hospitable country.

This is indeed a high honor and a somewhat difficult and delicate mission. Because, although there is a very close understanding among the nations here represented, there is infinite variation in outlook where economic matters are concerned. It is not easy for everyone to be in exact agreement and for the words of one to reflect the thoughts of all.

And thus, if the statements I make do not reflect the opinion of another Governor, I would ask him to keep in mind that they are merely the personal views of the speaker.

However, I believe that the general trend of thought will be the same since the projects for action and cooperation have only one purpose: to promote the economic development and the welfare of our countries.

And then, there is another point on which there cannot be disagreement either: we are all deeply appreciative of the warm and friendly hospitality accorded us by the great and enterprising Republic of El Salvador and its authorities. We could not have imagined a more pleasant environment for this inaugural ceremony that has now brought us together: a country whose people are industrious and happy in their work, a city whose growth is evident to the naked eye, an expanding industry which provides more products for some and new markets for others. This is a situation we would like to promote throughout the hemisphere with the help of the institution which has now been created.

We have inaugurated the Inter-American Development Bank after some very intensive work on the part of the Preparatory Committee, whose devotion, energy and cooperation have won the gratitude of the member countries. Now we have reached the second stage, one where the officials of the new Bank, and our countries as well, will be called upon to put this machinery to practical use in order to further the development of our countries.

To finance is to put our reserves into action. Where there are no reserves, or no possibilities exist to create them promptly, there can be no credit.

Some of our countries have little reserve funds. Others have them in abundance and have made substantial amounts available to the Bank. Others are in an intermediate category. But every country here represented has contributed within its possibilities, and has decided to share the risks and responsibility involved in this venture for the benefit of all.

On the wise utilization of these funds will depend the growth of the Bank and the future mobilization of larger reserves, whether of the member countries, or of others.

In this second stage, both the Bank and the member countries will have to solve many difficult problems and the success of the institution will depend upon the degree of understanding with which they are resolved.

Let me mention, very briefly, some of the aspects of this probable future task, and to refer, first of all, to the conditions necessary for development in order that the Bank may make substantial loans; and then, to the necessity that all of our countries are experiencing, in an increasing degree, to expand foreign trade; and finally, I will mention the need to enlarge our markets.

The need to promote, deliberately, what our fathers used to call progress and which we call development, is unquestionable. In the majority of our countries the natural population growth is rapid and it runs parallel to the capacity to produce more and better, and our well-being depends upon the latter winning the race.

What we need is to work in a more efficient manner and to possess better and better equipment. Credit can be used to improve work organization and sometimes provides the necessary equipment. It cannot, however, be a substitute for work.

In order that work continue to be increasingly efficient, we must provide our people with increasing knowledge; we must teach them economy of effort; make them conscious of the fact that modern production calls for a closer cooperation on the part of more numerous groups of people; that such cooperation can be attained with lesser or greater friction, and that the more friction there is, the smaller will be the results for one and all; that in order to reduce unnecessary friction there must be a sense of devotion to the common cause, not only for the individual goal, and there must be a personal sense of responsibility so that cooperation may be effective.

Such has been our experience and we believe that it is a general experience. The resources we may be able to mobilize through this new institution will produce good results in proportion to the extent that we are able to generalize this state of mind.

In the second place, our countries have an urgent need to export because they urgently need to import. A development program is inconceivable without abundant imports.

There is a close relationship between imports and exports which is often forgotten.

The Inter-American Development Bank will be in a position to observe and to call attention to this fact. Countries that discourage imports will sooner or later feel the consequences in their exports. Other countries want to import only, without paying for their acquisitions with their exports. They, too, soon suffer the consequences.

Each product exported from one country is a product imported by another and, at the same time, either a past or a future import of the first one.

The Inter-American Development Bank will endeavor to give these exchanges a permanent character. In order to render a valuable service, a Bank of this kind must establish revolving accounts. Funds advanced by the Bank must return to it so they may be put into circulation again. If there is only an outflow, the Bank will soon be empty.

This consideration requires that special care be used in the handling of the Fund for Special Operations, loans from which may be repaid in the local currencies of the debtor countries. If these, at any given time, are currencies for which there is but little demand on the international market, the Bank will have the difficult but meritorious task to arrange for the export of these funds and their substitution by other currencies, thus contributing to the solution of the difficulties in which the debtor country may find itself in regard to its international payments.

The tendency to create trade zones larger than national boundaries is one more example of the need to intensify and rationalize economic cooperation. For an ample market it is sometimes possible to produce more efficiently than for small markets. Developments seem to favor production for larger markets.

Naturally, it is always difficult to combine smaller markets into a larger one, as this requires costly reorganization. But for activities new in the member countries, the problem seems to be simpler. Many of our nations believe that it is important and to their mutual benefit that some broader market be opened for these new activities.

This matter, in some of its aspects, is still in the form of imperfectly developed ideas with which we are not all in agreement. But it should be useful to examine it through an agency of the inter-American system. Thus, the Inter-American Development Bank will provide an appropriate forum for its frequent examination from a number of angles.

Economic integration presupposes a greater division of labor than that which exists. But there is no reason why all new activities should be distributed on a geographical basis. It would be greatly to be desired if the new and broader markets were so constituted as to encourage a healthy competition among the new industries in the various regions and, from the very beginning, to satisfy the requirements of a more open economy. This means that the chief reliance should be placed not on traditional protectionism but on the benefits coming from participation in a broad market and on the inherent strength that is developed through competition.

I do not believe that the common markets should lead to exclusions. Our earth is becoming progressively smaller and more heavily populated. Isolated areas are anachronisms which are destined to disappear. The protection afforded by our countries to certain activities is designed to provide us with better instruments and knowledge for solving the problems of particular groups. For this reason, the only goal we can have is free and ample cooperation between individuals and between all the nations of the free world.

It is our hope that our Bank will become a valuable means for furthering this objective. We hope that without neglecting those services that many

of our countries have found it advisable to administer through government, it will be able to encourage and strengthen the economic activity of freely associated individuals, for there lie the best opportunities, the most genuine promise of widespread prosperity, and the greatest assurance of freedom for the peoples of our republics.

**Address by Mr. Felipe Herrera Upon Being Elected
President of the Inter-American Development Bank
At the Second Plenary Session, Held on February 5, 1960**

Mr. Chairman;

Your Excellencies:

I realize that this election represents a decisive step in the negotiations of the past few months concerned with creating and organizing the Inter-American Development Bank. I am also aware that, in this case, you have elected one who is surpassed in experience and prestige by a great many distinguished personages in the financial circles of the hemisphere, but who is certainly surpassed by very few in profound faith, devotion, conviction and vocation for what the Inter-American Bank represents and for the mission entrusted to it as the expression of the first joint, multilateral financial effort of the United States and Latin America and also as an expression of the capacity of our bankers and technical experts to create institutions that will meet the demands of progress in the countries constituting the inter-American system. I realize, finally, Mr. Chairman, that my unanimous election is but a further expression of the generous and fraternal desire, the constructive and realistic hope, of the distinguished Governors, who, interpreting the wishes of their peoples, are resolved that our institution shall begin its operations free of uncertainty and unfounded expectations, with firmness, serenity, and a clear vision of the future.

Therefore, Your Excellencies, please accept my profound thanks to your governments, financial institutions, especially the Central Banks, and to all those who have expressed their confidence in my ability to perform the difficult and delicate task that lies ahead. Allow me, especially, to thank Colombia for its generous decision, in the interests of American unity and the future progress of the Bank, and to express my respects and appreciation to the capable manager of the Bank of the Republic, my good friend Dr. Ignacio Copete, whose collaboration will prove invaluable to our Bank in the future.

In all humility, I reaffirmed, on the eve of this decision, that, together with the many North, Central and South Americans who are striving to so organize and direct the Inter-American Bank that it will become the effective instrument we all hope for, I am convinced that only one attitude and one standard of values is possible: total dedication of all our efforts, our dreams, our loyalties and our future to consolidation of the Bank and fulfillment of its promise in terms of progress for our countries. Any other approach would constitute disloyalty to past generations who prepared the way for the creation of the Bank and, what is worse, would be a betrayal of our avowed faith in the destiny of Latin America. It is in the strength of this conviction that I accept this great and weighty responsibility.

You will now pardon me, gentlemen, if, speaking as a Chilean, I express my appreciation to our sister republics for the honor that has been paid my country. My people and my government now feel closer than ever to an undertaking for which they have long sought and strived.

In closing, I solemnly pledge that my administration, with your assistance and subject only to my personal limitations, shall be the expression of your finest hopes and efforts for the success of the Inter-American Development Bank.

**Address by Robert B. Anderson, Governor for the United States,
At the Fourth Plenary Session, Held on February 8, 1960**

Mr. Chairman, Fellow Delegates, and Honored Guests:

First of all, I wish to express our deep appreciation to the Government and people of El Salvador who are making us feel so much at home in this beautiful capital city. It is a great pleasure for me to have the opportunity of meeting once again with so many of my colleagues from Latin America in one of the American Republics. We are here for an important purpose; yet I am happy that, thanks to the excellent work which was done in advance—first, by the Negotiating Committee and, more recently, by the Preparatory Committee—we have not found our task so burdensome that we were unable to enjoy the delightful climate and the gracious hospitality of our hosts.

This meeting is truly a momentous one for all of our countries. The inauguration of the Inter-American Development Bank brings into being an institution that should become a dramatic instrument of responsible and progressive financial cooperation among the American Republics. It was a little more than two years ago that many of us were present in Buenos Aires, when the Conference of Ministers of Finance and Economy adopted the resolution which has led directly to this meeting. As time is measured in international affairs of this nature, we have moved swiftly.

We have also moved with sure and careful steps. In the United States, we were able to submit the Agreement creating the Inter-American Bank to the Congress of our country in full confidence that we were presenting a workable blueprint for a dynamic institution through which the countries of the Americas could further implement and improve their mutual cooperation in the field of economic development. I am sure this has been true for each of you in presenting the agreement to your own Governments.

The Agreement, as you know, is drawn in broad terms in order to leave a large measure of flexibility in carrying out the day-to-day work of the institution. This, I believe, is the most practicable way to insure that the institution can be a vital force in a changing world.

The Washington meeting which negotiated the Agreement creating the Bank is a good augury for the future. Many divergent points of view were brought to the meeting; yet, above all, there prevailed a spirit of effective cooperation and of mutual devotion to a basic common goal which has produced an instrument well conceived to help meet the economic problem of the Americas.

From all of this, we can see that while the road ahead is not easy, there is sound cause for optimism. The creation of the Bank does not in itself solve any of the problems with which we are all so concerned; yet it does provide us with an effective framework in which men of good will can join with the confidence that through the exercise of thought, diligence, and mutual respect they can achieve great benefit for their peoples.

In the context of these thoughts, let us look at a few of the problems of the future. It is essential, in my opinion, that the Bank should build its organization with great care. We should be concerned as much with the

position and prestige which this Bank will enjoy in the decades ahead as with the speed with which it undertakes its first operations. It is a matter of overriding importance that through sound planning and sound operations this new institution should earn the confidence of the credit markets of the world.

Another matter to which the most careful attention must be given from the outset is that of relationships between the Bank and other institutions, national and international, which are already providing capital for the development of the Americas. A deep concern of many of our representatives, both in the Negotiating Committee and in the Committee of Twenty-One, which endorsed the idea of establishing this Bank, was that the total of public and private funds available for development in Latin America should be increased. Nothing would be gained, they wisely pointed out, if lending by the Inter-American Development Bank should simply replace lending by existing national or international institutions. It should be emphasized in this regard that, in addition to its own lending operations, the Bank can serve valuably by assisting in the sound planning for projects and by helping to develop other appropriate sources of financing for such projects.

We shall have to marshal all our experience and ingenuity in order for the Bank to realize this aim—that of effectively augmenting and not merely supplanting existing resources. The same spirit of cooperation and good will which characterized the preparation of the Agreement for the Bank will, I am sure, enable us to arrive at a solution which is both acceptable and fruitful to our member countries.

It should be recognized that by its very charter, the Bank is a pioneer in one kind of economic-development financing. The Bank's Fund for Special Operations represents the first concrete realization by a multilateral organization of an approach to development which is sure to be extremely significant.

As we envision the future of the Bank, we can see many other questions to which it must devote its attention. It is obvious, for example, that the Bank should so shape its policies and practices that it will help attract a far greater volume of capital investments of all kinds into Latin America than it would be able to finance solely with its own resources. The total capital sought for industrialization, agricultural expansion and diversification, transportation, power, and other purposes is many times the figure represented by the capital of this Bank. A major share of the capital needed must be raised within the area where the investment is to take place. The Bank should always be alert to assist in stimulating the formation and channeling of internal capital into useful productive development projects.

In considering the formation of capital, it is imperative that we not overlook the necessity of linking economic stability with dynamic growth. The rate of economic development in the future for all countries depends on a high rate of saving and capital formation in the present. The will to save must not be impaired. The need for a stable currency cannot be ignored in any country, either industrialized or less developed.

Mr. Chairman, there are many other problems which could be discussed.

However, it seems more fitting that today we should give our main attention to the fact we are meeting on a most auspicious occasion. We are celebrating an outstanding event in the economic history of the world.

The noble purpose for which we are assembled has great promise of good for all the people of the Americas. In the spirit of devotion and mutuality which has characterized the Bank, we will go forward together to realize these objectives in ever-increasing measure.

Address by Dr. Emilio Toro, Governor for Colombia, At the Fourth Plenary Session

Mr. Chairman;

Your Excellencies:

We who have played a part, no matter how small, in the creating of this vital institution, upon which the hopes of all the American nations are centered insofar as it represents a definitive step assuring their development, have a rendezvous with history. For we have been fortunate enough to witness the materialization of a hope long sought after by all our peoples, which they, watchful and eager, have today entrusted to us.

But in addition to the peoples of America, the great international financial centers are observing us closely but with some skepticism. They are not completely convinced that we have reached the maturity we now lay claim to. We can only persuade them when the eloquent voice of the facts have spoken.

Although the capital of the Inter-American Development Bank is apparently very large, it may not be enough in itself to satisfy the needs of any one of our average-sized countries. For this reason, we should plan ahead for the not distant future when it will have to resort to the capital markets of the world for the placement of its securities. This is a basic consideration that our directors should at no time lose sight of, for only those markets can provide the necessary funds. In order to compete successfully in this world of finance, our Bank must first establish a climate of confidence among the investors of every country; otherwise, the Bank would be doomed to collapse within a very short time.

Considering the atmosphere of skepticism of which we have already spoken, the management of the Bank should, obviously, be much more careful, more prudent and resolute than would be appropriate in other, less difficult circumstances. It would be a regrettable and serious error if its operational policies were to deviate from a rigid orthodox line for other than essentially economic reasons, as viewed in the light of the times in which we live.

Free enterprise and private initiative merit the Bank's highest consideration and encouragement since they are based upon personal motivation, a vital and irreplaceable factor in progress.

Our countries, which are, in general, producers of raw materials with declining prices, are currently passing through a difficult stage. The ratio between their export earnings and their debt-servicing obligations continues to be quite unfavorable, while the need for long-term capital is daily greater and more urgent. Consequently, the problems facing the Bank will be particularly difficult and trying.

We should, therefore, be patient. We should not expect the Bank to expand so hastily that it will be risking a resounding collapse. We should oppose the widespread misconception that because the Bank is a distinctly inter-American organization it is obligated to consider and approve all proposals that seem to be worthwhile. Development banks are now giving more weight to the value of projects as development programs than to their purely financial aspects. This explains why they are employing more experts in planning than

in financing. Because the needs of a country are so varied, it is essential to try to solve them in a logical order. Only planning experts can define such an order of priorities.

But while it is true that we are confronted with heavy responsibilities, we should face the future with courage and with faith in our leaders, who deserve our full cooperation. In this way, we can confidently await History's judgment upon this epic undertaking and the men who will be responsible for its success.

Mr. Chairman: The Colombian Delegation to this historic meeting takes this opportunity to express to the Government of El Salvador and to its noble people, so close to our own in spirit, our most heartfelt appreciation for their peerless hospitality.

**Address by Mr. Antonio Ortiz Mena, Governor and Secretary
of Treasury and Public Credit of Mexico
At the Fourth Plenary Session**

Mr. Chairman;
Your Excellencies:

The President of my country, Mr. Adolfo López Mateos, has instructed me to convey to this meeting his warmest greetings and his most fervent wishes that the Inter-American Bank may become an effective instrument, with regard to its policy and operations as well as the volume of its resources, in channeling funds to Latin America for productive investment.

Fifteen years after the establishment of the International Bank for Reconstruction and Development and the International Monetary Fund, we should have no doubts as to how fully the international credit agencies have justified the hopes and efforts that led to their creation.

On behalf of the Government of Mexico, I extend a vote of recognition to those individuals and public officials in each of the American countries who supported and shaped the concept of an inter-American bank and outlined its sphere of action, as well as to those who drafted the Agreement establishing the new institution. The foundations have been laid, but we must recognize that this is only the first step of a gigantic undertaking. We are still faced with the arduous task of developing and expanding the Bank. I would like to state the viewpoints of the Mexican Government on these matters.

Any institution is only as good as the men who manage it. Our first important step will be to appoint the best people available to the executive and technical positions in the Bank. Those who have already had experience in international finance agencies will be of valuable assistance to us. The aid of the International Bank for Reconstruction and Development during the initial operations of the Inter-American Bank is also very desirable and advisable.

Secondly, and of equal importance, is the support which all the American nations owe to the new institution. Capital contributions to the Bank undoubtedly represent a sacrifice by the member countries. The United States has been especially farsighted in contributing a substantial sum to the constitution of initial capital without, logically, expecting to receive loans from the institution. The Government of Mexico believes that the United States is to be thanked for this clear and irrefutable expression of inter-American co-operation.

The objective of the Mexican Government is not participation in the establishment of a bank whose capital will be its sole source of funds, but in the establishment of an instrument which will channel an increasing volume of long-term loan funds to Latin America for the international markets. To this end, the basic goal of the Inter-American Bank should be to make loans comparable in soundness, return and guarantee to those made by the best international credit agencies. Only such a policy, in which all the countries should collaborate by presenting projects fulfilling these requisites, will enable

the new institution to gain access, in time, to the financial resources of world markets which Latin America must have for its development.

Likewise, a sound loan policy will permit, when necessary, the refinancing of certain operations by other international agencies specializing in development loans, particularly by those that already have access to the international markets. This policy also makes possible joint finance operations with private institutions in Latin America and abroad, as in the case of projects required for the sound organization of the Latin American Common Market.

The highest degree of efficiency and guaranty in the Bank's loan operations is fully compatible with the flexibility it needs in order to adjust to the realities of economic development in our countries. Latin America is undergoing a very rapid process of social and economic change. International institutions should be conscious of this process and should encourage its favorable aspects and refrain from the application of obsolete formulas. Each of these countries is concerned with formulating its own solutions for economic development—in which public investment plays an important role—based upon its traditions, its resources and the particular political and social circumstances which have influenced its development.

We should all share the conviction that, as President López Mateos stated during his recent visit to our good neighbors in South America, "the similarity of the growth problems confronting our peoples requires an economic reorganization of Latin America that will eliminate the wasted effort resulting from lack of coordination, secure equitable terms in our trade relations with other nations, accelerate the process of industrialization related to cooperative planning, and expand our systems of transportation". The Inter-American Bank we are now in the process of organizing will unquestionably prove a highly valuable and effective instrument in the attainment of these goals.

The financial experience of the Eximbank and of the International Bank for Reconstruction and Development in all the Latin American countries is proof of the zeal shown by the American nations in fully servicing loans received, notwithstanding the difficulties they are apt to encounter from time to time. Latin America's credit worthiness, as related to its economic development, is currently greater than it was a few decades ago and will continue to expand in the future.

We should not forget that the international movements of capital that financed the economic development of the United States and Canada adjusted themselves to existing conditions in those countries rather than the other way around. Their economic development greatly exceeded any estimate of credit worthiness made before such a developmental stage began. The development of Latin America and its potential credit worthiness are no less consequential than the development and potential of those two industrial nations in their day.

Since the Mexican Government has insisted that the financial policies of other international agencies recognize these realities, it is natural that our government should also emphasize the same aspects in reference to an in-

stitution established for the special purpose of channeling financial resources to Latin America.

Nevertheless, a flexible policy of sound loans will not, in itself, suffice. It will also be necessary for the member countries to make every effort to assist the Inter-American Bank in obtaining funds from the world capital markets and from the Latin American countries themselves. Without affecting the volume of funds already attracted by national domestic markets, which should be made available primarily to private and public banking agencies in the country itself, the Inter-American Bank may very possibly attract important domestic resources now held in unproductive reserves of gold or foreign currency. If the new institution is able to attract a portion of these holdings, it will be of vast benefit in profitably investing funds now lying idle in the very countries where they were amassed.

Along the same lines, we should consider the adoption of positive measures promoting more active participation in international financing by private capital in the capital-exporting nations. This would also help to ease the excessive demand made upon government resources, which are often limited. A very small share of the considerable private capital available in these countries, invested in the bonds of international institutions, would be an invaluable source of aid.

The Mexican banks, whose holdings cannot compare with those of the industrialized countries, have purchased, with special incentives from the Central Bank, and held for some years, among their assets, bonds issued by the International Bank for Reconstruction and Development now valued at sixty million dollars.

The possibilities of securing private capital from industrial nations are promising because of the authorized capital of the new institution and because of its sound loan policy. Consequently, we should consider one of the institution's basic purposes to be the attraction of such funds. The government of my country hopes the member governments will take steps to encourage this type of investment.

In conclusion, it should be pointed out that this newly-established inter-American institution has been furnished the necessary instruments to meet the various requirements of financial aid from our member countries. I refer particularly to the Special Fund, which will cover all operations that do not fulfill the requisites of those to be financed by the Bank itself. It will unquestionably be a highly productive undertaking to relate the activities of this Special Fund to those of private foundations now operating in many parts of the world and, with increasing interest, in Latin America.

Mr. Chairman, your Excellencies: The success that marks our present endeavors is largely due to the splendid cooperation of our sister Republic of El Salvador in this American undertaking, for which it deserves our fullest homage. Let us, furthermore, invoke in our discussions the magnificent spirit of our forefathers in this hemisphere. Let us include in our deliberations their ideals of unity and common greatness. In short, let us confer in the name of the peoples of the Americas.

**Address by Dr. Cesar Romeo Acosta, Governor for Paraguay,
At the Fifth Plenary Session, Held on February 9, 1960**

Mr. Chairman;
Your Excellencies;
Gentlemen:

First of all I would like to convey our greetings and gratitude to this noble and worthy nation of El Salvador for its traditional hospitality, and my fraternal greetings to the delegations present.

Paraguay has been, from the very first, one of the most enthusiastic supporters of the establishment of an Inter-American Development Bank. There were two reasons for this. In the first place, the Government of Paraguay is placing great emphasis on a monetary policy designed to increase the external stability and convertibility of its currency; and, in the second place, the ultimate goal of this policy is none other than economic development.

The objectives proposed in relation to monetary stabilization—availability of money, reasonable costs, stable prices and living costs—were successfully attained in my country. In fact, from August 1957 to August 1959 the exchange rate of the guaraní did not fluctuate by more than 10 per cent; living costs increased by 8 per cent in 1958 and by 4 per cent in 1959. Convertible currency reserves rose appreciably in 1959.

Our monetary stabilization policy achieved its objectives by checking inflation and creating favorable conditions for economic development.

Paraguay, exporting meat, lumber, and raw agricultural commodities, has insufficient domestic capital for accelerating the growth of its economy. At this moment, the chief concern of my government is to provide strong incentives to increased production in order to stabilize its currency. If production growth depended upon the use of domestic financial resources, this increase would be slow. On the other hand, my country, like others in Latin America, is a society in evolution where unemployment is a factor to be reckoned with, precisely because of a shortage of capital to mobilize wealth and create jobs for idle hands. We believe that by increasing our production of livestock and of agricultural, forestry, and industrial commodities, we will also increase per capita income and thereby promote greater consumption and savings. But, at present, consumption is insufficient and savings almost non-existent, especially among the great rural masses, because our per capita income, and, consequently, our standard of living, is extremely low.

Therefore, foreign aid in production is a matter of vital importance to us. Our primary interest is in loans for developing our agricultural and industrial wealth, especially for the installation of a hydroelectric plant to harness the Acaray y Monday waterfall, which is essential to the progress of the country. I would not care to have the other Governors feel I am using this opportunity to propose loans or to register complaints. I only wish to point out a lesson we have learned from our experiences with the program of monetary stabilization and economic development undertaken by the Government of Paraguay in 1956. What experience has taught us is the urgent need

for real and practical correlation between foreign aid received from international credit institutions and domestic efforts by a country such as mine, for example, to create favorable conditions for economic development by maintaining monetary stability and fighting inflation. In all fairness, I do not deny that such aid does exist, but it trickles through slowly and only after the completion of many technical reports and studies. The assistance received by my country to date has been sadly inadequate, and I am sure you have all had the same experience. With such limited aid, the economic growth of Paraguay is bound to be slow and painful. Therefore, the Inter-American Development Bank has an historic and difficult mission to perform: it must act with dispatch, with flexibility, and with a feeling for humanity if it is to become an effective and practical instrument for the economic development of the Latin American communities.

The Inter-American Development Bank will complete the aggregate of inter-American institutions and may prove to be the most important of all if it succeeds in accomplishing its primary aims by furnishing sound financial assistance.

This new Bank can make an enormous contribution to the economic growth of the underdeveloped countries; it can give special assistance to nations that are landlocked or have other particular problems; and it can contribute to domestic financial stability and gradually help to eliminate balance of payment problems by means of effective financial cooperation. My government has no doubt that this Bank, which is now a reality, will meet with the greatest success, especially since its first President will be Felipe Herrera, who merits our highest personal regard and complete confidence.

May I conclude by expressing my sincere hope that this First Meeting of the Board of Governors of the Inter-American Development Bank will be highly constructive, and my conviction that our efforts will be praised by those reaping the benefits of this deeply humanitarian enterprise.

**Address by Mr. Oscar Ginebra Henriquez,
Governor for the Dominican Republic,
At the Fifth Plenary Session**

Mr. Chairman;

Your Excellencies:

The Dominican Republic, in attending this First Meeting of the Board of Governors of the Inter-American Development Bank, has placed its faith in the future of an institution that, to our way of thinking, will fill a great vacuum in the economic structure of the Western Hemisphere.

One of the basic points to be examined in seeking a solution to the problem of underdevelopment in Latin America is that of insufficient financing and the need for a more rational channeling of credit toward improved implementation of development programs.

The existence of international credit institutions cannot constitute a definite step toward the solution of these fundamental questions until certain limitations resulting from the rigidity of their regulations that restrict the credit policy of such institutions are eliminated. Technical assistance and credit, in order to be effective, should, necessarily, be utilized equitably, on the basis of economic criteria alone, keeping in mind the merit of the proposed projects.

For countries like ours, which are heavily dependent upon foreign trade based on the exportation of a few raw materials that are subject to the imponderable variations of the great export markets and, consequently, exposed to the effects of sharp fluctuations originating abroad, there is a vital need for long-term, large-scale financing permitting maximum exploitation of natural resources. Such exploitation will never be possible as long as we must rely on the unpredictable earnings of the trade balance as our sole source of funds for this purpose.

All our countries have sought to make maximum use of the resources of their own economies in order to increase their wealth. Notable results have been achieved by means of national credit institutions that channel private funds into projects for the financing of industrialization and the diversification of agriculture and economic activities in general, designed to expand, gradually, the bases of our socio-economic structures.

Therefore, in line with the principles upon which this new institution is founded, we should offer fuller guarantees and a strong incentive to private capital to create special favorable conditions that will make foreign investment extremely attractive.

However, there is no doubt that the large-scale projects required to give full implementation to the development programs necessitate the use of powerful international financing sources.

Consequently, we have observed with the greatest interest the development of the plans that have crystalized in the creation of this new financial institution and we are vitally concerned that it shall perform its proper role within the economic framework of the hemisphere. We view with high hopes the estab-

lishment of the Bank as an organization that will solve the basic problems confronting the financing of hemispheric development.

Unquestionably, this new bank has assets that will be very valuable for the success of the task it must now undertake. A great step toward this objective would be a liberalization of the credit policy, the elimination of limitations that, in other similar institutions, prevent effective application of funds to projects of real value for economic development and operation of a credit non-discriminatory policy.

If these essential conditions are met, we can expect the Bank to discharge in full its responsibility of initiating a new era in credit application in this part of the world. Such will be the happy result of strict adherence to the purpose expressed in Article I of the Agreement Establishing the Bank, to "contribute to the acceleration of the process of economic development of the member countries, individually and collectively." Any economic progress made by one of our countries must necessarily be reflected in benefits to the economy of the region in general.

Therefore, we hope that the aims which have inspired the establishment of this new entity will not dwindle away into vain hopes, but that they shall, in the near future, be crystalized into tangible realities, and that Latin America shall at last find the solution it has sought for so long to the vital problem of its economic development.

We cannot refrain from expressing here, in the name of the Dominican Delegation, our sincere appreciation to the Government and the people of El Salvador for their warm reception, and our appreciation to the countries represented at this meeting for the generous spirit of cooperation that has governed these discussions, as well as our sincere hope that the membership of this Bank, in the interests of its greatest effectiveness, will include all the Latin American countries.

Thank you.

**Address by Dr. Jose R. Chiriboga, Governor for Ecuador,
At the Sixth Plenary Session, Held on February 10, 1960**

Mr. Chairman;

Your Excellencies:

The establishment of the Inter-American Development Bank, following the hard-fought struggle of a half-century, is a result of the political and juridical maturity of this hemisphere, which, congruent with the progress of state interdependence, recognizes the fact that economic cooperation among the peoples of the Americas is a basic condition for balanced and harmonious development of the Pan American community.

If the scarcity of capital and technicians is, in the opinion of experts, the most acute problem of Latin America, vis-à-vis its explosive population growth, it is equally imperative for our governments and peoples to exercise good judgment, prudence and timing in utilizing the limited resources that international financial agencies make available to our countries to transcend this stage of economic underdevelopment which threatens the future of the democratic system and, consequently, the future freedom of the citizens of this hemisphere. Accordingly, it would appear advisable and pertinent, during this meeting in the friendly Republic of El Salvador, where we are enjoying the proverbial hospitality of its people and the generosity of its government, to emphasize the responsibilities we have assumed to the peoples of our hemisphere in having given expression to the historic aspiration for multilateral cooperation in regional financing as symbolized and constituted by the Inter-American Bank.

This is not the proper time to itemize the functional characteristics or the operative practices of the Inter-American Bank. However, it is important to emphasize that the Bank is not a panacea for all our economic ills nor is it an inexhaustible source of satisfaction for all our financial aspirations and needs.

The Bank begins its operations with a limited capital which, if prudently utilized, can grow with the years. If the Bank is able to create confidence in the Americas and abroad, by solvent investments, sound administration, and prompt, timely action, we may expect Latin American, North American and European savings to strengthen and increase its available funds. Just as the International Bank for Reconstruction and Development has gained access to the capital markets of America and Europe, where it has floated bonds with increasing success, so the Inter-American Bank will undoubtedly be able to increase its resources to a considerable extent by floating its own obligations, providing we can persuade the investors that we do, in fact, know how to handle the delicate instrument of international credit and that we have learned the art of combining solvency with efficiency, prudence with timeliness, and public service with security.

The Inter-American Bank has not been established for the purpose of conducting collective business or accumulating profits or sterile reserves. Neither do we intend to use the Bank for socio-economic experiments, demagogic adventures, or sketchy projects lacking in sound economic and technical bases. Latin America is no longer a field for technical and administrative improvisa-

tion, disorganized experiments and slapdash projects. We are a mature people, conscious of our limitations, but conscious as well of our historic role and our destiny as the trustees of a dynamic democracy which is proving to the world that freedom is not synonymous with anarchy, violence or furor, but a creative force we are utilizing to overcome our backwardness and, with the aid of our immense natural and human resources, build a solid economic structure which will assimilate the industrial progress of the great nations of our time.

The Inter-American Bank is the first collective effort on a hemisphere-wide scale designed to secure sorely needed capital for our common aspirations of industrialization and progress for the efficient operation of our economies. Although it has been said a thousand times over, it bears repeating: the new Bank does not pretend to replace the other loan agencies, which were established, for the most part, after the second World War. Instead of contemplating replacement, we want to emphasize the complementary role the Bank is called upon to perform. Consequently, the appearance of the Inter-American Bank upon the international financial scene cannot and should not attenuate, weaken or obstruct the interest, responsibility, spirit of service, and auxiliary mission of such other financial organizations as the International Bank, the International Monetary Fund, the Eximbank, the Development Loan Fund, the International Finance Corporation, the International Development Association, etc. The Inter-American Bank is a new, independent and capable ally in the struggle against underdevelopment. It is not an agency, branch or subsidiary of any institution already in existence. The Inter-American Bank is a free entity with its own funds, its own executive personnel and its own policies. It has been created in response to the economic and social conditions of our hemisphere, to carry out, on a long-term basis, without unnecessary delays and irritating inequities, the urgent task of cooperating with governments, reliable independent entities and solvent private enterprise in the harmonious, progressive and tenacious campaign for the progress of our peoples.

In addition to capital resources, the Inter-American Bank should provide its members with a type of assistance that is becoming increasingly more important. I refer to technical assistance, without which it is sometimes impossible to undertake large-scale development programs. It is true that each one of our countries, whatever its size, already has a core of technically skilled people who are efficient and well-trained; but there is no doubt that we still need foreign experience, foreign technology and science, and the services of additional experts in a number of highly specialized fields. We are sure that the Bank will place great emphasis on this essential aspect of technical cooperation, which will enable our countries to obtain greater financial aid from the other loan agencies.

The new Bank includes the Fund for Special Operations, which is a new approach to many of the complex socio-economic problems of our countries. We must take special care to exercise good judgment, discretion and prudence in our handling of this Fund so as to avoid inexcusable errors. It is a limited and very modest contribution that can be used in combination with national

resources to solve the social problems which so greatly influence the economic development of the continent.

It would be an error even to imagine that the Fund will lessen each government's responsibility for the social needs of its people. With the Fund for Special Operations, the Inter-American Bank will be able to do no more than encourage the government of the member countries to implement social programs closely related to sound economic projects for public welfare.

On behalf of my country, I am pleased to offer this new inter-American institution all necessary moral support for the success of its endeavors. Ecuador has a reputation in this hemisphere for sound, firm, domestic financial policies, without which a balanced and healthy economic development cannot be achieved. Through sacrifice and effort, we have succeeded in making a beginning of social and economic progress and in gaining the confidence of the international finance institutions, initiating a series of financial contacts that are helping the country to make basic development investments. We have diversified our economy; we have maintained a relatively constant growth rate; and we know that, insofar as we utilize our internal savings wisely, we will increase our credit worthiness, thus enabling our country to draw upon a constant flow of funds made available by the international loan agencies to finance our economic development.

On the other hand, our stabilization policies are demonstrating that they are not incompatible with accelerated economic development, if properly prepared programs and projects are available, and if, in addition to foreign aid, we endeavor, on our own, to accumulate the domestic savings required, on a sound basis that would avoid the pitfalls of inflationary trends which obstruct rather than stimulate growth, causing detriment to most and benefiting a very few.

Your Excellencies: Let us have faith in this new institution now emerging upon the international financial scene with the support of our governments, our peoples, our legislatures and our press. Let us not assume that our responsibility ends here, in San Salvador, with the election of a Board of Directors and the approval of basic regulations for the institution. Our responsibility as Governors begins now the Bank has been established. Let us cooperate frankly and openly so that our peoples and our governments may comprehend the significance of the Bank as an instrument of fraternal cooperation, and the destiny of the Bank as a permanent instrument of economic development. Let us emphasize the fact that the Bank is not a political entity, nor is it a magic and inexhaustible source of funds. Let us make clear to all the citizenry in our hemisphere that this new institution is the result of a patient and tenacious common effort of many years standing and of the experience of outstanding minds with faith in the soundness of our nations, and that, consequently, it is mandatory and essential that we all contribute to the success of the Bank in order to establish it upon a productive and permanent basis.

The multilateral responsibility uniting us is in accordance with the equal opportunities provided by the Agreement of the Bank to its member states, which shall participate, in turn, in the management of its business, thus con-

firming the principle of the juridical equality of states which is the essence of all our Pan American systems.

The greater the confidence inspired by the Inter-American Bank among investors, the greater the capital contributions and technical contributions provided by the Bank to its shareholders. The greater the prudence shown by the Bank in its operations, the greater its prestige and responsibility throughout the hemisphere. The better the judgment, fairness and timing of the Bank's operations, in helping the most needy, the greater the support received by the Bank from our peoples.

The delegation of Ecuador has attended this historic meeting in El Salvador conscious of our vital responsibility with respect to the first common effort of our countries to provide a substantial credit source for the development of our vast natural resources. Our participation and observations have been based, without exception, upon our firm intention to offer sincere and constructive cooperation. Now that the initial task has been completed, we leave this meeting with the satisfaction of a job well done, but not without first expressing our fullest recognition to this noble sister nation, the Republic of El Salvador, to which we are linked by so many bonds of friendship and affection, for its many generous attentions and courtesies to us.

Address by Mr. Jorge Tamayo Ramos, Governor for Bolivia,
At the Sixth Plenary Session

Mr. Chairman;
Your Excellencies;
Gentlemen:

In the name of my government, presided over by Dr. Hernán Siles Suazo, and of the Bolivian people, I have the great honor of presenting our respectful and fraternal greetings to the distinguished governors for the American countries attending this solemn meeting, and of expressing our profound appreciation to the generous and hospitable people of El Salvador, worthily represented by His Excellency Dr. Alfonso Rochac, Minister of Economy of our sister Republic of El Salvador.

The new Inter-American Development Bank, which is the result of enthusiastic efforts by the most outstanding economists of the American republics, symbolizes faith and hope to all the member countries, and especially to the less developed ones, which require financial cooperation, not only to solve their economic imbalances, but also to develop their enormous potential wealth which, because of a lack of capital resources resulting from an extensive and well-oriented credit policy, fail to perform their proper function in the economic development of the hemisphere.

The characteristics of the Inter-American Development Bank make it a more accessible financial instrument which, because of its flexibility, will permit an acceleration of the development process in our countries and constitute an incentive to the investment of public and private capital for this purpose.

The hopes of Bolivia are founded upon this very breadth of activities and objectives, for ours is, perhaps, one of the few countries in the hemisphere that have not yet received, in sufficient measure, the credit cooperation of other international agencies.

Among the economic problems of Latin America arising from lack of capital, there have been cases in which member countries, even though they are eligible for credit under the regulations of international institutions have, in emergency situations, been unable to utilize even their own capital subscriptions, because of the rigid application of those regulations. In such emergency situations, which may result from a drop in prices of raw materials or export products or from international market restrictions beyond the control of the so-called underdeveloped countries, when a member country requires capital for its economic recovery it should not be required, as an essential prerequisite, to normalize its foreign debt situation, including obligations contracted prior to the creation of such international agencies. If a country in such a position applies for credit, its aim is to create favorable economic conditions that will enable it to meet such obligations while at the same time attaining the ends for which credit was sought.

To reject the application of a country, under such circumstances, is to condemn the applicant to a permanent state of imbalance and economic stagnation. This does not to imply any attempt to modify the sound credit policy of

the new Bank, because, unquestionably, in order to grant credit it must require such conditions and guarantees as are needed to assure wise investment of the funds and their due recovery. However, it is definitely advisable to keep in mind certain recommendations that will enable the authorities of our new Bank to consider and meet the requirements of member countries in a state of economic emergency. Stabilization and development have been fully discussed by our distinguished President, Felipe Herrera, in one of his brilliant works, and should be the basis for administration of the Inter-American Development Bank.

The Bolivian Delegation takes this opportunity to convey its congratulations to the initiators of the Inter-American Development Bank who, together with Dr. José A. Mora, contributed their personal experience and efforts to the crystalization of one of the great desires of the Latin American peoples.

Address by Mr. Cleantho de Paiva Leite,
Alternate Governor for Brazil,
At the Sixth Plenary Session

Mr. President:

This First Meeting of the Board of Governors of the Inter-American Development Bank ought to serve as an opportunity to study the general problems concerning the operation of the new institution, and the procedures that must be put into effect in order to achieve all that has been envisaged by its creators. This study is the more necessary and timely if we recall that during the period the Statutes were being prepared, very few general statements were presented by the countries participating in the Washington Conference of February 1959. In a few days we are going to part and will meet again in Brasilia twelve months from now. During the interval the President and the Executive Directors of the Bank will have to formulate the first basic regulations that will control the Bank's operations during its initial stages. There is no doubt but that this will be the most important period in the life of the Bank because the structure of the new credit institution, as well as its basic characteristics, will be determined by what may be decided or approved by its Directors during these first months of its existence. I am certain that the Directors would be grateful if the delegates to this Meeting should offer some advice on general matters which might help them in establishing policies and setting up the administrative organization of the Bank. As it will be recalled, in the articles referring to its operation, the Agreement Establishing the Inter-American Development Bank was purposely couched in terms that were both flexible and vague, leaving an ample margin for their interpretation and implementation by the highest entities of the Bank, i.e., the Board of Governors and the Executive Directors.

The Inter-American Bank will be able to contribute substantially toward accelerating the development of the Latin American countries through its activities in providing technical assistance and direct financing, by the guaranteeing of loans made by other institutions, and by assisting in the coordination of development projects regional or national in scope. None of these activities can be carried out without constant adjustments of the Bank's regulations to the national policies of each government, this within a general framework of a liberal and generally accepted interpretation of the basic principles for economic and social development. The cooperation of the Bank with the interested governments, to be accomplished through their Executive Directors, is essential for the success of the Bank's activities. It would be a mistake—a mistake which unfortunately has been made by other international organizations—if the Bank were to function as something outside, or above our countries, or as something foreign to them. The Bank is our institution, it belongs to the countries which created it and have placed in its trust part of their resources or reserves, and, therefore, it must function in close cooperation with the governments of the member countries. It would be a tragic mistake if the Bank took upon itself to adopt the attitude of a privileged, all-knowing, never-

erring tutor or counselor for discontented governments. One of the first duties of the Bank's Executive Directors is to maintain harmonious and constructive relationships between the Bank and the member countries.

The simplest and most efficient method for the establishment of such relationships will be for the Bank to keep in close touch with the member countries through their national financial organizations, and institutions for economic planning and development, as a means of learning about their needs and aspirations, and then striving to find a way in which they could be taken care of within the limited financial capacity of the Bank and the capacity of each country to use, profitably, the financial resources or technical assistance that the Bank may be able to provide.

Many of the Latin American countries have had a great deal of experience in negotiations with international financial organizations. Many of them have enough technical capacity to work out well-planned projects for submission to the international financial organizations. In this respect, the Inter-American Bank will find a well-prepared field. However, there are two kinds of problems whose solution can be greatly facilitated by the Bank's valuable contribution.

In the first place, there are several Latin American countries where there is a lack of technicians, economists and engineers capable of preparing technical studies or projects that would meet the standards pre-established by credit institutions. The Inter-American Bank will be able to provide effective assistance in the preparation of such projects, especially through its technical assistance department. The Bank will be in a position to provide, wherever needed, the services of technicians and specialized consulting firms, already established in some of the Latin American countries, and therefore familiar with the peculiarities or problems of the area, as well as with the manner in which best to present data and studies to international credit institutions. The Bank will also, in this way, be able to utilize, in the financing of such technical cooperation activities, part of the reserves in local currency deposited by the member countries and whose utilization is limited to covering expenditures within each contributing country. I am certain that in several of the Latin American countries, no other service from the Bank will be as welcomed as assistance in the preparation of technical studies to be presented to financial institutions, whether it be the Inter-American Bank itself, the International Bank, the Eximbank, the Development Loan Fund or any other institution.

In a second group of countries the most important activity of the Bank will probably be to assist in the integration of isolated projects or sectional programs into the general long-range plans for economic development. The experience of recent years has shown that many a good project did not produce the expected beneficial results in the economy of a number of countries due to the fact that the investments made in certain areas were not coordinated with other undertakings and projects being carried out simultaneously in the same country. The competitive demand for materials and labor, and the lack of coordination between investment programs and adequate fiscal policies, are responsible, in great part, for the situations in which the limited resources of some countries have been used inefficiently, or at least in such a way as to

cause the waste of some of the resources available on a somewhat questionable priority scale.

The conviction that only a long-range program can provide a solid basis for any development plan is undoubtedly gaining acceptance throughout the world. The experience of industrialized countries where free enterprise is predominant shows how planning is essential to economic development. However, such long-range plans must not be confused with the system of subjugation of all private activities to an inflexible and autocratic program by means of which the State would destroy the freedom of the individual and restrict private enterprise, a concept that is largely responsible for the prejudice that exists in some circles against long range programs. Fortunately, however, this suspicion is gradually disappearing in those countries where the lack of confidence in such long-range programs was rooted more strongly, and where very often their own conception of such planning was inadvertently associated with the subjection, to the state, of all basic activities of the national economy.

The Inter-American Bank should refrain from undertaking extensive studies of the economies of our countries before furnishing them with the urgent financial cooperation that they all require. Numerous, complete and excellent studies on the economy of Latin America in general, and on each of our countries individually, have been made in recent years, not only by the interested governments themselves but also by international organizations such as the ECLA and the International Bank. Very useful regional studies on the specific problems of each country have also been made. At the present time the Inter-American Economic and Social Council is engaged in conducting a series of "national studies," the subjects of which were selected by the Committee of 21 as a means to determine the requirements, on a long-term basis, for the economic-social development of the Latin American countries. There already exists, therefore, a considerable volume of technical studies on our countries available to the Bank for commencing its activities. Most of our countries are already impatient with the repetition of so many studies and analyses (some of them lacking either in originality or practical conclusions), and hope that the studies to be undertaken by the Bank will be concerned with concrete cases, capable of being rapidly developed into actual financial programs. Therefore, in the interests of economy and efficiency, and also to maintain good relations with the authorities of the member countries, the Bank should refrain from repeating such studies and, instead, take advantage of the technical cooperation of the other international organizations or entities which are already engaged in conducting this type of studies. This, of course, does not mean the subordination of the policies and decisions of the Bank to the points of view or the conclusions that possibly may be found in the reports or surveys prepared by other organizations.

The general planning for the economic development of the Latin American countries will probably include, besides the projects which will be financed, recommendations regarding fiscal or organizational matters. Many of these measures are indispensable if the process of economic development is to be harmoniously balanced and if we are to avoid having, later, a situation where such economic development benefits, in excess, only certain of the groups,

while the population as a whole gains nothing. It is essential that the industrial development or the general economic progress of a country not be permitted to serve as a means of acquiring wealth on the part of a limited group of landowners or promoters. Without some financial or organizational measures being taken, and without a readjustment of the present tax structure, economic development would become mainly a factor strengthening and making still more evident the economic and social imbalance, which is, in itself, an obstacle in the process of development. It will be up to the Inter-American Bank to undertake the important but extremely delicate task of suggesting adequate tax policies to the member countries in order that private savings may be mobilized, especially in the higher income bracket groups, for sound local investments.

The increase in per capita income must be coupled with a redistribution of the total income, otherwise we will experience, in the next few years, a deterioration in the economic situation which is already serious in several areas in Latin America. The Bank will have to act cautiously, but at the same time firmly, avoiding excessive interference on its part in the sphere of sovereign decisions of the member countries, in order to popularize the conception that an over-all reform of the distribution of wealth system is indispensable. Through its influence over the interested governments, the Bank will be able to play an important rôle in the readjustment of the economic, social and, consequently, political structures of Latin America so that they may be in tune with the realities of the democratic world of today.

Among these realities there are at least two which should be mentioned because, to various degrees in several respects, they will determine the policies and the emphasis to be placed on the work of the Inter-American Bank. These are the *consolidation of representative democracy* and *nationalism*. The first by giving the masses more voice in the councils, where important decisions controlling the destinies of the countries are made, represents an important deviation from the former methods used to determine the priority for investments by the State for the nation's benefit. Today such decisions are no longer made only in the interest of dominant minority groups, or for the benefit of commercial and industrial monopolies, or foreign economic groups. The government cannot ignore the presence of the masses, even though, through special circumstances, they have not yet acquired the habit of using the new means, so recently acquired, of making their needs and interests known through representative political assemblies. The formulation of economic policies in our countries has ceased to be a *diktat* of the privileged minorities, and now is the result of influences and experiences coming from below, marked by the ever-increasing awareness of the needs of the masses.

The second element of great significance for the policies of the Inter-American Bank is nationalism. It would not be appropriate to talk on this occasion about the political aspects of the nationalist movement. However, the effect of the increasing concern on the part of our leaders to find genuinely local solutions to their economic problems will influence the decisions the Bank must take with respect to important problems concerning credit policies. Within this framework, the positions of some private ventures financed with foreign

capital present, in several countries, very special characteristics, particularly those enterprises providing certain public utility services, or engaged in extracting natural resources, and functioning as monopolies or near monopolies. The excessive concentration of economic power in the hands of powerful foreign economic groups, as well as the excessive concentration of wealth in enterprises owned and controlled by a few native families, will call for a very skillful and delicate handling of its policies by the Directors of the Bank in order to prevent its activities, which will sometimes be involved with these groups, both foreign and domestic, from becoming the object of hostilities in those countries where the results of the Bank's policies will be felt.

The Bank will maintain a proper attitude of non-intervention in the internal politics of the member countries and will respect the fundamental legal institutions. Particularly where matters of national security are concerned, in each of our countries—for instance, the development of mineral resources—the Bank must abstain from trying to influence the governments of our countries in one or another direction. And in accordance with this policy, the Bank will not be able to demand, as a condition for a country to receive financial assistance, changes in its basic laws—such as legislation covering the development and utilization of petroleum resources or the granting of special privileges or concessions to any national or foreign groups.

In formulating its general policies the Bank must always take into consideration the rôle of the state in the economies of the Latin American countries. We all know that the part the government has to play in the economic life of our countries, made necessary because of our underdeveloped condition, cannot be compared with the position of the government in other countries which are highly industrialized. Because of special conditions and historical and economic circumstances, that would take too long to describe now, governments have been called upon to perform several tasks, not only to exercise economic controls but also to act directly in some vital areas where private enterprise, either because of insufficient capital or because high profits were unobtainable (such profits being available in other lower priority, industrial and commercial ventures), preferred not to invest their reserves. Furthermore, in spite of the faulty democratic structures of some of our countries, and in spite of the undisguisable influence exerted upon the governments by certain economic pressure groups, the governments in Latin America play an important part in the process of the redistribution of income and in the furthering of social and economic democratic practices. When the Bank is formulating its basic policies and when it is establishing rules for the guidance of its operations, this basic fact concerning the Latin American republics should never be ignored.

I believe it is unnecessary to repeat here the statements made on various occasions by representatives of the Brazilian Government at international conferences, particularly to inter-American conferences, concerning the urgent need to rapidly increase investments in Latin America. Such urgent need becomes a very serious matter when we consider the extremely rapid over-all rate of increase in population, which will probably double the present population in Latin America within the next thirty years. Such an enormous increase in

population will not be absorbed if we maintain the present economic structure and continue prevailing agricultural and industrial practices. It is estimated that the population will have increased by 38 million people in the next 15 years, and assuming that the economic development rate of the last few years continues, only 5 million could be absorbed by agricultural and some other very elementary activities. Such a discouraging prospect would seem to indicate that industrialization and enlargement of urban areas will have to continue at such a rate that this, in itself, will create other new and more serious problems. As it was recognized a few months ago during the Seminar on Urbanization in Latin America, which was held in Santiago de Chile, the growth of urban population in our hemisphere represents the transfer of poverty from the country into the cities, placing a tremendous burden on our already existing difficulties due to the lack of sufficient electricity, water supplies, schools, sanitary services and public transportation.

The sudden increase in the rate of urbanization in many areas of Latin America requires effective measures for the planning of cities and other areas, not only with the purpose of putting some order into the growth of our urban centers, but also to achieve a more efficient utilization of our public service investments. The scarcity of capital for investment in such public services and in low cost housing is a constant source of worry to all the national and local governments in Latin America. It is very probable that the Inter-American Bank will play a most important part in the financing of basic community and urban public utilities at the same time that it strives to lessen the pressure of internal migration through a systematic policy of increased agricultural productivity.

It is unnecessary to talk at this time on the importance of banks to both agriculture and the cattle industry. It would seem worthwhile, however, to emphasize that in these areas, also, the Bank would have to be guided by the social and legal practices controlling the land in the Latin American countries. Agricultural investments—settlement of new land, irrigation projects, construction of warehouses, silos, slaughter houses and meat packing plants, and the supplying of fertilizers—will certainly need the Inter-American Bank's assistance, whose activities will be coordinated with those of national financial organizations and agricultural extension programs. It is also possible that the Bank may be able to offer suggestions or recommendations concerning the taxation of land which is not being cultivated, or which lies fallow part of the time, and whose adequate utilization might in itself become one of the Bank's most important contributions in the lessening of the pressure exerted by the present population growth which is already being felt in certain areas of the hemisphere.

The task that the Inter-American Bank is called upon to perform is not easy or simple. It demands, particularly from its President and the other authorities of the Bank, that they be highly efficient, very devoted to public service and that they be able to resist outside pressure. The administrative organization of the Bank must be guided by the most strict principles of efficiency and economy, and the selection of its staff must be made very carefully so that the Bank may possess elements of the highest competence with

extensive experience in financial operations in the economic development field. Only with personnel of this category will the Bank be able to gain prestige and authority in the governmental and private circles in the Latin American countries, and in the private banking organizations where it will often have to seek a considerable part of its working capital. The Brazilian Government is willing to extend its fullest cooperation in order that the Bank may obtain the services of personnel indispensable for its efficient operation who will be not only proficient in their fields and familiar with the economic problems of Latin America, but who will also possess the necessary moral qualifications and loyalty to the institution and to its objectives.

An exchange of ideas between the Inter-American Bank and national financial institutions will be extremely useful, not only for the Bank but also for the member countries. Besides maintaining close ties with such organizations, the Bank will have to coordinate its activities—without losing its independence or letting outsiders exert influence upon it—with the International Bank, the Eximbank and the Development Loan Fund, European investment banks, in the field of technical assistance, with the United Nations and its specialized organizations. In this connection special mention must be made of ECLA, which has rendered very valuable services to Latin America under the enlightened and vigorous leadership of Dr. Raúl Prebisch of the United Nations Special Fund, whose resources can be very useful in the preparation of technical studies during the first few years. The Bank will not be able as yet, especially during this first phase of its operations, to do without the assistance, on administrative and technical matters, of the General Secretariat of the OAS, without whose valuable cooperation its very existence would not have been possible. Much is still expected from the OAS this year as a result of the studies entrusted to it by the Committee of 21, which will serve as the basis for an estimate, covering a long period, of the investments needed to increase the Hemisphere's very low per capita income rate in order to bring it up to a minimum level from which an independent economic development may be started.

The need for such a survey was made clear, very emphatically, by President Juscelino Kubitschek, undoubtedly motivated by the experiences of his own administration which is facing, with determination and a spirit of sacrifice, the tremendous problems created by Brazil's present rate of growth. In order to give you at least an idea of our difficulties, permit me to mention Brazil's "program of objectives," which represents an enormous systematic effort to invest capital in some of the basic economic fields, particularly in production and distribution of electrical energy, in the overhauling and re-equipping of transportation facilities, in the expansion of the steel industry, and in the erection of warehouses and silos to store agricultural products wherever needed. The electrical power and steel industries are demanding substantial assistance from the National Economic Development Bank. It should be sufficient to mention that during this year and in 1961, the equivalent of 240 million dollars in cruzeiros will be needed for local construction costs alone, for projects now under construction. The two most important steel mill projects, USIMINAS and COSIPA, respectively located in Minas Gerais

and Sao Paulo, represent an investment, in only 4 years, of the equivalent of more than 400 million dollars, of which about one-half has been financed by Japan and some European countries and guaranteed by the International Bank (Banco de Desenvolvimento Econômico). The project for the electrification of the Northeast, an underdeveloped area of 20 million inhabitants with a per capita income of less than 100 dollars, will require, within a five-year period, expenditures totaling approximately 230 million dollars for local costs alone, without taking into account the financing of imported equipment. PETROBRAS, a government petroleum trust, has increased, within a three-year period, the number of drilling rigs in operation from 22 to 58, and, through the expansion of its refineries, will be in position to supply the country with all of the petroleum products needed in 1961. When President Kubitschek ends his presidential term in January 1961, 18,000 kilometers of roads will have been constructed and paved, 5,800 kms. of new roads will have been finished, and as far as electrical power is concerned, total installed generating capacity will have been increased from 3 million to 5 million kilowatts and new projects will be under way capable of producing a total of 8,500,000 kw. by 1965.

These figures give an idea of the tremendous amount of capital that is required to keep Brazil's development advancing at a pace made necessary by the constant increase in its population, now 66 million inhabitants. A similar condition prevails in other Latin American countries and in all of them financial help from outside sources, whether provided by governmental institutions or by international credit organizations, or private capital, is indispensable for the execution of development projects. The inter-American Bank will be able to play an important rôle in the coordination of these public and private resources, whose most important centers are now in the United States and in Western Europe.

The cooperation of the United States Government is essential for the success of the Bank. A few weeks ago, the Ambassador of Brazil in Washington called attention to the fact that total exports from the Latin American Republics decreased between 1951 and 1958, while world exports increased by approximately 75 to 100 billion dollars annually during the same period. Brazilian exports to the United States have dropped from 911 million dollars in 1951 to the lowest level up-to-date of 566 million dollars in 1958.

The impact of such a drop in the national income derived from exports has to be compensated through financial schemes for the stabilization of prices or through new investment programs; otherwise Latin America would suffer the most serious consequences. Any such plans will have to be organized on a long range basis, similar to the one known as "Operation Pan America," owing to which, we are happy to say, there are signs of a better understanding throughout the hemisphere.

The inauguration of this Bank at a time when President Eisenhower is preparing to visit several of the Latin American countries, after his very successful tour through the Asiatic Continent, is a good omen.

The United States has shown a sympathetic and clear understanding of Asia's problems, particularly where India is concerned, whose Third Five Year

Plan, beginning in April 1961, seems to assure the substantial help required to cover its needs in foreign currencies, which are estimated to be 1 billion dollars for the period 1961-66.

It is through plans of such magnitude that it will be possible to face the complex problems of Latin America, where millions of men and women, inspired by the vision of the prosperity, and the well-being and the democratic systems of their great neighbor to the North, anxiously await their freedom from the heavy chains of underdevelopment and poverty.

Address by Mr. Carlos Miguel Lollet, Governor for Venezuela,
At the Seventh Plenary Session, Held on February 16, 1960

Mr. Chairman;

Your Excellencies:

This last session of the First Meeting of the Board of Governors is the first opportunity given me by the plenary to thank you all, in the name of my country, for this waiting period that Venezuela, for very special reasons, requested of you.

The participation of Venezuela in this Meeting to lay the foundations of the Inter-American Bank was deferred by circumstances to this second stage—installation of officers.

I have taken the floor specifically to state that although we did not have a legal vote with which to vest our friend Felipe Herrera with the office of President, we did manifest our moral support of his candidacy.

Moreover, while recognizing the sterling qualities and attributes of Ignacio Copete, my country, instead of accepting the Colombian petition to support him for president, offered Mr. Copete, sincerely and wholeheartedly, its vote for the position of Director; even though it is our country's privilege, by reason of its contribution, to exercise such prerogative, we do not regret our decision for this first fiscal year of the Bank's operations.

Thus Venezuela has manifested and reaffirmed, once again, its powerful and practical spirit of Pan Americanism in its belief that what is truly important in this great hemispheric family is that we all do our part; the order in which we perform our tasks is a secondary consideration.

Venezuela believes that the Inter-American Development Bank in itself cannot hope to provide even a partial solution to the investment problems that beset our economies. The most it can do is to serve as a mirror in which the economic and historical realities of the American countries will gradually take shape. May it be instrumental in clarifying once and for all the position of Latin America in the hemisphere and the world and, above all, in teaching the Latin American peoples to search for the truth and to shun false and deceitful appearances.

I agree my distinguished friend, Cleantho Paiva Leite of Brazil, that the Bank should, in addition to its financial role, play an important part as a teacher and exercise strong influence by supporting those projects that will act as catalysts impelling the countries toward the exercise of representative democracy and serving the needs of the great American masses.

We see no value in mere economic development as an end in itself. We realize that people, especially the people of the Americas, are the ultimate objective of economic development.

This is why we believe that the basic task of the Bank cannot be restricted to financing, since its means will be limited, but must include education in leading the statesmen of America to a knowledge of truth and reality.

I would like once again to express my appreciation to all those present for the patience they have shown in awaiting our final ratification. This

waiting period, fortunately, also made possible the formal participation of our dear friend, the Governor for Uruguay. Moreover, it gave us an opportunity to become acquainted with this sister nation of El Salvador and, in some cases, with the neighboring countries. Consequently this delay for the benefit of Venezuela has been extremely productive because, in addition to securing our participation, it has also provided the Meeting of the Board of Governors, inevitably a solemn occasion, with an enjoyable interlude and a richly rewarding experience in these hospitable lands.

**Address by Mr. Segundo Ceballos Pareja, Observer for Cuba,
At the Seventh Plenary Session**

Mr. Chairman;

Your Excellencies:

Cuba has not been indifferent to the establishment of this institution which is now initiating its activities. Our country was present during the preparatory planning and showed the greatest interest in the success of such endeavors. And if now, at the completion of these efforts by our sister nations, Cuba does not take its place on the Board of Governors, it is because our country is awaiting a fuller definition of certain goals and guidelines which we believe are essential to the purposes of the Inter-American Development Bank as set forth in Article I, Section I, of the Agreement: "to contribute to the acceleration of the process of economic development of the member countries, individually and collectively." To a certain extent, this is a new principal in the relations of our countries, and it is our belief that this new principle should be accompanied by procedures and operational measures openly directed, without hesitations or commitments, towards achievement of the purposes of the Bank.

Nevertheless, by this we do not mean that the new financial instrument diverges from its true purpose because of any absolute lack of suitable means, but rather that its framework reveals a compromise between orthodox commercial banking, which is based on the criterion of feasible and profitable private enterprise, and the broader concept of economic planning as the most adequate means to achieving the objective of harmonious development of the member countries. The difference between these two concepts is that, even though we may admit the complementary contribution of private capital, the macroscopic view of the national economies should always prevail and should, in all cases, serve as a basis for financial activity. The experience of our peoples, which has occasionally been bitter indeed, shows that primary emphasis upon private enterprise cannot achieve their goal of economic development and, in general, creates an economic structure which is subservient to the image and likeness of its own particular god.

The inadequacy of private enterprise has given rise to anachronistic, backward and chaotic economic structures in the underdeveloped countries, and has unleashed innumerable social problems, many of which still prevail and are worsening. The political consequences of this situation are bloody and mercenary dictatorships, which act as a blind check to the inevitable unrest of hungry and neglected peoples. The rational solution of using resources and labor to increase and satisfy the needs of the peoples was ignored; instead, the instinctive reaction of the dominant interests prevailed. When the privileges of such interests are threatened, they are unable to consider with serenity the just and civilized destiny of the people. It is not necessary for us to describe here the unhappy consequences of such economic growth based upon servilism and inspired in primitive instincts. The social stratification of our countries is unimpeachable evidence, not only of economic backwardness, but also of the existing lack among our leaders of a sociological criterion consistent with

scientific objectivity and the rapid progress of production techniques. Our domestic markets and the nature of our foreign trade indicate the influence of this faulty social and political organization: the predominance of vast uncultivated estates, and an illiterate, starving and naked rural population devoid of purchasing power; the foreign exchange demand for importation of luxury items for conspicuous consumption in exchange for costly raw materials produced by underpaid labor, and, consequently, technical and structural impotence to create sufficient domestic capital, promote domestic enterprise which would diminish the predominance of foreign investment—costly in dividends and interests—and so avoid the drain on national income.

A very valuable study called "Latin-American Monetary Aspects, 1956," published recently by the Latin American Monetary Studies Center, states the following impressive facts on the subject: "The average trade surplus during 1950 and 1955 for all Latin America did not exceed 468 million dollars. This is a small amount indeed, if we bear in mind the many deductions applicable, for example, for payment of services and for earnings sent abroad by foreign companies whose exports amounted to a good 40 per cent of total Latin American exports in 1955." The Center study adds: "American companies alone account for more than 30 per cent, according to a recent government survey made in the United States, as summarized in 'Survey of Current Business,' January, 1957, (Page 6). The total 1955 volume of exports for these companies was 2,200 million dollars, of which at least 1,034 million came from Venezuela and 341 million from Chile."

The preponderance of private foreign investments over public and private domestic investments revealed by these figures drastically reduces development itself. In the political sphere, the dominance of foreign investments, particularly in small, weak nations, gives rise to conflicts which at times defy solution, in spite of national efforts to change the economic structure. Fulfillment of the just aspirations of the small countries is, consequently, postponed again and again.

The only solution to this situation is a change in basic national structure, beginning with the field of agriculture. This is, therefore, a problem which, to quote the brilliant Argentine economist Raúl Prebisch, in the United Nations publication "Theoretical and Practical Problems of Economic Growth," "is not a mere aggregate of individual projects for the development of certain industries or certain economic activities. Each of these projects, considered separately, may be technically correct. But this in itself does not mean that taken as a whole they constitute a good program. Precision [which we consider to be the criterion of present-day banking finance] is not enough, nor is it sufficient for each project to be economically feasible. These projects must also be proved to be the best solution from the standpoint of the particular country in question. We need to ascertain whether other combinations using the same investments might not result in a greater increase of total product and, consequently, of real income."

Fundamentally, Cuba believes that an inter-American finance institution based on the association of our nations and the contribution of our peoples, both nationally and internationally, should be able to assure all the member coun-

tries that it will, in order of priority, give primary attention to planned multi-lateral development with adequate and proportionate participation by each nation. In the opinion of the same Latin American economist, an international investment program should be promoted: "in which each country concerned would define, with an acceptable degree of precision, its own development needs and estimate the complementary funds it requires from foreign sources based upon the domestic funds available."

Obviously, therefore, the basic policy of a bank created to promote the development of member nations differs considerably from the usual goal of private banking and should be supported by coordinated and multilateral planning of the economies of the member countries.

Incentive to private enterprise should not, of course, be overlooked, but such private projects should be supplementary in concept and should relate and conform to national plans. We also want to emphasize the increasing role of government leadership and guidance, especially in the most poorly developed countries, accelerating economic growth through popular support.

Mr. Chairman; distinguished delegates: Cuba confidently awaits the success of these endeavors. It firmly believes that present historical conditions will necessarily compel more proper and intelligent goals, not merely to abate the insistent demands of peoples emerging from colonialism and from the peripheral zones of the great industrial centers, but to meet their needs satisfactorily with decision and courage, with a view to establishing a better world for all. Cuba has taken the first step in such an undertaking. A small country, severely shaken by the evils of a vicious economic structure and the subsequent policy of oppression and blood, threatened by the hostile, slanderous campaign of forces that have, to date, dominated and exploited our island, Cuba, at the vortex of the Americas, is, we are sure, the hope of the American peoples.

I bring to you an enthusiastic message from our youth. The new generation has taken upon itself the precious heritage of Martí and Maceo. The new generation has faith in the peoples of the Americas.

It is fitting, at this meeting, to repeat the words of Fidel Castro on May 2, 1959, in Buenos Aires, before the meeting of the Committee of Twenty-One of the Counsel of the Organization of American States:

"Our presence here demonstrates Cuba's interest in this meeting. Our interest is based upon two reasons: first, a conviction of the profound importance of economic development for the peoples of Latin America; and second, a belief that the time has arrived for the peoples of Latin America to make a serious attempt to find a real solution to the economic root of our troubles."

Mr. Charman; your Excellencies: to you and to your people, Cuba sends a jubilant and fraternal salute from the Sierra Maestra.

**Address by Mr. Felipe Herrera, President of the
Inter-American Development Bank,
At the Closing Session, Held on February 16, 1960**

Mr. Chairman, Governors:

Today, we have reached the termination of the working sessions of the First Regular Meeting of the Board of Governors of the Inter-American Development Bank in an atmosphere of constructive cooperation after having heard the opinions and viewpoints of the member countries of the Bank. This meeting has thoroughly discredited the professional skeptics; and has also been the expression of a mature and creative effort that makes possible the establishment of an entity whose beginnings promise a rewarding future.

This is not the time to evaluate the results of the meeting. Likewise it is unnecessary to emphasize the importance of the Board's decisions in approving regulations, which are indispensable for an efficient administration, and agreements on matters pertaining to the Governors' jurisdiction. The sound and constructive statements heard from many representatives and observers were both clear and useful in defining the future policy of the Bank and the immediate problem of its organization.

The election of the first Board of Executive Directors constitutes one of the highlights of our meeting. I would like, fellow Governors, to congratulate you most heartily on the wise choice and election of the outstanding individuals who make up this executive body. All of these men are well acquainted with the complex problems of economic development financing, a field which requires a combination of personal experience in banking matters, in administration, in technical areas and in international affairs, qualifications which Messrs. Ignacio Copete, Robert Cutler, Lucien Hibbert, Cleantho de Paiva Leite, Raúl Martínez Ostos, Mario Oscar Mendivil and Alfonso Rochac possess to a high degree.

I would also like to point out that the entry of Uruguay and Venezuela as members, during the course of this meeting, is most promising for the future of the Bank. I wish to pay homage to the governments and to the peoples of these countries for their hemispheric gesture that helps strengthen the position of the Bank from the very outset. The presence of Cuba as an observer should give us hope that we may achieve, in the future, one of our deepest aspirations: that all of the members of the inter-American system may work hand in hand at this difficult and ambitious task in which we are engaged. The presence of the Secretary General of the OAS, Dr. José A. Mora, throughout the meeting has also been highly significant. I would like to express our gratitude to Dr. Mora and to his associates at all levels for their contribution towards the creation of the Bank; and through him, an acknowledgment from the officers of this institution to the Inter-American Economic and Social Council whose decisions initiated the preparatory work. I am certain that we will continue to have the close cooperation of the Organization of American States and its General Secretariat for the tasks that lie ahead.

We have reached a stage, Mr. Chairman, in the life of the Inter-American Bank in which its historical background, both interesting and fruitful; the

negotiation and drafting of its Agreement, both efficient and precise; the ratification of its Agreement, which involved a great deal of hard and promising work; are phases already behind us. In the future, for those interested in the history of the organization, these first stages will undoubtedly hold great interest; but, today, they belong to a phase which is already in the past. We have finally arrived at a point where we are in a position to proceed with the initial operations of the Inter-American Bank. It is precisely to this that I want to refer to in the comments that follow. These observations reflect my own points of view and I believe it is essential that I express them, before we part, in view of the unanimous support and votes of confidence I have received from the Board of Governors.

These concepts, as well as the useful observations made at this Meeting, will be of help to the Board of Directors in organizing and setting up, within the next few weeks, the structure of the institution and its course of action during the coming years. I, like the Governor for Brazil, attach the utmost importance to this coming period of expression and exchange of ideas. The Bank must initiate its organization and functioning on the basis of mature concepts, which can be practicable, and may be projected toward the future; and, what is most important, with the vigorous support of the Executive Directors who represent all the members of the institution.

The scope and quality of the Bank will be determined partly by the human factors involved in its organizational structure, and partly by the volume of available resources and the methods employed in governing their utilization. I will now proceed, in a systematic and straightforward manner to refer to some of the institution's organizational, financial and functional aspects.

The Governor for Mexico stated, very correctly, that the success of the Bank depends, fundamentally, on the men who will direct its operations. For this reason our foremost and first concern will be to select a small but very competent group of officers entrusted, first, with the organization of the Bank, and then with the task of devising a structure of a permanent character for the institution. I have ascertained that the consensus of all the members of the Board of Governors is that a genuine concern for the effectiveness and high degree of proficiency on the part of our co-workers should be the foremost factor guiding the administrative policies of the institution, without losing sight, of course, of the principle of geographical representation embodied in the Agreement.

During the preliminary period we will need only a limited number of assistants. There is still enough time ahead to complete a permanent staff. We should be guided by the actual needs of the institution in gradually increasing the initial work force. My experience while serving in the Central Bank and in the government of my country has convinced me that it is a great error to work out very attractive and elaborate organizational charts indicating a priori the structure of the various departments and units, specifying their functions in detail and determining the various positions in advance. We must begin, in a flexible and uncomplicated manner, by adjusting the needs for personnel to the actual volume of business and the income of the Bank. The experience of other

international financial institutions indicates that, generally, over 50% of their employees are engaged in the record processing, control or accounting activities of already completed operations. In addition, we may use the services of other already existing institutions, whether national or international, public or private; the Agreement is most flexible and allows us to make specific arrangements with these organizations in order to attain some of the Bank's objectives.

Undoubtedly we will have enough applications to enable us to select the most capable candidates for some fields of the organization's activities; however, I am afraid that we may have difficulty in obtaining the assistance of a certain type of technical and specialized personnel who already have commitments, either in their own countries or with other international agencies. I hope that, with your help, we will be able to find in Latin America these financial experts, engineers and administrators whose cooperation will be essential.

It is obvious that the concern I feel in connection with the above-mentioned matters is closely related to the policies that the institution may adopt on employees' remuneration and benefits. There is no doubt but that the nature of the Bank requires us to be very conservative regarding all kinds of administrative expenditures; on the other hand, we can obtain useful information from the extensive experience of already existing international financial organizations on the income levels that have allowed them to obtain the services of unquestionably competent personnel.

The concise provisions of the Agreement of the Inter-American Bank will facilitate the process of its organization. The policy of the Bank, which is the responsibility of its Executive Directors, will actually be carried out by the management, under the immediate direction of the President. The relationship of the Board of Directors with the management, through the President of the Bank, will allow the coordination of the policy of the institution with the actual carrying out of business. The Board of Executive Directors will be the most appropriate place for the members of the institution, through their efficient officials, to express their views on basic decisions. As in other international organizations, the Executive Directors are also jointly responsible for the handling of the large resources made available to the Bank.

As for the Inter-American Bank's resources in the near future, let us be as objective and realistic about them as we have been during the past few months, since the date we met in Washington to agree upon the fundamentals of this venture. Let us recall that, with the payment of the first portion of the paid-in capital subscription, plus the quota established for the Fund for Special Operations, we will have, as of September 1961, an amount not over US\$150,000,000.

Everything points to the advisability of the member countries making their respective contributions at the earliest possible date in order to assure the success of the Bank during its initial stage. Many of our members have already adopted budgetary and administrative measures to make that possible. September 1960 is the final date for payment and, logically, the early receipt of these contributions will help us to fulfill our commitments for this year. As these contributions are being made, and before beginning operations, we will be able to invest them into sound securities that will provide income to cover initial expenditures without having to draw on capital resources.

The Governors for Colombia and Ecuador mentioned, in their sound statements, the importance of being able to count on these resources that, according to the Agreement, should come from the capital markets. We must soon begin to explore the possibilities of setting in motion this method of financing that reaches the considerable sum of US\$450,000,000. Fortunately, for this effect, we can rely on the positive interests of the Government of the United States and of public and private officials of that country, whose good will and faith in the Bank are a guarantee that in a reasonable period of time we will be able to work out the necessary institutional arrangements. I am sure that we will find the necessary response because of our decision to create a solid and well-reputed institution. I am convinced, too, that these possibilities will not only be found in the financial centers of the United States, but also in the capital markets of Western Europe. Likewise we should not forget the financial institutions and private capital centers of Latin America.

The utilization of the Bank's resources will depend upon the nature of its operations, on the constitution of the paid contributions and on the resources obtained from the financial markets. The current situation is propitious for the utilization of the Bank's funds inasmuch as more and more competition is developing internationally in the supply of capital goods, accompanied by the rapid adoption of broad policies of monetary convertibility.

The provisions of the organization's Agreement place few restrictions on the way we are to use our available resources and therefore we are in a position to obtain investment goods under the best possible terms of cost and quality. The utilization of the contributions in local currency has also been planned with a minimum of limitations. These latter resources will be effectively employed, once the Bank is in full operation, in stimulating the export of capital goods by the more industrialized Latin American countries; in making them available to private enterprises; in covering the costs of joint regional projects; and in financing requests for technical assistance. It is evident that the Bank, in its use of local currencies, must act in close coordination with the proper authorities in the respective countries so as not to interfere with the objectives of the monetary policy of such countries.

The Agreement of the Inter-American Development Bank is flexible in matters concerning its operations and functions. We may transact business with governments, with public or semi-public institutions, and with private enterprises; we may grant credits, either directly or indirectly; we may act as collaterals in guaranteeing loans made by other institutions; we may conduct transactions by ourselves or through arrangements made with other financial sources or institutions; we may assist in the preparation of projects and loan applications; we may use our resources for purposes of social welfare; and we may stipulate that the loans may be repaid in currencies other than those in which they were granted.

This wise flexibility accorded to the Bank by the negotiators of the Agreement, demands, for practical reasons, that we determine what must be given priority by the Bank, which requests should not be granted, and which must be held in abeyance until such time as the original capitalization process has been completed.

The loans of the Bank should be profitable and sound and must be guided by a criterion of priority that justifies the utilization of our limited resources. In this connection we may profit a great deal from the experience of others. Luckily for our budding institution, there are other similar entities that for many years have been doing the kind of work we are now called upon to perform, and which after an initial period of uncertainty, have now a well-defined policy relative to development loans. Such experiences supply very valuable data to guide our own operations.

The activities of the Bank must be orientated in such manner that it may enable us to satisfy the financing needs of the various stages of development projects, beginning with the assistance that we might give in the study and preparation of requests for loans, and ending with the granting of adequate financing to carry out such projects. In this latter respect we can, as true mediators or agents for the countries involved, make all necessary arrangements for obtaining funds from various financial sources.

I attach great importance to the possibilities the Bank has, in carrying out its operations, of working through national organizations created for the purpose of providing financial aid for economic development, whether they be promotional organizations, development banks, agricultural or industrial banks, etc. I believe that the experience of such organizations, and their knowledge of the economy and of the needs of their respective countries, may enable them to become suitable channels for the utilization of part of the Bank's resources. There are also important areas usually covered by small or medium-size private associations or enterprises where we may contribute with our resources most productively; in this respect, our assistance would probably be more useful and give maximum results in the fields of agriculture and animal husbandry, and in industrialization. For this purpose we must also look for support from local private financial organizations, particularly through investment institutions and stock markets. The aforementioned concepts enable us to foresee that the Inter-American Development Bank's cooperation with development organizations, with central and private banking systems, and with the financial markets of each country will naturally be very close.

It is my opinion that at the beginning we must avoid spectacular operations that would be disproportionate to our actual financial situation. Many of the requirements for large-scale projects that call for massive international public financing, such as the development of electric power sources and transportation systems, are handled by institutions such as the International Bank and the Export-Import Bank.

As of June 1959, the International Bank had granted 90% of its loans to Latin America for the financing of basic economic capital projects in the fields of electric power production, transportation and communications, irrigation projects and agricultural improvements. Of a total sum of US\$958 million granted since the establishment of the Bank, US\$47 million were used for industrial development and US\$63 million in agricultural development. Almost all of these loans were granted to governments or to public or semi-public organizations.

The Export-Import Bank between 1934 and 1958 made one third of its

loans for basic capital investments and one fourth of them for balance-of-payment purposes. It granted approximately 30% of them for the equipping of industry, mining and agriculture. Of a total sum of US\$3,664 million, more than US\$1,000 million were devoted to agriculture, industry and mining, especially to the latter two. Let us bear in mind, however, that these figures include substantial credits for activities of great scope such as the production of steel in Argentina, Brazil, Chile and Mexico, the the exploitation of copper in Peru, etc.

The Development Loan Fund (an agency of the Government of the United States), between the time of its establishment and September 15, 1959, has granted US\$66 million to the Hemisphere. Of this amount about 16 million have been for manufacturing and agricultural undertakings.

Latin America hopes that the valuable contribution of these organizations in stimulating the formation of its basic economic and social capital will be vigorously continued and broadened. The Inter-American Bank, in no case, would replace the functions of these organizations, a concept that has been frequently reiterated in this as well as in other meetings. Its additional function would be to carry on activities that will strengthen or complement the above-mentioned endeavours.

In this respect two clarifications are desirable. In the first place the fact that the Inter-American Bank will not attempt to replace already existing sources of financing does not imply that the institution should be "the lending agency of last resort" in the sense that it will only engage in operations which others, for various reasons, do not wish to undertake. In the second place, the fact that it will give special attention to the financing of medium-size or small projects and undertakings does not, of course, exclude the possibility of the Bank's engaging in works of greater scope, either independently or under joint arrangements. A diversification of our patterns of operation is feasible. There is a broad field for financing on foundations as productive and solid as those sustained by the operations of already existing institutions; it is also evident that this field will tend to expand together with Latin America's own development. Obviously it will be the volume of the resources available, either immediately or in the future, which will determine the policy of the Bank.

These ideas lead us to the conclusion that in practice the Bank will overcome the artificial distinctions between the public and private sectors which are theoretically emphasized. The degree of importance of one or the other in the economic structure of a country depends on its particular institutional structure. It is not appropriate for the Bank to interfere in this respect. The co-existence of public and private enterprise is a fact in our economic communities; the Bank in its lending policy should be interested only in the degree of efficiency with which these activities are managed and the benefits which, for them and for the national economies as a whole, are obtained through the utilization of its funds.

The Bank has, as one of its distinctive characteristics, two sources for the financing of its operations: the ordinary resources and the special fund. This separation, nevertheless, does not imply that the institution should be

managed with dissimilar policies. I have invariably answered those who have doubts about the nature of the "special loans" that the latter are not synonymous with "bad loans," nor are they donations or subsidies. The most notable characteristic of the operations financed by the special fund is that their repayment may be effected in currencies different from those received from the borrower, especially in the case of nations whose capacity for payment in foreign exchange may, at certain times, be insufficient.

The Governors for Bolivia and Paraguay suggested in their statements a course of action for the Bank which is very worthy of consideration. It is a fact that in our Hemisphere, made up as it is of nations and regions in the process of development, there are areas which for various reasons are less advanced than others. We cannot be indifferent to this fact as we visualize the economic unity of Latin America. As in the framework of a national economy the backwardness of one part of the territory may create serious problems for the entire unit, also in the Hemisphere zones or nations notably underdeveloped can mean dangerous imbalances or tensions for the economic, political and social future of our community of nations. We should then, to the extent permitted by the resources available and the provisions of our Agreement, give priority to the solution of this problem. Let us not forget that we have not established an institution for isolated nations but rather for a Hemisphere as a strong and integrated unit.

We should also give priority to those operations that may contribute to economic integration. The possibility of using freely the local currency of those countries that have already attained a certain level of industrialization allows us to hope that we may orient our policy toward the strengthening of regional markets now in the process of formation, as well as toward other objectives. In this connection I note also the problem of various countries which, being in a position to export capital goods, find themselves unable to fully utilize their installed industrial capacity for lack of adequate credit mechanisms. I am sure that the Board of Executive Directors will study this problem carefully and will undertake to find a solution for it in accordance with the legal regulations that govern us.

I believe that there cannot be an optimum utilization of the resources which we may facilitate in an atmosphere of inflation and financial disorder. I come from a country that has suffered economic stagnation as a consequence of the cancer of inflation. It is unnecessary to repeat the statistics for the Hemisphere which categorically refute the thesis that inflation is an appropriate technique or procedure for stimulating the growth of the economy. Inflation, whether it be latent and hidden, gradual and permanent, or explosive and uncontrolled, its always an enemy of growth. Consistent with the solid basis which we will give to this organization we must, in our credit policy, be diligent in our analysis of the over-all economic and financial conditions. It is well known that these conditions directly affect a country's present and future payment capacity. The Governor for Argentina in his inaugural speech expressed these concepts so clearly and thoroughly that it is unnecessary for me to comment on them further.

The provisions governing the Fund for Special Operations, and those

concerning Technical Assistance, give great flexibility to the Inter-American Development Bank. Both of these should give priority to operations and activities that may result in the spreading abroad of the technology of the more advanced countries and in the utilization of the high levels they have attained in scientific research. In this connection, we must act in close coordination with other institutions whose aims coincide with these objectives. Let us speak about "package deals" not only for financing but also for promoting those initiatives that will result in making technical and scientific knowledge more widely available. It has been said repeatedly that one of the factors leading to differing rates of economic growth in the various regions is precisely the increasing difference in the levels of technical knowledge. If we want to overcome that obstacle in the way of progress, we must give great importance to measures that stimulate the dissemination and utilization of scientific and technological knowledge concentrated in the more developed countries.

Recently I read the observations of an Indian concerning the discovery in his region of some ruins of extinct civilizations in this Hemisphere. He was amazed that an archeologist, using scientific tools in the study of culture, had discovered a secret city which had been there for hundreds of years: "My father before me, and his father before him, built their home here, hundreds of years ago, and yet neither they, nor their predecessors ever heard of this underground city. However, a foreigner comes from faraway lands to our country and goes straight to the site; he takes a stick and draws a line here and a line there. Here, he says, used to be the palace, and there was the door. And he shows us what had always been there right under our feet without our suspecting it. Marvelous! Did you learn it in a book, or through the art of magic or were you told of it by sorcerers? Won't you tell me the secret of your wisdom?"

Technical assistance furnished by the Bank can be very useful in the preparation of specific projects that support requests for loans. Also, upon request of member countries, the Bank could extend a more ambitious service of providing assistance in general planning. Long-range planning determines precise goals in the fundamental tasks of economic development and tends towards a better utilization of resources and labor which does not exclude but rather furthers the interests, in countries such as ours, of private initiative and enterprise.

It has been said that one of the impediments to our development is the scarcity of qualified entrepreneurs and managers. Here, also there is no institution more appropriate than the Bank to help remove this obstacle. It is not a question of giving advice or knowledge that can only be gained through experience; however, we can, in cooperation with the groups involved, create or expand training institutions for scientific management of the type already functioning successfully in several Latin American cities.

It may likewise be important to give our assistance in the improvement or the creation of local financial institutions in the countries, especially of investment banks with capital from either public or private sources.

This statement, Mr. Chairman, would be incomplete if it did not make reference, with the frankness which must characterize our work and our relationship, to some problems, which, I have noted, are of concern to more than one Governor.

I should like to refer, in the first place, to a misconception spread in good faith by many persons but undoubtedly due to their lack of knowledge of the nature of the institution. It is said that the Bank will be able to help all, in all matters. I understand that this hope expresses only tragic accumulation of the aspirations and needs of Latin America. I request your assistance to clarify, in all our countries, the true scope of the Inter-American Development Bank, and to emphasize that only through a well-conceived beginning, soundly based with a clear vision of the Bank's objectives, will it be possible for the institution to grow and assume greater responsibilities. We need time and the good will of those who expect so much from us, during this period of organization and development. I intend in the near future to visit all countries of Latin America for the purpose of explaining and clarifying to governmental and financial groups, to bankers, businessmen and industrialists, to agricultural and industrial organizations and in universities, what the Bank is, the principles that govern it, and especially its future significance for the progress of our Hemisphere. I hope to receive observations and suggestions from them that will make our work more effective.

It is also my concern to find adequate means of relating the Bank to the social awareness of our peoples. It was deemed necessary, for sound technical and practical reasons, to locate the Bank's headquarters in the United States. This, however, demands that we be more alert than ever as to the need of keeping in close contact with the Latin American economies since we exist principally for Latin America. I would consider, Mr. Chairman, that I had failed in my work if, despite my deep-rooted desire to serve our people, I should come to the conclusion in the course of time that the institution and its staff were not participating fully and did not feel completely identified with the vigorous and stirring Latin American reality. We are resolved to create a sound and efficient institution that will inspire confidence and therefore attract the interests of the capital markets. But we must also resolve, with the same determination and conviction, that our Bank function and develop in close contact with our communities. We must take the initiative in approaching them, in establishing close relations with governments and businessmen; we must convince them that it is we who are at their service and that in requesting our cooperation they are only exercising their legitimate right and granting us their inestimable confidence. For that reason I believe that service in this Institution must imply true and inspired dedication. I also foresee, once the first stages of organization are completed, that commensurate with our available resources, we will be able to establish regional offices, through which will be channeled a great part of the future dealings of the Bank with interested groups in our member countries.

We have achieved an extraordinary success in creating this Bank by securing the participation of almost all the nations of our Hemisphere, who have thereby put aside differences that could have developed from distinc-

tive institutional concepts and political factors. This makes it evident that when there are common tasks to perform, inspired in high ideals, the areas of disagreement tend to diminish while those that create a meeting of minds expand. I do not aspire to build an ivory tower atmosphere for the Bank. No institution has been able to do so, despite fervent desires of its leaders to isolate operations from the complex problems arising from international relations. Nevertheless, without overlooking the foregoing, we must constantly stress the Bank's independence and autonomy as a requisite for fulfilling the objectives to which the Agreement Establishing the Inter-American Bank binds us.

Now Mr. Chairman and Governors, I should like to refer briefly to some considerations that played a role in the historical period in which the Bank was born and will continue to influence it during its development and which in my opinion will help to assure the success of the Institution: I am convinced that it would have been difficult to find a more timely and propitious moment than the present for the beginning of this new undertaking.

In the first place, I refer to the significant process of reconstructing the international economy which has taken place in recent years, despite the limitations resulting from the division between our free Western World and the Eastern Bloc. For the first time since the end of World War I, we are witnessing the growth of an environment in which autarchic isolationist trade policies are rapidly disappearing. The reduction of tariffs is now commonplace; the abolition of trade discrimination is becoming widespread; cooperation in the monetary field is a concrete reality based on the legal and actual convertibility of a great number of currencies. Businessmen and bankers have recovered confidence in the importance of their international contacts, and we have become convinced that the increasing flow of the interchange of goods and persons is the best basis for assuring the collective well-being of humanity.

Inevitably, something similar has been happening in the financial field. In addition to the strengthening and expansion of savings and capital export capacity of the United States, it is also encouraging to observe the vigorous recovery of the capital markets of Western Europe.

We have also gained something new through this process: that is, a philosophy that is gaining more acceptance concerning relations between more advanced industrial and financial centers and less developed zones or regions. It is not appropriate at this time to analyze in detail this new concept which places an indivisible value on social well-being and prosperity not only because of political or economic reasons, but also because of humane and moral considerations. It is well known that until recently economic relations between countries with more advanced technology and culture and vast regions still at a very elementary and primitive stage of development were based principally on the will of the strongest. In their economic and commercial relations these two worlds were governed by the neutral and objective principle of the division of labor, of competition through international trade and of the best allocation of resources on a world basis without a more specific appraisal of the possibilities of improvement which the populations of those under-

developed regions could achieve through a more equitable distribution of the benefits of progress.

As in the domestic field, in which communities consider themselves linked by relationships which permit a more equitable utilization of the results of the common effort of the different groups, areas and activities, through the mechanisms of the modern state, so in the international field a similar concept is developing. It would thus seem that the financial and economic rebuilding which we are witnessing will open new horizons for the hundreds of millions of inhabitants of the underdeveloped regions. No other meaning can be given, moreover, to the policy followed during the last fifteen years by the international organizations and by the Government of the United States. Now other countries in Western Europe, whose economies have been rehabilitated after the war, also express similar intentions of orienting their considerable financial resources to the portion of the development of communities that have traditionally been passed over by progress.

Few will be in a better position than we, with the well-conceived mechanism of the Inter-American Bank, to be able to put into use the present and potential financial resources of the highly industrialized countries. I am convinced that we will not only receive the support which governments have so definitely expressed, but also that of the enterprises and private investors of those countries, who surely will come to realize more and more that Latin America tends to become one of the economically most promising regions, as well as politically and socially most stable.

The reappraisal which inter-American economic policy has undergone in the last short years is an expression of the foregoing concepts; the Bank itself is a product of these new circumstances. It was only a few weeks ago, January 20 of this year, to be exact, that President Eisenhower, in his Economic Report to the Congress, stated that the Inter-American Bank will bring the United States and the countries of Latin America closer together as a demonstration of the lasting interest of the United States in the economic growth of its neighbors. These words show the understanding on the part of the largest member of the Bank that our countries constitute the most important region for its investments and for its trade as is revealed by: the 8-billion dollar trade in both directions between Latin America and Anglo-Saxon America, private United States investments in the region which total 9 billion dollars and its public investment which exceeds 2 billion dollars.

These new conditions are not the only basis for my optimism concerning the success of the Bank. Latin America has not been advancing simply as a result of the progressive trends that have developed in the large economic centers of the world, like mushrooms sprouting in the forest after rain. During the last twenty years, we have witnessed in Latin America the rapid process of democratization in both the political and social fields; the growth in many countries during this same period of a powerful class of entrepreneurs with initiative, energy, progressive ideas and understanding of their social responsibilities; the modernization of all types of institutions; the training of many experts in the fields of management, economics, arts and sciences, medicine, and city planning. In other words, Latin America is better prepared than

ever before to receive and absorb outside financial assistance and cooperation. There is still a great deal to be done in establishing these prerequisites; however, we already have the fundamental basis.

Concerning the general possibilities of international financing as a factor of economic development, especially in Latin America, there are few studies more interesting and stimulating than a recent one prepared by the International Bank for Reconstruction and Development entitled "Debt Servicing Capacity and Post-war Growth in International Indebtedness" that covers the decade of 1946-1955. This study concludes that the international flow of capital during that period was substantially greater than the flow during the decade following the First World War. Without considering private capital, the investment of which starts to grow in importance after 1950, public loans and grants reach the impressive total of 68 billion dollars. The results of this process were "accompanied by a considerable economic advance in the majority of the debtor countries. The increases in the levels of income, savings, government revenues and foreign exchange earnings have been sufficient to cover the greater volume of payments for services . . . so that the debtor countries have been in a position to finance increasing domestic consumption and investment."

For Latin America it concludes that in this decade the real income per inhabitant increases by 3 per cent, due to a great extent to an increase in production for internal consumption which is more rapid in most countries than the increase in the volume of exports. Special note is taken of an increase in industrial production at the expense of expansion in the field of agriculture and animal husbandry. Fixed gross investments reach an average of 16 per cent of national income financed by domestic savings and by foreign contributions. The balance between external public indebtedness and income in foreign exchange is slightly below that of the 1920 to 1930 decade.

These observations lead us to the conclusion that long-term indebtedness, in the international field, has positive results in economic development, and that Latin America, as a whole, can continue to resort to these patterns of financing especially if it is in a position to increase exports. It is for this reason that, when my Latin American colleagues granted me the honor of expressing their viewpoints at the closing meeting of the committee that negotiated the Agreement, I stated that the Inter-American Bank has a vast field of action ahead with regard to the financing of activities to improve the supply of agricultural and livestock products, to stimulate industrialization which will react favorably on the balance of payments and to promote a substantial increase in export trade.

Thus, the Inter-American Bank will be in a superb position to utilize, on one hand, the resources of the world economy and, on the other, to attract them to this hemisphere. Between these two realities—that of an advanced world willing and able to help us, and a Continent that desires and requires assistance—the Inter-American Bank can be an excellent bridge whose strength and resistance will lie in its efficient organization and management.

To talk about the need of assistance for the development of Latin America is the same as referring to the urgent need to build what we might call the "second story" of the Continent, that is, to produce the means for providing food, clothing, education, medicine and recreational facilities for the 120 million new Latin Americans whom we will have to reckon with 15 years hence. For this task we need a solid foundation: a substantial increase in the present rate of investment and a better organization and allocation of our resources. There are countries in the free world that have achieved this miracle in desolate and depleted lands. Obviously this undertaking will call for great imagination and interest on the part of our leaders. The Bank will be able to contribute to this undertaking only in part, in terms of investment of funds, but I believe that its assistance as a financial and technical instrument will help us to face this problem which is unquestionably the most serious one of our time.

The different motivations that will influence the activities of the Inter-American Development Bank, and the nature of the general setting in which it will have to act, indicate how complex our institution will be. It is a banking organization, specialized in the regional financing of economic development projects. However, at the same time that it is a bank, it is something more than a bank. We are a bank in that we will utilize the ordinary financial resources placed at our disposal; in that our transactions and loans must adhere closely to the principles of profit and soundness, and in that the Institution must in its initial stage place efficiency ahead of any other consideration. However, we are more than just a bank if we consider that our ultimate objective is to accelerate the development of all of Latin America; if we remember that part of our resources will come not only from private capital markets, but from individual taxpayers of the Americas, whether of modest or great means; if we keep in mind that our aim is not the distribution of profits; if we try to orient our activity toward undertakings of great collective value, such as the creation of the Latin American Common Market; if we strive to promote the use of planning techniques for economic development; if we are convinced that our Fund for Special Operations should face the many problems existing in the fields of education and health in our countries.

These two standards are not contradictory within the philosophy that created the Inter-American Development Bank, and herein lies the Bank's uniqueness. Just as there are institutions in various countries that pursue goals of collective interest but use the techniques of the private business world, so in our Bank, we want to serve our collective interests using procedures characteristic of a carefully organized financial enterprise.

Mr. Chairman, Governors:

Upon ending my remarks, I wish to add my personal congratulations to those expressed to the Governor for Brazil on the selection of his country as the site for the Second Meeting of the Board of Governors. There is nothing more pleasant, or more stimulating and challenging for the President of the Bank, for its Executive Directors and for future collaborators of the Institution, than the prospect of meeting again in Brasilia a year from now,

to present at that time, the results of our first actions in accordance with the general instructions you have given us.

On taking leave of you today, I wish to express again my heartfelt gratitude for your having elected me to the Presidency of the Institution. I should like to ask you to be envoys in expressing to your illustrious governments and generous people my pledge to serve in the common cause in which we are engaged, and also to be the missionaries that we so earnestly need for the success of the Inter-American Bank throughout the Hemisphere. We will be looking forward to receiving your guidance and your advice.

To our efficient and wise Chairman, Dr. Alfonso Rochac, our appreciation for the successful manner in which he has conducted this historic meeting. On behalf of the Institution, I express our gratitude once again for the marvelous hospitality that we have received from the Government and the people of El Salvador, who have made our stay so extremely pleasant during the last few weeks.

And particularly, my good friend Rochac, I wish to present our respectful greetings and best wishes to that outstanding Central American statesman, Lieutenant Colonel José María Lemus, President of El Salvador, with whose statement regarding the nature of the Inter-American Bank I wish to conclude: "Its functioning will promote a greater cooperation and identification among countries whose bonds had been mainly based, until recent times, on sentimental traditions, but which are now going forward, to new ways of cooperation and unification, spurred on by the need for economic improvements and stability, for higher standards of living, and by the desire to occupy a more suitable place in the community of nations."

**REPORTS SUBMITTED
TO THE
BOARD OF GOVERNORS**

Report of the Preparatory Committee Of the Inter-American Development Bank

The Preparatory Committee of the Inter-American Development Bank has the honor to submit to the First Meeting of the Board of Governors of the Bank this report on the work carried out in accordance with instructions received from the governments of the signatory states of the Final Act of the Specialized Committee for Negotiating and Drafting the Instrument of Organization of an Inter-American Financial Institution.

I. Establishment and Membership of the Preparatory Committee

As set forth in the Appendix of the Final Act, the Preparatory Committee is composed of representatives from Argentina, Brazil, Chile, Costa Rica, El Salvador, Mexico and the United States of America.

The following were the accredited representatives of these countries on the Preparatory Committee:

Argentina:	Mr. Mario O. Mendivil Alternate: Mr. Emilio Llorens
Brazil:	Mr. Cleantho de Paiva Leite Alternate: Mr. Luiz Benjamin de Almeida Cunha
Chile:	Mr. Felipe Herrera Alternate: Mr. Javier Urrutia
Costa Rica:	Ambassador Manuel G. Escalante Mr. Jorge Hazera
El Salvador:	Mr. Rafael Glower Valdivieso
Mexico:	Mr. Juan Gallardo Moreno Mr. Ernesto Hernandez Hurtado Acting Representative: Ambassador Armando Amador
United States of America:	Mr. T. Graydon Upton Alternate: Mr. Charles Harley Mr. James Lynn, Mr. Alex Rosenson, Mr. Arnold Weiss

In addition, a number of countries were represented by observers in the working sessions of the Committee. The observers accredited to the Committee were the following:

Colombia:	Dr. Ignacio Mesa Salazar
Cuba:	Ambassador Enrique Pérez-Cisneros Dr. Gonzalo de la Pezuela
Dominican Republic:	Mr. Luis Galván
Peru:	Mr. Carlos Gibson
Venezuela:	Mr. Juan Antonio López de Ceballos Mr. Antonio Casas González

The Committee held its first preliminary meeting on September 15, 1959, under the temporary chairmanship of Ambassador Armando Amador, Acting Representative of Mexico on the Committee. The inaugural session was held on September 18, 1959. At that meeting the following Committee officers were unanimously elected: Chairman, Mr. Cleantho de Paiva Leite, Representative of Brazil; Vice Chairman, Mr. Rafael Glower Valdivieso, Representative of El Salvador; and Rapporteur, Mr. Mario O. Mendivil, Representative of Argentina. During the time the Committee was working Mr. Pedro Irañeta, Chief of the Division of International Trade and Finance of the Pan American Union, acted as its Secretary, and, as Assistant Secretary, Mr. Oscar A. Ayala, of the same Division.

II. Terms of Reference of the Committee

The functions of the Preparatory Committee are set forth in the Appendix to the Final Act, referred to above, which reads as follows:

"1. A Preparatory Committee for the Inter-American Development Bank is hereby established to perform the following functions:

- (a) To establish the rules of procedure for its activities;
- (b) To take the necessary steps for the preparation of the first meeting of the Board of Governors, including the drafting of an agenda and provisional regulations for that meeting; and
- (c) To prepare for consideration by the Board of Governors at its first meeting such studies as the Committee deems necessary on technical, administrative, and legal matters related to the establishment of the Bank.

"2. The Preparatory Committee shall perform its duties until the first meeting of the Board of Governors. The Committee shall be composed of one representative of each of the following countries:

Argentina
Brazil
Chile
Costa Rica
El Salvador
Mexico
United States of America

"The first meeting of the Preparatory Committee will be held on September 15, 1959.

"3. The Preparatory Committee shall make arrangements with the General Secretariat of the Organization of American States as to the cooperation of that Secretariat with the Committee, especially with respect to providing personnel and space for its work.

"4. Once the Agreement Establishing the Inter-American Development Bank has entered into force, pursuant to Article XV, Section 2, the Committee may have at its disposal, to enable it to perform its functions, not more than 20 per cent of the resources which are required to be delivered pursuant to Section 1 (c) of that article.

"5. Each government shall defray the expenses incidental to its representation on the Preparatory Committee."

III. Activities of the Committee

In accordance with the instructions it had received, the Committee, at its first meeting, adopted the Rules of Procedure that were to govern its activities and its Provisional Work Program.

To carry out its work program, the Committee held continuous meetings during three periods. The first period, in the Pan American Union, Washington, D.C., was from September 15 to November 9, 1959, and the second, at the same place, from December 7 to 18, 1959. The third period covered meetings held in San Salvador from January 29 to February 2, 1960, the Committee having accepted the kind invitation which was extended by the Government of El Salvador. In the absence of the Chairman, Mr. Cleantho de Paiva Leite, the second meeting of the Committee was presided over by its Vice Chairman, Mr. Rafael Glower Valdivieso. In addition, the Committee met several times in the intervals between the established periods, whenever circumstances made it necessary to do so, and the officers of the Committee, as well as the other members, individually engaged in a number of activities in connection with its work. In accordance with its terms of reference, quoted above, the Committee requested the cooperation of the General Secretariat of the Organization of American States in carrying out its work. The Committee received, at all times, the fullest cooperation of that General Secretariat. In this manner, the Committee carried on its work in the offices of the Pan American Union, where most of its meetings were held, and this organization made available to the Committee the services of its technicians and other personnel for the Committee's work and for the preparation of studies which were requested of it. Furthermore, the Committee obtained the assistance of the Pan American Union for organizing and carrying out the work of the Secretariat for the First Meeting of the Board of Governors of the Bank.

In order to prepare a report, which will be referred to again below, the Committee obtained the cooperation of the International Bank for Reconstruction and Development.

The Committee held several working sessions in offices generously made available by the "International Coffee Agreement" in Washington, D.C., and by the Ministries of Economy and Foreign Relations of El Salvador.

IV. Work Done and Measures Taken by the Committee

The following is a brief summary of the Committee's activities, with comments and explanations relating to each.

A. Ratification of the Agreement Establishing the Bank

The Committee found it advisable to take various measures for the purpose of encouraging early ratification of the Agreement establishing the Bank. In these activities, it acted in close and effective cooperation with the Secretary General of the OAS, Dr. José A. Mora, who maintained permanent

contact with the governments of the American states on matters relating to the ratification of the Agreement. Moreover, the Pan American Union, through its Washington headquarters and its offices in the American republics, gave the widest publicity possible to the Agreement itself and to the steps that were taken to bring it to rapid fruition.

The Committee, for its part, requested several of its members to visit some countries for the purpose of reporting to the appropriate authorities on the progress of its work and obtaining information on the status of the measures being taken to comply with the legislative requirements for the acceptance of the Agreement. Thus, the Chairman of the Preparatory Committee, Mr. Cleantho de Paiva Leite, visited Cuba and Venezuela; while the Vice Chairman Mr. Rafael Glower Valdivieso, and the Representative of Costa Rica, Mr. Jorge Hazera, visited Guatemala, El Salvador, Honduras, Nicaragua, Panama and Venezuela. Mr. Javier Urrutia, Alternate Representative of Chile on the Preparatory Committee, visited Bolivia, Paraguay, and Uruguay. In addition, Mr. Cecilio Morales, Director of the Department of Economic and Social Affairs of the Pan American Union, visited Colombia, Cuba, Ecuador, Peru, Uruguay and Venezuela at the Committee's request.

The Preparatory Committee takes this occasion to express its appreciation to the persons previously mentioned, for the activities and negotiations they carried out.

The Committee also arranged for a number of ceremonies at which the Agreement was signed and the instruments of ratification deposited by various American states, and it was in constant communication with the appropriate authorities of the countries signatory to the Final Act of the Committee that negotiated and drafted the Agreement establishing the Bank.

B. Recommendation on Place and Date of the First Meeting of the Board of Governors

Pursuant to the provisions of the Agreement establishing the Bank, the convocation for the First Meeting of the Board of Governors was to be issued by the Secretary General of the OAS. Consequently, it was incumbent upon the General Secretariat of that Organization to select the date and place of the meeting. However, the Preparatory Committee had the opportunity of advising the Secretary General on these matters. In this connection, the Committee informed the Secretary General that all of its members favored the selection of San Salvador as the seat of the First Meeting of the Board of Governors of the Bank. Up to the time when this action was taken, El Salvador was the only country that had presented a formal offer for its capital city to be the site of the meeting. The Government of Brazil had previously expressed interest in having the meeting take place in Rio de Janeiro, but it later withdrew the offer and supported the designation of San Salvador.

The Committee also made recommendations to the Secretary General of the OAS concerning the date on which the First Meeting of the Board of Governors might be held.

C. Draft Agenda for the First Meeting of the Board of Governors

The Committee worked out the draft agenda (Document BID/I-AG-1) which, in due course, was forwarded to the members of the Bank and which is submitted herewith for consideration by the Board of Governors. The Committee recommends adoption of the said agenda by the Board of Governors.

The Committee incorporated in the proposed agenda all the points on which it deemed it necessary or advisable for the Board of Governors to take action at its First Meeting. The agenda is based on the provisions of the Agreement of the Bank and on measures which it is anticipated will have to be adopted for the organization of the Bank and the beginning of operations of the institution.

D. Draft Regulations of the Board of Governors

The Committee worked out draft Regulations for the Board of Governors (Document BID/I-AG-2) which are submitted herewith for consideration by the Board of Governors and approval, which it recommends.

In preparing the draft Regulations, the Committee considered both the provisions of the Agreement of the Bank and the background and experience, in such matters, of similar institutions.

Provisions included in the draft Regulations require no major explanation. Only a few brief comments need be made regarding two of the points dealt with in the draft.

Section 2 (a) of Article VIII of the Agreement of the Bank provides that at each regular meeting of the Board of Governors the Chairman of the Board shall be selected to discharge his duties until the next regular meeting. In establishing Regulations under this provision, the Committee deemed it advisable for the term of the Chairman of the Board of Governors to begin at the end of each regular meeting and to extend to the end of the next regular meeting. In order to implement this procedure, a transitional provision of the proposed Regulations prescribes that the authorities elected to preside over the First Meeting shall discharge their duties only until the end of that meeting. At the end of this meeting, the Committee proposes that an election be held to select officers to serve through the next regular meeting.

Section 8 of the draft Regulations provides that the four national languages used in the American States shall be considered as official languages at the meetings of the Board of Governors. In discussing this point, the Committee considered the advisability of adopting procedures involving less cost on this account. However, it was not possible to find a formula reconciling the different points of view which had been advanced and, moreover, in view of the scope which the meetings of the Board of Governors are bound to have, it was preferred to adopt the proposed procedure. In giving consideration to this matter, the Committee also exchanged ideas as to what procedures might be used in regard to working languages for the daily activities of the Bank. All of the members of the Committee were agreed on the advisability of finding ways and means to carry out the work of the Bank as economically and as efficiently as possible. The Committee, how-

ever, felt that any decision as to what working languages should be used in the regular conduct of the business of the Bank could more appropriately be taken by the administrative authorities of the institution once the Bank is in operation.

E. Draft By-Laws of the Bank

The Committee prepared a draft of the by-laws (Document BID/I-AG-3), which it is submitting herewith for consideration by the Board of Governors; the Committee recommends their approval.

In the preparation of these draft by-laws, the Committee took into consideration both the provisions of the Agreement of the Bank and the practices followed in such matters by similar institutions. Brief comments should be made on a few of the points set forth in the said draft.

In Section 3 (a), it is proposed that expenses incurred by the Governors in attending meetings of the Board of Governors be paid by the respective member countries. In suggesting this procedure, the Committee had in mind the advisability of adopting policies which would allow the work of the Bank to be performed as economically as possible, at least in the course of the first few years of the Bank's operation. The Committee agreed, however, that once the institution is firmly established, this procedure might perhaps be modified with a view to adopting practices similar to those followed in this connection by other organizations.

The Committee discussed at length the procedures which could be followed with regard to remuneration of the Executive Directors and Alternates. In this respect, two distinct opinions were advanced.

On the one hand, several delegations held the view that it was necessary for the Alternative Executive Directors to serve permanently and to attend to the business of the Bank jointly with the Directors. Other delegations maintained, on the other hand, that, in order to avoid what may be unnecessary expense for the Bank, the Executive Directors and their Alternates should not serve simultaneously except in special circumstances.

In an endeavor to reconcile the two opinions, the Committee analyzed some of the possible situations that might arise when a Director represents more than one country, and sought a compromise formula of a flexible nature.

Thus, the Committee agreed to treat this matter as shown in the last few sentences of Section 3 (c) which provide the following:

When an Executive Director or Alternate devotes only part of his time to the Bank, his pay shall be established on the basis of time he devotes to the institution. Each Executive Director, pursuant to provisions to that effect which must be included in the Regulations of the Board of Executive Directors and upon approval by the latter Board, shall determine how much time his Alternate will devote to the Bank.

The Committee considered that this procedure was sufficiently flexible, and that it would make it possible to effect savings when practicable and, at the same time, to take into account the possible need, in certain cases, for full-time participation by both the Executive Director and his Alternate, for the sake of more effective operation of the Board of Executive Directors.

In recommending this procedure, the Committee wishes to state that it is to be hoped that it will be applied with due consideration of the need for effecting the greatest possible economy in the management of the Bank's affairs, within the limits imposed by the primary objective of efficiency.

In Section 9, the Committee proposes that the Bank's fiscal year correspond to the calendar year. The Committee realized that most of the statistical data are submitted for periods that coincide with the calendar year, and that it would be desirable that the Bank data cover comparable periods.

F. Draft Resolutions and Other Documents Concerning Matters to Be Considered at the First Meeting of the Board of Governors

Bearing in mind the topics on the Board of Governors' agenda, the Committee prepared a series of resolutions and decisions (Documents BID/I-AG-4 and BID/I-AG-5) that it is submitting to the Board for consideration.

(1) Resolution on Admission of New Members

In view of the fact that up to December 31, 1959, Cuba, Uruguay and Venezuela had not yet completed the necessary action for the acceptance or ratification of the Agreement establishing the Bank, the Preparatory Committee deemed it advisable to recommend a procedure that would enable those countries to become members of the Bank as promptly as possible. The factors considered and the nature of the proposal are explained in detail in the preamble of the draft resolution (Document BID/I-AG-5).

(2) Resolution on the Election of the President of the Bank,

(3) and Decision on Clauses That Should Be Included in the Contract between the Bank and the President

The Preparatory Committee will submit a separate memorandum covering the provisions of the contract between the Bank and the President.

(4) Resolution Concerning the Remuneration of Executive Directors and Alternates

In view of the fact that it is desirable for the Bank to have directors of great technical ability and prestige, the Committee recommends that the Board of Governors fix for the Executive Directors and Alternates levels of remuneration equal to those of the Executive Directors and Alternates, respectively, of the International Bank for Reconstruction and Development and of the International Monetary Fund.

(5) Resolution Concerning Provisional Administrative Arrangements

The purpose of this resolution is to grant the President of the Bank the necessary powers to adopt certain indispensable administrative measures and meet such expenditures as administration of the institution will require at the beginning of operations. Bearing in mind the financial needs that can be foreseen in connection with the establishment and administration of the Bank during the course of its first few months, the Committee recommends that the President be authorized to spend up to US\$300,000 for such purposes. Furthermore, the Committee recommends that the Board of Directors, at the request of the

President of the Bank, be empowered to increase the authorized amount by a sum equivalent to the estimated expenses for the operation of the Bank during the period of one month.

(6) Resolution on Reimbursement of National Taxes on Remuneration Paid by the Bank

Pursuant to the provisions of the Agreement, exemption from taxes on remuneration paid by the Bank, which exemption the members undertake to grant, applies only to directors or officials who are not nationals of the country in which the Bank has its headquarters or offices. Therefore, the purpose of this resolution, approval of which is recommended, is to put the remuneration of all members of the Board of Directors and of the Bank personnel on an equal basis.

It should be pointed out that in referring in this report or in Draft Resolutions or Draft Contracts to "reimbursement for national taxes" or "net of national taxes," the Committee adopted the language used by other international organizations desiring to provide equal pay for equal work. The phrase "national taxes" refers to taxes upon salaries and allowances paid by the Bank levied by federal, state, or local authorities of the country of which an employee is a national.

(7) Resolution on the Date of the First Meeting of the Board of Directors

In fixing the date stated in this resolution, the Committee took into account the need for allowing a reasonable length of time for the recently elected Directors to move to the headquarters of the Bank. However, the Committee deemed it advisable to envisage the possibility that the President of the Bank might call a meeting of the Board of Executive Directors at the site of the First Meeting of the Board of Governors for the purpose of considering urgent matters connected with the organization of the Bank.

(8) Resolution Concerning the Date and Place of the Second Meeting

In recommending the date proposed in this resolution, the Committee bore in mind the desirability of holding regular meetings of the Board of Governors shortly after the end of the Bank's fiscal year. It should likewise be pointed out that the Committee, in considering this matter, expressed the advisability and the desire that the selection of the site for the meetings of the Board of Governors should in the future be arranged in accordance with a system for rotating the meetings among all the member countries. Particularly in the first few years, this would promote greater and wider familiarity with the institution among the Latin American countries.

The adoption of this practice should not, of course, imply the establishment of a rigid system of rotation and should be subordinated to pertinent cost considerations.

G. Reports on Matters Pertaining to the Organization and Operation of the Bank

The Committee, bearing in mind the provisions of the terms of reference called to its attention, deemed it advisable that various reports be prepared on

questions relating to the organization and operation of the Bank, in order to provide the authorities of the Bank with background material on the matters that would require consideration when the Bank commenced operations. To this end, the Committee requested the preparation of four documents on various topics. Of these, the following three documents were prepared by the Secretariat of the OAS:

- (1) Administrative, Financial, and Juridical Aspects Related to the Organization of the Inter-American Development Bank;
- (2) Technical Assistance for Economic Development; and
- (3) Operating and Loan Policies of Existing Public International Lending Agencies.

The document on legal problems related to the marketing of securities in the private capital markets was prepared, at the Committee's request, by the International Bank for Reconstruction and Development. In requesting the preparation of these reports, the Preparatory Committee set forth the terms of reference for each, and they are quoted in the bodies of the reports.

The Committee did not verify the aforementioned reports and requests the Board of Governors to transmit them to the President of the Bank and to the Board of Executive Directors for their information.

H. Location of the Bank Offices

The Preparatory Committee deemed it wise to carry on some exploratory investigations with respect to possible buildings in which the Bank could establish its offices, inasmuch as, once its officials have been designated and the date for beginning its operations has been determined, indispensable installations should be available. With this in mind, the Committee requested that the United States delegation do some preliminary research on this matter. The results of this initial investigation were carefully studied by the Committee and its members visited several of the buildings where space could possibly be obtained for the Bank offices. The Committee concluded that one of these buildings was the most satisfactory from the standpoint of foreseeable Bank needs and current rental rates. This building is occupied at present by governmental offices which will soon be moved to other locations. It is possible to assume the present lease on this building at a rental lower than any considered up to this time by the Committee. The Committee decided it advisable, therefore, to request the United States Government, the present lessee, not to make commitments regarding the transfer of this lease until the Bank has reached a decision on this matter.

I. Arrangements Made for the Organization of the First Meeting of the Board of Governors of the Bank

The Committee had the cooperation of the Pan American Union, from which it requested that the necessary arrangements be made for the preparation and organization of the secretariat services for the first meeting of the Board of Governors.

At the Committee's request, two high officials of the Pan American Union visited El Salvador in order to discuss with Salvadoran Government authorities the arrangements necessary for the preparation and holding of the Meeting.

The Government of El Salvador very kindly offered the Preparatory Committee the use of the building where the Ministry of Foreign Relations will be located, in the future, for the duration of the Meeting, as well as any other premises that may be required for the opening and closing sessions of the Meeting. It also offered, and already has supplied, without any cost to the Bank, part of the personnel needed for the Meeting's secretariat, as well as local transportation, necessary equipment and supplies. The Government of El Salvador has assumed a substantial portion of the expenses incurred in holding the First Meeting.

The Pan American Union, in turn, offered the services of twenty-three officers and employees from its own staff to fill certain specialized positions in the secretariat of the Meeting.

J. Utilization of Funds

In accordance with the provisions set forth in Section 4 of the above-mentioned Annex, the Preparatory Committee was authorized to spend "up to 20 per cent of the amounts subscribed by the member countries, as per Section 1 (c) . . . of Article XV of the Agreement for its operations."

The carrying out of the work of the Preparatory Committee itself, as well as the arrangements and organization of the First Meeting of the Board of Governors, required a number of expenditures from the funds which had been made available to the Preparatory Committee. However the total of the expenditures chargeable to these funds was considerably lower than the amount which had been authorized. It was possible to achieve a substantial saving through the voluntary contribution of personnel, as well as other services, made by the Pan American Union and the Government of the host country of the Board Meeting.

Expenditures that may be charged against funds of the Bank can be classified as expenses pertaining to the work of the Preparatory Committee itself and expenses in connection with the First Meeting of the Board.

Although the Pan American Union performed, at no cost to the Bank, most of the necessary services for the carrying on of the work of the Committee, some expenditures from funds available to the Committee had to be effected. These included the travel expenses of some of the members of the Committee and of some Pan American Union officers who had been given various assignments, reimbursement of the cost of simultaneous interpreters' services, and some other services which the Pan American Union was not able to provide from its own permanent staff, as well as other minor expenses. The total of these expenditures is shown in the note in Appendix 1 regarding cost estimates.

With respect to the expenses in connection with the First Meeting of the Board of Governors, the Committee requested that the Pan American Union enter into contracts, and subsequently be reimbursed by the Bank

for those services which could not be provided either by the host country or by the Pan American Union. The Committee also agreed to reimburse the Pan American Union for any expenses incurred for travel and subsistence in San Salvador by members of its staff whose services would be made available in order to take care of the work of the meeting. The Pan American Union submitted to the Committee a detailed estimate of expenses which would be incurred in connection with the First Meeting of the Board and which should be charged against funds of the Bank. (See Appendix 1 of this Report). The Preparatory Committee approved this cost estimate as the maximum budgeted amount to cover the expenses of the Board Meeting.

The Pan American Union subsequently will submit to the Bank authorities a detailed accounting of all expenditures made in the two above mentioned categories.

V. Conclusions and General Recommendations

The Preparatory Committee hopes that it has satisfactorily carried out the tasks assigned to it and makes the following recommendations to the First Meeting of the Board of Governors of the Bank.

- 1) That the Board receive and adopt, as work documents, the projects which are appended to this Report; and
- 2) That the Board forward to the President of the Bank and to its Executive Directors, for their information, the following documents:

Administrative, Financial and Juridical Aspects Related to the Organization of the Inter-American Development Bank. Pan American Union, January 1960;

Technical Assistance for Economic Development. Pan American Union, January, 1960;

Operating and Loan Policies of Existing Public International Lending Agencies. Pan American Union, January 1960; and

Legal Requirements Necessary to Assure the Placing of Bonds Issued by the Inter-American Development Bank in Private Capital Markets in the United States and in other American and European Countries. International Bank for Reconstruction and Development, January 1960.

The Committee wishes to express its thanks to the Government of El Salvador for the kind invitation it extended to the members of the Committee to attend this meeting as official guests and for the facilities which it has so kindly made available for the holding of the third period of meetings of the Committee.

The Committee also wishes to express its thanks for the help received from the International Bank for Reconstruction and Development and from the International Coffee Agreement.

Finally, the Committee expresses its thanks to the Secretary General of the Organization of American States and the personnel of its secretariat for the valuable cooperation given throughout the period that the Preparatory Committee was carrying on its work.

APPENDIX 1

Revised Estimate of the Cost for the Meeting of the Board of Governors¹

The estimate modifies the one submitted to the Preparatory Committee on January 20, and which was based on the assumption that the Meeting would end on February 10. This estimate is based on the following assumptions:

1. That the Meeting will not be extended beyond February 18.
2. That the host Government will provide, at no cost to the Meeting:
 - a) The buildings and conference rooms necessary for the sessions of the Meeting of Governors and of any committees it might establish, as well as the space required by officers of the Meeting and the secretariat personnel;
 - b) Local transportation for the Governors, their assistants and the secretariat staff;
 - c) Equipment, furniture and office supplies required for the Meeting, with the exception of electronic equipment for simultaneous interpretation which shall be leased to the Preparatory Committee by the International Business Machines Corporation;
 - d) Non-specialized personnel for the conference secretariat, as specified in the memorandum of December 15, 1959 sent by the Secretariat to the Preparatory Committee.
3. The Pan American Union, in turn:
 - a) Will take care of the preparation and organization of the Meeting, as well as the operation of same;
 - b) will prepare documents prior to Meeting;
 - c) will provide the services of specialized personnel, in the manner indicated in the memorandum of December 15, 1959. (It is understood by the Secretariat that the Preparatory Committee will pay the travel expenses (transportation and per diem) of these employees). The Pan American Union, in turn, will not request reimbursement of their employees' salaries, except in the case of three editor-reviewers from its staff, assigned to the Meeting of the Bank, and in this connection it is suggested that the Bank transfer to the Pan American Union the funds necessary for contracting for urgent translation work required for its programs.

¹ This cost estimate does not include expenses incurred in connection with the work of the Preparatory Committee itself, the financing of which was taken care of by the Pan American Union and which expenditures are reimbursable as a charge against the funds which were made available to the Committee. These expenditures, which do not include some pending bills for cablegrams, telephone service, etc., were as follows:

Services of simultaneous interpretation	\$ 700.00
Translations	230.52
Cables and telephone calls	291.20
Drawings	7.04
Transportation fares	1,941.30
Travel expenses	1,568.00
Total	\$4,738.06

COST ESTIMATE ¹

- I. Specialized personnel who will be contracted in San Salvador . . \$ 1,500
There would be some specialists employed in San Salvador who cannot be supplied by the Salvadoran Government, thus saving the travel expenses involved if such persons were to come from other cities. There have been 2 translators employed, as well as 2 proof-readers and 4 other bilingual or trilingual persons to work with documents and perform other tasks requiring such knowledge. More personnel will be employed in accordance with the needs of the Meeting, should they exceed the capacities of the minimum staff which has been already organized.
- II. Salary differential for local Salvadoran employees \$ 3,000
As was pointed out by officials of the host country, it has been customary during conferences held in San Salvador in the past, to pay a small salary differential to local Government employees assigned to work at such conferences. This differential pay is considered compensation for the overtime worked outside regular hours which is often necessary, as well as for the irregularity in the work schedule, the urgency of the jobs, and other inconveniences inherent to this type of conference. This salary differential would be the equivalent of approximately 50% of the regular daily salary for each work-day. Of course this would not be paid to employees under Category I, who have been especially employed under contract for this Conference. It is expected that a maximum of 60 employees would receive such salary differential. The amount received in this connection by each employee would be relatively small, since most of the staff hold part-time positions. In such auxiliary positions, payments would vary from a little less than \$1.00 per day, for office boys and messengers, to approximately \$4.00 per day for office personnel, such as experienced stenographers or the Chief of the Reproduction Section.
- III. Interpreting equipment \$ 9,000
This equipment includes microphones, radio transmitters and receivers, control boxes and other necessary instruments to maintain interpreting service in four different languages in the main conference room, and to provide interpreting services that might be required by committees and work groups that may be organized. This item covers the round trip air transportation of all the equipment from the United States to San Salvador, and the salaries of the technicians required to install and maintain the equipment.

¹ This estimate does not include expenditures made by the Pan American Union which are subject to reimbursement, in connection with other activities of the Preparatory Committee, such as interpreting during Committee meetings, preparation of documents, travel in connection with the ratification of the Agreement, or Preparations for the meeting, etc.

IV. Salaries of interpreters \$ 5,060

This amount would cover the salaries of the two interpreters who will be on duty starting January 29, when the Preparatory Committee will meet, and of the entire group of nine interpreters who will be on duty throughout the Meeting, starting on February 3. The Pan American Union will supply one interpreter, at no cost.

V. Travel and subsistence expenses for interpreters (8 persons)

- | | |
|-------------|--------------|
| a) Fares | \$ 1,774 |
| b) Per diem | <u>3,160</u> |

\$ 4,934

VI. Travel and subsistence expenses for Pan American Union officers and employees (23 persons)

- | | |
|------------------|------------|
| a) Fares | \$ 7,314 |
| b) Per diem | 11,435 |
| c) Miscellaneous | <u>230</u> |

\$18,979

This includes:

- a) Round trip air transportation, first class
- b) A general per diem of \$20 per person, with the exception of the two high officials in the Secretariat for whom a per diem of \$25.00 is suggested.
- c) Reimbursement of other expenditures, as established by the Travel Regulations of the Pan American Union.

VII. Personnel employed in Washington \$ 3,200

This amount would cover salaries and travel expenses and per diem of one English reviewer employed under contract in Washington, who would travel to the Meeting, and the necessary funds for the Pan American Union to contract for translation and revision work to be done into French, Portuguese and Spanish while its three staff editor-reviewers are on duty in San Salvador during the Meeting.

VIII. Transportation of documents prior to the Meeting, dictionaries and other supplies \$ 800

IX. Cables and long distance telephone calls during the Meeting .. \$ 250

X. Contingent expenditures \$ 3,277

Total \$50,000

It is considered that the above-mentioned arrangements are a fair distribution of the costs between the host government and the Bank, and that it allows the most efficient use of the voluntary contribution of the Pan American Union.

Report of the Committee to Consider the Draft By-Laws of the Inter-American Development Bank and the Proposed Amendments Thereto

1. In accordance with a decision adopted by the Board of Governors at its plenary session of February 5, 1960, representatives of Brazil, Costa Rica, Haiti, and the United States of America were appointed to this committee by the Chairman of the Board.

2. The Committee elected Mr. Jaime Solera Bennett, Governor for Costa Rica, as Chairman and Ambassador Lucien Hibbert, Governor for Haiti, as Rapporteur.

3. At a meeting held on February 6, 1960, the Committee considered the Draft By-laws of the Bank (Doc. BID/I-AG-3) and the observations thereon, presented by the Delegation of Ecuador. In addition to the observations presented by the Delegation of Ecuador, other amendments to the Draft By-laws, or stylistic changes therein, were suggested by several members of the Committee. Some of the various suggestions were incorporated into the revised texts now being submitted to the Board.

4. With respect to certain observations presented by the Delegation of Ecuador, the Committee wishes to state the following:

(a) Concerning observation (2) on Section 3 (a) of the Draft By-laws, the Committee noted that the Report of the Preparatory Committee had called attention to the provision in question, according to which the expenses incurred by the Governors in attending meetings of the Board would be paid by the member countries. The Report suggested that once the institution is firmly established this procedure might be reviewed. The observation of the Delegation of Ecuador in effect endorses the idea expressed by the Preparatory Committee. The Working Committee was of the opinion that it would be extremely difficult, for lack of sufficient financial data, to warrant a recommendation at this time on the date when a review of this provision should be undertaken.

(b) Regarding the proposed amendment to Section 3(c), the Committee took into consideration the fact that this matter had been extensively discussed in the Preparatory Committee at the time when the Draft By-Laws were being prepared. Inasmuch as the provision contained in the Draft represents a fundamental compromise between two different viewpoints and it would be difficult, if not impossible, to find another solution that would be generally supported, the Committee believes it highly advisable to retain the provision contained in the Draft By-laws.

(c) In regard to the observation on Section 3(f) of the Draft By-laws which proposes that a limit be placed on the allowances or reimbursements to be paid by the Bank to the Executive Directors and Alternates for travel on appointment, on separation, on official business, and on home leave, the Committee believes that it would be difficult to attempt to adequately define this matter in the By-laws and that this should be done in the pertinent rules or regulations to be adopted by the Board of Executive Directors. In this connection, the Committee is of the opinion that home leave travel expenses of

the Executive Directors, their Alternates and their families should be reimbursed by the Bank not more than once in each term for which a Director is elected.

5. As a result of its deliberations, the Committee recommends to the Board of Governors that the Draft By-laws of the Bank (Doc. BID/I-AG-3), drawn up by the Preparatory Committee, be approved with the following amendments or corrections in style:

(a) Replace the first sentence of the Draft By-laws with the following text:

"These By-laws are adopted under the authority of the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the Agreement), for the purpose of implementing the provisions of the Agreement."

(b) Section 3(h) should be replaced by the following text:

"(h) Any Executive Director or Alternate Executive Director, or any other person, who requests reimbursement or compensation from the Bank for expenses he has incurred in fulfilling a commission for the Bank, shall include in his request a statement to the effect that he has not received, nor will he request, reimbursement or compensation for such expenses from any other source."

(c) Replace the second paragraph of Section 6 by the following text:

"When the Board of Executive Directors is to consider any other matter especially affecting a member country, it shall duly inform the latter, through the most rapid means of communication, of the date set for taking up that matter. The Board of Executive Directors shall adopt no definitive decision concerning a matter especially affecting a member country, and such a matter may not be submitted to the Board of Governors, until the member has been given a reasonable opportunity to present its views and be heard at a meeting of the Board of Executive Directors. Any member may waive this right, and it shall be considered to have been waived if a representative of the member is not present at the meeting designated for taking up the matter."

(d) Eliminate the following from Section 8:

"Any rules or regulations so adopted and any changes made shall be subject to review by the Board of Governors at the regular meeting following the adoption or amendment of such rules and regulations."

RESOLUTIONS

Resolution on the Admission of New Members

WHEREAS:

The Secretary General of the Organization of American States, as depository of the Agreement Establishing the Inter-American Development Bank, has declared that the General Secretariat had received, on December 30, 1959, the signatures and the instruments of acceptance or ratification of the Agreement of 18 member countries of the Organization whose subscriptions, taken together, amounted to 87.86 per cent of the total amount of the subscriptions stipulated in Annex A to the Agreement, and that the Agreement therefore entered into force on that date;

When the period provided in Article XV, Section 1 (a) of the Agreement expired on December 31, 1959, 3 of the member countries of the Organization had not completed the procedures for the ratification of the Agreement; and

It is highly desirable that the Bank have the support and the participation of all the member countries of the Organization, and therefore, for this purpose, it is necessary that the date on which the Bank will begin operations and the conditions under which the countries not yet members may enter as such be determined,

The Board of Governors of the Inter-American Development Bank

RESOLVES:

1. The Inter-American Development Bank shall begin operations, for the purposes of Article XV, Section 1 (d), on the date the First Meeting of the Board of Governors opens.

2. Each of the member countries of the Organization of American States that had not completed the procedures of ratification by December 31, 1959, may, up to March 31, 1960, become members of the Bank by signing the Agreement Establishing the Inter-American Development Bank and depositing with the General Secretariat of the Organization an instrument in which it states that it has accepted or ratified the Agreement in accordance with its own legislation and has taken the necessary measures to comply with all the obligations that the Agreement imposes upon it.

3. The number and the kind of shares of capital stock of the Bank that each of these countries shall subscribe, and the amount of the quota that it shall contribute to the Fund for Special Operations, shall be those set forth in Annexes A and B to the Agreement, respectively.

4. When it deposits its instrument of acceptance or ratification, each country shall deliver to the General Secretariat of the Organization of American States, pursuant to Article XV, Section 1 (c) of the Agreement, gold or United States dollars equivalent to one tenth of one per cent of the purchase price of the shares of the Bank subscribed by it and of its quota in the Fund for Special Operations. The General Secretariat shall immediately place at the disposal of the Bank all the funds paid it pursuant to this paragraph.

(Approved at the First Plenary Working Session held on February 5, 1960)

Resolution on Remuneration of Executive Directors and Alternates

The Board of Governors

RESOLVES that:

In accordance with Article VIII, Section 2 (b) (v) of the Agreement, the Executive Directors and their Alternates shall receive a salary or compensation for expenses for the time of service rendered to the Bank at the rate of US\$20,000 per annum for an Executive Director, and US\$17,000 per annum for an Alternate Executive Director, in both cases net of national taxes.

(Approved at the Second Plenary Working Session, held on February 5, 1960)

Resolution on Reimbursement of National Taxes On Remuneration Paid by the Bank

The Board of Governors

RESOLVES That:

1. The Bank shall reimburse such national taxes as the President, the Executive Directors, the Alternate Executive Directors, the Executive Vice-President, the Vice-Presidents, the other officers and the staff must pay on their remuneration.

2. In order to determine the amount of such reimbursement, it shall be presumed that the income received from the Bank is the total income of the taxpayer.

(Approved at the Second Plenary Working Session, held on February 5, 1960)

Resolution on Election of the President of the Bank

The Board of Governors

RESOLVES That:

1. In accordance with the provisions of Article VIII, Section 2 (b) (iii) and Section 5 (a) of the Agreement, Mr. Felipe Herrera L. is elected President of the Inter-American Development Bank for a 5-year term.

2. The Chairman of the Board of Governors is authorized to execute a contract of employment between the Inter-American Development Bank and Mr. Felipe Herrera L., in accordance with provisions approved by the Board of Governors.

3. The Chairman of the Board of Governors is authorized to deliver a certified copy of the present resolution to Mr. Felipe Herrera L.

(Approved at the Second Plenary Working Session, held on February 5, 1960)

Resolution on Provisional Administrative Arrangements

The Board of Governors

RESOLVES That:

1. The President is authorized and directed to establish in the name of the Inter-American Development Bank such bank accounts as may be necessary and to transfer thereto the funds received and held in custody by the General Secretariat of the Organization of American States in accordance with the provisions of Article XV, Section 1 (c) of the Agreement.

2. Until such time as the Board of Executive Directors approves the first administrative budget, the President is authorized to expend up to the equivalent of U.S.\$300,000 to meet salary payments and other necessary administrative expenses of the Bank, including payment or reimbursement of such necessary services or expenses as have heretofore been rendered or incurred in behalf of the Bank. The President shall submit to the Board of Executive Directors a statement of accounts for all such expenditures made by him.

3. The Board of Executive Directors may, upon the request of the President, increase the authorization cited above by an amount equivalent to the Bank's estimated operating expenses for the period of one month.

(Approved at the Fourth Plenary Session, held on February 8, 1960)

Resolution on Date and Place of the Second Regular Meeting of the Board of Governors

The Board of Governors

RESOLVES That:

The President of the Bank shall convoke the second regular meeting of the Board of Governors to be held in Brasilia, Brazil, during the month of March 1961.

(Approved at the Fourth Plenary Session, held on February 8, 1960)

Resolution Regarding the Date for Commencing Operations of the Bank

The Board of Governors

RESOLVES That:

Pursuant to Article XV, Section 3 (b), of the Agreement, the Board of Executive Directors hereby be authorized to determine the date on which the Bank shall commence operations, having due regard to the time required to establish the organization of the Bank.

(Approved at the Seventh Plenary Working Session and Closing Session, held February 16, 1960)

**Resolution on Date of First Meeting of the
Board of Executive Directors and of the
Second General Election of Executive Directors**

The Board of Governors

RESOLVES That:

1. The first meeting of the Board of Executive Directors shall be convened not later than April 15, 1960, at the site of the Bank. However, if the President of the Bank considers it necessary, and after consultation with the Executive Directors, he may convoke a meeting of the Board of Executive Directors, to be held at the site of the first meeting of the Board of Governors. The Bank may reimburse the Executive Directors for any special expenses they may incur in connection with their attendance at this meeting.

2. Except for the purpose and on the basis specified in the preceding paragraph, the terms of office of the Executive Directors and their Alternates shall commence as of the date of the first meeting of the Board of Directors at the site of the Bank.

3. The second regular election of the Executive Directors shall take place at the regular meeting of the Board of Governors which will be held in 1963.

(Approved at the Seventh Plenary Working Session and Closing Session, held February 16, 1960)

REGULATIONS

REGULATIONS OF THE BOARD OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK

Section 1. Meetings

(a) The Board of Governors shall hold a regular meeting annually at such date and place as the Board itself may determine. The selection of the site shall be determined by a system of rotation among the capitals of the member countries of the Bank. However, the Executive Directors may change the date and place of the meeting when there are circumstances or reasons justifying such action.

(b) The Board of Governors may, in addition, hold special meetings when it so decides or when called by the Board of Executive Directors pursuant to Article VIII, Section 2 (d), of the Agreement Establishing the Inter-American Development Bank (hereafter referred to as the Agreement).

(c) The President of the Bank shall notify all the members of the Bank, by the most rapid possible means, of the date and place of each meeting of the Board of Governors. Such notification must be dispatched at least 30 days prior to the date of a regular meeting and 15 days prior to the date of a special meeting. In case of emergency, notification by telegram or cable 10 days prior to the date set for a meeting shall be sufficient.

(d) A quorum for any meeting of the Board of Governors shall be an absolute majority of the total number of Governors representing not less than two-thirds of the total voting power of the member countries.

(e) Any meeting of the Board of Governors at which there is no quorum may be postponed from day to day for a maximum of three days by decision of the majority of the Governors present.

(f) The Board of Governors may order the temporary adjournment of any meeting and its resumption at a later date.

(g) Executive Directors and their Alternates may attend any meeting of the Board of Governors and participate therein but shall not be entitled to vote.

(h) The Chairman of the Board of Governors, in consultation with the Board of Executive Directors, may invite observers to attend any meeting of the Board of Governors.

(i) Except as otherwise specifically directed by the Board of Governors, the President of the Bank, together with the Chairman of the Board of Governors, and in coordination with the host country, shall have charge of all arrangements for the holding of the next regular meeting of the Board.

(j) Meetings of the Board of Governors shall be public, unless otherwise agreed, and all its resolutions shall be available through the Secretariat.

Section 2. Agenda for the Board of Governors

(a) Under the direction of the Board of Executive Directors, the President of the Bank shall prepare a draft agenda for each meeting of the Board of

Governors and transmit such agenda to the members of the Bank together with or in advance of the notice of the meeting.

(b) Any member country may, through its Governor, request the inclusion of additional agenda items, provided it notifies the President of the Bank at least 15 days prior to the date of the meeting. Members shall be notified of such additional items through a supplementary list that shall be communicated to the members of the Bank at least eight days before the date set for the meeting.

(c) In exceptional cases the President of the Bank, at the direction of the Board of Executive Directors, may include additional items in the draft agenda for any meeting of the Board of Governors.

(d) The draft agenda, as well as any supplementary list, shall be submitted to the Board of Governors for approval at the first business session of each meeting.

(e) In the course of any regular meeting of the Board of Governors, the Board may modify, incorporate into, or eliminate items from, the agenda.

(f) When a special meeting is called the draft agenda shall be limited to the items communicated by the President of the Bank.

Section 3. Representation of Member Countries

At each meeting of the Board of Governors the President of the Bank shall submit a list of the Governors, Alternates, or Temporary Alternates of the member countries whose appointment has been officially communicated to the Bank. In the absence of the Governor his properly designated Alternate shall exercise his powers.

Section 4. Chairman

(a) During the first session of each regular meeting the Board of Governors shall elect one of its Governors, in his capacity as such, to be Chairman and he shall serve in this position until the next regular meeting of the Board.

(b) The Chairman may not vote, but his Alternate may vote in his place.

Section 5. Secretary

An official of the Bank designated by the Board of Executive Directors shall serve as Secretary of the Board of Governors.

Section 6. Voting

(a) Except as otherwise specifically provided in the Agreement, all decisions of the Board of Governors shall be adopted by a majority of the total voting power of the member countries. A formal vote shall be taken whenever requested by any Governor; in this event the written text of the proposal to be voted upon shall be distributed to the Governors.

(b) At any meeting of the Board of Governors, the vote of any member country must be cast in person by the Governor, his Alternate, or in their absence, by a formally designated Temporary Alternate.

Section 7. Record of Proceedings

The Board of Governors shall keep a summary record of its deliberations and resolutions, which shall be available to all member countries and kept on file at the Bank.

Section 8. Languages

At meetings of the Board of Governors the official languages shall be English, French, Portuguese and Spanish.

TRANSITORY PROVISIONS

Chairman of the First Meeting of the Board of Governors

The First Meeting of the Board of Governors shall be presided over temporarily by the Governor designated by the host country of said meeting. During the first work session the Board shall elect its Chairman in accordance with the provisions of Section 4, paragraph (a) of these Regulations.

Secretary of the First Meeting

The Board of Governors shall select a Secretary for the First Meeting. Pending such selection a person designated by the Preparatory Committee shall serve as Secretary.

BY-LAWS OF THE INTER-AMERICAN DEVELOPMENT BANK

These By-laws are adopted under the authority of the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the Agreement), for the purpose of implementing the provisions of the Agreement.

In the event of a conflict between any provision in these By-laws and the provisions of the Agreement, the provisions of the latter shall prevail. In the event of conflict between these By-laws and any regulations adopted pursuant to the Agreement, the By-laws shall prevail.

Section 1. Headquarters and Office of the Bank

The principal office of the Bank shall be located in Washington, D. C., United States of America.

The Board of Executive Directors may authorize the establishment and maintenance of branches or agencies and the appointment of representatives.

Section 2. Report of the Board of Executive Directors

At each regular meeting of the Board of Governors, the Board of Executive Directors shall submit a general report on the operations carried out by the Bank, including a separate report on the activities of the Fund for Special Operations. In the general report, recommendations may be made to the Board of Governors on matters relating to the activities of the Bank.

Section 3. Conditions of Service

(a) Governors and their Alternates shall perform their duties without remuneration from the Bank. Their expenses incurred in attending meetings of the Board of Governors shall be paid by their respective countries.

(b) The remuneration of the President and the terms of his contract shall be determined by the Board of Governors.

(c) Each Executive Director and his Alternate shall devote to the activities of the Bank such time and attention as the interests of the institution may require, and one or the other shall be available at all times at the Bank's principal office. Salaries of the Executive Directors and their Alternates shall be fixed by the Board of Governors. When an Executive Director or Alternate devotes only part of his time to the Bank, his pay shall be established on the basis of the time he devotes to the institution. Each Executive Director, pursuant to provisions to that effect which must be included in the regulations of the Board of Executive Directors and upon approval by that Board, shall determine how much time his Alternate will devote to the Bank.

(d) Except as provided in (f) of this Section, the Executive Directors and their Alternates shall not receive from the Bank, apart from their salary, any form of remuneration, such as allowances for housing, representation, and other expenses. The Executive Directors and their Alternates may participate in such insurance, medical, pension, and retirement plans as may be established for the staff of the Bank.

(e) When an Executive Director or his Alternate is unable to attend a meeting of the Board of Directors, the Executive Director may appoint a Temporary Alternate to take his place. The Temporary Alternate shall receive no salary or compensation for expenses.

(f) The Board of Executive Directors may, by regulation, make appropriate provision whereby (i) each Executive Director and Alternate Executive Director who, at the request of the President of the Bank, performs designated services for the Bank, shall be entitled to a reasonable allowance for expenses incurred by him in the performance thereof; and (ii) each Executive Director and Alternate Executive Director, but not a Temporary Alternate Executive Director, shall be entitled to reimbursement for reasonable expenses incurred by himself and his immediate family in connection with moving to the seat of the Bank during or immediately before his period of service; for moving from the seat of the Bank during, or immediately after his period of service; and with due regard to the length of time spent by him in the service of the Bank, for such travel to his own country on vacation as may be authorized.

(g) During any period when an Executive Director or Alternate Executive Director performs duties in other international organizations, the total salary and compensation he receives from the Bank and other international organizations shall not exceed the maximum amount to which he would be entitled if he performed full-time duties in the single organization providing the highest salary and compensation.

(h) Any Executive Director or Alternate Executive Director, or any other person, who requests reimbursement or compensation from the Bank for expenses he has incurred in fulfilling a commission for the Bank, shall include in his request a statement to the effect that he has not received, nor will he request, reimbursement or compensation for such expenses from any other source.

(i) In accordance with regulations established by the Board of Executive Directors the Bank shall provide such secretarial and technical services, office space, and other facilities as may be necessary for the performance of the duties of the Executive Directors and their Alternates.

Section 4. Delegation of Powers

The Board of Executive Directors is authorized by the Board of Governors to exercise all the powers of the Bank with the exception here of those reserved to the Board of Governors in Article VIII, Section 2 (b) and other provisions of the Agreement. The Board of Executive Directors shall adopt no measure, by virtue of the powers delegated to them by the Board of Governors, that is inconsistent with any measure adopted by the Board of Governors.

Section 5. Taking a Vote Without Calling a Meeting

When the Board of Executive Directors considers that an action, on which the Board of Governors must pronounce itself, cannot be postponed until the next regular meeting of the Board of Governors and does not justify calling an extraordinary meeting, the Board of Executive Directors shall

transmit to each member, by any rapid means of communication, a proposal embodying the suggested action and shall request the vote of its Governor on the matter. The votes shall be submitted within a period to be established by the Board of Executive Directors. At the expiration of the period prescribed for voting, the Board of Executive Directors shall count the votes, and the President shall notify all the members of the results of the voting. A proposal shall not be considered voted upon unless the number of replies received represents a quorum pursuant to Article VIII, Section 2 (e) of the Agreement.

Section 6. Special Representation of Members at Meetings of the Board of Executive Directors

At the time a member submits a request that has to be considered by the Board of Executive Directors, and it wishes to have its views expressed at the meeting through a representative other than its Executive Director, it shall so inform the Bank and it shall appoint such special representative. In case the special representative, having been duly informed of the time of the meeting, is not present at the meeting, this right shall be considered to have been waived.

When the Board of Executive Directors is to consider any other matter especially affecting a member, it shall duly inform the latter, through the most rapid means of communication, of the date set for taking up that matter. The Board of Executive Directors shall adopt no definitive decision concerning a matter especially affecting a member, and such a matter may not be submitted to the Board of Governor until the member has been given a reasonable opportunity to present its views and be heard at a meeting of the Board of Executive Directors. Any member may waive this right, and it shall be considered to have been waived if a representative of the member is not present at the meeting designated for taking up the matter.

Section 7. Vacancies on the Board of Executive Directors

When a new executive director must be elected because of a vacancy requiring an election, the Chairman shall notify the member countries which elected the former director of the existence of the vacancy. The President may convene a meeting of the Governors of such countries for the exclusive purpose of electing a new director or he may request that candidates be nominated and conduct the election by mail or telegraph. Successive ballots shall be cast until one of the candidates receives an absolute majority of the votes cast.

Section 8. Rules and Regulations

The Board of Executive Directors is authorized by the Board of Governors to adopt such rules and regulations, including financial regulations, as are necessary or appropriate to the direction of the business of the Bank.

Section 9. Fiscal Year

The fiscal year of the Bank shall begin on January 1 and end on December 31 of each year.

Section 10. Budget and Auditing of Accounts

The accounts of the Bank shall be audited at least once a year by outside

auditors selected by the Board of Governors. On the basis of the audit, the Board of Executive Directors shall submit to the Board of Governors for approval at its regular meetings a financial statement of the organization, including the balance sheet and a statement of profit and loss. A separate financial statement shall be submitted for the Fund for Special Operations.

The annual audit shall be comprehensive with respect to the examination of the financial records of the Bank; it shall include such proof as the auditors deem appropriate that the financial transactions carried out during the period under review have been duly authorized, and it shall determine that the assets of the Bank have been adequately and faithfully accounted for. For this purpose the auditors shall have access to all the accounts and records of the Bank and to all other supporting evidence of its financial transactions. The management of the Bank shall furnish to the auditors such additional information as they may require and the auditors shall respect the confidential nature of their service and of the information made available to them for purposes of the audit.

The President shall prepare an annual administrative budget, which he shall submit to the Board of Executive Directors for approval. The budget, when approved, shall be incorporated in the annual general report that shall be submitted to the Board of Governors at its next regular meeting.

Section 11. Applications for Membership in the Bank

Any member country of the Organization of American States may apply for membership in the Bank by submitting a formal request in accordance with such terms as the Bank may determine.

In submitting an application for membership to the Board of Governors, the Board of Executive Directors, after consulting the applying country, shall make a recommendation to the Board of Governors concerning the number of shares of capital stock the country should subscribe, the amount of its contribution to the Fund for Special Operations, and any other conditions which, in the opinion of the Board of Executive Directors, the Board of Governors should establish.

Section 12. Suspension of a Member

Before any member is suspended from membership in the Bank, the matter shall be considered by the Board of Executive Directors, which shall inform the member sufficiently in advance of the complaint against it, and shall give the member a reasonable time to explain its case orally and in writing. The Board of Executive Directors shall recommend to the Board of Governors whatever action it considers appropriate. The member shall be notified of the recommendation and of the date on which the matter is to be considered by the Board of Governors, and it shall be given a reasonable time in which to present its case orally and in writing before the Board of Governors. Any member may waive this right.

Section 13. Amendments to the By-laws

The Board of Governors may amend these By-laws at any of its sessions or by taking a vote without a meeting, in accordance with the provisions of Section 5 of these By-laws.

**ACCREDITED DELEGATIONS
AND OTHERS ATTENDING**

ACCREDITED DELEGATIONS

<i>Country</i>	<i>Governor</i>	<i>Alternate Governor</i>	<i>Adviser</i>
Argentina	Guillermo W. Klein	Eusebio Campos	Mario O. Mendivil Hugo Severi
Bolivia	Jorge Tamayo Ramos	Alfredo Oporto	
Brazil		Cleantho de Paiva Leite	Luiz de Almeida Cunha
Chile	Luis Mackenna	Manuel Bulnes Sanfeuntes * Felipe Herrera * Walter Müller *	
Colombia	Emilio Toro	Ignacio Mesa Salazar	
Costa Rica	Jaime Solera Bennett	Alvaro Castro Jenkins	Jorge Hazera Jorge Matamoros Loria Rodrigo Tinoco Castro
Dominican Republic	Oscar Guaroa Ginebra H.	Mariano Incháustegui	Federico Echenique Danitz
Ecuador	José R. Chiriboga V.	José Corcino Cárdenas	Manuel Rodríguez Morales
El Salvador	Alfonso Rochac	Pedro Abelardo Delgado	Agustín Alfaro Morán Max P. Brannon Carlos J. Canessa Enrique Córdova Mario Dalponte Rafael Díaz Salinas Luis Escalante Arce Ulises Flores Reynaldo Galindo Pohl

<i>Country</i>	<i>Governor</i>	<i>Alternate Governor</i>	<i>Adviser</i>
			Atilio Garcia Prieto Rafael Glower Valdivieso Ramón Gonzáles Montalvo Luis Gutiérrez Alvaro Magaña Rafael Meza Ayau Alfredo Ortiz Mancía Jaime Quesada Tomás Regalado Jorge Sol Castellanos Mario Sol Francisco de Sola Víctor de Sola
Guatemala	Ramiro Aragón Castañeda	Julio Lorenzo Alvarez	Max Jiménez Pinto
Haiti	Lucien Hibbert	Marcel Daumec	
Honduras	Jorge Bueso Arias	Roberto Ramírez	Abraham Bennaton Ramos Lempira Bonilla Roberto Martínez Ordóñez Juan Angel Núñez Aguilar Dante G. Ramírez Paul Vinelli
Mexico	Antonio Ortiz Mena	Rodrigo Gómez	Ernesto Fernández Hurtado José González Blanco Garrido Raúl Martínez Ostos Alfredo Navarrete Enrique Sosa
Nicaragua	Juan José Lugo Marengo	Luis A. Cantarero	Pilar Altamirano José María Castillo Edgardo Escobar Fornós Francisco Laines

<i>Country</i>	<i>Governor</i>	<i>Alternate Governor</i>	<i>Adviser</i>
			Ernesto Matamoros Pedro J. Quintanilla Alfredo J. Sacasa
Panama	Fernando Eleta A.	Julio Heurtematte	
Paraguay	César Romeo Acosta	Julio Gutiérrez	Manuel Moreno
Peru	Hipólito Larrabure Price	Juan Ramírez Valdeavellano	
United States of America	Robert B. Anderson	Robert Cutler * C. Douglas Dillon Roy R. Rubottom * T. Graydon Upton *	Henry E. Allen Elting Arnold Rollin S. Atwood Vance Brand Robert C. Brewster Dixon Donnelly Charles R. Harley Thorsten V. Kalijarvi Ralph V. Korp Nils A. Lennartson James A. Lynn Robert B. Menapace Dudley Miller Alexander M. Rosenson William V. Turnage Henry C. Wallich Arnold H. Weiss
Uruguay		Alfredo Urioste	
Venezuela	Carlos Miguel Lollett C.	Germán Aveledo Morandi	
* Temporary			

ORGANIZATION OF AMERICAN STATES

Secretary General José A. Mora
Advisers Ermilo Abreu Gómez
John B. Rothrock

OBSERVERS

Cuba Segundo Ceballos Pareja
Inter-American Economic and Social Council Enrique Pérez Cisneros
United Nations Milic Kybal
Alfred H. McKenzie
Alfonso Santa Cruz
International Bank for Reconstruction and Development ... George Gondicas
Jorge Montealegre
Orvis A. Schmidt
International Monetary Fund Jorge del Canto
International Finance Corporation Lars H. Bengtson
Center for Latin American Monetary Studies Javier Márquez

SPECIAL GUESTS

Inter-American Statistical Institute Tulo H. Montenegro
Institute for the Development of Production of Guatemala .. Adolfo Perdomo
Economic Development Institute of Panama Olmedo Alfaro
Pan American Health Organization Atahualpa Ruiz
Inter-American Council of Commerce and Production Robert Boomer
Jorge Peirano Facio
Board of Directors of the International Coffee Agreement .. Adalberto Bolaños

EXECUTIVE DIRECTORS

INTER-AMERICAN DEVELOPMENT BANK
EXECUTIVE DIRECTORS

<i>Executive Director</i>	<i>Elected or Appointed by:</i>	<i>Voting Power</i>	
		<i>No. of Votes</i>	<i>Percentage</i>
Ignacio Copete Lizarralde	Chile	2,967	3.53
	Colombia	2,965	3.53
	Venezuela	5,661	6.74
		<u>11,593</u>	<u>13.80</u>
Robert Cutler	United States	35,135	41.82
Cleantho de Paiva Leite	Bolivia	963	1.15
	Brazil	10,449	12.44
	Ecuador	687	.82
		<u>12,099</u>	<u>14.41</u>
Lucien Hibbert	Haiti	549	.65
	Panama	549	.65
		<u>1,098</u>	<u>1.30</u>
Mario Oscar Mendivil	Argentina	10,449	12.44
	Peru	1,517	1.81
		<u>11,966</u>	<u>14.25</u>
Raúl Martínez Ostos	Costa Rica	549	.65
	Dominican Republic	687	.82
	Guatemala	687	.82
	Mexico	6,765	8.05
	Nicaragua	549	.65
	Paraguay	549	.65
	Uruguay	1,241	1.48
		<u>11,027</u>	<u>13.12</u>
Alfonso Rochac	El Salvador	549	.65
	Honduras	549	.65
		<u>1,098</u>	<u>1.30</u>
Total		<u>84,016</u>	<u>100.00</u>