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INTRODUCTORY NOTE

The Second Regular Meeting of the Board of Governors of the Inter-American Development Bank was held in Rio de Janeiro, Brazil, from April 10-14, 1961.

At the Opening Session, the Governor for Brazil, Minister of Finance Clemente Mariani, was elected Chairman of the Meeting.

Pedro Irañeta
Secretary

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AGENDA

Agenda of the Second Meeting of the Board of Governors

1. Election of Chairman of the Board of Governors
2. First Annual Report of Bank, 1960
3. Financial Report: Ordinary Capital Resources
4. Determination of Reserves of Bank
5. Financial Report: Fund for Special Operations
6. Determination of Reserves of Fund for Special Operations
7. Modification of Contract Agreement of President¹
8. Designation of Place and Date of Third Meeting of the Board of Governors

¹ This item subsequently was added by the Board of Governors to the Draft Agenda included in the convocation of the Meeting.

Schedule of Sessions of the Second Meeting of the Board of Governors¹

<i>Day</i>	<i>Hour</i>	
Monday, April 10	10:00 a.m.	<i>Preliminary Session (Chiefs of Delegations)</i>
	11:00 a.m.	<i>Inaugural Session</i>
		1. Election of Chairman of the Board of Governors.
		2. Address by Chairman of the Board of Governors.
		3. Address by the Governor Designated to Represent the Visiting Delegations.
		4. Approval of Agenda of Meeting.
Tuesday, April 11	10:00 a.m.	<i>Second Plenary Session</i>
		1. Statement by President of the Bank.
		2. General Statements by the Governors.
	3:00 p.m.	Round Table: "The IDB and National Economic Development Agencies."
Wednesday, April 12	10:00 a.m.	<i>Third Plenary Session</i>
		1. Financial Statements of the Bank: Ordinary Capital Resources.
		2. Determination of Ordinary Capital Reserves.
		3. General Statements by the Governors.

¹ Including informal round-table discussions held during the Second Meeting.

<i>Day</i>	<i>Hour</i>	
Thursday, April 13	10:00 a.m.	<i>Fourth Plenary Session</i>
		1. Financial Statements of Fund for Special Operations.
		2. Determination of Reserves of Fund for Special Operations.
		3. General Statements by the Governors.
	3:00 p.m.	Round Table: "The IDB and Private Financial Enterprises and Institutions."
Friday, April 14	9:00 a.m.	<i>Fifth Plenary Session (Chiefs of Delegations)</i>
		Modification of Contract Agreement of President.
	10:00 a.m.	<i>Closing Session</i>
		1. Designation of Place and Date of Third Meeting of the Board of Governors.
		2. Observations on the Meeting by the President of the Bank.
		3. Address by a Governor on Behalf of the Delegations.
		4. Closing Statement by the Chairman of the Board of Governors.

ADDRESSES

**Address by Mr. Rolando Duarte, Governor for
El Salvador and Minister of Economy,
at the Inaugural Session, held on April 10, 1961¹**

Whereas it was a great privilege for El Salvador to have been the seat of the First Meeting of the Board of Governors of the Inter-American Development Bank, it is an immense honor for me to take the Chair at this Second Meeting pending election of the Chairman who is to preside over the subsequent proceedings.

In the course of this first fiscal year of our Bank, the necessary operative foundations have been laid to enable a new kind of philosophy to be applied to questions of financing in Latin America. The Inter-American Development Bank has begun to operate within this new frame of reference with renewed sensitivity and, we might say, with a new approach.

The Bank has come to the assistance of those regions where need was most crushing, where aid took on the urgency of a rescue. The Bank has cooperated with the member countries in three ways: First, by advancing help in drafting and analyzing projects; second, by granting loans on terms adjusted to the needs of the applicants, and, third, with technical assistance in applying resources and advice on how to ensure recovery or hasten the process of growth.

Several important events have distinguished this first year of management, to be reviewed at our meeting. Outstanding is the signing of the Act of Bogota, in which is set forth as a guiding principle of Latin American policy that the preservation and strengthening of the free and democratic institutions of the American republics demand a quickening of the economic process in Latin America, in a form that will adequately satisfy the legitimate aspirations of the peoples and secure for them a better standard of living. It is highly significant that the Bank should have been chosen as the best instrument to carry out the program of the Act of Bogota.

¹ The Governor for El Salvador presided over the Preliminary Session and Inaugural Session until the new Chairman of the Board of Governors had been elected.

During the year an understanding was successfully reached by the Economic Commission for Latin America, the Organization of American States and the Inter-American Development Bank. These three bodies are following different courses toward the same end, to further the economic development of the Hemisphere, but in many activities they will combine forces.

Finally, this year has brought statements from President John F. Kennedy of the United States that have kindled the hope of finding a remedy for many of our evils. I am sure that there will be a major role for our Bank in the Alliance for Progress.

This morning, resolutions of the Board of Executive Directors released to the press, radio and television made known the approval of loans to bring drinking water to a Peruvian city and a Colombian city, to relieve the economic situation of Bolivia, and to help unravel the economic complexities of Haiti. These loans carry with them not just material aid, but a token of the solidarity of the entire Hemisphere towards every individual country, thus putting into sound practice the gospel of cooperation—each for all and all for each. Gentlemen: To visit Rio is the roseate dream of every mortal on earth. To attend this meeting is one of the crowning satisfactions of a public career.

I respectfully greet the high authorities of the Brazilian nation, the people of Brazil, my fellow Governors, and the President and the Directors of the Bank. It is only just to draw attention to the gratitude we owe the group of men who form the Executive Board and officers of the Bank, for their enthusiastic devotion cannot be underrated.

It is my heartfelt desire that this meeting should be a success within the scope of the economy of the Western Hemisphere. And I am confident of that, for in this anxious hour which we are living, the Inter-American Bank is one of our great hopes. By this I stand.

**Address by Mr. Clemente Mariani, Governor for
Brazil, Minister of Finance and Chairman of
the Meeting, at the Inaugural Session.**

I am glad to welcome you most cordially on behalf of my country. We are honored that it has been chosen as the seat of this Meeting, and I, as its representative, am honored at the privilege of taking the Chair.

Our Institution undoubtedly fulfills a long-felt and deep-seated ideal of the underdeveloped nations of our Hemisphere, expressed ever since they met in Washington for the first time in 1890. It is a pleasure for us to point out that this vague urge, as it were, to handle collectively and jointly the solution of the economic problems that distress the greater part of our population, has now received the decisive impulse that is to transform it into a clear-cut, vigorous idea of the Government of my country. A farsighted interpretation of the generalized disquietude, which has even burst forth into explosive movements to disturb the traditional friendship uniting our countries and into acts prejudicial to the long-standing courtesy of our peoples, is no longer a matter merely for political research or the cordial manifestation of government agencies, but has been converted to action. Operation Pan America, an initiative of the government that preceded the one which I represent, transformed immediately into a boundless aspiration of Latin America through the support of all our fellow countries, has aroused the collective consciousness of the Americas and crushed the frigid resistance until then opposed to the execution of this project.

It was thus that this Institution came into being, the outcome and symbol of our firm resolution to attack on every front, and hence also within its own particular sector, the causes of underdevelopment, the toxins of which were beginning to poison the peace of the Americas and endanger the social and political stability of our Hemisphere. The Americas are no longer divided, as Voltaire asserted in the century of Louis XV, between regions producing gold and others producing articles to be bartered for this gold. It is long since the gold of our mines determined the wealth or

poverty of our nations. These, more and more with each day, are the results of our labor, multiplied by whatever techniques we may be able to create, improve, develop or absorb. And for these results to succeed, throughout the vast extent of the lands under our rule, in reaching levels at least befitting the dignity of man, is why we gather in this and other meetings to contribute to the common effort, not merely in the measure of our needs, like partisans of international egoism, but in the measure of our possibilities, as the gospel of our times dictates.

The Inter-American Bank not only satisfies this ideal, but at the same time fills a gap in the field of international finance. Being assigned the responsibility of operating within a given region, it is better able to serve the real requirements of the member countries, since it is not obliged to supply resources to other areas that stand in need of capital. Hard experience has led it to adopt flexible statutes that, adapted to the abilities of the Latin American nations, set it up as an instrument of understanding and rapprochement among all the peoples of the Americas. It was born in new times and in the light of new concepts, as has been affirmed by its eminent President, Mr. Felipe Herrera. It is not merely the outcome of mutual anxiety on the part of the American nations, but represents a new outlook on international relations as a whole. And inasmuch as the tendency nowadays is toward integrating vast economic areas in common markets, the Inter-American Bank will certainly help to hasten movements of association, already making themselves felt with the beginnings of economic integration in Central America and the Latin American Free Trade Association, a reflection in the Americas of the growing world movement to pool forces and resources for greater social progress for all peoples. Nor could the Americas remain aloof from the tendency to reenforce the defensive barriers around economic blocs embracing countries of like political and economic conceptions, to secure progress and comfortable living conditions for the peoples inhabiting them.

We have no reason to repudiate the moral, political or religious ideas that have influenced our upbringing and the

nations to which we belong, nor to lose faith in the possibilities of using them to ensure the welfare of the multitudes that have entrusted to us the responsibility of government. The progressive incorporation by democratic regimes of just claims, that formerly were denied by the faulty concepts of equality among the economically unequal, makes it increasingly possible to bring about social justice within their scope based on the concept of a reasonable economic equality, without eliminating the principle of freedom, cornerstone of our democratic system expressed today by the formula of each contributing by his free vote and the free expression of his ideas to the formation of a collective will, legally set forth, instead of receiving it from the unscrupulous who have seized power to impose it on us. The fact that we think like this does not, however, imply that we need blind ourselves to the risks that threaten concepts of life dear to us, nor to their incompatibility with social and economic inequalities, for if socialism, to which we are by no means hostile, is to arise progressively from industrial development, it is at the economically weakest points that the democratic front will be liable to yield, with all the likelihood of the winners repudiating the principle of freedom.

The Inter-American Bank will be an instrument designed to strengthen these economically weak points, both by the application of its own resources in favor of economic development and as administrator of the greater part of the resources comprehensively assigned in Bogota by the American governments to social advancement in the Western Hemisphere. In our own Latin America, so severely handicapped, above all in the rural areas, but in the great cities too, by a lack of humane standards in housing and social services, the action of the Bank will certainly lead to the removal of many of the causes of unrest that can be traced to these deficiencies.

In successfully achieving these ends, we are reassured to no small extent by the fact that Mr. Felipe Herrera guides the destinies of our Bank. The experience and sound knowledge of regional problems that he has acquired in high government office and international organizations vouches for his success, the more so because he is seconded by a

Board of Directors composed of outstanding leaders in the economic and financial circles of the Hemisphere, and because he can call upon a devoted and able staff to assist him.

Governors and Delegates, the responsibility that weighs on us to rectify by democratic processes the inequalities created by the wrong or inadequate application of democratic principles, or its postponement, is one of the heaviest we could assume. To discharge that responsibility successfully, let us join forces and resources, even those of us whose territories have escaped these ill effects, in so noble a cause as this to which we are committed before God and our conscience. With His inspiration to give us strength in facing the problem we must solve, I am confident we will meet our responsibilities with honor, and the success of the Inter-American Bank will become the triumph of the spiritual unity of the Americas.

**Address by Mr. Antonio Ortiz Mena, Governor for
Mexico and Minister of Finance and Public
Credit, at the Inaugural Session.**

I am pleased and honored to address you on behalf of the delegations attending this Second Annual Meeting of the Board of Governors of the Inter-American Development Bank.

I would also like to express, as we meet here in the incomparable setting of Rio de Janeiro, our fraternal and sincere appreciation to the gracious people and to the Government of Brazil for their courtesy and hospitality.

It is no coincidence that our Meeting is being held today in Brazil, but rather a general recognition of the efforts contributed by the Government of this great Republic toward establishment of the Inter-American Development Bank.

I will not conceal from you my deep personal feelings upon the occasion of our first anniversary. The idea behind our Bank's creation, which gradually took shape in the course of various inter-American meetings, was consistently based upon the firm decision to join our efforts and our potential for mutual aid in the solution of many of our traditional problems. We never abandoned the hope of establishing this organization, so necessary to financial co-operation in the Hemisphere, and now, fortunately, we are evaluating its initial results. Thus have we kept faith with the illustrious men of America who preceded us in this undertaking, and have transformed the cherished desires of generations into reality.

Little more than a year ago we gathered at the First Meeting of the Board of Governors of the Inter-American Bank in our sister Republic of El Salvador. In this brief period, the Bank has been fully organized and has commenced operations.

We are pleased to note, of course, that the first loans made by the Bank mark and shape a trend in the financing of economic development in our countries. Another promising sign of the role this institution is called upon to play in the social progress of Latin America is its administration of

the greater part of the Social Fund provided for in the Act of Bogota, to be used for loans on flexible terms, including low interest rates and payment in local currency, for projects in land use, housing, water supply and public health, as well as for technical assistance in the mobilization of domestic financial resources.

At this Meeting of Governors of the Inter-American Bank we believe it appropriate to express our satisfaction that the full worth of certain principles, sustained by our countries over the long period of international and inter-American economic meetings, has been recognized in recent public discussions in the country which has the largest resources within the inter-American system. We refer especially to the need for the continuity and stability of funds available for economic development financing, in order to obtain their most effective application within long term national programs. This signifies continuity in long term financing, not only for specific projects, but also for comprehensive development programs.

We might also refer to recognition of the burden placed upon the balance of payments by terms of foreign financing, and the need for considering each country's ability to absorb and repay foreign capital. In view of these basic considerations, weight has now been given to the need for a series of flexible financial instruments and techniques, including loans up to fifty years, with low interest rates or none at all, and repayment adapted to the needs of the individual development programs.

Last, there is profound significance in the acceptance of foreign financing as a simple medium of international cooperation that, among others, supplements the essential day-by-day efforts of each nation, without which such funds cannot achieve the objectives of sustained growth and independence which are the legitimate aspirations of every country.

We hope that future reports of our Bank will show new applications of these accepted principles and new solutions to the complex financial problems of Latin America.

I cannot but recall that it was six years ago, in 1954, that our decision to create the Inter-American Development Bank first took shape among the free and democratic institutions of this beautiful country. On that same occasion the Economic Commission for Latin America submitted a paper to the Inter-American Economic and Social Council containing a far reaching program for the Latin American countries.

In the short time since that Brazilian meeting, we find the new regional credit organization in full operation, while a fortunate circumstance has placed in it major responsibility for what we hope will be a continuing and intensive program to achieve more advanced social and economic development for our countries.

Gentlemen:

We are all dedicated to the creation of a prosperous, united and free America. It is our responsibility to ensure to our children and future generations the full benefit of outstanding technical and scientific developments applied to peaceful uses, and to transform the vast desolate areas that still darken our maps into close-knit and healthful regions. But let us remember that our success in this endeavor will depend upon our unimpeachable good faith and steadfast aims in all our negotiations and agreements.

**Address by Mr. Felipe Herrera, President of the Bank,
at the Second Plenary Session, held on April 11, 1961**

The Second Meeting of the Board of Governors of the Inter-American Development Bank offers the first opportunity since the commencement of operations to report to the member countries on past accomplishments and to plan our activities for the future.

First of all, I would like to express our deep feeling of satisfaction that this Meeting is being held in Brazil, which played an essential role in the establishment of the Bank. May I, therefore, take this occasion to extend to the Brazilian authorities, and especially to Governor Clemente Mariani, Chairman of the Meeting, our sincere appreciation for their warm hospitality.

I should also like to extend cordial greetings to the Governors and Delegates, to the distinguished representatives of international organizations and to our special guests who have expressed faith and interest in this new regional organization by honoring us with their presence.

The Board of Executive Directors has submitted to the Governors the first annual report of the Bank, which covers the calendar year 1960. We hope to receive in the course of the Meeting your valuable comments and suggestions on this report. Now that we are initiating our second period of activities, we more than ever need a comparative basis of opinion from the member countries. We need to know if, in the initial steps we have taken and in our programs for the future, we are faithfully interpreting the concepts of our associates.

This Meeting is taking place at a particularly promising juncture in the history of inter-American economic relations, and it can now be seen that the Bank will be called upon to play a much more significant and responsible role within this general framework than we thought possible only a year ago at the meeting of this Board in El Salvador.

If we were bankers and nothing else, we might feel some concern at having to navigate in seas which were apparently not of our choosing as the setting for our activities. But as we have said on many occasions, "Being a bank, we

are something more than a bank." We must establish ourselves firmly, not only as a financial institution properly organized and oriented in terms of efficiency, but also as a great collective undertaking at the service of the broad, comprehensive objective of contributing vigorously to the progress of the Latin American countries. We are prepared to face new tasks and to face them successfully. The institution is called upon not to provide an automatic response to all the hopes of the peoples in this hemisphere, but to serve as an increasingly useful instrument for achieving the higher purposes of economic and social policy.

We have been pleased to note the favorable development in United States relations with Latin America during the last few months, starting with the Bogota Meeting in September of last year, and culminating with the announcement of President Kennedy's program a month ago. The content and implications of this new approach will undoubtedly be analyzed in the course of our discussions, since it will substantially affect the future of the Bank.

May I, as a Latin American to whom you have entrusted the management of common resources, express my enthusiasm for the precise and comprehensive ten points announced by the President of the United States. This program frankly recognizes the central fact of our times: the profound change that Latin America is now undergoing in all the aspects of its existence, as part of a broader revolutionary phenomenon consisting of the integration of the underdeveloped nations into the world community. Fortunately, in spite of the skeptics and professional defeatists, exceptional geographical circumstances, history, close ties with the most creative cultures of mankind and a long and sustained process of maturity make this evolution of Latin America a positive force. Our peoples are not searching for basic inter-American principles, which have long since been found. What we are now witnessing is a rapid approach to the positive stages of development. It is for this reason that a ten-year program based on the mobilization of our domestic resources, supported by substantial and well-planned foreign aid and conducted multilaterally within a framework of equality and cooperation, can be the long-sought solution that will enable us to achieve more stable and

equitable conditions in international trade, accelerate the integration of markets and productive facilities as a means of creating more ample arenas for economic activity, and bring about social and structural changes that can no longer be postponed in this decade.

I should also like to express the Bank's appreciation for the many statements that have been made recognizing the future role of the Bank. I refer in particular to the following words of President Kennedy:

"I am convinced that the Inter-American Bank will play a vital role in the development of the Hemisphere. It certainly will be one of the major instruments of our own effort; and the Latin American nations themselves have already indicated their willingness to use the Bank as a principal force in the implementation of the Alliance for Progress. Thus this liberal and progressive institution, guided, as it is, by men with a deep understanding of the problems of Latin America, can be of major assistance in fulfilling the Hemisphere's desire for social change and economic progress."

It would not have been possible to conceive the Alliance for Progress in realistic but forward-looking terms if the Latin American countries had not already made known their desires through Operation Pan America. The two programs are parallel in nature and are destined to bring about the formation of a new foreign aid philosophy which appears to be taking shape in the following concepts:

The 1960's are the "Decade of Development," particularly for those countries and world areas in which sociological and technical conditions are being produced that will promote self-advancement, and in which the rate of progress depends fundamentally on the development of the forces of domestic production.

Foreign aid for the promotion of economic development is now conceived, not merely as a short-term loan or even as an emergency measure to ease imminent political and social tensions, but rather as an endeavor to plan for at least a period of years.

The very countries that are desirous of overcoming the limitations of their present economic structure and of quickening their rate of progress should formulate integrated programs of economic development in which all the collective tasks of a community are assigned a balanced share. This programming is intended to place emphasis on the efforts of the countries themselves and on the mobilization of their own resources.

It is demanded that the fruits of progress be distributed in the most socially equitable form, and to this end the necessary reforms will have to be introduced by the countries.

For many nations a ready absorption of important financial resources from abroad is by no means easy. In such cases it is imperative to establish the prerequisites by means of technical aid programs that will prepare the utilization of the factors of production.

A multilateral approach is gaining ground on the part of the industrially and financially developed countries. It is an obvious fact that, in addition to the United States, other nations feel the responsibility of providing Latin America, Africa, the Middle East and Asia with financial and technical aid to promote their development.

Foreign aid is not envisaged as a mere alternative to totalitarian systems. It is a manifestation of the traditional solidarity of mankind toward peoples that are entitled to a fairer utilization of the collective wealth and technological and scientific achievements of mankind.

The wealth, knowledge and organization of the most prosperous zones has not been achieved independently of the poorer peoples. Rather this state of affairs has been made possible by an unfair system of relations that is fortunately drawing to an end.

Despite the great importance that must be attached to the maintenance of a permanent flow of private capital to the countries in need of more investment, it is now realized that this form of backing is not enough, and that the vast extent of the undertaking requires massive aid of a public character. This is all the more true in the case of certain

nations whose development is so limited that the prerequisites for the formation of a class of entrepreneurs, whether of nationals or foreigners, do not even exist.

It is impossible to handle many forms of foreign aid by means of the banking and financial procedures employed hitherto. It is clear that the latter have made a valuable contribution to the industrial development of many underdeveloped countries, and it is also evident that the techniques used have enabled these countries to draft more suitable programs for the use of local funds and the incorporation of foreign capital.

The experience of the last few years, especially the establishment of bodies with a capacity for more flexible operating policies, as in the case of our Bank and of the International Development Association, combined with other means employed in particular by United States Government agencies, has provided valuable operational practice which will allow more realistic and flexible programs within the scope of the total concept of overcoming poverty, ignorance, instability and collective frustration.

The Inter-American Bank has now completed its basic organization. We have already set up a staff, acquired the necessary office facilities for our work and put into effect the necessary administrative regulations.

The first budget, which was naturally prepared on a tentative basis, proved in practice to be almost entirely in accord with anticipated receipts and expenditures. It was gratifying to be able to record in the first annual report that although we had not yet begun operations and were facing a preliminary period when installation expenses had to be met, we concluded 1960 with a surplus of almost \$200,000. This situation was largely made possible by the fact that many countries paid their quotas in advance and thus enabled us to commence activities on October first—also the date when those payments were due—with 99.6 per cent of subscriptions paid up.

The recruitment and training of personnel has been a pressing concern. We ended the year with 87 professional and 101 secretarial and clerical employees, recruited from all the member countries, 63 per cent of whom are Latin

Americans. The great majority of our professional staff members were selected as a result of interviews during my visits to the member countries between June and August of last year, and have been drawn from private and public banking and financial circles.

Our hiring policy followed the mandate of the charter in that a high level of efficiency and the broadest possible geographical representation were secured on the staff. Due regard has been given to the possibility that the Bank may assume new activities as administrator of a substantial part of the Special Inter-American Fund for Social Progress contemplated in the Act of Bogota.

We could have accomplished little in any of these matters without the outstanding work of the Board of Directors. The members of the Board have been the wise and judicious mentors of our Bank and its operations and have supported the activities of management with much vision and practical knowledge.

It has not been an easy task to integrate persons of different nationality, training and even language into a cohesive working unit. Nevertheless, I can proudly state that the spirit of service and devoted hard work that was the firmest support of the Bank during its period of organization made it possible to surmount these obstacles in short order.

There is a ready explanation for the unswerving idealism of our staff, for in my opinion it is but a reflection of the anxiety of all those familiar with the problems of Latin America, accentuated by the active responsibility of having to assist in solving them. Anguish there is, indeed, in the thought that there are 70 million Latin Americans under 15 years of age, for whom productive occupations have to be quickly devised and a higher living standard secured than that of their parents; it is heartbreaking to learn that Latin America is tilling only a meager proportion of her arable land; anguish there is in the knowledge that 50 per cent of the children of school age are without educational facilities; it is with the deepest concern that we realize we should be building 1,240,000 new houses a year, when we do not even succeed in satisfying 30 per cent of the demand,

and, finally, it is distressing to realize that we are working against time with countries of extraordinary vitality but without adequate means to satisfy the requirements of their inhabitants alone and unaided.

Our organizational activities enabled us to initiate loan and technical assistance operations during the past six months. To date we have approved ten credit operations covering a total of 50,200,000 dollars, with prospects of doubling that amount in the next three months. Pending a more detailed description of our first operations, I can say that 23,750,000 dollars was allotted from the ordinary resources of the Bank and 26,500,000 dollars from the Fund for Special Operations. These operations utilized not only dollar resources, which accounted for more than two-thirds of the amount of the loans, but also substantial allotments in various local currencies.

I would like to stress that we have neither replaced financing by other agencies nor competed with the various international sources of credit. As a matter of fact, the World Bank granted 77,650,000 dollars in credits to Latin America in 1959 and increased this amount to 141,840,000 in 1960. The Export-Import Bank extended 239,300,000 dollars in credits to the area in 1959 and 384,800,000 dollars in 1960. Credits from the Development Loan Fund amounted to 28,600,000 dollars for the entire fiscal year ended in June 1960 and to 72,300,000 dollars for the last six months of 1960.

Our operations have covered the following countries: Peru, Bolivia, Paraguay, Haiti, Nicaragua, Brazil, Chile and Colombia. Immediate prospects will extend our field of activity to practically all the Latin American countries.

It should be noted that 520 loan requests or inquiries were received from the commencement of operations until the end of February 1961. One hundred eighteen of the loan requests, involving a total equivalent to 240 million dollars, were processed, including 24 for about 60 million dollars which are now in advanced stages of analysis and study. The foregoing figures do not include projects already at hand which might eventually be financed from the Social Progress Trust Fund.

It would not have been possible to come to this Meeting with approved loans, based on sound projects of considerable productive scope, if we had failed to discuss previously and at length the orientation of our operating policies and procedures. The results of these preliminary discussions were verified by the President and by the Executive Directors in the countries themselves, with government and private representatives. In this matter, as in others, we have established provisional policies which we are ready to modify in the light of experience, available resources and the needs of our members.

On the basis of our experience, we feel certain that it is direct contact with the countries that will give true meaning, perspective and possibilities of action to the Bank. This policy not only gives the member countries an opportunity to express their aspirations, but also affords our institution a better knowledge of the general situation in its member countries and of the true scope of the needs for which financing is sought.

Since October 1, 1960, Bank officials have been sent at various times to Honduras, Panama, Haiti, Colombia, Ecuador, Chile, Paraguay, Bolivia and Brazil. It is our intention, during the course of this year, to send missions to all the remaining member countries.

The direct credit activities of the Bank have been supported by technical assistance, another important function indicated in the Charter. Such assistance, however, has not been provided in a general manner that will duplicate the purposes of other organizations operating in the international or regional field. To the contrary, it has been directed to helping the countries prepare their proposals for eventual presentation either to the Bank itself or to other sources of credit.

We are cooperating closely along the same lines with development agencies, to which we expect to extend over-all loans in order that they may develop the mechanisms to utilize such funds. We have in the past few weeks allotted sums totalling 550,000 dollars for technical assistance to development organizations in Bolivia, Paraguay and Haiti and to the Central American Bank, now in the process of

organization. A total of 150,000 dollars has been assigned to Bolivia and Haiti for the evaluation of mining and hydroelectric projects, respectively, and we have received similar requests involving irrigation, electrification and land settlement projects.

Some countries interested in securing the Bank's financial aid for their development and planning agencies have previously requested our assistance in reorganizing those agencies and revising their by-laws. Our officials have thus had the opportunity of participating in projects of this kind in Paraguay, Honduras, Bolivia and Haiti. Similar requests have been received from Argentina and El Salvador. We have also been concerned with the need to train experts for this type of work. We have entered into arrangements with the Latin American Center for Monetary Studies (CEMLA) whereby we will take advantage of the Center's organizational facilities and experience to organize an advanced training program for 35 officials from development agencies in the hemisphere. The program will begin next September.

What we have seen in the course of this year indicates the existence of vast and interesting technical experiments, at all levels and in all fields, that can be usefully applied in our countries. The regional agencies should explore the possibility of such applications. We should take advantage of the experience derived from the industrial and technological development of Mexico and Brazil, the effectiveness of the institutional mechanisms of Costa Rica and Chile, the solutions to the social problem achieved by Uruguay and Argentina, the growth and diversification of exports in Peru and Ecuador.

The fact is that in a century and a half of independence Latin America has set up and perfected, especially at the intermediate and higher levels, an educational system with roots deeply embedded since colonial times in the finest traditions of European culture. In this environment, and in spite of economic limitations and the faulty application of our resources, it has been possible not only to assimilate fairly rapidly a knowledge of the technology, arts and sciences that have developed in other latitudes, but to discern in contemporary culture forms of expression that are unique.

I have already mentioned the prompt payment, which in some cases has even been made in advance, of the first quota of subscriptions to the ordinary capital and the Fund for Special Operations, for both dollars and local currencies. Such payments enabled the Bank to commence operations on October 1, 1960, with available funds totaling 114,329,072 dollars and the equivalent of 34,323,000 dollars in local currencies. Of these amounts we have so far committed 40,750,000 dollars in dollars and 9,500,000 dollars in local currencies, which reflects the policy of utilizing resources both in dollars and in currencies of other member countries for our operations. The applications we are receiving express an interest on the part of both public and private sectors in obtaining financing in both kinds of currency.

We are certain we will be able to use the various local currencies which form part of our capital, not only to finance domestic costs but also as a means of promoting trade between the Latin American countries. In this connection I wish to stress the potential importance for such purposes of the Bank's holdings in currencies of countries which have a higher degree of industrial development and which could export capital goods. Under the terms of the Agreement, the comparatively less developed countries could use such currencies to purchase capital goods from the more industrialized countries of Latin America, provided the purchasers are afforded favorable and competitive terms as to prices and quality of goods. Naturally, transactions of this sort are strongly encouraged within the framework of the agreements made for regional markets.

On more than one occasion we have expressed the need to coordinate our operations in local currencies with the domestic monetary policies of our member countries. The Bank's activities cannot and should not interfere with domestic monetary practices, particularly in those countries which are carrying out difficult stabilization programs. It should, however, be kept in mind that local currency contributions are part of the Bank's assets and that it should be able to make use of them in accordance with its loan policy. To adopt a general criterion contrary to this approach would mean, in practice, an actual embargo on a large share of our funds and a severe limitation on our sphere of action. The

countries, when making their contributions, should consider the above implications and bear in mind the desirability of having such contributions derive from genuine savings and resources, so that their utilization will in no case create artificial demands upon the domestic economy or upon monetary reserves.

The Board of Directors has set dates for payment of the second and third contributions, no later, in the first case, than October 30, 1961, and, in the second case, October 30, 1962. Contributions to the Fund for Special Operations should be completed with payment of the second and last quota by October 30, 1961.

By the end of this year we will have 228,900,000 dollars in ordinary capital and will have received payment of almost 150 million dollars in the Fund for Special Operations. By October 1962 the ordinary capital asset will have reached the amount of 381,600,000 dollars. In short, including both assets of the Bank, we will have 528 million dollars available, including 139 million in local currencies, or slightly more than 25 per cent of the total.

We plan a gradual and timely policy of fund investment, taking care in every case that such investment is based on carefully prepared projects. With regard to the Fund for Special Operations, although greater flexibility must be provided in the loans, particularly with respect to payments in local currency, longer terms and lower interest, we believe we must provide for those operations that most decisively result in acceleration of economic development, leaving provision for the less immediately productive projects to the Social Progress Trust Fund.

The Board of Executive Directors believes that in our policy designed to supplement the Bank's resources the paid-in capital funds must be committed first, that is, payments from the treasuries of the member countries, leaving until later the flotation of bonds through which funds are to be obtained in the private capital markets.

Since we are aware that entry into these markets is a long and complex process requiring prior development of prestige, based not only on a good loan portfolio but also on adequate knowledge of the institution by prospective in-

vestors, the Bank's administration and its President personally have been paving the way for such future action. Numerous and advantageous contacts have been made with the financial centers of important States in North America, and in several of these States the domestic legislative procedures have been carried out expeditiously, thus enabling us eventually to sell our securities to institutional investors.

The prospects for expanding our resources in this field, in accordance with the current callable capital, run to about 450 million dollars. We should add that the member countries are committed to increase capital stock by 500 million dollars after October 1962. The World Bank's experience has indicated thus far that only the part covered by United States guaranty, amounting in this case to 400 million dollars, makes it possible to foresee a prospective increase in our funds by the end of the coming year.

I am certain that not only in the United States, but also in Western Europe, Canada and Japan, it is possible to obtain the contribution of private resources from the capital markets. The machinery of Inter-American Bank securities may be used for the future channeling of financial aid from countries traditionally interested in our hemisphere whose political, economic and cultural ties become increasingly closer. It would be easy to list the mutual advantages both to these countries and Latin America to be derived from a multilateral financial system for fostering economic development projects.

Judging from indications we have received from several member countries, and from the resolutions approved at the last Conference in Bogota, there is strong interest on the part of our associates in allowing the Bank's securities in the future to utilize resources available in Latin America.

The permanent and increasing flight of private Latin American capital abroad, chiefly to the United States and Switzerland, has been a source of great concern. We know that the spectacular figures published with regard to this process are debatable. No one can deny, however, that eventual repatriation of those funds would assist us in financing our own economic necessities with less dependence on foreign aid. We are aware that this process of repatria-

tion is a complex one, in which motives other than economic are at work; we are, nonetheless, certain that the Bank's securities can be a vehicle to assist in this process.

It is proper in this connection to recall that one of the most interesting antecedents to the establishment of the Bank was the 1940 draft convention presented in the United States Senate, emphasizing that it would be a highly important step in the development of inter-American financial and economic cooperation and the implementation of the Good Neighbor policy. At that time stress was laid on the major role that the new body would play in channeling what was then considered to be the great volume of private Latin American savings in the United States.

It is encouraging to note that several of our first loans were made with large-scale participation by private United States banks, which have assumed responsibility for the first installments due, thus attesting the faith of the banking system in Latin America's future and in the operational efficiency and security of the Bank.

We also view with great interest the possibility of our becoming associated in joint projects with other official international financing institutions and in projects promoted by national financing sources, both private and official. The Inter-American Development Bank should act as an agency for coordination and joint utilization of funds for those desirous of working on Latin American financing programs. We are, in fact, acting in this capacity through the contacts established by us with many sectors of Latin America, the United States and Europe, who believe more and more that we can offer them useful advice and adequate guidance.

Lastly, with regard to the Bank's resources, I wish to place on record my gratitude to the governments that have already expressed their interest by again advancing the payment of their contribution for this year. These advance contributions will not only financially strengthen our institution, which greatly needs it during this still preliminary period of apprenticeship and organization, but also express great faith in the Bank's future.

The event which took place between the First and Second

Meetings of the Board of Governors that has had the greatest bearing on the activity of the Inter-American Development Bank was undoubtedly the Economic Conference of Bogota, in September 1960. I consider it superfluous to refer to the background, proposals and resolutions of that meeting. The terms of President Kennedy's message to the United States Congress, with a bill requesting final appropriation of the sum of 500 million dollars to be used for the Inter-American Fund for Social Progress, constitute the best expression of what this meeting was, to wit:

"The Act of Bogota marks an historic turning point in the evolution of the Western Hemisphere. For the first time the American nations have agreed to join in a massive cooperative effort to strengthen democratic institutions through a program of economic development and social progress."

It continues, stating:

"The 500 million dollar Inter-American Fund for Social Progress is only the first move toward carrying out the declarations of the Act of Bogota; and the Act itself is only a single step in our program for the development of the hemisphere—a program I have termed the Alliance for Progress.

"In addition to the Social Fund, hemispheric development will require substantial outside resources for economic development, a major self-help effort by the Latin American nations themselves, inter-American cooperation to deal with the problems of economic integration and commodity markets, and other measures designed to speed economic growth and improve understanding among the American nations."

In Bogota, the nations of the hemisphere agreed that the agency for administering the resources of this Fund would be the Inter-American Development Bank. As I had occasion to say at that meeting, there could be no stronger confirmation of confidence in an institution that was in the process of organization and had not yet officially started its operations.

Between October 1960 and March of this year, we were actively negotiating with the United States Government on the terms of the contractual relations for the fiduciary ad-

ministration of nearly 80 per cent of this Fund. The document containing these terms, approved by our Board of Directors, has been communicated to the member governments and forms part of the background material recently sent to the United States Congress for enactment of the respective law. Once this decision has been reached, its terms will be submitted to the Governors for ratification.

The Bank's management in recent months has done intensive preparatory work in the preparation of policies and procedures that will make possible rapid and efficient utilization of those funds, and the adaptation and strengthening of our internal organization to accomplish those aims.

For the information of the Governors, I wish to outline the following three basic aspects of this program as expressed in the draft contract mentioned above:

a) It was deemed appropriate to specify the fields in which the Bank might provide financing, on the condition that adequate projects are submitted concerning the objectives of said Fund. These fields are land settlement and agricultural improvement, low-cost housing, water supply and other community services, and, in certain cases, educational programs connected with economic and social development.

b) The loans will have more flexible terms than those of a strictly "bankable" operation. Consequently, such terms permit consideration of payment in local currency, more favorable terms and interest rates, and the possibility of using the dollars not only in the United States but in the country concerned or in other Latin American countries.

c) Available resources must serve above all to assist in projects, mainly of a social nature, undertaken by the member countries themselves. This presupposes that the Latin American countries will have programs which pursue these aims and in which the nation's own efforts are translated into the mobilization and use of domestic resources and necessary institutional adjustments.

The basic purpose of this Fund is not to provide a direct solution to the social requirements and problems of Latin America. The Fund will not act as a charitable institution,

but as a device contributing to the effort of such Latin American countries as are concerned with surmounting social obstacles to their economic progress.

Social progress is not a substitute for economic development. It is absurd to think that our countries can raise their people's living standards without first developing their capacity to produce. Such is, moreover, the historic experience in any system of economic organization. Every country that has tried to bring off the trick of raising living standards without improving the foundations of its national financial structure has managed only to create greater needs which, in the end, could not be met. Essentially, social progress results from greater production and better distribution.

In Latin America, there are countries that have experienced impressive rates of economic growth, but the fruits of such growth have favored primarily certain privileged groups that have frequently not even reinvested their profits in their own countries. There are other countries which, as a result of misguided social advances, have destroyed in an atmosphere of monetary instability the sources of national investment and have dispersed the slight margins of well-being created by previous economic development. We Latin Americans should, on the basis of our own convictions and political concepts, and with the support of our own people, react against these two extreme evils.

The Special Inter-American Fund for Social Progress should be an invaluable instrument for fostering cooperation in the policies of those governments that are striving to accelerate social reform and yet are hampered by scant, poorly channeled resources or by impediments to balanced progress. The Fund should be the indispensable assistance which causes the national effort to proliferate, yet avoids the necessity of recourse to solutions projected into the future or incompatible with the democratic tradition. The Fund should help to guide the current Latin American revolution in the light of present hemisphere conditions, so that it may reflect an authentic image of its own people.

Great strides have been taken since Bogota in favor of more efficient operation of the regional bodies entrusted with

the promotion of the hemisphere's economic and social development.

The recent reorganization of the system of operations in the Inter-American Economic and Social Council, and the machinery for coordination and cooperation between the Organization of American States, the Economic Commission for Latin America and the Inter-American Development Bank, clearly illustrate the results of this endeavor.

Gradually criteria have taken shape enabling us to define duties and responsibilities, avoid wasteful duplication and work along coordinated and complementary lines. The Inter-American Economic and Social Council is designed to be the institution where the master planning of regional economic cooperation is discussed and decided.

The Secretariats of the Organization of American States and the Economic Commission for Latin America are assigned basic research and the furtherance of investigation into actual conditions in this part of the world, as well as general programming and planning for better utilization of our resources on both the national and regional scales. They are also given responsibility for the preparation of technical staff and assistance to be supplied to the various countries in pursuance of the better organization of their economic policy.

I now wish to explain to you some of the operational methods developed by the Bank during its first few months of activity.

The notoriously underdeveloped areas of Latin America have been given preferential attention. The geographic and historic unity of our countries and their common destiny is markedly unbalanced. Consequently, we have endeavored to strengthen those areas that are in greatest need of financial aid. Some of these areas do not have sufficient payment capacity to undertake debt servicing in foreign currency; in others, more favorable terms and interest rates are required in order to stimulate the development of their productive forces. All of them need active preparatory technical work.

Bolivia has provided us with an interesting potential sphere of action. We have kept a mission in the field almost

constantly whose basic objective has been to prepare, in collaboration with the Bolivian authorities, urgent national programs. As the result of this work, the Bank granted Bolivia an over-all loan of ten million dollars from the resources of the Fund for Special Operations, 70 per cent of which may be utilized to pay for imports and the balance to meet local costs. The Bolivian Development Corporation is the agency that will receive these funds, without prejudice to an eventual channeling of funds through the Agricultural and Mining Banks upon completion of their reorganization.

We wish to round out the foregoing program, which will contribute to Bolivia's economic diversification, by associating it with an important project called "Operation Triangle." This has the participation of the United States Government and the Salzgitter Company of West Germany, and is designed to rehabilitate the country's major mining industry. Bolivia's lifeline is its mining exports, and no change in this situation is predicted in the near future. The government has undertaken an important program covering the various economic and administrative aspects required for such rehabilitation. We believe that in collaboration with the other two sources mentioned above we will be able to render useful service in placing its mineral exports on a sound and stable foundation, with adequate costs, and in promoting greater economic stability and progress in that sister republic.

I had the opportunity to make a trip to Bolivia to sign with President Paz Estenssoro the terms of the loan for the Development Corporation. I was invited by the miners to visit their mines and by the inhabitants of Santa Cruz to visit their city. I may say with profound emotion that the simple working people—miners, farmers and sugar mill workers—felt our institution to be their own and were grateful that an organization of this kind was making direct, immediate contact with their needs.

A similar type of loan has been granted to Paraguay for three million dollars. At the same time, assistance has been given in the reorganization of the Bank of Paraguay, in the drafting of whose new charter we have played a positive role. These resources, together with those of the country

itself, will benefit a large number of small industrialists and farmers. Paraguay is one of the member countries which has made a great effort in recent years to achieve monetary and financial stability, without successfully generating an increased growth rate. The reasons are similar to those of other countries: low national savings derived from limited income and a very low foreign debt capacity, which is also symptomatic of underdevelopment. Nevertheless, Paraguay is endowed with abundant and diverse natural resources, particularly in agriculture and forestry, with a low density of population and with efficient and enterprising management and labor. Foreign financial aid is already showing how this country's outlook can be transformed with limited funds.

The Asunción-Paraná River highway and the international bridge at Presidente Stroessner show how the proper use of funds can open and expand economic horizons in a country.

In the case of Haiti, we have also utilized a national development agency to mobilize local resources. We have agreed with the Haitian authorities on an over-all loan of 3,500,000 dollars on terms similar to those of the Bolivian and Paraguayan loans, to be disbursed through the Agricultural and Industrial Development Institute, which will be organized as a subsidiary agency of the National Bank of Haiti. Haiti also represents for us a special priority case within our community of nations. Its overpopulation in relation to its limited, poor natural resources is a well-known problem. We believe that this first step can be of particular interest in rational, planned utilization, not only of our own available resources, but of local funds as well. We have selected for an initial 5,000,000 dollar program, 3.5 from the Bank and 1.5 from Haiti, projects designed for integrated agricultural and industrial development of the southern plain region by improving farm mechanization and crops and providing for industrialization.

We are keenly interested as well in the specific problems of Northeast Brazil and in the remarkably imaginative and creative manner in which these problems are being met, especially through the efficient performance of the Superintendencia do Nordeste and the Banco do Nordeste.

I am pleased to announce that only two days ago we approved an over-all loan for Northeast Brazil totaling ten million dollars, mainly intended for industrial development programs that will benefit small and medium-scale entrepreneurs in the area. These funds will be administered by the Banco do Nordeste, in close cooperation with SUDENE.

I take this opportunity to express my appreciation to the State governments of that region, where during a recent visit I verified, as in other countries, the existence of abundant and productive natural resources and strong regional characteristics. Many of these States have problems similar to those found in most of our member countries with regard to area, population and resources. I am convinced that the Inter-American Development Bank has a broad and interesting field of action in contact with those regional divisions of Latin America where our activities can produce a considerable impact. Our activities should reach well defined regions in Latin America, especially if they have adequate organization and channels for planning and orienting the use of funds. We are already assisting in several cases in regional planning, and we are willing to contribute funds for technical assistance along these lines.

Within these terms of reference, our action will certainly be directed toward the framing and financing of regional development plans covering two or more countries. It is a matter of common knowledge that the historical frontiers of many of our nations originated in administrative arrangements dating from the colonial period, rather than in geographical and economic factors. This circumstance has given rise to international political problems which fortunately have progressed toward a definitive solution within the framework of the inter-American system.

The reality of geographical economic zones overlapping several countries has perforce required these nations to take coordinated action. The Inter-American Bank may well be an efficient device for promoting the economic and regional integration so urgently needed and thus benefit vast population sectors through the exercise of multi-lateral efforts. These ideas suggest the possibility of an integrated development of the resources of the countries

adjoining the vast river network of the Paraná and Paraguay Rivers; the prospects of joint development of southern Peru and northern Chile, where farming and water-power resources are limited; the economic and social development of the Andean Indian communities, particularly in Bolivia and Peru; the possibility of planning a coordinated campaign to develop Chilean and Argentine Patagonia, and the combined development by the Amazon countries of that valley which can make such an important contribution to humanity. Programs of this sort would enable us to overcome the tragic coincidence of our border areas with the most extreme underdevelopment. Through the course of the years we have become accustomed, like neighbors on poor terms, to turn our backs on each other. We may be confident that the future will transform isolated military cantons into focal points from which a progress without boundaries will issue.

Lastly, as an activity and project of the Bank related to areas and countries that deserve preferential attention, I wish to emphasize our Bank's close ties with and assistance to the Central American Bank for Economic Integration, currently being organized. Four Central American countries have considered it essential to establish a financing mechanism for such projects as can promote rapid integration. The new organization will not only receive contributions from the member countries, but also a formal commitment of financial aid from official United States agencies.

We should applaud these financial efforts toward Central American integration, which has ceased to be a regional aspiration and has become the concern and task of all Americans. The new Bank will not duplicate our functions because its field of action will be limited to taking charge of projects touching directly upon integration. Moreover, it can serve to channel new resources which pursue that same objective. Although we will continue operating in each of the various Central American countries, we will try to maintain close technical and financial contact with this new agency. To this end, our Board of Directors has not only approved funds totaling 100,000 dollars to finance preparation costs during the initial period, but has

also expressed interest in making a large loan once the new Bank has been legally constituted.

It is not by chance that our operations have made such full use of national and regional development agencies. Despite the fact that the efficiency and operation of these agencies vary from one country to another as a whole, they represent a valuable institutional channel for domestic and foreign resources. Just as the Central Banks of the hemisphere have gradually evolved their own system, these agencies also have developed a system of their own which has made it possible to understand the countries more fully and plan their policies more efficiently.

In the last few days we have granted loans to two other development agencies: the Development Corporation of Chile and the Development Institute of Nicaragua.

The Development Corporation of Chile has been granted the sum of six million dollars from our ordinary capital resources, which will be used for loans to private enterprise in industry, mining and fisheries. These funds will promote the development of export industries, mainly the fisheries of the Province of Tarapacá, a zone which sorely needs to create new sources of wealth as an alternative to the critical situation of the nitrate industry.

This financing will not only benefit the individual projects of the Development Corporation, but will also help to implement the broad ten-year economic development program prepared by that institution. In this case, as in that of other countries, practice is demonstrating that over-all planning and the establishment of priority standards are not incompatible with the operations and tasks of private enterprise. This is a concept firmly rooted in our Bank. We believe that it rests with each country to decide whether or not to proceed with economic development planning, but we also believe that such over-all planning is the best way to produce specific projects eligible for financing, particularly if it is considered that this planning best defines the particular merits of each project in the context of national investment as a whole.

The terms of the two million dollar loan to the Development Institute of Nicaragua are very similar to those indi-

cated above. This loan is entirely made up of dollar funds from our ordinary capital resources.

We have also promoted activities with private investment banks. One of the serious limitations of credit regulations in practically all our countries is the lack of medium and long-term loans. In some cases inflation and instability have prevented the establishment of such mechanisms; in others, the causes have been legal restrictions or the lack of an enterprising spirit for an activity which obviously entails greater risk than commercial bank operations. This has often caused private concerns to finance their long-term programs with commercial bank credit, which is renewed at a high cost. Also relatively short-term debts have been incurred with foreign equipment and machinery suppliers. These factors increase industrial costs and force artificial exchange and customs protective measures.

We have followed with keen interest the activities of the private "financieras" in Mexico, certain Central American countries and recently in Colombia. In the case of the latter country, we have approved an over-all loan of one million dollars for the Corporación Financiera de Colombia, with headquarters in Bogota, of which 50 per cent is in dollars and 50 per cent in local currency. These funds will be reloaned on a long-term basis and at convenient rates of interest to small and medium-scale industrial firms that need to expand or re-equip their plants.

The Bank is vitally interested in helping to finance private enterprise. A dynamic entrepreneur class exists already in Latin America which, unlike that of the more developed countries, has no credit facilities or access to international credit.

We are able to assist private enterprise through suitable loan terms, elimination of a State guarantee and in the preparation and presentation of projects.

It is interesting to note that the first private firm to operate with us has been a Brazilian company. Lucher Celulose e Papel, S.A. has received a loan of 4,700,000 dollars from our ordinary capital resources, part in dollars

and part in local currency, to complete its project for a cellulose plant in the State of Paraná.

In connection with this operation, we may also point out another operational feature of the Bank: the possibility of providing financing in foreign currency to cover local costs, especially for the purchase of capital equipment in the country where the project is located. Those who are familiar with international financing are well aware that this problem has been the subject of thorough analysis and prolonged controversy. Fortunately, in this matter as in others, our by-laws allow us realistic flexibility. Furthermore, the provisions of the Agreement merely reflect the changes of recent years in international financing and the interesting degree of industrial development attained by some of our countries. Let us not forget that, because of the rather unfortunate experiences of the 1920's, at the end of the Second World War it was considered that the only effective way of contributing foreign means to increase national investment was to utilize financing that would mean exclusive importation of capital goods and equipment. This approach was based on the premise that the countries concerned were unable to produce the capital goods they required, or were too limited in their debt-servicing capacity to justify the borrowing of foreign currency for the payment of local costs, particularly when they might be able to find adequate local financing.

It is not my purpose to enter deeply into an extended analysis of such assumptions, since these are always subject to revision. I wish only to mention that such reasoning overlooks the basic fact that every investment creates a demand for foreign exchange which amounts in our countries to at least 30 per cent of the total investment. To follow a different criterion is to discriminate against countries which have their own industries, or force them by artificial means to use foreign equipment.

The danger should be emphasized of our policies' worsening distortions and restrictive factors in the domestic financing of industrial development. I want only to refer to the difficulties encountered by many of our suppliers of equipment and capital goods because there are no facilities in their countries that will enable them to compete on an

equal footing with their foreign competitors. Paradoxically, it is most often the public sector purchases which, by this circumstance, make less use of domestic supplies. In fact, governments and official agencies that cannot count on adequate yearly allotments to meet their investment expenses generally prefer to avail themselves of the credit facilities offered by foreign manufacturers. These points have been raised by the industrialists of many of our countries, especially Mexico, Colombia, Chile, Argentina and Brazil.

The first operation charged to our ordinary capital resources was a loan for 3.9 million dollars to the Corporación de Saneamiento de Arequipa, Peru, for its water supply and sewerage systems. A 6,150,000 dollar credit has just been granted to Medellín, Colombia, for similar purposes. Both operations include local currency, in *soles* and Colombian *pesos*, respectively.

Hitherto, investment projects for water supply systems had not been considered by other financial institutions because their impact on production was regarded as too remote. Yet 100 million people in Latin America lack an adequate supply of good drinking water. A high percentage of the infant mortality rate is the result of diseases transmitted by contaminated water. In the last ten years only two thirds of the 30 million increase in Latin American population have been supplied with water.

Actually, the positive impact of water supply projects on economic development is often difficult to evaluate, in contrast to electric power and transportation projects, but Latin America's experience shows that a shortage of water, particularly drinking water, will drastically impair economic development. Some cities, because of a rapid population growth unaccompanied by an adequate expansion of community facilities, are not suited to the establishment of new industries, even though other favorable factors may be present. It is also a fact that an inadequate supply of good drinking water is detrimental to public health, particularly among the working classes, and substantially reduces productivity. Moreover, these projects are closely tied to irrigation works and projects for better utilization of scarce waters in naturally arid areas.

We recognize that these investments are of a markedly social nature, in view of their impact on the consumer population. We believe, however, that in this and other similar projects the economic and social implications of the project complement each other. This means that the varied and important requirements of this kind we have received from various governments, municipalities and other public corporations can be met with funds mentioned in the Act of Bogota.

In conclusion, I wish to stress that although the task completed in this first year has been difficult because of the natural obstacles involved in any beginning, the difficulties have in every case been outweighed by the forces operating in our favor. More than once we have reflected how difficult it is to overcome inertia, that obscure law of the universe and counterpart of its vital creative forces, but we have been consoled immediately by the thought that the most important consideration is to persevere, since all good work matures in time.

The forthcoming period will perhaps be different from the past, although many of its determinant factors can be found in our past achievements and especially in what has been left undone or incomplete.

We must strengthen our internal administrative organization in all its aspects.

We must obtain from our staff, on all levels, the most lofty orientation, the greatest efficiency and the most absolute unity of purpose.

We must intensify our operations, make our procedures more flexible and strengthen our contacts with the member countries.

We must project the image of our institution as a sound and imaginative organization in both the financial sectors and among those groups and dynamic forces of Latin America that are the final arbiters in the growth of nations.

We must so advance that our workers and farmers, our businessmen and our technicians, our officials and our journalists, may grasp the true nature of this institution as a genuine, massive expression of the hemisphere.

We must intensify our attention to the growing demands for financing and technical assistance, consistent with our resources and mandates.

We must continue to see that the funds provided for Bank activities are duly available to it.

We must act resolutely and wisely as administrators of the Social Progress Trust Fund in close contact with the governments of all the member countries.

We know that these are not easy objectives, that normal growth or the strength of a publicly supported inter-American agency alone will not be sufficient. We know that we must make more than the usual effort. We must demand of ourselves what President Kennedy emphasized as the essential factors of community service: courage, reflection, integrity, sacrifice.

I am certain that the stimulating contact with Brazil, our generous host at this Second Meeting, will make it easier for us to achieve our aspirations:

Because few countries have equaled Brazil in making economic development and political and social democracy a collective cult that is daily expressed in the creative passion of all its people;

Because progress here is a collective aim, a common goal, a permanent objective and a constant aspiration that has made it possible to reconcile social, ideological, regional and racial differences;

Because, faced with the challenge of its geographical immensity, Brazil has matured in the pioneer spirit, best expressed through the growth attained despite painful and confining financial realities. We are sure that in this process of adjustment of progress to stability under the vigorous leadership of President Quadros—who is truly representative of a new, pragmatic, realistic, austere and independent generation—Brazil will achieve in this decisive period of its history the full maturity of communal coexistence. We are convinced that Brazil's own creative capacity will make this process of adjustment easier.

Latin America still urgently needs Brazil's decisive par-

ticipation in its policy of hemispheric integration. The lofty vision of its statesmen in this field is a guarantee which helps to bring the image of the hemisphere more sharply into focus. Our Bank, which is a sounding board for the collective aspirations of Latin America, has much to expect from the support we have received from every sector of this country.

The words of Gabriela Mistral, illustrious poet and American, who lived many years in Petropolis enamored of the grandeur and complexity of Brazil, are the best expression of the support we seek and need from all countries in the Americas:

"It is a fact to be seen in any group of laborers that when one of them grows weary, because his section of ore or of stone is especially hard, he casts a beseeching glance toward the others who are fresh or have finished their own stints.

"In South America the labor of bringing together different kinds of souls and bodies, leading them into the same way of life and weaving together the various stocks like wool and cotton on a loom, is an undertaking that is much more protracted than Bolivar's crossing of the Andes, and more complex than an exploration of the watery network of the Amazon. We must have understanding, patience and faith."

**Address by Mr. Alfonso Gumucio Reyes, Governor for
Bolivia and Minister of Economy, at the
Second Plenary Session**

It is a great honor for me to convey to this august assembly the most cordial greetings of His Excellency, the President of the Republic of Bolivia, Dr. Victor Paz Estenssoro, and all the members of his Government. For my own part, I cannot but express my sincere pleasure and gratitude for the hearty welcome accorded me by the people and Government of Brazil.

We are attending this Second Meeting of the Board of Governors of the Inter-American Development Bank with the conviction that this gathering is not merely an empty gesture, made in compliance with a statute, but an opportunity to meet with outstanding representatives of the American governments, give voice to the anxieties that forever beset our countries with regard to economic development, and express viewpoints on this subject, so closely linked to the destiny of our peoples.

In this sense, the Inter-American Bank can have the great virtue of being a sounding board that vibrates constantly to the desire for development, and can become a most effective instrument for the weaker peoples in their struggle for economic advancement.

Since the first meeting in San Salvador, important changes have taken place on the American scene. All can perceive that the threads that form the warp of American life are not fastened merely to the mainland of the continent, but also extend overseas. The world has become aware of the importance of Latin America as a factor in international balance.

This concept of our own value had to turn us from a belief in the predominance of the great powers, and restore to us the principle of equality among nations. In the past year we have entered a climate of greater sincerity in relations among the American countries. Little by little, each country has been regaining its right to negotiate on equal terms, to draw attention to its legitimate interests, and

endeavor to meet its requirements, all in accordance with the principle of the economic interdependence of nations. In brief, the weak countries have lost their fear and are proudly seeking to fulfill their destiny.

The United States, too, a country that is not only the leader of the West, but encourages what is transcendental in American life, participates in these trends. With keen historical insight, the United States Government has sincerely criticized and abolished the foreign policy condemned as "Phoenician." The true interests of the United States in Latin America have at last become evident. The deepening anxiety of our peoples, expressed in widely differing forms, has found a favorable echo in the new spirit imprinted on North American policy by President Kennedy, now in accord with our aspirations.

The United States has always inclined to look to the Far East, tens of thousands of miles away, for most of its imports of tropical products and strategic materials, when it could well have purchased them from its Latin American neighbors. That situation tended towards the quasi-permanent maintenance of a balance of trade thoroughly unfavorable to us and favorable to Asia. In 1947 the visible balance of trade and invisible flow of dollars built up an unfavorable balance of payments for Latin America to the extent of 2,200 million dollars. Thus, financial aid provided us by the United States served only to finance this and other deficits arising from our purchases in that country. Hence, the present attitude that we note in its foreign policy is but a fitting response to the dynamics of our economic history.

But the signs are even more encouraging. At last the world is moving on the right track. The consensus of world opinion has come to favor disarmament. The great powers seek eagerly to banish the specter of war and devote their energies to the development of more backward countries and improve the conditions of mankind.

The Western Hemisphere, for its part, has evolved to the point where it now grasps and approves the basic changes in those political and economic structures that hitherto have retarded the growth of peoples and the development of

their potential. The inevitability of revolutions with a deep-seated social content within the framework of nationalism, such as the Bolivian revolution, has been fully recognized, and increasing interest has been shown in collaborating with them. Let us hope that our own experience will have proved useful, with all its virtues or faults. The considered opinion of America has found proof of the justice and the reality of the aims that Bolivia hastened to secure.

We are well aware that the deterioration of our economies comes from our difficult position as sellers of raw materials that we exchange for finished products, and that the price of the former tends ever downward in relation to the price of the latter. This means progressive impoverishment for the weak countries and precisely the opposite for the industrialized countries.

We also realize that we have suffered a gradual but effective process of decapitalization and exploitation, although in the past we have succeeded in holding our own among the foremost producers in the world's economy. In 1650, for instance, Brazil alone exported sugar to the value of twelve million dollars, a sum that in those days exceeded the total value of all exports from the British colonies. In the Seventeenth Century its industrial output was greater than that of England, and in the Eighteenth it overshadowed that of the United States. Two hundred years ago the countries of South America exported the greater part of the riches that circulated throughout the world. In a single year, eleven million dollars were shipped to Spain in gold coin, and thirty million in silver. At the outset of the Seventeenth Century, Potosi had a population of one hundred thousand inhabitants, while London and Paris had no more than two hundred thousand. It was the metals of South America that built up the wealth of Europe. In the first century of conquest alone, Spain garnered gold and silver worth 1,250 million dollars, much of which was drained from the mines of the Altiplano. The exploitation of gold and silver was followed by that of a long list of other products familiar to us all, but after five centuries of exploitation the riches had failed to benefit the countries

where they were mined, and benefited only the dominant countries. Our lands were stripped of their mineral wealth and their human resources squandered.

If this process of decapitalization and exploitation helped determine our backward situation, so did our resistance to technological change. Just when we needed to apply discoveries and inventions to balance our growth with that of the other countries, we found ourselves without the basic conditions to be able to use them. The steam engine lacks coal, and the internal combustion engine roads and an adequate oil industry. Industrialization lacks sources of energy, and farming lacks suitable markets. Thus do we come to the era of the peaceful use of atomic energy, scratching the soil of our fields with a wooden plow. These factors motivating our backward condition are reenforced by others, with devastating impact in my own country.

Our nutrition is inadequate. In Bolivia, the average per capita consumption of calories amounts to only one thousand two hundred, as compared with the two thousand six hundred and twenty-five actually needed. This situation is common to nearly all the Latin American countries, as the eminent Brazilian scientist, Dr. Josué de Castro, has shown. The result of this deficiency cannot but lead to a low level of human efficiency because of malnutrition.

The degree of our illiteracy, with an index of more than sixty per cent, perhaps the highest in Latin America, gives us a yardstick to measure the disastrous consequences for national progress of so large a mass of the population so completely divorced from education and culture.

The vast rural population of Bolivia amounts to sixty-four per cent of the total population, and engages in only subsistence farming.

Underemployment through shrinkage of the means of livelihood owing to the density of population in certain zones, combined with a lack of production techniques, leads to wasted manpower. In Mexico the per capita area under cultivation in 1950 was 0.76 hectares, and in Brazil 0.35. In Bolivia it fell below 0.16, or less than one-sixth of a hectare per capita.

The lack of means of communication has persistently obstructed the integration of communities and different racial groups into a harmonious entity that could serve as a support for economic interdependence based on the division of labor and balanced regional output. It has not been possible to link the whole of the national territory into an interlocking articulated structure.

The entire complex of our problematic geography, with its topography fundamentally opposed to any normal means of transportation and further aggravated by geopolitical encirclement, is perhaps the main factor in our backwardness. Lack of access to the world's sea routes completely strangles our economy, prevents the evolution of our culture, and hampers the bringing of technical skills to our people.

This dramatic situation was bound to arouse a deep urge for progress, not restricted to the canons of gradual growth advocated by economic theory, but in the real and immediate form that enables backward countries to make up for lost time and ground by great forward steps in their development.

This will not be easy to do, but we have our people behind us. Their needs cannot wait for an improvement in the terms of trade. Their patience is almost exhausted. If we do not fulfill their aspirations speedily and thoroughly, they will surely resort to more drastic solutions.

Hence, concentration on foreign aid for development must keep pace with the perseverance of the beneficiary country and the effort it makes to promote its own growth. This aid must also be integrated with a systematic program of development to permit a rapid solution of its problems.

The complexity of the problems of developing and carrying out nation-wide planning requires that the general political objectives and legitimate economic interests of a country be borne always in mind. For this reason, the job must be handled by those who are most directly concerned, by men who, under the guidance of their government, which bears the political responsibility for development, can do the work with the aid of foreign technical skill employed in the most efficient and productive way.

We are directing our activity toward securing integrated economic development, achieved by blending our tradition as producers with our true potential and possibilities of growth. Bolivia, a traditionally mining economy, has found once again that extractive industry is a sound basis for its growth and realizes that smelting its mineral riches in plants within its frontiers considerably attenuates the dwindling flow of its national income. Simultaneously with the development of these sectors of its economy, measures to bring about social and economic transformation tend to reinforce the expansion of its agriculture, which is the agency for distributing throughout the domestic population the wealth generated by growth. Once these foundations have been laid, it will be feasible to promote the development of manufacturing industries in accordance with the natural evolution of the country.

Fortunately, these cares and worries, that go hand in hand with our constant urge for development, find an echo in the Inter-American Bank. As soon as the Bank had weathered the inevitable period of organization, the personal action of its dynamic President, Felipe Herrera, was responsible for rapidly despatching to my country the technical assistance it needed, under the significant name of "Operation Bolivia." The intensive work performed by IDB technicians enabled us to formulate the first loan application. Thereupon, the Board of Executive Directors, with a thorough grasp of our problems, approved the first IDB loan to Bolivia for the initial sum of ten million dollars. Even more significant is that it decided to back recovery of the nationalized mining industry in Bolivia.

The result of this sincere desire to cooperate with us has even greater importance, for it shows other international financial agencies and countries interested in supporting Latin American development the unwavering confidence of the sister nations of the Hemisphere in credit transactions with Bolivia. This valuable proof of support and solidarity has been brought home clearly to the Bolivian people and their Government. In this positive form, the IDB has begun to respond to the expectations of the American peoples.

This is precisely the view of the United States Government in the matter, and it has wisely entrusted to the Inter-American Bank the management of the funds whose use is outlined in the Act of Bogota.

To our way of thinking, the Inter-American Bank is overcoming barriers that made other financial bodies incapable of cooperating with the most backward countries. Indeed, the fear is being dissipated that the major part of the resources held by the Inter-American Bank could reach only those countries that had succeeded in casting off the limitations of a backward economy, on the theory that loans could hold good only for countries with a sound economic structure and well-equilibrated balances of payment, or that could furnish unassailable proof that they could assume the equivalent of the credit or fifty per cent of the total cost of projects.

In closing, permit me to make a few suggestions of a general nature with regard to policy to be followed in future operations.

Loans should be granted on a larger scale when the beneficiary country finds itself in an emergency situation or when it has a very backward economy.

Loans should be granted in a lump sum to countries which through defects in their technical services cannot submit completely outlined projects within a short time, so that in due course funds already earmarked for a general purpose may be assigned progressively as projects are completed in detail.

Loans must be granted with full guarantees to insure payment, but these guarantees should not be of such a nature as to be incompatible with the tradition, composition and functioning of the borrower's economic system. Countries on the threshold of an economic boom or those which have sound foreign credit do not need this special form of financing, or can get it elsewhere if they do. Greater elasticity should be maintained in the form of investment.

The Inter-American Development Bank is a reality that has long been looked forward to, and its establishment, even with a relatively small amount of capital in relation to its

actual needs, is a step in the right direction which encourages efforts to increase working capacity and the will to create wealth on a scale capable of meeting the needs of a population increasing at a vertiginous rate, and thereby achieve the dream of true American integration.

Bolivia, too, can catch up with this rate of progress. The aid of other American countries will be repaid in the contribution of its minerals to feed the machinery of progress.

The Inter-American Development Bank, strengthened with sufficient capital to meet the requirements of American progress and backed by our peoples, will soon become a mighty weapon to secure these ends.

Mr. Chairman, fellow Governors: My wish is that our discussions may meet the just expectation of our peoples and governments.

**Address by Mr. Rolando Duarte, Governor for
El Salvador and Minister of Economy, at the
Second Plenary Session**

The Government of El Salvador wishes to express through my agency its deep satisfaction with the management and operations of the Inter-American Development Bank. We congratulate its President, Directors and staff for their impartial and efficient work during this first year since the Inter-American Bank appeared on the Latin American scene to furnish our countries with technical and financial aid and help find a solution to the basic problems impeding the development of the Latin American economy.

The evolution of the young nations of America has made itself felt during the past decade. The drive toward the advancement of the common man is maintained at a vibrant pitch in political and social circles. The feeling and hope for a better life is the motivating desire of every man of goodwill living in the Americas in this second half of the Twentieth Century. Unfortunately, illiteracy, disease, inadequate housing, deficient resources, unequal distribution of income and land, and all the other factors that typify underdeveloped countries, are being utilized in politics, under the guise of ideas foreign to the Western Hemisphere, to create social disturbances and thus further strain the problems peculiar to each nation which cries out for improved social and economic welfare.

This is what moves us to emphasize the enormous importance of three points that may well be, in our opinion, of special interest to the policy of the Inter-American Bank. They are rural welfare, minimum housing, and the fight against unfavorable terms of trade.

With regard to the first, we are aware that land tenure is an aspect of social and economic development that has been a source of great concern to all men of vision in the Americas.

Correctly understood and wisely administered, the land ownership system can be a powerful and vital instrument in solving and adjusting situations of social imbalance and,

at the same time, in increasing productivity in those countries where both large landed estates and small properties are found in a state of economic stagnation. In any economic development program, especially in those countries where a traditional society exists, this problem, which is still unsolved owing to lack of coordination of the factors of land, capital and training, deserves attention.

It is not the lack or unavailability of land that is holding back agrarian reform in Latin America, but rather the difficulty of introducing capital into this process. We believe that the only practical way, provided we agree to stimulate private ownership, is to introduce capital by means of credit combined with technical assistance. This is an open field on the international level, and this happy circumstance has placed the Inter-American Bank in an ideal position to take the lead in a planned system of agrarian reform or, in other words, "rural welfare." To this end, we would like to recommend that the IDB create a Department of Rural Welfare to study the problem of poor land distribution in each country, establish policy lines in order to maintain balance among these factors, orient the credit policy applicable to national organizations and, within the Bank's operations program, extend lines of credit to national organizations specializing in rural welfare.

Housing is one of the most acute problems in Latin America, and in my country has serious social implications with reference to low-income groups. But it is not the lack of raw materials or of construction techniques or of specialized personnel that is holding back progress in this area, but the specific lack of long-term sources of financing. This type of activity requires financing adapted to the repayment capacity of the beneficiaries. In our case, and presumably in the case of the other IDB members as well, long-term credits are needed to solve the problem. It is an acknowledged fact that the very nature of this type of credit makes solution difficult, and it is vital that all possible measures be taken to ensure maximum security for the credit institutions participating in such transactions.

Some countries, particularly the United States, have had successful experience in this respect by the use of a system

of mortgage insurance, adopted in certain other countries of the Hemisphere. State participation is a requisite, because this system provides security, standards and a model which enables banks and private enterprise and initiative to play the important role of short, medium, and long-term financiers within a framework of security.

I therefore take the liberty of suggesting to this important meeting that the Inter-American Bank consider ways and means of establishing systems, standards, regulations and agencies designed to channel domestic and foreign savings into the financing of minimum housing projects, and that it also grant direct guarantees, endorsements, lines of credit and other financial concessions to specialized government and private institutes for the purpose of financing minimum housing construction.

The imbalance in the terms of trade, which has been the scourge of raw materials producing countries in the past five years, is a problem of recognized importance for most of the Latin American countries. It happens, and we might add unfortunately, that there are fourteen coffee-producing countries in the Americas which, with untold sacrifice for their incipient economies, have established export quotas and regulated the supply of coffee to world markets to check sharp drops in price. This system has been formalized in the International Coffee Agreement and in special price agreements, such as those deriving from agreements reached by members of the so-called "Club de México."

We are certain that the IDB is aware that the maintenance of coffee prices is the first step in the Alliance for Progress program. The mere announcement of such a step in itself would suffice to stabilize prices and arrest this prolonged and distressing situation in all our coffee-exporting countries.

Accordingly, we recommend that the Inter-American Development Bank lose no time in creating a special assistance fund to ensure the coffee-producing countries of the sale of surpluses, over and above the quotas stipulated in the International Agreement, through lines of credit or other financial systems. The coffee-producing and coffee-

consuming countries in the Western Hemisphere could also contribute to this special fund, in accordance with their export quotas or the amount of their imports.

In conclusion, Mr. Chairman, distinguished Governors and members of the Board of Directors, as a member country of the Central American Common Market and a nation fully conscious of the importance of regional economic integration for the Central American Isthmus, it is our special obligation to acknowledge the effective collaboration and technical assistance furnished by the Bank management to the Organizing Committee of the Central American Bank for Economic Integration.

Mr. Chairman, I would like to make public expression of the faith and hope my Government places in the positive action being taken by the IDB. The future is unlimited and holds a tremendous responsibility. We have found no better way to express this faith than by offering, despite our financial limitations, to make payment of our second quota prior to September 30, 1961. Such is the faith of the people and the Government of El Salvador in the Inter-American Development Bank.

**Address by Mr. Douglas Dillon, Governor for the
United States and Secretary of the Treasury,
at the Second Plenary Session.**

It is a special pleasure for me to meet with you in my new capacity as a Governor of the Inter-American Development Bank. The concept of the Bank as a vital instrument of inter-American cooperation has been close to my heart since 1958, when I had the high privilege of informing the Inter-American Economic and Social Council of United States support for this new and long dreamed-of joint venture.

We are all grateful to the Government and the people of Brazil for inviting us to this gracious and hospitable city of Rio de Janeiro. The fame of Rio as a world metropolis is too well established for us to enrich it further by our remarks. But we can and do extend our warm thanks to the friendly people of this lovely city for making our stay so very pleasant.

I also cannot fail to congratulate our Chairman, the distinguished Minister of Finance of Brazil, for the inspiration which he has given to our deliberations by the wisdom of his words.

It is fitting that the first birthday of the Bank is being celebrated here in Brazil, whose genius gave us the noble concept of *Operação Panamericana*. Operation Pan America, born of onrushing social change and the awakening aspirations of the people, speaks to the hearts of the men and women of the Americas. It is a spiritual call to action—action to raise the living standards of the many millions who now struggle in poverty and to give their lives real meaning in terms of personal freedom and individual dignity.

More than a century ago, Democracy raised its voice throughout Latin America in a revolutionary *grito* for liberty. Operation Pan America is the *grito* of the Twentieth Century—an insistent and inexorable demand for liberation from the human misery created by crushing economic and social conditions.

The governments and the peoples of the Hemisphere are responding to the call.

At San Salvador, a year ago, we joined in inaugurating the Inter-American Bank.

At Bogota, last Fall, we joined in launching an unprecedented social development program for Latin America, a program which substantially enlarged the responsibilities of the Bank.

The stage is now set for us to join together again in a vast, expanded effort to achieve our goals through practical and concrete measures affecting all aspects of economic and social life. President Janio Quadros in his message last month to the National Congress stated:

“As was recognized by the Act of Bogota, in which the major practical and theoretical points of Operation Pan America were consecrated, the solution of the problems which afflict the Hemisphere will depend substantially on economic progress. That economic progress will not be stimulated until the governments of America decide to pass from the plane of theoretical formulations to the terrain of the practical execution of adequate measures.”

To “pass from the plane of theoretical formulations to the terrain of the practical execution of adequate measures,” and to do so on a comprehensive scale: this is the very purpose of the *Alianza para el Progreso* proposed by President Kennedy. In President Kennedy’s words:

“If we are to meet a problem so staggering in its dimensions, our approach must itself be equally bold—an approach consistent with the majestic concept of Operation Pan America. Therefore I have called on all the people of the Hemisphere to join in a new Alliance for Progress—a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools—*techo, trabajo y tierra, salud y escuela.*”

What are the economic and social goals we must pursue in carrying forward an Alliance for Progress?

I think these goals can be defined as growth, stability, and social equity for the individual.

These three goals go hand in hand. They are not isolated objectives. Indeed, if they are to serve the people—and in our Hemisphere the well-being of the people is the supreme purpose of government—they must form an indissoluble trinity.

Economic stability is not an end in itself. It is a means to promote steady and widely-shared economic growth. To induce an adequate rate of savings, to channel investment into truly productive undertakings, to strengthen popular confidence in democratic processes, to attract foreign enterprise, in short, to promote a balanced development of the economy, there must be reasonable price stability. This in turn requires effective budget management and tax administration. Credit policies should be designed to foster growth. They should also be designed to avoid speculative excesses. Foreign exchange policies should realistically relate internal prices and costs to world markets.

These views, I believe, are now well settled in the thinking of those responsible for economic and financial policy in the developing countries. The heavy long term costs of severe inflation have been widely recognized. The illusion that such inflation can provide a quick and easy way to better living standards has been dispelled.

Of course economic stability by itself will not guarantee economic growth. This is especially true in the developing countries, where bold and positive efforts must be made in both the governmental and private sectors to help create the conditions for growth.

I have heard it said that some Latin Americans believe the United States is concerned only with financial stabilization programs in Latin America. If there are any doubts on this score, let me dispel them here and now:

The United States is concerned, and deeply concerned, with much more than stability.

We do not accept economic stagnation as a tolerable condition for the Americas.

Development, growth, progress—on a broad basis and widely shared—these must be our primary objectives.

Stabilization and growth are not alternatives in conflict with each other. On the contrary, they are mutually reinforcing objectives which, when pursued simultaneously, promote improvement in living standards at the most rapid and continuous rate possible.

Social equity for the individual, our third goal, is in many ways the most important. Development will not produce true economic progress if its benefits are restricted to the privileged few and denied to the many who today are sadly underprivileged. Social equity for the individual must be a prime target of our endeavor. Our spiritual traditions demand no less. Moreover, people are the single most powerful factor in economic development. Without social equity for the individual, democracy will languish and free government will disappear.

To move rapidly towards these interrelated goals, the Alliance for Progress proposed by President Kennedy calls for a concerted maximum effort over the next decade. This would involve the formulation by each Latin American country of its own long-term plans for development, as well as the establishment of specific targets and priorities. These plans would not only inspire surging national efforts, they would also provide solid foundations for the effective use of external assistance—from the Inter-American Bank, from the United States and other industrialized countries, and from the international institutions of the Free World.

The new social development program embodied in the Act of Bogota will be an important part of the Alliance for Progress. We are confident that this program can be started quickly, with the Inter-American Bank taking a leading role. As you know, President Kennedy has proposed to our Congress that, of the five hundred million dollars to be provided as a first step in implementing social development under the Act of Bogota, 394 million be administered by the Bank and six million by the OAS. In the normal course of our legislative process these funds should become available within the next two months.

Social development, we are all agreed, must be accompanied by economic development. Planning and resources, both national and international, must be devoted to the expansion of industry, agriculture and mining, transport and power, and commercial enterprise.

The United States is, therefore, prepared to devote substantial resources over and above the present flow of public and private capital to basic economic development as a part of the Alliance for Progress. President Kennedy has submitted to the Congress a new overall program of foreign economic assistance to assure the availability of United States public capital for these purposes in Latin America, as well as in other developing countries. This assistance will be available, on a long-range basis, both for specific projects and for general economic support of well conceived development programs. Terms of repayment are to be adjusted to national ability to repay, and will include the use of long-term, interest-free loans.

We also hope that the Alliance for Progress will lead to an increase in development assistance to Latin America from the other industrialized countries of the free world. Two weeks ago, in London, the members of the Development Assistance Group agreed upon a significant declaration of policy. They called for an expansion of the aggregate volume of the resources presently flowing to the developing countries, for aid on an assured and continuing basis, and for greater assistance in the form of grants and loans on favorable terms. A larger supply of external public capital and its more systematic application for development programs should bring about a greater flow of foreign private investment, particularly investment in the production and distribution of goods and services for expanding domestic markets.

When the new Organization for Economic Cooperation and Development is established sometime later this year, the Development Assistance Group will become a subsidiary body of the OECD. Through the Organization of American States, Latin America should have a close working relationship with the OECD. The United States will strive to bring this about. We do not foresee any difficulty, for I under-

stand that Mr. Thorkil Kristensen, the distinguished European statesman who will be the Secretary General of the OECD, shares this view.

I have spoken of the need for self-help and effective national planning in carrying forward the Alliance for Progress. The phrase "self-help" should not be interpreted to mean conditions imposed upon a country as the price of external assistance. Quite the contrary. Self-help is the key to the entire development process. Without it, outside assistance would be totally ineffective. The great bulk of resources for development, human and material, must come from within the developing countries. External assistance can be a critically important supplement to their own efforts. But it can be effective only when the developing countries make full use of their own resources on their own behalf.

It is for this reason that long-range planning and programming for economic and social development are so important to the concept of the Alliance for Progress. As we see it, development planning does not imply regimentation of economies through governmental controls. It does mean consistent programming of public investment aimed at broad development targets—programming supplemented by economic and social policies designed to activate a nation's energies and resources, including the indispensable private sector. It means good monetary management. It means the mobilization of each country's resources in a manner best calculated to bring into the common endeavor the savings and earnings of all the people. It means the encouragement of private enterprise through tax and other policies. It means the building of roads and dams. It means the extension of marketing, distribution and banking systems. It means the opening up of agricultural lands and the reformation of outdated systems of land tenure.

Let us not deceive ourselves. The adoption and execution of well planned programs based upon self-help will call for discipline and sacrifice. In many cases, these burdens will bear most heavily upon the more favored classes of society. Great as these sacrifices may be, I am confident that they will be made. For the challenge which the Americas face

is clear and unmistakeable. We cannot, we dare not, let it go unanswered.

The vast effort required in planning, in self-help, and in the channeling of external resources into development, makes it mandatory that we make full use of our inter-American machinery. The Bank, IA-ECOSOC and ECLA, each must play its part. An excellent beginning has already been made with the creation of the new Committee on Cooperation by our President, Señor Felipe Herrera, and his colleagues, Dr. Raul Prebisch of ECLA, and Dr. José Mora of the OAS.

The opportunity to organize in concrete terms the new substantive programs envisaged in the Alliance for Progress will be provided by the forthcoming special Ministerial meeting of IA-ECOSOC. The United States will have specific suggestions to present at that meeting, and we will warmly welcome the suggestions of others. Meanwhile, I should like to outline some of our thinking.

It may, for example, be desirable to make use of a limited number of special working groups in areas where the experience of individual countries can be beneficially exchanged, or where multilateral consultations may be needed, as in the formulation of methods for employing surplus food in social development projects.

We attach great importance to the annual review of economic and social problems and progress as envisaged by the Act of Bogota. These reviews should provide both a continuing sense of direction and a stimulus for ever greater efforts. The all important thing is that there be continuous and productive work from which the member nations can really benefit. Surveys and reports serve no useful purpose unless they produce concrete results.

We are also convinced that the staff of IA-ECOSOC must be built into an outstandingly competent and creative secretariat—a goal which we are happy to note is well on its way to fulfillment under the able leadership of señor Jorge Sol.

The Inter-American Bank is destined to play a vital role in both the economic and social development sectors of this

great new effort, not only as a lender of funds, but also as a provider of technical assistance, as a policy coordinator with other international agencies, and as a source of information and assistance to the United States in the operation of its foreign aid programs.

The Inter-American Bank has been chosen by our governments to carry the principal responsibility for administering the Fund for Social Development. We believe in the multilateral, cooperative concept which inspired its organization.

The distinguished President of the Bank, Felipe Herrera, whose eloquent speech we have just heard, was ideally chosen to direct the Bank's efforts in fulfilling this responsibility. He, together with the Executive Directors and the professional staff, are men of broad experience, intellectual stamina, objectivity and personal integrity—men well deserving of the trust reposed in them.

Our trust has been sustained by the Bank's performance. In the short period of its existence the Bank has already approved fifty million dollars in loans to private and public enterprises in eight Latin American countries: six for 23,750,000 dollars from its Ordinary Capital Resources, and four for 26,500,000 dollars from its Fund for Special Operations. It has also provided technical assistance to several countries through its wide-ranging missions. Its record of accomplishment is outstanding.

It has given high priority to providing urgently needed funds for the economic development of small and middle-size private enterprises.

Two of its loans met a need which is basic in many Latin American countries: increased supplies of potable water and expanded sanitation. These loans provide graphic examples of how economic and social progress can be combined in sound loans. As testimony to the soundness of the Bank's operations, fifteen private financial institutions of my country have participated with the bank in its operations. This, too, is something of a record for an international bank still in its infancy.

The Bank has also moved quickly into areas where economic frustration has retarded the march of progress. It has faced up to the hard problems. Loans to break the grip of stagnation have been extended to Bolivia, Haiti, Paraguay and to the northeast region of our host country, Brazil.

There is a quality in the Bank's growth which has a special significance—the pervading spirit of unanimity and brotherhood in what the Bank does. After thorough examination and discussion of complex issues, the management and directors have not once failed to arrive at a decision which all could consider a wise and forward step. This is a happy augury for the future success of our Alliance for Progress.

Earlier in my remarks, I said that we of the United States do not accept economic stagnation as a tolerable condition for the Americas.

We regard both economic stagnation and social injustice as totally intolerable.

To us, therefore, economic and social progress in the Hemisphere is not merely a dream. It is an essential step in the attainment of the possible. We have the essential instruments in our grasp. Let us here resolve to use them wisely and well.

**Address by Mr. Emilio Toro, Governor for Colombia,
at the Second Plenary Session**

Without a doubt, each of us here today is happily aware that our optimistic predictions and hopes at the time of the First Meeting of Governors concerning the vast possibilities of the Inter-American Bank are being borne out. Our predestined encounter with history thus takes shape along the most auspicious lines.

I am therefore pleased to offer at the very beginning my warmest congratulations to the President and his Directors for the judicious, painstaking and ample manner in which they have organized the various divisions of the Bank, conferred and consulted, and made very worthwhile observation trips to the member countries, prior to the commencement of operations.

All of us recognize the increasingly important role to be assumed in the Americas by the Bank. Consequently, its basic initial task is the delineation of a policy, an activity program of broad scope, of planned balance in the distribution of its resources, to meet the most urgent unsolved needs of each country in turn. This is not an easy requisite that can be hastily satisfied. To the contrary, it demands profound meditation.

Another vital aspiration of the Bank which we had occasion to emphasize in El Salvador is to inspire confidence in international investment centers, in the capital markets, so that these groups may participate in our loans and absorb our future bond issues. Once this is achieved, the resources available to the member countries could reach a very substantial figure.

I would like to mention a new aspect of our position which followed our first meeting, that the Bank will be entrusted with administering the Inter-American Special Fund for Social Progress.

It was my good fortune to serve as Governor and Director of the International Bank for Reconstruction and Development from its inception. The problem confronting

that organization at the time was quite similar to that now facing the Inter-American Bank. In both cases, the root of the difficulty was the limited funds available. In effect, the task entrusted to the World Bank was the reconstruction of a world devastated by war and the development of backward countries. A program of scope was impossible to implement with the scant means assigned to it. Fortunately, its work was facilitated by the brilliant concept of the Marshall Plan, generously adopted by the United States Congress. These additional funds made reconstruction possible, leaving the funds of the Bank free for development programs. To some extent, we now face a similar situation.

Last September delegations from the American countries approved in the Act of Bogota an integral program of economic and social development. A few weeks ago, President Kennedy sketched the general outlines of a plan he has termed Alliance for Progress, and, within this framework, the creation of the Inter-American Special Fund, to be administered by our Bank, which constitutes a small-scale Marshall Plan for the exclusive development of Latin America. This has had an extraordinary timeliness and impact, and will not only heighten the prestige of the Bank, but also double its effectiveness.

Such a lofty mission implies a tremendous responsibility in relation to this Hemisphere and an enormous additional load in its administration, for there is no doubt that the renewal and amount of potential subsequent appropriations for this Fund will depend largely on success demonstrated in its management. This pleasant and noble task is of such vital importance, that I often wonder if it is not even more important than the task initially assigned to our institution.

Its Directors now have responsibility for three principal types of operations, all directed toward the same objective, but requiring a different type of handling. These are directly productive operations, financed with the ordinary resources of the Bank; projects for which resources are made available through the Fund for Special Operations, and those financed through the Social Progress Trust Fund.

Each project submitted, therefore, should first be assigned to one of these three categories for the preparation of a study in conformity with its specific nature.

Such diversity of working tools gives the Bank considerable flexibility, but on the other hand, as I have already indicated, it also involves additional responsibilities for the Directors that have no precedent in any other international credit institution.

As our purpose necessarily is to bring about logical development in the member countries in accordance with priorities, it would seem to me most desirable that governments that have not yet done so prepare comprehensive development programs to be submitted to this institution for revision, with the object of providing various forms of assistance within the framework of their programs. If the Bank receives plans of this nature, it will find its task made easier and so well coordinated that results will be much more beneficial.

I am quite aware of the pressing urgency to mitigate the innumerable problems facing our countries, but I cannot ignore that it is also very important for the Bank to channel its assistance through well-defined plans.

I do not wish to refer at great length to other considerations which already have been brilliantly set forth by Governors and Directors, but I do wish to reiterate my faith in the great mission assigned to the Bank and the ability of its administrators.

Mr. Chairman:

The Colombian delegation to this important conference wishes to express through this meeting its heartfelt appreciation to the Brazilian Government and the great Brazilian people for their peerless hospitality.

**Address by Mr. Cesar Barrientos, Governor for
Paraguay and Minister of Finance, at the
Second Plenary Session**

Once again we have a singularly auspicious event in this meeting of the Board of Governors of the Inter-American Development Bank, held today in one of the most beautiful cities of America, a promising setting for the splendid achievements that all of us await from this noble institution dedicated to the service of the peoples of our Hemisphere.

Until a few years ago, all the peoples of Latin America lived a life of relative isolation, without economic ties sprung from common ethnic roots, identity of origin and traditions, or unity and similarity of language.

It was a soul-searching review of conscience, under the drive of formidable needs never before encountered, that led our peoples to the supreme *desideratum* of organizing their own American institutions in the field of economic interests and social progress.

Since then, we have had the indefatigable planning of the Economic Commission for Latin America and those magnificent achievements that are the Latin American Free Trade Association, this Inter-American Bank, other initiatives such as Operation Pan America, proclaimed from this beautiful city in which we are gathered, and the recent Kennedy program, which now has the force of the Ten Commandments in White House policy on inter-American relations.

In due time we shared in the creation of the Latin American Free Trade Association, with the aim of laying the foundation of a future common market of more than a hundred million consumers, in support of which the productive activities of our countries may well be developed to an unexpected extent, unencumbered by exclusivist intentions and the reaction of blocs, to expand and never contract the volume of Latin America's foreign trade with other areas. Thus the Free Trade Zone has been receiving the fertile contribution of more and more Latin American countries

willing to put their shoulder to the wheel in a solidarity akin to that forthcoming from various Central American countries in the organization of their Economic Association. With regard to the Free Trade Area, Paraguay, because of its inland location and close connection with neighboring countries, has now made its contribution, inasmuch as very substantial shares of its foreign trade already are assigned to countries in the Area. According to published statistics, more than 30 per cent of Paraguayan foreign trade already links us to the Free Trade Area.

As in the case of other transcendental American achievements, we are witnessing the first steps in the fruitful evolution of the Inter-American Development Bank, destined to contribute the tonic of financial support, as well as technical and moral support, to the development of the resources underlying American soil and the expansion of the industrial potential of the countries of our Hemisphere.

If Latin America is gradually uniting today around special institutions that embody an identity of purpose in shaping our economic future, it is because of the deep spirit of understanding and solidarity of the peoples and governments most directly affected and, no less, the impartial, auspicious and valuable cooperation that the people and Government of the United States have advanced as their contribution to the yearning of our countries for progress and welfare.

When we said that this powerful union of wills of America for America was achieved under the drive of formidable needs never before encountered, we were alluding to the technical problems of the maladjustment of balances of payments, the deterioration of terms of trade, inflationary processes and low figures of national revenue, allied to the subjective factor of the pressure of the broad masses that aspire to a greater measure of well-being, education and security. Thus, within our concept of economy at the service of man, we find President Kennedy's striking expression extraordinarily well chosen when he described the inter-American proposals he outlined as an Alliance for Progress.

The supreme dilemma at present is to find the most efficient formulas for converting the slogan, "Alliance for Progress," into a living reality, for the justice of the cause in itself, and the need to wrest strength from the social ferments that drive the discontented into subversion and convert them into an easy prey for doctrines that are anti-American and opposed to our concept of society, freedoms and way of life.

With regard to such social ferments, often concealed beneath the surface of the Latin American society, insufficient recognition has been accorded to the forced mission that fell to the lot of my country in having to repress ideologies based on the overthrow of democratic and Christian institutions, aimed at the pitiless subjugation of society by bold minorities. It has not been sufficiently appreciated that, for more than fifteen years, ever since the roar of cannon was stilled on the fronts of Europe, Paraguay was marked by international Communism as an area of infiltration into South America.

In circumstances fraught with peril, Paraguay pursued the struggle against economic underdevelopment, social ferment and disruptive ideologies with the classic weapons of democracy—peace, freedom and progress. In a country often thrown into turmoil, peace is a supreme blessing, the guide and purpose of all endeavor. None of the great and lasting achievements in my country would have been possible had not its peace been safeguarded during the last ten years.

In the course of the last five years, earlier than certain other countries, we have reached absolute economic freedom. Exchange controls have been abolished and replaced by unrestricted freedom of imports, exports and foreign trade, without State interference or obstacles of any kind. The Paraguayan Government is so firmly committed to free enterprise that it has ordered some official agencies of a commercial and industrial character to be abolished, while the scope of other similar agencies has been curbed and their authority reduced to the minimum permissible limits. The most recent establishment of this type, the National Development Bank, although a bank whose capital belongs to the State, has been placed under the top management of

business men experienced in private economic activities, with the result that concepts and solutions have evolved that are radical innovations in state banking practice.

The other arsenal brought into play against underdevelopment includes the achievements of progress on the cultural, as well as the material plane.

Progress in education over the last ten years allows us to make the following comparisons: Public education appropriations have risen from twelve to seventeen per cent in the General Budget of the Nation, apart from special resources, not included in the ordinary budget, which are used to defray the cost of building schools. At the same time, the number of primary schools in the country has increased 47 per cent, high schools 158 per cent and university faculties 50 per cent. The number of teachers and professors is 77 per cent higher, and that of children attending primary and high school 54 per cent higher.

These figures represent only the government effort, which has given the appropriation for public education second place in the General Budget of the Nation. No less remarkable is the advance in private schools and colleges, especially protected by the State, but not covered by official statistics.

Still greater significance must be attached to achievements during the past decade in public health, hygiene and the prevention of disease. Hospitals and health centers are being built all over the country, contrasting sharply with the mediocre medical services previously available. Sanitation services organized on a nation-wide scale are improving the conditions of hygiene and public health, and for the first time adequate sewerage and drinking water systems are being built and operated in the Republic.

The Government has quadrupled the transportation network of the country and purchased highway maintenance and river dredging equipment to keep it in good condition. The tonnage of the Paraguayan Merchant Marine has been increased tenfold. The Asunción Airport was built and expanded to accommodate transcontinental services, and is now one of the largest in South America. The inland commercial flying network has been carried to the frontiers of

the Republic, and airports have been built that meet all traffic requirements.

Up to five years ago, low water on the Paraná and Paraguay Rivers meant fuel rationing and unavoidable shut-downs in some sectors of our industrial activity. Confidence in the country has led to the construction of fuel tanks large enough to guarantee supply the year round, and new tankers have been built and put into service for the same purpose.

The capacity of the Asunción electric power plant has been increased to meet the demands of public and private consumers and that of new industrial concerns. Modern power stations are being gradually built in the more important cities, which thus have acquired a growing industrial potential in recent years.

In the foregoing paragraphs I have had the honor to acquaint this Meeting with some of the national achievements of the last few years in my country, omitting any reference to projects or incompleted works and confining my remarks to those that have been carried out and put into public service, visible to all. To bring to the attention of international public opinion from the commanding position of this rostrum a sincere and objective survey of the economic situation in my country, I should like briefly to list some of the factors that enter into the picture offered to the analysis of the investor. These are:

1. Monetary stability with very slight variations since August 1957, a stability that the National Government is firmly determined to maintain. The monetary system is free of complications now that multiple exchange rates have been done away with. Operations on the free market are permissible in every case, and there are no exchange controls.
2. There is no appreciable inflation.
3. Paraguayan exports are diversified and encounter no serious difficulties in finding international markets.
4. The budget is balanced, despite the exceptional public works program of the Government.

5. The external public debt is small and serviced punctually. The internal public debt is practically non-existent, since it is concentrated in the holdings of the Central Bank of Paraguay, largely a government institution.
6. There is broad commercial freedom, with neither monopolies nor privileges nor licenses to be obtained in advance for international trade or domestic transactions.
7. The country offers a special regime facilitating the incorporation of foreign capital.
8. The income tax is one of the lowest in the world and the country does not levy absentee taxes.
9. The labor policy of the country allows responsible trade unions to operate, and for many years has succeeded in avoiding frictions in the form of strikes or other conflicts.
10. The atmosphere is undeniably one of progress, apparent, among other ways, in communications and respect for private property.
11. General conditions are favorable. The population is homogeneous, without racial differences or marked economic discrepancies. The foreigner is well liked throughout the country and encounters no difficulty.

In contrast to this remarkable array of positive factors, organic and permanent in character, there exist a few adverse factors that we consider temporary and circumstantial. All of them may be reduced to a common denominator—a lack of capitalization which as yet does not permit the great expansion of productive activities which might be expected from the general progress and exceptionally favorable conditions achieved of recent years.

Paraguay is an underdeveloped country and, as such, needs foreign capital to energize its productive economy. This has been fully grasped by the Board of Directors of the Inter-American Development Bank, which has approved a credit operation for production purposes, a decision for

which we express our gratitude to this institution on behalf of the Government and people of Paraguay.

Mr. Chairman, fellow Governors,

In offering the support of my country to the fruitful pursuit of the generous ends of this institution, I tender my sincere wishes for the ever-increasing success of the Inter-American Development Bank, for the success of this Meeting, and for the progress and welfare of all the sister countries represented in this Assembly.

**Address by Mr. Antonio Ortiz Mena, Governor
for Mexico and Minister of Finance and Public
Credit, at the Third Plenary Session, held on
April 12, 1961**

We have heard with great interest the brilliant report on the activities of the Inter-American Development Bank in its first year of existence, and we are more than ever convinced that the initial operations of the Bank represent a new trend in economic financing in the Americas.

Prior to setting forth the views of the Mexican Delegation, I should like to congratulate the President of the Bank and its Executive Directors and staff for their fine accomplishments in so short a span. A year ago we expressed the thought that an institution is only as good as the men who direct it. We can now testify to the truth of this statement, for only in the outstanding abilities of our President and his staff can we explain the impressive accomplishments of our first year.

And now, let me say a few words about the investment areas in which our countries require a greater amount of financing. Let us follow the suggestion made yesterday by the President of the Bank, when he called for a comparative examination of the member countries' views.

Credit and credit guarantees for the export of machinery, equipment and services, which have greatly increased in the industrial countries, pose a number of problems which have become more acute during the last few years.

In the first place, the terms of repayment are not always adequate to enable a project to generate the income to pay for the goods and services financed. Partly because of this circumstance, and partly because of the heavy losses of exchange earnings recently sustained by the raw material exporting countries, the rapid increase in medium-term indebtedness incurred by those countries has overburdened their debt servicing capacity.

Moreover, the availability and terms of credit supply often exert undue influence on the selection of equipment, engineering services and even projects to be financed,

frequently resulting in a greater cost or greater expenditure of foreign exchange in the industrialized countries for items which could be supplied by the borrowers themselves. These limiting factors have led to proposals for the establishment of international organizations to guarantee export credits, so that essential foreign exchange expenditures can be applied in accordance with criteria of quality, price and other factors pertaining to the goods purchased, irrespective of the credit source. The Inter-American Bank is called upon to play a significant role in such new arrangements.

Aside from these problems, there is a basic need for a greater volume of medium and long-term credit within Latin America, to finance replacement of foreign supplies of industrial goods and capital equipment as these are produced in increasing abundance by Latin American industry. This means that new sources of credit must be found, not only to replace those which now finance, or hitherto have financed, the export of goods from the industrialized countries, but also to finance their production in Latin America. Insofar as export credit within the area is concerned, it will also be necessary to seek sources of financing outside the production and distribution sectors, to foster a type of competition more consonant with high quality and favorable price and delivery terms.

The Inter-American Bank can assist in meeting these needs by pooling resources and credits from the Latin American countries and making them available through multilateral channels, as well as by securing additional resources in the great international capital markets.

We have already mentioned that inadequate financing may unduly burden the debt-servicing capacity of an entity or country, even when projects are economically feasible and sound. The growth of private capital markets in our countries has not always paralleled the needs of economic development. For this reason it has been necessary for the State to create agencies and mechanisms to supply such financial requirements. Thus, development banks and other specialized credit institutions established in our countries must find in the Inter-American Development Bank new

financial support, as well as a valuable instrument for the exchange of knowledge and experience rooted in our common effort and aspirations.

Banks and other organizations responsible for industrial development in our countries are in need of adequate financing, in both foreign and local currencies, to supplement their domestic sources of funds in meeting the requirements of companies in process of organization or in the first stages of growth. Such companies often utilize highly complex production processes, and consequently require large sums of working capital payable over a period of years, particularly if they produce capital goods which they must sell on credit to other industries, many of which are also in the initial phases of operation.

New industrial enterprises at times inevitably must carry a burden of heavy investments in plants and equipment which are put to full use only gradually, in accordance with growth of market and of raw material and power supply sources, but which, nevertheless, represent the use of resources and additional productive capacity not immediately available to the country or available only at the end of a considerable length of time. Without the participation of development agencies, these conditions signify that the new enterprises will have an unbalanced financial structure, including a disproportionate amount of equity which will not yield returns until the enterprise has developed and consolidated.

We are well aware that the volume of available foreign financing open to development agencies for their total foreign exchange and local currency needs is extremely limited, and that nearly all such funds come from short-term banking sources. Furthermore, most national development institutions do not have access to private international capital markets, or recourse to such markets is for them a difficult, costly and relatively unpredictable process.

Hence, it is to be hoped that the Inter-American Bank can make private funds available at more moderate rates to such institutions from various sources which are willing to enter the international market, and will be able to furnish

cheap and prompt credit in keeping with the special needs of national institutions and thus allow greater flexibility in determining repayment terms.

In other instances, national institutions receive financing offers from private non-banking sources with which they have had little or no experience. Intervention by the Inter-American Bank may be indicated in the form of a guarantee to make such loans possible, to attract new resources from these institutions and private individuals, and to screen and reject undesirable offers.

At the present time, when our peoples regard the competition between different economic systems as a tool to be used in attaining greater material welfare with maximum speed, all of us who are responsible for the defense of our democratic institutions, as the best means of achieving economic progress in freedom and justice, must strive to match the right thought with the right deed. With this spirit in mind, the Government of Mexico is pleased to announce its decision to advance the payment of its quota for 1961, due the Inter-American Bank in October, by paying now. We hope that it will be possible for other delegations to join us in this practical measure to strengthen our institution, of which we expect so much.

Gentlemen: Mexico believes that its greatest riches are its citizens. Hence, it does not believe that economic development is a goal *per se*, for if economic development does not go hand in hand with social justice, it can only widen the gap between the wealthy few and the many poor of our countries. It is equally inconceivable that necessary investments can be made solely for social welfare purposes. Only well-balanced planning will bring about a comprehensive progress which will include both productivity and well-being.

Address by Mr. Manuel Casanueva, Minister of Agriculture of Chile, at the Third Plenary Session

It is a great pleasure for me to participate in the deliberations that are taking place in this Brazilian city, that for many years has been the center of important inter-American meetings, and whose Government has firmly supported all projects aimed at raising inter-American policy to a level of just realizations. It was precisely in this country that the idea of creation of the Inter-American Development Bank was first presented, to become a promising reality in a few years.

Brazil has thus provided the Organization of American States with an instrument which is genuinely hers, and which has made our work more dynamic. With Operation Pan America, the economic and social problems of the Hemisphere have been placed on the same level as the international political problems that absorbed that Organization for so many years. The countries participating in this Meeting have noticed a radical change of atmosphere resulting from Operation Pan America, thanks to which the Inter-American Development Bank has begun operation. Therefore, it is indeed a well-deserved homage to Brazil that we are in this city to arrive at resolutions of great importance to the development of our Hemisphere.

Gentlemen:

Once again we wish to express to the sister nations of America our most heartfelt thanks for the help given our country following the catastrophe that befell it last year.

The efforts that our country was making had to be increased considerably, because the enormous work of reconstruction that lies ahead had to be added to our regular economic development programs.

Over the last decade Chile has been seriously affected by an inflationary process that has greatly disturbed its economic development. As soon as President Alessandri took office he adopted a policy to halt inflation and put the future economic development of our country on a sound basis.

We have made great efforts to remedy inflation and reach stabilization. Thanks to this policy, the country has been able to face the serious emergencies we have referred to, without diminishing the effort demanded by progress.

Under its present government, Chile has put into force a National Economic Development Program, prepared by the Chilean Development Corporation for the next ten years, covering all the field of production and investment and fixing goals for social progress and media for their attainment, with the best utilization of available resources. The basic purpose of this program is to raise the national income progressively until it exceeds the natural growth of population and brings about an effective improvement in the living standards of our people.

This program must be executed in the future with the cooperation of international agencies, which already have given great help to the Chilean experts responsible for this vast plan.

In this respect, we wish to pledge our resolute support to the initiative taken by the Economic Commission for Latin America to create a development institute for the formation of experts in planning, an institute which should be sponsored and financially supported by the Inter-American Development Bank. We have every reason to believe this Institute will succeed, since it was conceived by the renowned economist, Dr. Raul Prebisch, whose talent for great accomplishments is well known.

Mr. Chairman:

We cannot analyse what the Inter-American Development Bank needs to solve the social, economic and cultural problems of Latin America without referring to the initiative taken by the President of the United States, Mr. John Kennedy.

With a very clear vision of our state of underdevelopment, which imbues our people with an increasing urge for solutions, President Kennedy offers constructive measures that Mr. Dillon, Chief Delegate of the United States to this Meeting, has reiterated.

One of the most outstanding concepts of President Kennedy's policy for these countries, which were born to be free, is that accomplishments must take place within the framework of democratic institutions and not be imposed by doctrines and procedures alien to the ideals of this Hemisphere.

In his speech at the White House, President Kennedy made proposals for the solution of our problems within the spirit of close continental collaboration. He invited our countries to make long-range development plans, and showed great wisdom when he said that it was necessary to mobilize our own human and material resources to make possible realization of any program; that foreign aid could give our progress a vital impulse only if we made efforts of our own.

His proposition seeks to insure continuity of assistance, lacking which we might continue with the system of isolated credits for the solution of specific problems, without regard to a comprehensive program. The latter could never be a satisfactory answer to the problem of the harmonious and well-balanced development of our economies.

We know that the success of President Kennedy's initiative depends on its being supported by the United States Congress. We hope that the vision and impulse of this new policy will be favored by the approval of the legislators of that great democracy, since it is indispensable in transforming into reality what is still only a firm and brave promise for the problems of this Hemisphere. The initial aid proposal, however generous, can produce effective results only if followed by others that are consistent with the greatness of the problem to be tackled.

It must be emphasized that very little of what has been planned can be accomplished if we do not shed our skepticism, if we do not refrain from destructive criticism, if we do not create in our countries conditions that respond to the generosity and designs by which this great enterprise is guided. This must be done principally by those who, because of a higher degree of education or greater material wealth, are most responsible to society.

Plans will be useless if those responsible for their execution do not give them enough life and, knowing the goal, do not give their best efforts to the noble cause of utilizing to the fullest the magnificent opportunity we now have of attacking problems long unsolved.

It is well worth mentioning that President Kennedy, in his recent message to the United States Congress, points to the need to coordinate the various forms of aid offered by different credit and technical assistance agencies, so that they may better serve their purpose in the development of our countries.

Mr. Chairman:

We have mentioned needs to be met and objectives to be sought through the establishment of agencies and application of methods for the better realization of our plans.

Chile seconds President Kennedy's proposal to call a meeting of the Inter-American Economic and Social Council at the Ministerial level to discuss formulas needed to face the problems we have outlined. We think this meeting should take place soon, and be preceded by a meeting of experts who would gather all the facts and prepare necessary recommendations. This specialized conference should be attended by the Ministers of Finance or Economy, and I have pleasure in announcing that Chile is very much interested in such a meeting.

The Government of Chile has viewed with great pleasure President Kennedy's support of regional integration in Latin America. Such integration corresponds to the present degree of evolution in world interchange, represented by the formation of groups of countries that coordinate their interests and adopt group policies in their relations with other countries.

Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay have signed a pact which is the first step toward creating a preferential common market similar to that already existing in Europe. This resolution establishing a Free Trade Area has been adopted at a very opportune moment, since the move toward integration in the Old

World has raised strong barriers to our exports, and replaced the production we traditionally sent to Europe with other production which is or will be locally produced.

We believe that this process will not be stopped by requests based on bonds of affinity formed in the past or present ties of friendship. We are faced with movements that seek the organized defense of large geographical areas, and this should lead the Latin American nations toward an economic integration which will enable them to speak and trade as a bloc with the economic communities of other parts of the world.

The Inter-American Development Bank will be called on to cooperate with the economic integration that is taking shape in the Central American nations and in the countries forming the Latin American Free Trade Association. The reason for this is that with these new systems of interdependence it will be possible to place production on a more rational basis, with full utilization of conditions existing in each of the associated countries, ultimately resulting in raising the standard of living of these peoples. The Inter-American Development Bank in many ways can cooperate in consolidating economic integration and in the utilization of surplus products resulting from limitations in marketing or disorganization caused by strong competition from the European Common Market and other similar organizations. Among other measures, the Bank should consider study of a system that might stimulate imports within the Latin American area, and thereby solve the problem of the loss of long and medium-term markets found in Europe and not, under present circumstances, in Latin America. In this way, production would be stimulated on a competitive basis.

The work of the Latin American Free Trade Association will be more effective when the Montevideo Treaty is adhered to by the governments of the sister nations which have not yet done so.

The agrarian problem is the most serious in the economy of Latin America, although it presents itself with diverse characteristics in various parts of the Hemisphere, and even within each country. In any discussion of this matter we

often make the mistake of generalizing in evaluating the agrarian crisis of the Hemisphere and in proposing measures to improve it. We often make mistakes about methods that can be applied to free agriculture from the obstacles that impede its development. As a panacea, we often prescribe a mere subdivision of land that, in important sectors of many nations, has created a state of extreme poverty among thousands of small landowners who own the land but lack the most rudimentary means of cultivating it, and thus are unable to provide for their own needs or produce for the community.

On the other hand, we must realize that a great part of Latin American agriculture is at a very low level, and this is a source of impoverishment for working classes with little consuming power which hampers the economic development of the countries. Its social consequences are lamentable. There are rural areas that still live in a high degree of illiteracy, manifest in their minute working capacity, qualitative and quantitative. They are in a state of alarming malnutrition and their illnesses are a serious threat to the health of all. To free these sectors of these conditions and maintain an economic, social and political equilibrium, it is necessary to incorporate them into the active life of each country. It is necessary to provide them with the means to enable them to produce what they require to the best of their ability, so that they can bring forth the food that is needed for our growing population and incorporate themselves into the buying market. This situation makes it imperative for the Governments to seek effective and practical solutions to the agrarian problem.

The studies of the Food and Agriculture Organization of the United Nations, the Economic Commission for Latin America and other technical agencies in each country could be of great assistance in the attainment of these objectives. They take into consideration the peculiar conditions of each of the different agricultural regions and the human problems that must be solved in connection with adequate distribution of land, techniques and productivity, and supplying local needs and national consumption.

Land tenure problems are the most important in a consideration of the agrarian situation, and two of them are basic—the large rural property that is badly exploited, and the small holding that does not yield enough for subsistence of the family that cultivates it. Agrarian reforms, in general, made with haste and without sufficient study, aim solely at correcting the first and amount to splintering large property holdings and distributing the small portions resulting among new tenants, for whom, in many cases, there is no exploitation capital or technical assistance available. Land redistribution in Latin America has presented itself in this form, in many instances giving rise to an immense proletariat of landowners incapable of providing for their own needs.

Agrarian reform should be supported by safeguards that will avoid these errors and make it possible for reform to improve the economic and social conditions of the vast agrarian sectors which today struggle under the burden of a sharply circumscribed life, while permitting an effective increase in production and in markets required by national industry. Such reform should meet our problems realistically and draw heavily on our past experience. It should be based on our needs, rather than on the application of doctrines or trends foreign to the democratic conscience of the Hemisphere. Agrarian reform should not be restricted merely to the division of land. It should possess a dynamic orientation, envisage suitable legislation concerning the problems of land tenure, and ensure farmers of technical assistance and a system of supervised credits in keeping with the new agrarian structure to be created. It should satisfy the educational and health needs of the rural population. It should signify, in short, maximum productivity and utilization of the land in the hands of men who have been properly trained to develop it.

With respect to the position of Chile, we would like to inform this Meeting of the Board of Governors of the Inter-American Development Bank that our country strongly favors adoption of an agrarian reform policy guided by technical standards. Chile is moving towards this objective through the implementation of such plans, among others,

as advanced programs of farm settlement and effective aid to existing small landowners.

Through settlement, we are creating agricultural economic units under the responsibility of owners who are provided with technical assistance, suitable housing, food, health clinics, marketing cooperatives and ample credit. Even more important, perhaps, than this plan of land subdivision based on the large underdeveloped estates owned by the Government and private individuals is the program designed to rehabilitate existing small landholdings. These holdings, numbering more than 80,000, are not only underdeveloped but are also so small that in many cases they fail to provide even marginal subsistence for single families, and heads of families are forced to take other work to supplement their income. Work has already begun in this sector and in various farm communities to improve production, quantitatively and qualitatively, and improve marketing procedures. At the same time, the general living standard of the farm communities is being raised, and we are endeavoring to legalize the status of land ownership, making it possible to integrate a number of landholdings into economic units capable of reasonable production and self-maintenance. All this work is accompanied by sustained technical assistance and supervised credits. The results are already apparent in substantially improved family incomes and better living conditions, and have encouraged us to resolve to expand our program to include the socio-economic development of low-income farm owners.

The Inter-American Development Bank has included within its immediate goals assistance for agrarian reform. This decision inspires great confidence in the progress we can make in economic development and improved rural living conditions. The role of the Bank in distributing funds it receives from member governments and the Kennedy Plan fully justify our confidence that we will be able to embark upon such programs with prior assurance of success.

Mr. Chairman:

The Chilean Delegation wishes to take this opportunity to express its recognition of the splendid accomplishments

of the President, Board of Executive Directors and technical and administrative staff of the Inter-American Development Bank, as manifested in the first stage of its activities and the celebration of this important Meeting.

**Address by Mr. Octavio Gouvêa de Bulhões,
Alternate Governor for Brazil and Executive
Director of the Superintendency of Money and
Credit, at the Third Plenary Session**

It has been said that the Inter-American Bank is more than a credit institution. We believe this is so because in its Presidency there is a director who is more than a banker—he is a statesman as well.

His report is not limited to enumerating and explaining loans granted during the fiscal year 1960. It presents ideas and suggestions, and invites the member countries to reflect more fully on the problems of economic development.

The nature of the loans granted reveals from the very beginning a perfect understanding of the Bank's role in the solution of those problems. Loans granted to Bolivia and Haiti, for example, are very significant in this respect. They are for financing the study of mining and hydroelectric power projects.

The breadth of application, appropriate to a farsighted credit policy, is fully compatible with the soundness of operations. But, obviously, the Bank cannot grant loans beyond its financial capacity. Had its President dared do so, rather than having failed to act as a banker, he would have failed to act as a statesman. The Bank's possibilities of expansion depend upon its stability in the same way that the economic stability of a nation is essential to the success of its economic development, as the United State Delegate observed in referring to the behavior of peoples.

Although a wealth of ideas on loans is very useful in the evolution of a credit policy, loans are necessarily dependent on available resources. Consequently, since we have said so much about operational flexibility, it is time we said something about flexibility in obtaining resources for the Bank.

Here, also, there is room for broadening our horizons. We are all aware that each country should rely on its own efforts in order to merit the cooperation of the others. Precisely for this reason we must be careful to avoid wast-

ing our efforts, for if international trade can on the one hand bring in additional resources, it can, on the other, become a vehicle for waste.

Many of the Governors who have preceded me have referred to losses resulting from the fall in prices of exports.

The Governor for Bolivia was very incisive in his reference to this phenomenon, and, the Governor for El Salvador was equally so. I do not wish to dwell too long on statements made by other Governors which reproduce old and oft-repeated complaints, but I think it opportune to refer to the annual report of the Inter-American Bank itself. From the very beginning of this report, in its first chart, the Bank shows the declining tendency of the purchasing power of exports. In the second chart, concerning trade price relationships, the curve representing trade shows an abrupt drop in the past six years, adverse to the countries concerned.

We know how difficult it is to assess the real meaning of price relations between imports and exports. It is difficult to reach a conclusion because of statistical difficulties involved in comparing one with the other, but undoubtedly we can evaluate with comparatively less effort the losses of a country when its volume of exports does not compensate for a decline in prices.

When exports are diversified, losses on one commodity are compensated for by profits on others, but when some goods bulk heavily on the exports list, the waste of resources is evident, for the exporting country loses, while the profit accrued by the importing country is diluted through consumption, benefiting nobody.

Impelled by these facts, our countries have endeavored to stabilize the prices of some export products. Unfortunately, however, if a general stabilization of prices is attained, stabilization of certain prices becomes disastrous to the domestic market and even more so to the international market.

With this picture of futile attempts in mind, I made a suggestion some time ago which now and then I insist on repeating. We might try to estimate the benefits obtained

by importing countries from the fall in prices of certain highly marketable products on the international markets, such as coffee, copper, and others of this nature. If importing countries profited from the imports, their governments might demand of consumers, directly or indirectly, according to their tax system, an additional tax, the revenue from which would be intended for countries that had suffered export losses. This idea may have been considered unacceptable until now because we have not had room for political understanding beyond strictly financial limits, but an improved political atmosphere for international cooperation now exists in the Americas. To give shape to this political orientation, it was necessary to create an economic organization that could convert fiscal revenues into investment capital. This organization exists today and shows genuine progress—the Inter-American Development Bank. What remains to be done now is to see that the idea becomes financially feasible.

**Address by Mr. Carlos A. Clulow, Governor for
Uruguay and Uruguayan Ambassador to the
United States, at the Third Plenary Session**

I will be very brief, my main purpose being to congratulate the Bank on behalf of my Government for the work it has accomplished in its first year of operations. I extend particular felicitations to its President, Dr. Felipe Herrera, who, as the Chairman has said, in addition to being the mind and heart of an organization, is an eminent statesman and, I might add, a humanist in the realm of American ideas.

In an astoundingly short time the Bank has successfully negotiated its initial stages and established a solid organization. It has faced and overcome problems that have been on the minds of all those who strove in the past to create a new frame of reference in the Americas. The Bank, as we observed in Washington, is like a brain. By day it works at projects under way, and at night it dreams of them. As President Herrera said yesterday, the inertia that drags at the progress of any mass movement has been successfully overcome. The work before us is still tremendous, but now we can draw on the technical skill, methods and decisiveness of experts, and above all, on a dedication to development inspired by the Bank that rises above political controversy and destructive pessimism.

Let me say, too, that the remarks made yesterday by the chief of the United States Delegation, Secretary of the Treasury Dillon, are highly encouraging as an expression emanating from the thinking at Bogota. They definitely represent an advance toward coordination of the individual ideas of the countries participating in Operation Pan America, for it is obvious, as it was in the famous Bogota Conference, that unless there is certainty of a sustained continuing effort, there can be no real prospect of coordinating future activities.

It is imperative that the plans drawn up possess this sense of continuity, and President Kennedy's announcement of a ten-year process of integration and continuity for the

Special Fund, and the bold idea of development loans at low rates of interest or entirely free of interest presupposes that productive tools will be available to us to challenge our creative powers in the tasks we are to accomplish.

I must also single out an especially felicitous idea submitted to our consideration, that set forth by the Chairman when he referred to the need for establishing a sort of compensation fund to demonstrate our nation's solidarity in surmounting cyclical obstacles and anxiety stemming from slow moving negotiations in raw materials and producers' goods. I believe this to be, in sum, the idea expressed a few moments ago, which cannot fail to be one of the main objectives of the forthcoming meeting of Finance Ministers. The Bank, too, will surely find it timely and necessary to take up this problem, and will later decide, when it undertakes the study of the far-reaching problem of balances of payments, to assume the role played by the Basle Settlement Bank in the adjustment of balances and the acceleration of economic processes.

While on the subject of the European system, let me say in passing that the inter-American system has grown more rapidly than that which served it as model. From 1946 to application of the Marshall Plan in 1949, the greatest minds of Europe worked on the tangled maze of that vast organization originally called the European Payments Union, and now known, in its present form of cooperation, as the Common Market. When American aid reached Europe, all instruments had been created and methods prepared for utilizing the aid received. We, on the other hand, awakened from our slumber when Brazil gave to our Western Hemisphere the great concept which became Operation Pan America and the United States decided to accelerate aid to the sister republics of our Hemisphere.

In the past year, the Conference of Bogota and Act of Bogota quickly established the principle of collaboration. The recently created Inter-American Development Bank accelerated its operations and fulfilled its mission. The Common Market, which is gradually embracing all the nations of the Hemisphere, began to organize its cadres and opera-

tive methods. Everything leads us to believe that in the course of this year the inter-American system will be in operation, definitely attesting to our capabilities.

Mr. Chairman, may I again convey to the Bank the confidence with which the Uruguayan Government observes its administration of the mission entrusted to it, and express our congratulations to the President and his staff for the excellent performance of their duties.

**Address by Mr. Hipolito Larrabure Price,
Alternate Governor for Peru and General
Manager of the Central Reserve Bank of Peru,
at the Third Plenary Session**

It is with great pleasure that the Peruvian Delegation attends the Second Meeting of the Board of Governors of the Inter-American Development Bank in this marvellous city of Rio de Janeiro, thanks to the hospitality of Brazil, a great country to whose Government and people we pay cordial tribute in the person of His Excellency, Mr. Clemente Mariani, Brazilian Finance Minister and Chairman of this Meeting, and express our gratitude for the gracious courtesy he has extended to us.

At the same time, we address our warmest greetings to the distinguished Governors gathered here, and through their agency, to the sister nations they represent.

The Inter-American Development Bank is already a going concern. Created by us and for us and under our management, it has acquired positive existence as an instrument to promote the economic development of Latin America and thereby justify the ends for which it was established, the range and extrapolations of which extend so far that we are scarce able to grasp the true scale of its future action.

It is with keen appreciation that the Peruvian Delegation meets with you anew on this occasion to proceed in common to a survey of the work done and an analysis of its outcome.

Little more than a year after its inauguration in San Salvador in February 1960, and a mere six months from the start of its operations, the Bank has given proof of its dynamic activity. Technical assistance through studies of its experts and financial aid in loans are being granted to several of its members. For the few who regarded its initial stages with skepticism, these facts must have dispelled the last trace of doubt.

Peru is among the countries that are receiving aid from our institution, and we should like to express our satisfaction at having obtained the Bank's first loan, amounting to

3,900,000 dollars to improve and extend the sewer and water systems of Arequipa. Other countries, and loans they have secured for various admirable purposes, already have been brought to the notice of my fellow Governors in the report of the Bank.

From now on, there will be a succession of further loans and technical advice for the countries that make up the Inter-American Development Bank and need its assistance. Its resources, though apparently restricted to the availability of its own funds, can in reality be expanded unlimitedly through capital from international investment markets, and in this respect the conduct of our institution and its members must inspire investors with confidence. On that we can fully rely, for it depends on us alone.

The needs that confront our countries are many on the road to economic development, and it must be remembered that economic development in itself has no significance if unaccompanied by social progress. Raising the standard of living of the inhabitants of our countries through satisfaction of their vital necessities under the best possible conditions is the end in view, and economic development is the means to that end. Public health, education and housing; agricultural, mining and industrial development, and sufficient viability to allow for the mobilization of natural resources and the transportation of production to consumer centers, are undoubtedly the paramount requirements that must be met by economic development if it is to further social progress.

The Inter-American Development Bank is not just another institution intended to furnish technical and financial assistance, like those of an international character that already exist or like certain United States Government agencies. It is an institution specifically tailored to this Hemisphere, governed by provisions that give it the flexibility necessary to assist effectively in speeding economic development. However, it is not exclusive, nor can it be, and its mission may often be pursued in ways that permit joint action with other bodies furnishing aid to our countries, if only to the extent authorized by the corresponding regulations.

From the viewpoint of technical assistance, the Inter-American Development Bank must be an efficient instrument of cooperation. In this connection, we are glad to be able to rely on the valuable collaboration of ECLA and the Secretariat of the Organization of American States for expert knowledge and analysis of economic and social conditions in the member countries, to supplement research of the Bank itself. To interested countries it can offer technical advice and recommend internal measures suitable to establishing adequate conditions for the ordered advance of economic development and social progress, tending primarily toward a sustained increase in the domestic economies, with full and properly remunerated employment, active international trade and favorable balances of payment.

In the pursuit of this objective, its prospects of creating and improving planning and coordination centers in each of our countries are bound to be a factor of decisive importance, especially where public investment is concerned. The channeling of its financial and technical assistance through our own local development agencies will also promote a better application of our internal resources, stimulate national savings and develop an efficient capital market. Finally, it can support our efforts toward economic decentralization and thus carry progress deep into each of our countries, enabling us to weld a sound unity which will make it possible for us to share in the economic integration of Latin America, our common aspiration.

Our distinguished President, Dr. Felipe Herrera, yesterday made a brilliant, frank and detailed survey of what has transpired during the first year of the Bank's existence, its expectations and the philosophy underlying it. I am sure that all of us are fully in agreement with his accurate analysis of the situation.

My fellow Governors who have held the floor before me have highlighted factors in the deterioration of our economies and the unfavorable conditions prevailing in most of the countries of the Hemisphere which require prompt action.

The Inter-American Development Bank will be our own instrument and the most efficient one for this purpose. It will be a multi-purpose vehicle, with a hemispheric mandate to establish the price stability so sorely needed for the export products upon which our economies are grounded. It will promote permanent foreign investments of capital in our countries, contributing to and participating actively in our economic development.

To the duties and purposes of the Inter-American Development Bank as set forth in its charter we must now add an activity of the utmost importance. Under the Act of Bogota, signed in September 1960, the Government of the United States contributed to the formation of a fund to aid the Latin American countries in their striving for social progress. Our Bank has been entrusted with administering the major part of this fund. President Kennedy, with a firm grasp of the need for inter-American cooperation, has drawn up an Alliance for Progress program. All the countries south of the Rio Grande are duly appreciative of this initial step, which we fervently hope will evolve into a mutually beneficial and continuing movement.

The countries of this hemisphere are today equipped with the proper tools for quickening our economic development and social progress. In addition to technical and financial aid from older organizations, we now have our own institution, the Inter-American Development Bank, the repository of our most cherished hopes. The task is great and the responsibility weighty that face it. It is our sacred duty to lighten the burden and, wherever possible, to share the weight of this grave responsibility. We must help it so that it can help us.

Almost all our countries are engaged in planning their economy through the adoption of practical measures available in correcting domestic economic imbalances. Suitable policies to stabilize the economy without checking development are unquestionably a vital necessity. An ever increasing rate of economic development can be achieved on a continuing basis only by stabilization of the purchasing power of currencies and domestic prices. To maintain a balanced

and lasting flow, trade between countries should be based on standard economic systems. Such premises will enable us to reach our goals of economic integration of the Hemisphere.

The Inter-American Development Bank, by its nature, is not called upon to replace existing resources in our countries that are not properly utilized. Its role will be to supplement available local capital to the extent that such capital fails to cover economic development needs. However, care must be taken to ensure absorption of this participation of capital by increased production, to avoid undermining stability and the balance of payments.

Where Peru is concerned, we are pleased to state that our stabilization programs have met with success. Since we are assured of continuing policies that are very favorable to free trade and exchange, our country imposes no restriction on international trade or the flow of capital. Our currency is fully convertible, and we have assumed all the obligations of Article 8 of the Agreement Establishing the International Monetary Fund.

Nevertheless, we share with other countries the problem of a scarcity of funds with which to accelerate our economic development, and thus stand in need of foreign aid.

Economic development plans and programs already drafted and now being completed have been submitted to the Bank, and we continue to prepare plans to meet regional and national needs. Our country is confident that the technical ability and zealous dedication of the Bank's Directors will continue to be factors of guarantee in the study and priority rating of financial and technical assistance applications submitted by our countries, and in the granting of loans required.

On this occasion we wish to express our sincere congratulations and due acknowledgment to Dr. Felipe Herrera, the President of the Inter-American Development Bank, and to the Vice President, Executive Directors and officers and technical advisors who have collaborated in the efficient operation of the Bank during this first stage.

**Address by Mr. Gilberto Arias, Governor for
Panama and Minister of Finance, at the
Fourth Plenary Session, held on April 13, 1961**

On behalf of the Panamanian Delegation I extend to all the citizens of the American countries gathered in this Assembly the cordial greeting and good wishes of our illustrious President, Don Roberto Francisco Chiari, and the people of Panama. We are indeed grateful for the gracious hospitality of the Government of Brazil, its distinguished President, Janio da Silva Quadros, and the cultured city of Rio de Janeiro where this meeting is being held.

It is barely a year since the Inter-American Development Bank was established under the skillful management of Felipe Herrera and the group of outstanding executives who have ably assisted him in the exhausting work of initial organization and in studies which aided in framing the banking policy of the institution. In close harmony with the Organization of American States and the ECLA, an organization has been built that will serve as an admirable instrument for supporting the Alliance for Progress recently announced by President John F. Kennedy. We understand that this Alliance for Progress, as much a symbol of hope as an instrument of coordination and execution, is designed to raise the standard of living of the enormous majority of our peoples who now barely subsist, wracked by misery and hunger. Its purpose is not only to educate the masses, neglected until very recently, but to provide them with the opportunity for work and social and spiritual well-being. This is the end we pursue, and the path that leads to our desire is that of planned and ordered economic development, using the Inter-American Development Bank as one of the most effective vehicles.

The Bank's resources will not have a beneficial effect on the underprivileged groups of each country unless certain conditions exist that can be brought about only by the individual governments. These include order in public finance and a balanced budget, tax reform on a fair and equitable basis, well planned agrarian reform to secure independence and a decent living for the small farmer, the concession by

public utility undertakings of preferential rates for low-income groups, establishment of public or private institutions to encourage savings and accumulate capital reserves and, most important, planning and careful examination of economic development programs, followed by continuity of action in carrying them out. If these prior conditions are not met, any attempt at economic cooperation will be a waste of capital or, worse, may result in channeling profits into the pockets of the wealthier classes and thereby increase economic inequality among the masses.

Our Government has programmed two categories of project, one dealing with long-term economic development and the other with immediate social benefit. The First and Second Highway Plans are now under way and the Third is being worked out. Studies for a rural electrification project are almost complete. An agricultural settlement program is taking shape. Studies have been made of housing programs, within our limitations, and plans have been made for building aqueducts and sewers, schools and public health stations. On the cultural side, thirty per cent of the budget is assigned to education, while only an insignificant fraction of revenues is for armaments.

In connection with the common market, it should be remembered that good communications are indispensable for it to work smoothly. The Pan American Highway now runs from Panama to the United States and Canada, touching at all the intermediate countries, but there still remains the so-called "Darien Bottleneck" to be spanned between Panama and Colombia, so that all America may be united by an artery that will provide land transportation among all the peoples of the Hemisphere. Building the stretch of highway from Panama to Colombia is a work of vital importance not only for the neighboring countries, but for nations along the length and breadth of America. It is a work in which the Bank can be a coordinating factor and provide economic assistance.

Our Government has proceeded with studies for the integration of the common Latin American market. We realize that the common market is a *sine qua non* for the prosperity

and progress of the Americas, but it is also a project that requires the strictest analysis and examination, a project that does not admit of improvisation.

The economy of Panama is unique in the Western Hemisphere. Year after year, Panama records an unfavorable balance of international trade. We import more than double what we export, for we are a re-exporter of goods and services, and our economic progress depends to a large extent on commercial activities that can be pursued in the Canal Zone. Panama and Balboa, Colon and Cristobal, are twin cities with free and continuous transit from one to the other, Balboa and Cristobal being free ports located in the Canal Zone.

While admittedly it has benefited our country, the Canal Zone has also hampered the development of our economy, and especially our rural economy. Apart from conflicts of a political nature that may be expected when one sovereign country holds an enclave under the jurisdiction of another, no matter how limited that jurisdiction, problems of an economic or equitable order are apt to affect the two nations, in this case the United States and Panama, which made construction of the Canal possible. Though disputes do break out, there is also a pervading atmosphere of cordiality and comradeship, of the frankest and sincerest understanding between the two parties, both animated by a desire to find formulas for the smooth working of Canal operations so that their benefits may favor the economic development of Panama and promote, above all, the well-being of its people as a whole.

It is a pleasure and hope for all of us to note the attendance at this Meeting of distinguished members of banking, industrial and commercial circles of America, Europe and Japan. The interest taken by private capital in our discussions is of undoubted importance for the Alliance for Progress and the Inter-American Development Bank, for while it is true that the backing of government organizations is essential to economic recovery, it is equally certain that from a long-term viewpoint private capital plays an extraordinarily decisive role in our affairs. The Bank will

start the recovery and will stand behind it, within its limitations, to the extent that support is necessary, but we all know that in the final analysis it is private capital with its vast resources that will crown the Alliance for Progress with the success we all hope for it. For this reason, in our humble opinion, the Bank must work in coordination and harmony with private capital, bearing in mind that private capital can be attracted but not driven.

The year 1960 has ushered in an era of cooperation among the sister nations of the Americas. The welfare of each of these countries is a burden of joint responsibility for all the others, just as the backwardness of one affects all. We aspire to an America with democratic principles deep-rooted in its soil, not only as regards individual political rights, but also with respect to the opportunity for education and work and the opportunity for social well-being with absolute equity and justice for every citizen, so that we may face the future, as we shall certainly have to do, with courage and confidence.

**Address by Mr. Max Gurdian, Governor for
Costa Rica and Chairman of the Board of Directors
of the Central Bank of Costa Rica, at the
Fourth Plenary Session**

I take this opportunity to express my most sincere appreciation to the Government and people of Brazil for the splendid hospitality they have shown us.

May I also extend cordial congratulations to the President, Board of Directors and staff of the Inter-American Development Bank for their capable conduct of the work of the Bank in the brief span since the commencement of operations. May their future activities be crowned with even greater success.

This Second Meeting takes place at a time when most of the Latin American countries are faced with perhaps the most serious economic problems in their history.

Moreover, the Meeting follows closely upon establishment of a new and far-reaching policy by President John F. Kennedy, of the United States. I refer to his Alliance for Progress program, announced just a month ago.

Both these circumstances lend vital significance to the role of the Bank in the economic life of our peoples, for they extend its fundamental operations to fields unimagined when, after so many years, the long awaited inter-American financing institution was established.

Costa Rica is now facing a serious problem due to the drop in prices of its exports on the international market. Obviously, this problem affects not only us, but most of our sister republics in Latin America.

This has always been recognized as a problem, and the Bank's own words are worth quoting in this respect, as follows:

"The problem of instability in prices of raw materials is a long-standing one in Latin America. It can be said to affect businessmen in all Latin American countries indiscriminately, mainly with regard to those commodities that form the backbone of their countries' exports.

"We cannot close our eyes to the fact that instability in prices of basic export commodities is the crux of Latin America's economic problem. All the sound and rational efforts to establish suitable domestic policies and take advantage of foreign aid programs can be either partially or wholly nullified by the crises caused by the deterioration in the world market for such products.

"The Bank obviously has no machinery equipping it to handle this problem, and even if it had, the magnitude of the problem would call for emergency resources far beyond any the Bank possesses. However, as a regional entity with responsibilities for accelerating the economic development of the member countries, it has an obligation to keep the study of this situation foremost among its continuing concerns."

Recently there has been a headlong drop in the foreign market prices of bananas, chocolate and coffee. The latter product noticeably affects the economies of most Latin American countries.

With all due recognition of the difficulties inherent in any effort to find a lasting solution to the vast problem created for our feeble economies by the drop in coffee prices, I would like to suggest that the Bank do all in its power to have studies begun that would lead to establishment of a special fund to solve so serious a problem. Such a fund could be set up with contributions from abroad, as well as from the countries concerned. Thus Costa Rica shares in the concern so ably expressed by the Delegation of El Salvador.

I believe that the Bank should immediately take this vital matter, to which President Kennedy referred in his long-range Alliance for Progress program, under study.

Mr. President, if establishment of such a special fund for the stabilization of coffee prices were to become a reality, the first step would have been taken toward the long desired goal of achieving greater stability and, through it, greater encouragement for the development of the Latin American nations. If this is not achieved, we may shortly find ourselves in a critical situation that could nullify any aid the Bank or other international financial institutions might offer us.

**Address by Mr. Eustaquio Mendez Delfino,
Governor for Argentina and President of the
Central Bank of the Argentine Republic, at the
Fourth Plenary Session**

The Inter-American Development Bank has caused this Second Annual Meeting, prescribed by its charter, to transpire in an atmosphere of importance propitious to discussion of the serious problems confronting our Hemisphere, and closely relating to its specific function. It is thus fulfilling a high mission, over and above its regular function, in seeking a better understanding and greater insight among those responsible for ensuring such living and working conditions for this section of the world as can free us from the dangers inherent in underdeveloped economies. The invitation extended to financing agencies and institutions and to those persons who represent our nations' various economic sectors confers extraordinary importance on this meeting in the caliber of the audience.

This meeting is also important because of the moment in which it is being held. Recent events that have inflamed and divided American public opinion have created a need for a profound reappraisal of the methods and objectives of a policy for promoting Latin American economic development, which so far has held second or third place in the consciousness of those nations which bear the chief responsibility for the defense of our Western civilization.

We can offer no complaint as to the good intentions that have guided this policy, although resources were not always sufficient nor implementation most suitable, as much through lack of a coordinating principle as for want of adequate planning. Frequently this policy lost sight of the reciprocal interest on which it should be founded—to seek means of employment and subsistence where national savings are inadequate to promote development—so as to avert social and political upheaval capable of threatening the peace of the Hemisphere.

It is undeniable that if there have been errors in implementing a policy designed to promote development as, for

instance, a somewhat paternalistic concept in its execution, there have also been errors on the part of the beneficiary countries which have impaired the hoped for results. In addition, a cumbersome bureaucracy slows the progress of our joint efforts, which now more than ever must be dynamically effective.

"But now," as President Kennedy said in his Alliance for Progress proposal, "we must turn from these mistakes, from the failures and the misunderstandings of the past," to a close collaboration that will mobilize the energies of the Latin American peoples and place within their reach, as in the case of the Western European economies, resources sufficient to bring success to a bold development program.

My country is prepared to collaborate enthusiastically in the Alliance for Progress, as President Frondizi indicated in his letter to President Kennedy, convinced that at this juncture in our destinies our peoples' longings are not confined to satisfaction of mere material needs, but demand a life of physical and spiritual dignity which can be secured permanently only through accelerated economic development.

The new criterion set forth in this plan, regarding the nature, extent and regularity of the economic and technical cooperation to be furnished by the United States to Latin America, essentially comprises proposals outlined by the Argentine Government at the Seventh Meeting of Consultation of American Foreign Ministers, the Bogota Meeting of the "Committee of Twenty One," and, particularly, during President Frondizi's trip to Europe.

In this program the Inter-American Bank has an outstanding function to perform. Through it new resources can be channeled to promote development and enable it to fulfill its mission on a scale impossible with means available at present. This intention is supported by the fact that its composition and structure are more effective than those of other agencies because of its officers' knowledge of the area in which the Bank operates, and what this area can contribute to the common effort necessary to promote development with maximum success.

It goes without saying that this campaign could not be carried out with present resources, which restrict the Bank to a limited and complementary role in large scale projects. But if the Alliance for Progress is to provide funds specifically earmarked for the development of Latin America, then there can be no better vehicle for the purpose than this organization, brought into being by the need to overcome the human, organic imperfections of other structures. The collaboration of the governments in shaping the program and setting it in order will be an indispensable requisite to establishing priorities, different in each case, whereby the economic growth of our respective countries may be promoted with maximum efficiency.

An indirect form of stimulating this growth must be found in financing exports of non-traditional manufactures and capital goods on competitive terms. The industrial development of our countries is too limited by a lack of financial means to allow for expansion of our markets by granting the facilities offered by intensely industrialized countries.

The financing of such exports, enlarging the scope of our markets, will stimulate production and bring down costs, and make it possible to lower protective tariffs, now very high because of the small size of local markets. A program of this kind within the Latin American Free Trade Association would contribute to its success and quicken development, the final objective of the Bank's proposals. Though it might be true that in the beginning benefits would extend no farther than the most advanced industrial countries, the field would have opened to the others for industrial development to build up on the basis of the greater specialization and interlocking production which it is so necessary to encourage.

On the other hand, every development program requires large scale imports, and the Inter-American Bank would be discharging its duties in full if through its financial support it succeeded in utilizing exports from the Latin American countries to supply a major portion of import requirements for development. A limited amount of funds would

suffice during the initial stage to rediscount export notes on terms stipulated by the Bank, along the lines of mechanisms utilized for this purpose by certain European countries.

The scope of the Alliance for Progress is so vast that no amount of resources will be sufficient to cover its needs, and we must also interest European countries bent on defending the material and spiritual assets of our civilization. My country has already opened the door to European collaboration, initiated last year in the financial field with the granting of a medium-term credit for stabilization purposes, and continued this year with issuance of long-term consolidation bonds, inspiring a confidence that attracts private capital to investment programs.

If a similar program were extended throughout the Hemisphere, the rate of development could make the 60's the golden decade of Latin America, just as the 50's were the golden decade of Western Europe. When we observe the extraordinary transformation that has taken place during the past ten years in Europe, converting it from a recipient into a potential supplier of capital and investments, and when we realize that Communism from within is no longer the threat that it was in that area, it is by no means a utopian dream to hope for a similar transformation in Latin America.

The development of our countries requires the elimination of obstacles to our exports in the consumer markets. Accentuation of these obstacles has gradually depressed prices, affected in addition by the subsidized stockpiling of huge farm surpluses which, generously distributed to combat poverty in certain areas, only worsen our balance of payments difficulties.

We understand and share the lofty purpose and sense of urgency behind a policy of this kind, but this policy, combined with the customs barriers which spring up in new economic associations such as the European Common Market or which simply perpetuate themselves, as in our great neighbor to the north, can result in extending rather than reducing the areas where poverty reigns.

If the damage suffered by our trade from the drop in export value must be covered by credits, the result will be costly in terms of development.

The present state of interdependence of the Western world obliges us to consider our total needs and focus problems on a comprehensive scale which, however altruistic it may seem, is based on an undeniable spirit of self-preservation.

My country considers that social progress will have to be achieved by promoting economic development in each of the Latin American countries as the basic objective of international cooperation. This is the sole course open to us which, while rooting out the evils of underdevelopment, can simultaneously provide an incentive for the progress of the Latin American nations and preserve the growth rate of countries with a highly industrialized economy.

To this end, the orientation of coordinated efforts by the Organization of American States, the Economic Commission for Latin America and the Inter-American Development Bank, because of the scope and magnitude of the Kennedy program, emphasizes the need for a specifically technical device, free of political implications, that will permit incorporation of the highly developed countries of the Western world into the program of financial and technical assistance for Latin America.

We should not forget, however, that if economic growth depends on material factors, such as raw material stocks, power resources, re-equipment and transportation conditions, and on financial factors, such as monetary stability, savings capacity and credit facilities, it also depends on the human factor, in quality as well as in quantity. The wealth of a country does not reside exclusively in its natural resources. A scarcity of such resources can be overcome, as in the case of Switzerland and Sweden, by an extraordinary wealth of able men. There is no substitute for skilled labor and specialized technicians.

Economic growth, therefore, demands a parallel evolution in human progress, and is closely linked to cultural develop-

ment. This aspect of the development problem is especially important in countries with rudimentary economies that have no provision for suitable programs of education to train not only technical experts, but skilled workers as well, in adapting to the requirements of modern technology.

Apart from action the various governments will have to take to solve this problem, the Inter-American Development Bank, using the resources of the Special Fund for Social Progress, might lend financial cooperation in establishing and improving educational institutions devoted to technical and vocational training in the various grades. Educational guidance of this kind would take care of vocations that now find so little encouragement that gifted individuals are forced to leave school or take refuge in the routine of the liberal careers, where their frustration is likely to ferment into social bitterness and disruptive tendencies.

Gentlemen :

The subject is inexhaustible because it is vast. I seek only to show how we in our country envisage the function of this institution that we have helped to found with care and confidence, certain that it will develop into a powerful mechanism to provide unfaltering drive and impetus to the increasingly rapid economic and social growth of the nations of Latin America.

**Address by Mr. Juan Jose Lugo Marengo, Governor for
Nicaragua and Minister of Economy, at the
Fourth Plenary Session**

In 1957 representatives of all the American Republics met in Buenos Aires for an economic conference, and there we Latin Americans thought of proposing creation of an inter-American development bank. That idea, which was not included as a point for discussion in the conference agenda, was warmly affirmed, but, nevertheless, was opposed in various statements to the effect that there already were enough credit institutions in the world to meet Latin America's needs, and that a new organization would serve only to increase the existing international bureaucracy. Thus, the idea was blocked and the point was not discussed at the Buenos Aires conference.

It is most regrettable that the meeting did not grasp the full significance of the idea, which was simply that Latin America was dissatisfied with existing international credit institutions because they had shown their inability to meet our problems, problems that beyond doubt should be dealt with at a family round table with careful attention and special consideration.

Latin America is a region of special characteristics. It forms part of a hemisphere in which liberty and democracy prevail, and in all international councils it is the logical, natural and geographic ally of the United States, because it is identified with that great nation in the struggle against Communism, in the defense of the Hemisphere and in the protection of the ideas of the free world. Hence, if the American community of nations was committed in its political thinking and economic theory to regional agreements, it was incomprehensible that it should not be equally willing with the United States to establish in the financial field a family banking institution governed by an assembly before which the best economists and financiers of the Americas would appear, not only to hear a routine presentation of the bank's financial statements, but, primarily, to crystallize our desires and aspirations and consider the

scourge of underdevelopment that is creating unrest among the masses of Latin America and arousing them to demand well-being and social justice.

From Mexico to Patagonia, the countries of Latin America are suffering in varying degrees from the same ills. We are all submerged in inflation, the problem of unbalanced budgets, and a balance of payments that is either unfavorable or precarious because of the fall in the world market prices of our basic commodities. If we are all suffering from the same afflictions, it means that a grave situation exists that must be attended to immediately. This is no time to think of curing it by more taxes, in countries that thirst for investment and development, or by heeding the admonition to adjust governmental expenditures to receipts, for if the rate of population increase in a country is greater than its rate of economic growth, it is fallacious to assume that budget expenditures can be reduced without even more seriously aggravating the endemic ills of our countries—unemployment, illiteracy, inadequate housing, ill health and, in short, utter want.

Our troubles have their origin in lagging development and the absence of the necessary enterprise to accelerate it. This situation stems from a lack of price supports for the basic commodities of the underdeveloped areas of America, from the fact that an incipient industry needs capital investment to start it on its way and such capital is nonexistent in many countries, and, fundamentally, from the fact that there has been no adequate and flexible financing to meet the requirements of positive economic and social development in Latin America. With rare and limited exceptions, we have had nothing more than financial agencies that lend money only for development projects, for an average period of fifteen years and at inadequate terms of repayment. This limited credit has been restricted to the foreign currency cost of projects, which compels us to burden our already heavy budgets with items to cover local currency costs and thereby sacrifice vital social programs that receive no attention from the great international credit institutions.

To bridge the last of these gaps, we must recognize that the United States has acquiesced in several highly important events. In 1958 the long sought Inter-American Development Bank was created. In 1960 the Act of Bogota was signed, the most important document of recent times for the countries of America, in which the United States announced that it would make available to Latin America a first contribution of 500 million dollars for social development projects. Finally, in a memorable address, President John F. Kennedy confirmed his country's decision to put into effect on an even greater scale the assistance offered at Bogota. This great new act of cooperation was announced by him as the Alliance for Progress.

We are highly gratified at these acts and decisions, principally because funds to be made available under the Alliance for Progress are to be channeled through the Inter-American Bank, an institution governed by men intimately acquainted with the sufferings and needs of Latin America and therefore best qualified to apply the remedy that will lift us from this morass of underdevelopment.

I congratulate the United States on its great understanding in having chosen as the agency for carrying out its purposes a financial institution created to serve Latin America and administered almost entirely by Latin Americans. I urge the Inter-American Bank, as it assumes the mandate to administer the Alliance for Progress funds, to do so in the manner most suited and proper to our needs. My feeling about this leads me to think that the agreement to be signed between the United States and the Inter-American Bank should be approved in Washington at a Special Meeting of the Governors, rather than by correspondence, as seems to be the idea of high officials of the Bank. Because that document will determine the handling of the loan funds, it is perhaps the most important that the Bank will ever be called upon to sign. It is therefore imperative that we Governors who assume the responsibility of approving it give it the attention and discussion that can be given only in a Special Meeting, and not by a vote transmitted by mail, in which no one knows what the others think and, as I understand it, there is no way to determine whether a vote

with reservations is affirmative or negative. This is a matter of extraordinary importance, having to do with the terms on which Latin America will receive loan funds which the United States is to make available for the Alliance for Progress.

What I have just said is all the more important because of a draft proposal I have read which seems to be less flexible than what President Kennedy said in his address, and even what Governor Dillon said at this Meeting. All this is still another reason why I propose that this Assembly adopt the following resolution, which provides that the agreement be approved at a special meeting of the Governors in Washington:

"That a Special Meeting of the Board of Governors, to take place in the city of Washington, be convoked by the Board of Executive Directors for the purpose of approving the Agreement whereby the Inter-American Development Bank will administer the Social Progress Trust Fund provided for in the Act of Bogota. This meeting shall be convoked after the Congress of the United States has appropriated the corresponding funds and the Board of Executive Directors and the President of the Bank have reached agreement with the Government of the United States on the terms of the Draft Agreement which they consider acceptable and wish to submit to the Governors of the Bank for consideration and approval."¹

¹ The Board of Governors created a Work Group composed of the Governors for Argentina, Colombia, El Salvador, Nicaragua and the United States, to study this proposal. The Work Group unanimously recommended that the following procedure be adopted in submitting the Draft Agreement between the United States Government and the Bank for administration of the Social Progress Trust Fund to the Board of Governors for approval:

"(a) The Board of Executive Directors shall duly submit the Draft Agreement to the Board of Governors for formal approval by means of the procedure for voting by correspondence set forth in Section 5 of the By-Laws of the Bank.

"(b) However, the Board of Executive Directors shall call a special meeting of the Board of Governors to consider the Draft Agreement, prior to approval, if five member countries so request in their reply to the voting proposal sent to them by the Bank."

The recommendation of the Work Group was approved by the Meeting of the Board of Governors at the Fifth Plenary Session on April 14, 1961.

I believe, Mr. Chairman, that if we approve the proposal I have just read, we shall not only be following a better procedure, but we shall also be relieving the Board of Executive Directors and President of the Bank of the enormous responsibility attached to signing a document that in the future may be criticized in our countries if it is not duly pondered and studied.

I do not wish to close without reference to a very important point. President Kennedy, in Washington, and Dr. Felipe Herrera, at this Meeting, have made glowing references to the economic integration of Central America, an undertaking that means a vitally significant step in the development of the countries concerned and one that should not pass unnoticed at this Meeting, especially since this integration has won the full support of the Inter-American Bank and United States Government.

Six countries of the Hemisphere—Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama—form what is called the Central American Isthmus. They are small countries, with small populations. All except Panama attained independence together and formed a single federation. Later, for not very convincing reasons, or perhaps because of poor communications, we separated into five republics for which, because of their small size, successful economic development is impossible. We have lived thus separated for many decades, even though all Central Americans cherish the ideal of political union. It is something we all long for, but time goes on without our achieving it, even though there is no basic reason why we should not.

Thanks to aviation and new highways, each day brings us closer together, and more and more we become convinced that in the economic field we can accomplish nothing of consequence if we keep to our separate ways. Consequently, we began to take steps and make studies, as far back as 1952, for effective economic integration. Last December 13, Guatemala, El Salvador, Honduras and Nicaragua signed an agreement in Managua establishing what we might call an economic association to create a common market, with a view to adopting a uniform tariff among the four countries. This will permit domestic and foreign investors to plan for a

consumer market of almost ten million people protected by equalized tariffs, by a uniform law governing incentives to industry, and by other agreements that will enable us to organize a truly balanced economic development.

One result of this far-reaching treaty, which is to go into effect in the next few days, is creation of the Central American Bank for Economic Integration, a financial institution that will be a powerful force in the integration and development of our economies. The chief purposes of this Bank are to provide member governments with the financing needed for basic projects aimed at integration and make loans to private enterprise for regional industries.

I have referred at length to these integration agreements and the Central American Bank because I am convinced that if we in Latin America wish to give effective impulse to our development, we must turn toward systems of regional economic integration. The Inter-American Bank should encourage all such efforts with technical assistance and lines of credit to organizations engaged in such endeavors.

As an expression of appreciation, I wish to say that when we, the Ministers of Economy of Guatemala, El Salvador, Honduras and Nicaragua, informed the Board of Executive Directors and President of the Inter-American Bank of our desire to establish the Central American Bank for Economic Integration, they gave us their warmest support and cooperation. So much so, that the structure of the new agency was worked out in the offices of the Inter-American Bank in September and October of 1960, and thereafter we were assured of a line of credit of five million dollars to be opened for the Central American Bank.

I do not wish to make this reference without, at the same time, expressing the thanks of Central America to the United States Government and to Mr. Douglas Dillon. To the former for having offered the Bank a grant of five million dollars as a first item of assistance and opening a line of credit for a like sum through the Development Loan Fund, and to the latter for the effective and firm support which he gave us, while still in the Department of State, in

obtaining from his Government the cooperation to which I refer.

The support of the Inter-American Bank and United States Government clearly bespeaks the sympathetic response which our integration movement has evoked. I hope it will be regarded in the same light by this Board of Governors, and that the officers of the Inter-American Bank will be encouraged to expand the cooperation already being given.

I cannot conclude without first thanking the Inter-American Bank, in the name of my Government, for having granted the National Development Institute of my country a credit of two million dollars in what I would call record time, compared to that generally taken by other international organizations.

I wish also to express, in my own name and on behalf of my Government, our thanks to the Government of Brazil for the splendid hospitality which has made possible this Meeting under the best of auspices, and my best wishes to the Government and people of Brazil for their good fortune and prosperity.

**Address by Mr. Ramiro Aragon Castañeda, Governor
for Guatemala and Assistant Manager of the
Central Bank of Guatemala, at the
Fourth Plenary Session**

Events of paramount importance for the economic and social progress of the Latin America peoples that have been the subject of analysis in the general discussions of this Board move the Delegation of Guatemala to add its voice to the very distinguished voices we have been privileged to hear. We should like first to express our agreement with the idea that the fruits of economic development stemming from conventional programs do not wholly meet our peoples' social needs, which daily grow more insistent. This state of affairs is recognized by the Act of Bogota, which declares that economic development programs should be strengthened and expanded immediately, since otherwise they would have a delayed effect in improving social welfare.

This preoccupation was admirably expressed in the speech of the President of the Inter-American Development Bank, who likewise indicated that the essence of these new ideas has been duly incorporated into the ten-point program of the President of the United States, Mr. John F. Kennedy. In this connection, it should be pointed out that certain concepts are becoming more specific in their content and practical meaning with regard to efforts to set a clear course for economic and social improvement operations. Among these concepts, for instance, are the importance of considering programs for immediate action.

In regard to these, the Latin American nations, we feel sure, are well prepared to draft and set them in operation. This is so because the most pressing needs are already known, needs which, if fulfilled to an appreciable extent and with reasonable promptness, could quickly effect a change in the conditions now seriously hampering our development. In certain cases, these needs are more manifest where they concern the expansion of communications, increased electric power supply, reduction of the high percentage of illiteracy, and lack of preparation for undertaking projects to improve

productivity and increase income. If, as we think, we are sufficiently familiar with this type of needs, we should proceed forthwith to put into execution crash programs to eliminate them, without overlooking the importance of preparing the long-term plans and programs which cannot be neglected.

As to the new plans we referred to, we must not fail to call attention to the proposed apparatus for transforming these aspirations into realities. The Fund for Social Progress is one of the mechanisms which will be provided with funds whose use and application are outlined in broad terms in the Act of Bogota, and which seek to meet such basic requirements for our people as land use and improved rural life, with all its allied problems of housing, basic community services and illiteracy, among others.

Although the Latin American countries have been making efforts in these fields, they have been halfhearted, inadequate and sporadic. Governmental budgets always include some allocations for items such as school construction, public health and sanitation and hospital construction. In practice, however, fiscal difficulties may arise necessitating a change in the nature of public expenditures because of other urgencies, and in the end either no schools and hospitals are built, or very few, while sanitary conditions are unimproved, especially in rural areas. It follows that budgets represent the various governments' decisions in the light of the urgency of solving the foregoing social problems. So much is incontrovertible, but in putting them into execution, for unforeseen reasons the allocations we have cited are diverted elsewhere, with the result that social needs increase, rather than diminish, and with them, development problems.

We should feel more hopeful now, in view of the change of attitude toward the ticklish questions of social underdevelopment, for it is proposed to place such questions on their proper plane with regard to any action aimed at hastening the institutional development which is the framework within which our people can freely realize their aspirations. It is not only the social underdevelopment burdening our countries that must be kept clearly in focus, but the effect

produced on it by the alarming phenomenon of deterioration in the rate of exchange. This undermines one of the chief sources of income that might relieve this whole series of negative conditions. The dependence of many of our nations on a few exportable raw materials obviously makes the problem more acute.

Consequently, Mr. Chairman, international cooperation has never been so imperative, so urgent as now. We cannot but rejoice that this cooperation is seeking the desired path along which rich and poor will walk hand in hand, so that through their united efforts the goal can be achieved with utmost speed. Without intending to hold up my own country as an example, I would like to review briefly Guatemala's efforts in recent years in various phases of national development. In land use, for example, for several years we have been carrying out programs of agrarian development aimed at providing landless farmers with arable land. This activity is supplemented by credit facilities administered by State banking bodies. Profitable experience has been gained in this field, continuous study of which is casting light on the complexities of such programs. We are of the opinion that in this sector of Guatemala's economy conditions are favorable for effective Inter-American Development Bank aid, through such means as it now or later may have available.

In housing, too, efforts have been made that reveal our country's concern in finding solutions to this type of problem among low-income sectors of our population. It is not easy to find adequate solutions, as we all know, because of an extreme shortage of funds. Our National Housing Institute is operating and we may take it as a point of reference for channeling such foreign funds as become available for housing construction pursuant to more permanent programs. The examples I cite by no means signify that we are adequately equipped to tackle such thorny problems. We intend merely to draw attention to national efforts that can be tapped for effective international cooperation in these fields.

Let me refer to another national effort, which concerns not only Guatemala, but the other Central American republics as well.

I have in mind the movement toward economic integration in this region. A considerable stretch on the road to integration has already been covered under existing agreements, to such a degree that from 1950 to 1959 the Central American regional interchange of goods and services rose from seven million dollars to over twenty-six million. We mention this only to spotlight another type of mutual effort that undoubtedly will benefit from international cooperation. This cooperation is already in effect, Mr. Chairman, as indicated in the report of the President of the Inter-American Development Bank to the effect that this institution is assisting in the organization of the Central American Bank for Economic Integration. We wish to express to this gathering our earnest hope that the Central American Bank for Economic Integration may soon become a reality, providing the peoples of Central America with one more instrument to aid in consolidation of their regional market and in their progressive economic integration.

We could not conclude our Delegation's comments, Mr. Chairman, without expressing our complete accord with the designation of the Inter-American Development Bank as the agent for channeling important resources from United States aid in favor of our countries' economic and social development. We consider it extraordinary good luck that the IDB has been selected to play such an outstanding part in the Alliance for Progress.

In conclusion, we wish to inform this Meeting of Guatemala's decision to pay in advance its second installment of subscribed capital stock of the Bank and the final installment of the Fund for Special Operations. The Bank of Guatemala, our liaison organ with the IDB, will take the necessary steps to deliver the funds before the close of this month. Thank you, Mr. Chairman, and our heartfelt thanks to the Brazilian Government and people for their kind hospitality.

**Address by Mr. Jose Ceballos Carrion, Governor for
Ecuador and Minister of Economy, at the
Fourth Plenary Session**

It is an honor for me, as Representative of Ecuador, to take part in the Second Annual Meeting of the Board of Governors of the Inter-American Development Bank. We are going through a stage of fundamental importance in the life of the Bank and in shaping the immense cooperative effort of its members to lighten to some extent the multiple burden of Latin American needs, with the firm intention of emerging from the precarious situation which afflicts our economies, affected by a congenital weakness that must be overcome if living standards are to be raised and we are to advance toward national recuperation.

Fortunately, the misunderstandings that held back organization of the Inter-American Bank for so long have now been swept away, and I sincerely believe we are on a real plane of mutual collaboration. It is significant and stimulating that this Second Meeting of Governors is being held in Rio de Janeiro, whence was launched the brilliant initiative known as Operation Pan America which we have supported so unreservedly.

Although the Inter-American Bank is in its initial stage and its operations and experiences are still restricted, all agree that its mission is a noble one and that if the necessary effort is made and a suitable policy framed to meet the specific circumstances of the Latin American peoples, in keeping with their just ambitions and problems, it will be possible to perform a task of capital importance for the development of their human and material resources, still largely untouched.

Now that questions relating to the organization and working of the Bank have been satisfactorily settled, thanks to the ability of President Felipe Herrera, the brilliant Directors and a staff of outstanding merit, it is to be hoped that policies to be followed in the study and approval of applications for loans submitted to consideration of the Bank by public and private sectors will be sufficiently flexible and

broad to correspond to conditions reigning in Latin America.

In this connection, allow me to record my approval of the first annual report of the Bank, wherein general criteria are established to govern the lending of ordinary resources and those of the Fund for Special Operations. If we are to promote and accelerate the economic development of our countries, it is indispensable that sources of capital be within reach of the member states, and credit terms be elastic and easy enough to stimulate economic and social development, rather than hinder it.

With regard to the possibility of obtaining loans from private sources of credit, we should observe that while the Agreement Establishing the Bank intends that the institution supplement private investment when private capital is not available, it would run counter to the aims and aspirations of the Bank if it were to adopt a general policy of intervening only when member states or private institutions were unable to obtain capital from such private sources. All of us are aware that the interest of private agencies is primarily commercial. Hence it would not be acceptable for the Inter-American Development Bank to be over-scrupulous in inquiring into whether there were really other sources of credit available before taking action, and decide to cooperate with a member state only in the extreme case of its being unable to obtain capital elsewhere, even in the case of projects that are sound economically, which is often the situation in underdeveloped countries.

I commend the suggestion outlined in the report whereby the Bank grants or guarantees lump sum loans to development agencies or financial organizations of undisputed solvency in the member countries to facilitate financing of specific development projects in which there is no reason for the Bank to intervene directly. Most of the Latin American governments have taken steps to establish institutions of this kind, which make state assisted loans to farmers and industrialists on terms that are reasonable and adequate, but these institutions have found in most cases a scarcity of government resources which makes it difficult for their

operations to be wide enough in scope or be applied in sufficient time to the sectors where support is urgently required.

For this reason, the policy announced by the Bank is highly commendable, in that direct support to such bodies will enable them to widen their scope and more efficiently fulfill the task for which they were created. There is a National Development Bank in Ecuador that has branches in the most important cities of the country, and does its best to open an increasing number of smaller offices in other communities, to make it easier for interested persons to apply for loans to aid their agricultural or industrial production. Nevertheless, because of a scarcity of resources, it is not in a position to respond to such applicants in accordance with its intent or charter. If it were to receive substantial aid from the Inter-American Development Bank to develop its activities and widen its capacity to lend to the small farmer and manufacturer, an important sector of economic activity would benefit by this badly needed aid.

An essential condition to the progress of nations and the wise investment of domestic and foreign capital available to them is the rational and technical planning of programs, establishing priorities, studying economic and social repercussions and analyzing all elements and possibilities of execution. One of the ideas that the Inter-American Bank has adopted is that the Bank is willing to provide technical assistance in the preparation, financing and execution of development plans and projects, including the study of priorities and drafting of proposals for specific projects. I venture to suggest that this policy will certainly be accorded importance and unwavering support by the Latin American republics and will safeguard investments the Bank proposes to make, since the expenses of such technical assistance hitherto have been a heavy burden which often stood in the way of projects.

To complete this task, it will be necessary to train local specialists in drafting development plans and projects. It is to the mutual interest of the Bank and the governments to have economists and skilled technicians available in each country to perform the planning and research of the gen-

eral economic situation and draft concrete projects as a basis for loan applications.

Personnel training is fundamental, and I am glad that the Bank has decided to grant fellowships, hold seminars and prepare teaching materials, among other measures. I believe it exceptionally useful in these early years of activity of the Bank for it to come to an agreement with central banks and planning institutes in each country on the technical and economic training of personnel and the operative mechanisms of the Bank, to provide a skilled service to collaborate with governments in the study, framing and negotiation of loan applications. I am sure that the central banks and planning institutes, at least as far as Ecuador is concerned, will be willing to establish departments exclusively for this purpose, and that such departments cannot fail to further the activities of the Bank by providing a readier basis of discussion with regard to projects that each country is eager to initiate.

Ecuador is fortunate in having an agency that is highly trained technically and made up of capable men. It has done a magnificent job in the past and is doing as well in the present. I refer to the National Economic Planning and Coordinating Board, with a reputation at home and abroad for sound work in the study and preparation of long and short-term economic development plans.

The complexity of American problems, the situation our countries are traversing, the immense task we are facing and the objectives assigned to the Trust Fund at Bogota, demand that the administration and application of these resources be flexible and generous enough to meet urgent needs that cannot secure necessary economic aid in other sectors and agencies, especially where works are concerned that are of high social interest but low monetary yield. The administration of the Bank will, I am sure, apply the Fund to the best advantage.

Allow me, Mr. Chairman, to refer to the opportune initiative of the President of the United States, Mr. John F. Kennedy, who recently announced a concrete program of long-term aid to Latin America, renewing the hopes of peo-

ples which had the misfortune of seeing that of late they were being treated with casual neglect and lack of understanding of the needs and problems that harass our republics. The political cooperation that, happily, may reconstruct Pan Americanism among the members of the American family, united before any threat to peace, and vigilant to preserve an order based on law and equity in inter-American relations, must be strengthened by programs skillfully tailored to fit the economic and social problems that affect Latin American development.

If President Kennedy's plans are fulfilled and we succeed in eradicating illiteracy, poverty, ignorance and sickness, we shall have taken a firm step towards securing the welfare of these countries and safeguarding mutual security founded on democratic principles, in which the final end is the defense of the human personality and the betterment of our peoples.

We stand on the threshold of the Eleventh Inter-American Conference, of which my country is to be host. We are prepared to make this event a success in every way, and it should be the desire of all the American countries to find in these meetings an opportunity to reach concrete and accurate conclusions that will be an example of understanding and comprehension in our way of international life, and strengthen a Pan Americanism based on justice, sincere and cordial cooperation and mutual respect.

I repeat, we are ready to receive our fellow American nations in excellent conditions, and the Eleventh Conference should be an ideal rostrum from which to debate and seek the solution to problems of every kind. In this sense, the Conference is the supreme organ of the Inter-American System, as set forth in the Charter of the Organization of American States, in taking cognizance of any problems relating to the interrelationship of the American community.

I tender my warmest thanks on behalf of my Delegation to the illustrious Government of Brazil for the kind and courteous welcome extended to us, and for making it possible for this Second Meeting of the Board of Governors to

be held in this beautiful city that we shall never cease to admire.

It is my hope that our efforts may be pursued unfailingly, and that the hopes that have been rightly kindled in our peoples by the Inter-American Bank may be fully borne out in the future by tangible achievements for the good of America and in favor of the democracy that is our way of life and that we are pledged to defend.

**Address by Mr. Edner Brutus, Alternate Governor
for Haiti and Haitian Ambassador to Brazil,
at the Fourth Plenary Session**

The Republic of Haiti was always strongly in favor of establishment of an Inter-American Development Bank.

Haiti, as you know, was one of the originators of the Pan-American ideal, as witness Alexandre Petion's support of Simon Bolivar prior to the Wars of Spanish-American Independence.

Haiti has always associated itself with countries resolved to extend to the economic field the relations established in the political, diplomatic and cultural domain, first by contacts between state and state, then through the Pan American Union, and finally through the Organization of American States.

Ever since it was founded at San Salvador, the Bank has not failed to grow and expand its activities. Now, in this month of April 1961, in this marvellous city of Rio de Janeiro, we are gathered to hold the Second Meeting of its Board of Governors.

The institution is functioning, and functioning well. In the future it is bound to show strength, experience and results that will be more and more positive and favorable. The time is past when the independence of newly created states had to be protected. We are actively engaged in working to establish an increasingly satisfying standard of living for Latin America, to narrow the gap between the extremely high living standards of North America and the amazingly low standards of the rest of the Hemisphere.

The Inter-American Bank is pursuing this aim. Dr. Felipe Herrera's sound and far-reaching report has brought home to us what it already has managed to do and what it proposes to achieve in the next few months, and this in the light of the Act of Bogota that the United States Congress soon will be ratifying.

Secretary of the Treasury Dillon, whose attractive personality is so well known throughout Latin America, agrees

with us on the subject of the new Alliance for Progress, which, in a fraternal labor of people to people and government to government, in an historic movement of understanding supported by technical collaboration on a masterly scale, is designed within a period of ten years to correct the economic and social unbalance that still is to be found in America.

**Remarks of Mr. Felipe Herrera, President of the
Inter-American Development Bank, at the Closing
Session, held on April 14, 1961**

On behalf of the Board of Executive Directors and management of the Bank, I should like to make some final observations concerning the significance of this Meeting.

First, Mr. Chairman, let me express our sincere satisfaction with the results of the Meeting. Thanks to the cooperation of all our member countries and special guests, this has clearly been a top level conference on economic and financial matters in Latin America.

I should briefly like to point to certain highlights reflecting the importance of this Meeting. A total of 123 official delegates, governors, alternate governors and high-ranking officers of the participating countries registered. As you are well aware, we have been favored by the attendance of a considerable number of cabinet ministers, principally in the fields of finance, economy and agriculture. We have also been gratified by the attendance of 33 observers representing various international and regional organizations. Moreover, 168 special guests have come to the Meeting from Latin America, the United States, Europe, and even Japan. I should also like to mention the attendance of more than 100 newspapermen, which is evidence of the cooperation and enthusiastic coverage we have received from the press.

Also worth noting is the high caliber of discussions in the plenary sessions and round tables. In the plenary sessions the executives and officers of the Bank have heard the views of the various countries and their impressions on the work of the Bank in its first year of operations, and have received their directives for the forthcoming period. The round table discussions enabled us to profit from the opinions of individuals representing both the public and private sectors in the Americas. We know now what they expect of the Bank and how they view our activities.

I do not believe that this listing of positive aspects of the meeting would be complete without mention of the contacts established outside this room, the possibilities offered to the

authorities and staff of the Bank for direct access to the governors and businessmen from our member countries. In fact, I was told by one of them that this trip to Rio and his participation in the work of this Meeting had saved him a trip to five other countries. It is clear to me that this is highly indicative of how this Meeting can operate as a sort of forum, not only for the governments, but also for private financing activities in our Hemisphere.

It seems to us particularly appropriate that this closing session should fall on April 14, Pan American Day. I believe that the Meeting has enabled us to show our governments, our public institutions and our businessmen how the Alliance for Progress is being put into practice, how we are rapidly removing psychological barriers that continue to separate us, and how this Bank has gone well beyond the strict letter of its charter by becoming a vehicle of understanding. You may all rest assured that we at the Bank will bend every effort to this task.

Now I would like to consider some of the basic questions raised by the Governors in their statements. You may be sure that these views will be very carefully examined in future discussions of our Board of Executive Directors.

First, I should like to mention the encouraging references that have been made to our recently completed organizational activities. The significance of this period of organization has been best expressed in a highly felicitous phrase of the Governor for the United States, and I believe this is an excellent demonstration of our fine working relationship with the member countries.

Second, let me point to the statements made by a number of Governors, particularly those for Bolivia, Peru and Paraguay, regarding the operating flexibility of the Bank. It has been said that the past six months have conclusively proved the Bank's ability to rise above the inherent inertia of bureaucracy. You may be certain that we shall try to increase this flexibility as much as we can.

Third, I should like to refer to the very profound observations of the Governor for Brazil regarding the resources of the Bank. He stated that while this is a flexible Bank,

we should endeavor to apply this flexibility not only to our operations but to the use of our resources as well. Our operating flexibility will depend upon the extent to which we can increase our resources. In this connection, I am deeply grateful to those member countries which have announced their intention of paying their second quota in advance. I refer to Mexico, Guatemala and El Salvador. These announcements are a clear affirmation of faith in the Bank and will strengthen us financially.

While on the subject of resources, may I refer to the words of the Governor for Argentina, who said that the Inter-American Bank is and will continue to be the most effective channel for foreign aid, particularly United States aid under the Alliance for Progress program.

I should also like to refer to the sincere and profound observations of the Governor for Colombia, who stated that the Bank should not lose its initial momentum when the time comes for floating its own securities. We know that the development of the Bank will depend upon the response it receives in private financial circles.

Fourth, let me mention the observations of the Governor for Panama in pointing out the great responsibility of the Inter-American Bank to the private sector in the Americas. I believe, gentlemen, that the Bank has shown not only by its charter, but also by its actual operations, how closely we are associated with private enterprise. The best evidence of this is that seventy per cent of the proposals received by the Bank were from the private sector. And if we review our loans, we see that a large part of our resources, aside from those made available to the private sector directly, are granted to development organizations for the purpose of extending credit to medium and small-scale private companies in the Hemisphere with which our Bank cannot be expected to negotiate directly. We are using the public and private channels afforded by investment banks to reach this type of enterprise in the Americas. I would also like to point out that our collaboration with private capital has already found expression through the participation of various United States banks in our first loans.

Fifth, permit me to refer to a general concern voiced at this Meeting—programming as a means of economic development, particularly in view of the categorical statements of President Kennedy. It was evident that some reaction to Mr. Kennedy's proposal would be heard here from the Governors. It may well be that the most significant words on this subject were those of Mr. Dillon when he said, "It is for this reason that long-range planning and programming for economic and social development are so important to the concept of the Alliance for Progress. As we see it, development planning does not imply regimentation of economies through governmental controls. It does mean consistent programming of public investment aimed at broad development targets—programming supplemented by economic and social policies designed to activate a nation's energies and resources, including the indispensable private sector. It means good monetary management. It means the mobilization of each country's resources in a manner best calculated to bring into the common endeavor the savings and earnings of all the people. It means the encouragement of private enterprise through tax and other policies. It means the building of roads and dams. It means the extension of marketing, distribution and banking systems. It means the opening up of agricultural lands and the reformation of outdated systems of land tenure."

It is not surprising, gentlemen, that not only in these plenary sessions but also in personal conversations which I, in common with many of the Governors, have had with bank presidents, we have been asked for technical assistance in helping to prepare comprehensive programs suited to specific institutions in each country.

On the other hand, several Governors have shown an awareness of the need to reorient the institutions of their own countries. The Inter-American Bank in the past few months has been working in close cooperation with various countries to reorganize their national development agencies and jointly prepare new economic development policies. In this connection, I should like to recall the felicitous phrase of the Governor for Argentina in speaking of the need for preparing and training personnel. The Inter-American

Bank, aware of the need to raise the technical level of these development organizations or institutions in cooperation with other agencies that might provide technical assistance, is working toward this goal.

We should also like to emphasize an increasingly important consideration that is uppermost in the minds of all our Directors and officers, namely, that development programs become nothing but paper exercises if they are not strongly supported by public opinion and individual enthusiasm. We know that this is not a task for the Bank, but for the Governments themselves.

Several Governors have mentioned specific technical aspects of our operations. The Bank has noted a serious problem in the credit applications we receive, that local currency requirements are apparently much greater than we had originally anticipated. Fortunately, the Bank has local currency holdings and can use a certain degree of flexibility in converting foreign currency into local currency.

The Act of Bogota and the agreement to be signed by the Bank with the United States allow considerable latitude for financing the social costs of these development programs.

Another item which is of great interest to the Board of Directors and will be the subject of careful study and detailed discussion is the problem of financing capital goods. In my opinion, this is an indication that the Common Market is becoming a reality, and is now not only a matter concerning government officials, but industrialists and private entrepreneurs as well.

The best statement of this problem was probably voiced by the Governor for Mexico, in the following words: "Aside from these problems, there is a basic need for a greater volume of medium and long-term credit within Latin America, to finance replacement of foreign supplies of industrial goods and capital equipment as these are produced in increasing abundance by Latin American industry. This means that new sources of credit must be found, not only to replace those which now finance, or hitherto have financed, the export of goods from the industrialized coun-

tries, but also to finance their production in Latin America. Insofar as export credit within the area is concerned, it will also be necessary to seek sources of financing outside the production and distribution sectors, to foster a type of competition more consonant with high quality and favorable price and delivery terms."

The Inter-American Bank can assist in meeting these needs by policy resources and credits from the Latin American countries and making them available through multi-lateral channels, as well as by securing additional resources in the great international capital markets.

All the Governors have had highly useful comments to make regarding the Act of Bogota. It was the Governor for the United States, I believe, who in his excellent statement best summarized the philosophy underlying the Act. The Governor for Colombia referred in highly objective and precise terms to the use of these funds in relation to the operations of the Bank as a whole.

My most sincere appreciation to those Governors who have taken this opportunity to discuss the Act of Bogota. I refer to the statement of the Governor for Chile concerning agrarian reform, and to those of the Governors for El Salvador and Guatemala regarding the housing policies in their countries.

The proposal of the Governor for Nicaragua on the procedure for approving the agreement between the Bank and the United States Government for administration of the Social Progress Trust Fund has today been embodied in a text approved by the Steering Committee of this Meeting, which has suggested to me that the text be incorporated in the minutes of this meeting. This material read as follows:

"According to the recommendation adopted unanimously by the working group that examined the proposal presented by the Governor for Nicaragua concerning a procedure for consideration of the Social Progress Trust Fund Agreement between the United States Government and the Bank, the procedure to be applied by the President and the Board of Executive Directors of the Bank would be as follows:

"a) The Board of Executive Directors shall duly submit the Draft Agreement to the Board of Governors for formal approval by means of the procedure for voting by correspondence set forth in Section 5 of the By-Laws of the Bank.

"b) However, the Board of Executive Directors shall call a special meeting of the Board of Governors to consider the Draft Agreement, prior to approval, if five member countries so request in their reply to the voting proposal sent to them by the Bank."

Finally, with regard to specific aspects of the Bank's activities, may I draw attention to the very useful suggestions made by various Governors for coordination with the activities of other regional organizations. I also wish to mention the observations made by the Government of Chile to the effect that we might perhaps study ways and means of participating jointly with the Economic Commission for Latin America in the preparation of economic development programs.

This report, Mr. Chairman, would not be complete if we failed to consider various other matters of concern to the Governors, which, while not directly related to the Bank, are obviously present in the minds of all the members.

I refer, in the first place, to the problem of raw materials. I believe that there have been very few meetings where greater emphasis has been placed on the concept that foreign aid funds will be limited in their effectiveness to the extent that our countries fail to receive a fair price for their export products and no compensating mechanism is available to them. We have heard some very interesting statements in this respect, especially those made by the Governor for Brazil and by the Governors for Costa Rica and Guatemala. They may rest assured that the Bank's Board of Directors is deeply concerned with the problem of raw materials, but they should also understand that this is not a matter within our sphere of action, although it will be the subject of very careful analysis and even of very specific decision. I refer particularly to the high level meeting proposed by President Kennedy.

Likewise, I should like to point to another area of general concern mentioned at this Meeting, that Latin America must strengthen its institutional links with regional organizations in other parts of the world. I believe that we have all learned a great deal from the statements of Mr. Dillon concerning the group of capital exporting countries which already have approved mechanisms for the promotion of foreign aid. Furthermore, Argentina has mentioned the practical working relationship established by some countries with Western Europe. You may be confident that the Bank's management is considering a very close coordination of these activities with those of the European money markets, and I am pleased to announce that I will make a visit to those European institutions in June to plan a permanent system of future working relationships.

In closing, Mr. Chairman, I should like to extend my most cordial congratulations to Argentina, as the host country for the next meeting of this Board of Governors. We are particularly pleased at this decision of the Board, because we are ever mindful of the decisive participation of Argentina in the establishment of our Bank. Moreover, we are convinced that the designation of a host country always has a great spiritual significance, and in this particular case a feeling of solidarity, a recognition of worthiness, are inescapably present. The designation of Argentina is no more than a just acknowledgement by the American community of nations of the extraordinary stabilization activity carried out by that member country.

Mr. Chairman:

On behalf of our Bank, please accept our sincere and deep appreciation of your Government's dedication to the success of the meeting. This dedication has made it possible for us to feel perfectly at home in Rio de Janeiro. It has surrounded us, Mr. Chairman, with a feeling of brotherly hospitality in every sense of the word, as a manifestation of Latin American solidarity. For an accurate reflection of your Government's sentiment, we can do no better than turn to the words of your Chief of State, President Quadros, on his inauguration:

"I believe firmly, profoundly, in the invincible destiny of Brazil. This is the promised land, unlimited and fertile. No natural obstacle is there here on the road to progress, and I am proud that I am its leader. This is a country of fertile soil and inexhaustible riches. We have progressed far beyond the time when those riches were merely sung and remained unproductive. Our agriculture expands, our industries multiply. We grow rich, not through magic, but through the merit of those who are fortunate enough to dwell in this land."

**Address by Mr. Pedro G. Beltran, Governor for Peru
and Prime Minister and Minister of Finance,
at the Closing Session**

While enjoying the generous hospitality of the Brazilian people, we have found in this meeting of the Inter-American Development Bank many other motives of satisfaction—in the excellent speech of our President, Mr. Felipe Herrera, wherein he showed the tremendous importance of the Bank for the present and future of this Hemisphere; in the equally eloquent remarks of the Delegates, and in the warmth and enthusiasm of the round table discussions. In short, in all our activities, in the very fact of meeting on the shores of the beautiful Bay of Guanabara, we have been able to reaffirm the family spirit which inspires the governments of this Hemisphere and the peoples they represent.

That is the way it should be, and that is the way it is. The inter-American system has never been better described than as a family of nations. As in any family, the ties which unite our countries and our peoples are ties of natural affection and an inevitable common destiny. As in any family, we find not only mutual respect, but the duty to help one another.

The presence of one rich and powerful member in our American community could be a disadvantage and even a cause of irritation and estrangement, but only if we lost sight of the family concept. Fortunately, as we have noted in the words of President Kennedy and the deeds accompanying them, and as Secretary Dillon has confirmed here, the bigger and richer brother, moved by high considerations of morality and in accordance with the common interest, which includes self interest, has extended a virile and fraternal hand to his less fortunate and still growing brothers. In doing this he fulfills a family duty. He strengthens the hemisphere unity essential to the survival of the family as such, and the survival of each member.

We of America are engaged in what we can call a task of bringing ourselves closer together. In terms of the Hemisphere we are united in the close brotherhood inspired by

our common history and geography and by the clear ideals of liberty which we all share, and that spirit of brotherhood must reign equally within each country. Thus, at the national level, and not only at the continental level, the more prosperous must understand their obligations towards their less fortunate brethren. Those who have much must understand their fraternal and Christian duty towards those who have nothing. They must accept sacrifices and renounce privileges for the great task which awaits us with such terrible urgency of raising the living standards of all Americans.

That is the clear objective to which we aspire—to improve the way of life of the American, equip him for the battle of life, free him from the scourge of misery and the torture of ignorance, respecting his liberty and his dignity as a creature created in the image of God. We know well that for this objective, as Mr. Dillon has said, the stability of our economy is the cornerstone, a proper tool, but certainly not the final goal in itself.

There is a false notion that we must choose between stability and development, as if stability were an obstacle to development or as if, for unexplained reasons, development presupposed the instability of our economy. The truth is exactly the opposite. There are countries of America which have stabilized financially through policies of austerity difficult to apply, resisted by demagoguery and sometimes poorly understood even by the people who benefit from them, yet they have done this not to stop at mere stability, but to lay the groundwork for sure and sound progress in direct benefit of the great majority.

We could not seriously defend collaboration among the countries of America if the action of the United States, through the Inter-American Development Bank and other entities, represented a subsidy for an unbalanced budget, financial anarchy, political ineptitude or, especially, administrative corruption or slothfulness of the people.

It is our obligation to put our house in order and dedicate ourselves to hard work. We believe in the need for freely elected governments which respect liberty, which are

honest, prudent and diligent, which are imbued with the idea of the common welfare. We believe in the protection of law as the best and indispensable guarantee to encourage savings and the investment of capital. We believe in economic stability as the only way to protect our peoples from the burden of a steady rise in the cost of living. Precisely because we believe in these things, we believe in Operation Pan America, conceived and expounded by Brazil, and in the Alliance for Progress proposed by President Kennedy.

For our countries, where population increases so rapidly and the production of goods and services does not always increase in the same proportion, where each year more new jobs must be found for an increasing population, the question of progress is literally a matter of life and death. We must face the dual challenge of the growth of population and the general longing for a better life, because if we do not meet it, we shall certainly perish.

Progress, economic growth, expansion of wealth, industrialization, expansion of markets, substantial increase in buying power, whatever words we use, we all understand the concept. But we do not believe in the methods of the Pharaohs, and we do not believe in their present-day counterpart, totalitarian methods, which consist of planning great works at the sacrifice of millions of humans and future generations. We must think of the human being today not as a statistic, but as a man of flesh and blood who lives and breathes, who knows hunger, who is attacked by sickness requiring medical attention, who lacks schools, who needs a roof over his head and longs for a piece of land to work and call his own and pass on to his children. The present living conditions of our peoples in many cases are terribly difficult. Therefore, paralleling a plan of economic growth, we must carry forward without delay a bold and creative program of social betterment.

In view of such formidable and essential obligations, it seems to me frankly foolish for governments to consume their always insufficient resources in trying to supplant private enterprise in economic activities which private enterprise can well conduct to its own benefit and that of

the community. On the other hand, it would also be absurd for a government to use public funds merely to enrich businessmen. Private enterprise needs only the safeguards of law and a reasonable expectation of profit to develop and contribute to progress.

Private capital has a duty, moreover, to contribute to the acceleration of the development process by a policy of reinvestment in our countries. This policy, as President Herrera has so well said, will help to overcome the deficit in the rate of economic growth, one of the most pressing problems which we must face.

If we will do what must be done, if we will encourage and stimulate private investment, and if, on its part, private capital will recognize its duty to work for the good of the great masses of our population, this problem will be on its way to solution, to the ability of each country and for the common good.

Once a government has met such basic responsibilities as police protection, public administration, health services and education and national defense, public funds should be used with the most scrupulous care for two purposes. In the economic field, to carry out works indispensable to progress which cannot be executed by private enterprise because of excessive risk, no immediate profit, or benefits spread over a very long period of time, and, in the field of social progress, to think exclusively of the less fortunate, the dispossessed, who are everywhere the most numerous, and mobilize national resources for the vast cooperative effort of Alliance for Progress.

President Kennedy's proposal is without parallel in the magnitude and nobility of its aims, and is intended to satisfy the basic need of the peoples of this Hemisphere for housing, jobs, land, health and schooling.

Mr. Chairman:

I deeply appreciate the honor shown my country in selecting me to express, on behalf of all the Delegations, our thanks for the many attentions received from the Government and people of Brazil. This I do with all my heart.

As for myself, I take the opportunity on this day, which by happy coincidence is the Day of the Americas, to ratify publicly my faith as a citizen of the Americas and as a man devoted to Democracy. I must say, with the utmost frankness, that the ideal and yearning for progress in our Hemisphere cannot be represented even remotely by such as the Communist revolution which, to the regret of all, has seized upon one of our countries, a revolution which presents the degrading spectacle, from a moral viewpoint, of executions without due trial, of imprisonment for indefinite terms and of terror and despotism, and from a material viewpoint, of hardship, privation and penury.

Our forefathers did not rise against colonial domination a century and a half ago to convert our countries into concentration camps of any hue—red, black or yellow. In our American community we do not conceive the individual to be at the service of State or politics. To the contrary, we believe State and politics to be at the service of the individual. We do not see the individual as an abstraction, but as a human being, with a name and life of his own.

We can forget neither the spiritual nor the material side of man. This is the truly Christian spirit which animates our peoples. For us liberty is incomplete without economic welfare, but we reject the fallacious promise of economic welfare, which not even totalitarian regimes fulfil, which begins by depriving us of our divine gift of liberty. Here, too, there is a false notion that we must choose between liberty and economic welfare. Never! Because liberty is not sufficient or authentic without welfare, and welfare is impossible and humiliating without liberty!

I am impressed, I am deeply moved, by the success of our meetings, by the enthusiasm which I have observed here. At last we are immersed in the task of today and plans for tomorrow, and no longer in the sterile recriminations of yesterday, suited, perhaps, to a debate of historians, but not to an assembly of economists. How small and how pointless seems the artificial bickering among our countries when we contemplate the great enterprise on which we are embarked.

I am convinced that we still have time to take up and complete the work which the peoples of America await. I am equally convinced that tomorrow will be too late. Fortunately, we all understand this. I am convinced that in the Alliance for Progress the Inter-American Development Bank will become an increasingly useful tool. It has made astonishing headway in but a few short months, thanks to its own resources and to the moral and intellectual leadership of our President, Felipe Herrera, and its other executives.

Today there can be no doubt of the fundamental role which the Bank is playing to bring our countries together and work united in the knowledge that we are all pursuing the same objective. Joint action based on a sincere spirit of solidarity among our peoples is the only secure basis for our success.

The fervent hope which should inspire us all is that the family of American nations shall continue united. In our common effort for the common good, the Inter-American Bank will be decisive, for the philosophy which inspired it transforms it not merely into a financial entity, but into a collective organism dedicated to the spiritual and material progress of Latin America.

I am convinced that nothing has contributed more to the cooperative spirit of this meeting than the friendly and charming atmosphere of our sister nation Brazil, the colossus of South America, a country great in spirit, forged in the crucible of civilization and democracy, warm in climate and cordial in heart, which is without doubt the most important.

**Address by Mr. Clemente Mariani, Governor for
Brazil, Minister of Finance and Chairman of
the Meeting, at the Closing Session**

Before bringing this Meeting to a close, I should like to express to you, Mr. President, and to the Governors and Ministers who have referred in such gracious and generous terms to the reception proffered them, our sincerest appreciation for the comments they have voiced. I trust, gentlemen, that your stay in our country has given you an opportunity to sense our cordiality toward all your countries and peoples. These sentiments should not be interpreted as polite generalities customary in international assemblies. They are genuine expressions of the affection which we traditionally bestow on people from the republics of our Hemisphere.

After hearing the detailed and painstaking report delivered to you, Mr. President, concerning this Meeting's activities, I deem it unnecessary to add any additional contribution to its accomplishments.

I would be remiss if I failed to endorse on behalf of my Government the ideas expressed by the President and Governors, or failed to mention the valuable contribution of the Governor for the United States in conveying to this Meeting the significance of President Kennedy's words regarding the Alliance to which he has summoned us so that we may accelerate our progress.

Nor must I fail to mention the highly constructive observations of the Governors and Delegates concerning ideas for executing projects already planned, specifically, programming for the Alliance for Progress as outlined by the Governors for Peru and Argentina. As you, Mr. President, so appropriately pointed out, this Meeting adjourns on Pan American Day. It is under the aegis and in the spirit of this day, the spirit that animates the commemoration of the Americas, that this Assembly's work has been carried on.

The Prime Minister and Representative of the Republic of Peru told how each of our countries in Latin America should oppose economic and social inequalities. These inequalities

demand that we rededicate our attention and efforts to solving our problems, even though it has been long since the concept of democracy made possible progressive association within a framework of liberty to advance basic and fundamental principles of respect for social and economic equality, as a fitting crown to the efforts of our forebears.

This is the true spirit of America, which cannot be limited to cordial relations among our countries alone, but must be extended to fraternal relations among the inhabitants of each and every one of our communities. That is how we must carry out this ideal and this program, so well expressed by Mr. Dillon in his phrase "stability and development," and in the President's words, "greater effectiveness."

As decided, the next Meeting of the Board of Governors will be held in Buenos Aires.

With my country's wishes to all the Ministers, Governors and Delegates for a pleasant return voyage, I hereby declare this Second Meeting of the Board of Governors of the Inter-American Development Bank to be adjourned.

ROUND TABLES

Round Tables

Two informal round table discussions were held during the Second Meeting of the Board of Governors at which various aspects of Bank activities were considered.

The first, on "The IDB and National Economic Development Agencies," was held on April 11. It was led by Executive Director Raúl Martínez Ostos, and opened by Executive Director Cleantho de Paiva Leite.

The second round table, on "The IDB and Private Enterprise and Financial Institutions," was held on April 13. It was led by Executive Director Alfonso Rochac, and Executive Directors Ignacio Copete Lizarralde and Mario O. Mendivil opened the discussion.

Members of delegations, observers, special guests and Bank officers participated in these informal round tables.

**RESOLUTIONS APPROVED BY
THE BOARD OF GOVERNORS
BETWEEN ITS
FIRST AND SECOND MEETINGS**

Resolution AG-9/60
Designation of Outside Auditors

The Board of Governors

RESOLVES:

That, pursuant to Article VIII, Section 2(b) (x), of the Agreement, the firm of Price Waterhouse & Co. is selected, with respect to the fiscal year 1960, to serve as outside auditors to certify to the general balance sheet and the statement of profit and loss of the institution, in accordance with Section 10 of the By-Laws of the Bank.

(Approved July 15, 1960)

Resolution AG-1/61
Designation of Outside Auditors

The Board of Governors

RESOLVES:

That, pursuant to Article VIII, Section 2(b) (x), of the Agreement, the firm of Price Waterhouse & Co. is selected, with respect to the fiscal year 1961, to serve as outside auditors to certify to the general balance sheet and the statement of profit and loss of the institution, in accordance with Section 10 of the By-Laws.

(Approved March 27, 1961)

**RESOLUTIONS APPROVED BY
THE BOARD OF GOVERNORS
AT ITS SECOND MEETING**

Resolution AG-2/61
Financial Statement of the Bank

The Board of Governors

RESOLVES that:

Upon review of the report of the outside auditors, the Financial Statement of the Bank for the fiscal year ending December 31, 1960, containing the general balance sheet and the statement of profit and loss, is approved.

(Approved April 12, 1961)

Resolution AG-3/61
General Reserve for the Ordinary Capital Resources

The Board of Governors

RESOLVES that:

A general reserve is established with respect to the ordinary capital resources to provide for possible future losses on loans or any annual excess of expenses over income, should either occur. There shall be allocated to such reserve the net income from the ordinary capital resources for the fiscal year ending December 31, 1960.

(Approved April 12, 1961)

Resolution AG-4/61
Financial Statement of the Fund for
Special Operations

The Board of Governors

RESOLVES that:

Upon review of the report of the outside auditors, the Financial Statement of the Fund for Special Operations for the fiscal year ending December 31, 1960, containing the general balance sheet and the statement of profit and loss thereof, is approved.

(Approved April 13, 1961)

Resolution AG-5/61

General Reserve for the Fund for Special Operations

The Board of Governors

RESOLVES that:

A general reserve is established with respect to the Fund for Special Operations to provide for possible future losses on loans or any annual excess of expenses over income, should either occur. There shall be allocated to such reserve the net income from the Fund for the fiscal year ending December 31, 1960.

(Approved April 13, 1961)

Resolution AG-6/61

Modification of the Terms of The Contract of Employment of the President of the Bank

The Board of Governors

RESOLVES that:

The Chairman of the Board of Governors is authorized to execute, in the name of the Bank, a modification of the contract of employment of Mr. Felipe Herrera L., in accordance with the provisions approved by the Board of Governors.

(Approved April 14, 1961)

Resolution AG-7/61

Date and Place of the Third Regular Meeting of the Board of Governors

The Board of Governors

RESOLVES that:

The President of the Bank shall convene the third regular meeting of the Board of Governors to be held in Buenos Aires, Argentina, during the month of April 1962.

(Approved April 14, 1961)


DELEGATIONS

DELEGATIONS OF MEMBER COUNTRIES

<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
Argentina	Eustaquio A. Méndez Delfino	Luis María Otero Monsegur	Mario Oscar Mendivil ¹ Manuel Alberto Gallo Argerich Juan Ignacio Cornidez Elvio Baldinellini Evaristo Hermes Evangelista Hugo Anselmo Severi
Bolivia	Alfonso Gumucio Reyes	Guillermo Bedregal	Carlos Arce Zabaleta
Brazil	Clemente Mariani	Octavio Gouvêa de Bulhões Ernani Galvêas ¹	João Baptista Leopoldo de Figueiredo José Vicente Faria Lima Cleantho de Paiva Leite ² Jayme Sloan Chermont Lisboa Humberto Bastos Casimiro Antônio Ribeiro Antônio de Abreu Coutinho Fábio Antônio da Silva Reis Paulo Leão de Moura Jorge Alvarés Maciel Paulo Cabral de Mello Hélio Schlittler da Silva Luciano Villas Boas Machado Armando Moraes Ferreira Raúl Fernando Leite Ribeiro

¹ Temporary

² Executive Director

	<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
	Chile		Luis Mackenna Humberto Díaz C. ¹	Manuel Casanueva Raúl Bazán Dávila Walter Müller Abelardo Silva Davidson Alejandro Jara Lazcano
	Colombia	Emilio Toro	Germán Botero de los Ríos ¹	Ignacio Copete Lizarralde ² Edgar Gutiérrez Guillermo Herrera Carrizosa
	Costa Rica	Max Gurdíán Rojas	Alvaro Castro Jenkins	Guillermo Marti V. Luis de Mello Sampaio
172	Dominican Republic	Manuel V. Ramos	H. E. Priester ¹	
	Ecuador	José Ceballos Carrión		Federico Intriago ¹ Julio Prado Vallejo
	El Salvador	Rolando Duarte F.	Catalino Herrera	Alfonso Rochac ² Francisco de Sola Daniel Castellanos Francisco de Novoa Rafael Barraza Arturo Ramón González Maximiliano Guillermo Novoa Raúl Molina Canas

¹ Temporary

² Executive Director

³ Alternate Executive Director

<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
Guatemala	Ramiro Aragón Castañeda	Julio Lorenzo Alvarez	Manuel Bendfelt Max Jiménez Pinto ^a
Haiti		Edner Brutus	Lucien Hibbert ²
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