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INTRODUCTORY NOTE

The Third Meeting of the Board of Governors of the Inter-American Development Bank was held in Buenos Aires, Argentina, from April 23-26, 1962.

Mr. Eustaquio A. Méndez Delfino, Governor for Argentina and President of the Central Bank of the Argentine Republic, was elected Chairman of the Meeting at the opening session.

Pedro Irañeta
Secretary

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AGENDA

Agenda of the Third Meeting of the Board of Governors

1. Election of Chairman of the Board of Governors
2. Second Annual Report of Bank, 1961
3. Financial Report: Ordinary Capital Resources and Determination of Reserves
4. Financial Report: Fund for Special Operations
5. Request to Executive Directors to Study Increase in Resources of Bank
6. Financing of Exports by Member Countries
7. Designation of Place and Date of Fourth Meeting of the Board of Governors

Schedule of Sessions of the Third Meeting of the Board of Governors¹

<i>Day</i>	<i>Hour:</i>	
Monday, April 23	9:00 a.m.	<i>Preliminary Session (Chiefs of Delegations)</i>
	10:00 a.m.	<i>Inaugural Session and First Plenary Session</i>
		1. Election of Chairman of Board of Governors.
		2. Address by the Governor Designated to Represent the Visiting Delegations.
		3. Approval of Agenda of Third Meeting.
		4. Statement by President of the Bank.
	3:00 p.m.	<i>Second Plenary Session</i>
		1. Financial Report: Ordinary Capital Resources and Determination of Reserves.
		2. Financial Report: Fund for Special Operations.
		3. Request to Board of Executive Directors to Study Increase in Resources of Bank.
		4. General Statements by the Governors.
Tuesday, April 24	9:00 a.m.	<i>Informal Meeting (Chiefs of Delegations)</i>
		Proposal by Governor for Brazil on Financing Exports by Member Countries. ²

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

² A Working Group of the Governors for Argentina, Brazil, Colombia, the United States, Mexico and Nicaragua was established at this meeting to study the Brazilian proposal. Argentina presented a draft resolution to this Working Group on establishment of a regional system of export credit insurance. The recommendation of the Working Group was approved by the Board of Governors at its Fourth Plenary Session, on April 25th, by Resolution AG-5/62.

- 10:00 a.m. *Third Plenary Session*
General Statements by the
Governors.
- 3:00 p.m. Round Table on "European
Participation in the Eco-
nomic Development of Latin
America."
- Wednesday, 10:00 a.m. *Fourth Plenary Session*
April 25
1. Proposal of Governor for
Brazil on Financing Exports
by Member Countries.
 2. General Statements by the
Governors.
- 2:30 p.m. Round Table on "Private En-
terprise and National Devel-
opment Programs."
- 5:30 p.m. *Fifth Plenary Session*
General Statements by the
Governors.
- Thursday, 10:00 a.m. *Closing Session*
April 26
1. Resolution on Date and Place
of Fourth Meeting of the
Board of Governors.
 2. Observations of President of
the Bank on the Meeting.
 3. Address by the Governor
Designated to Represent the
Visiting Delegations.
 4. Closing Address by Chair-
man of the Board of Gover-
nors.

ADDRESSES

Address by Mr. Octavio Gouvêa de Bulhões, Alternate Governor for Brazil, at the Inaugural Session¹

It was a great honor for Brazil to have presided over the Second Meeting of the Board of Governors of the Inter-American Development Bank, and for a Brazilian it is extremely gratifying to serve as Chairman at the opening of this Third Meeting on Argentine soil and in this beautiful and cultured city of Buenos Aires.

Let me express to the Argentine government our deepest appreciation for the warm hospitality it has shown us.

I pay my respects to the Governors present at this Meeting and the members of their delegations; to the President of the Inter-American Development Bank and the directors and officials of the Bank, all of whom fully deserve our recognition for the dedication and efficiency with which they have discharged their duties.

I stressed at the last Meeting the deep understanding that characterizes and underlies the Bank's credit policy. On this occasion I wish to reaffirm the importance of that understanding and congratulate the Management and Board of the Bank for their policy of judiciously balancing the conditions attached to loans. It does not demand, as some financiers would wish, that the debtor country undertake to ensure the proper conduct of its politicians, but neither does it authorize credits for undertakings incapable of earning adequate profits.

It is only fair to emphasize the valuable contribution the Bank is making to Hemisphere development through a policy providing for equitable distribution of its financial and technical resources and assistance to those sectors whose need is greatest. If the Bank is able to render such valuable service, it is largely due to the generous contribution of the American people, not only in their subscription to the capital of the Bank, but also in the substantial additional funds made available last year through the Social Progress Trust Fund.

In concluding, I express the hope that this Meeting will be crowned with the greatest success.

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

**Address by Mr. Eustaquio A. Méndez Delfino,
Chairman of the Board of Governors,
Governor for Argentina and President of the
Central Bank of the Argentine Republic,
at the Inaugural Session**

The Board of Governors has seen fit to elect me to preside over this Third Annual Meeting of the Inter-American Development Bank, and I wish to express my appreciation of the honor thus conferred on my country, for my appointment is a consequence of the decision adopted at the Second Meeting, that Buenos Aires, our capital, should be the seat of our present conference. I shall endeavor to the best of my ability to be worthy of the privilege bestowed upon me. On behalf of my country, of the President of Argentina, and in my own name, I extend a most cordial welcome to you all. Buenos Aires greets you in a spirit of true brotherhood, for it regards you as worthy representatives of the Americas, and as a body in which high hopes have been placed as an instrument of cooperation for securing peace and progress throughout the Hemisphere.

A year has elapsed since our last meeting in Rio de Janeiro. During this period the Bank has worked continuously and vigorously in its lofty appointed task, the scope of which has extended far beyond anything possibly conceived at its establishment, for it now is responsible for administering the Social Progress Trust Fund instituted by the United States Government as its initial contribution to the Alliance for Progress. The final decision as to whether further contributions for this purpose will be channeled through the Bank in the future will undoubtedly depend on the ability and efficiency with which it performs this task, specifically directed to promoting the economic and social development of the less-favored regions of Latin America.

The Bank has a single, undivided purpose—to promote and accelerate economic and social progress in the Latin American countries. To do this it relies on the separate resources of its ordinary capital, the Fund for Special Operations and the Social Progress Trust Fund. The difference

between them lies in the form of financing, which is very flexible, depending on the content and purpose of projects to be promoted.

During its brief existence the Bank has shown that it possesses characteristics which distinguish it from other agencies of its kind: its dynamic approach and flexible operation. It has been able to overcome the sluggishness of top-heavy bureaucratic organizations and solve problems opportunely and speedily—two decisive factors in the race against backwardness, which is also a race against time, precisely when a justifiable desire for better living standards is spreading throughout the Americas. The satisfaction of such a desire, if deferred, creates resentment, and this is skillfully turned to advantage by those intent on destroying our Western civilization.

The Bank is fortunate in being directed by men who know the problems of our countries because they have lived with them; men who realize that these problems are inherently different, and thus avoid the error of generalization and over-simplification that for so long indiscriminately stamped us as the countries south of the Rio Grande.

The work of the Bank will be useful and beneficial in this undertaking, not only by its direct action, but also by its example.

Latin American problems are complex, and solutions advanced so far have not tended to remove causes, but have been attempts to counteract effects. The basic problem is still the decreasing value of our exports and growing obstacles they face in consumer countries. I had occasion to say at Rio de Janeiro that this has led to a deterioration in prices, which are further threatened by large, protected agricultural surpluses. These, though generously intended to combat poverty in certain regions, may well extend, instead of reducing, the poverty-stricken areas.

Most of our countries seek to solve this problem by changing their economic structures. Here the Bank has an outstanding role to play, but it must have intelligent aid from other financial sources outside its own sphere of activity.

When, as with countries that are primarily producers of foodstuffs and raw materials, development efforts are

based on changing the economic structure by encouraging a trend to industrialization, to raise living standards and afford employment to the excess population, then financial aid to solve balance of payments deficits caused by this reorganization must take into account that such a change-over must proceed slowly. It would be an error, however—as evidenced by numerous recent examples—to expect success in applying financial methods appropriate to dealing with transitory imbalances in industrialized countries where there are no structural changes and only price adjustments are required.

Another basic, neglected principle in financing development is the need to ensure that foreign investments, which always require collateral financing, do not upset the domestic capital market by absorbing the scant resources provided by local savings and making it impossible to provide short or long-term domestic financing for local industry. This danger, which is very great in some countries, was clearly pointed up at the Rio de Janeiro meeting by our President, Felipe Herrera. The policy of the Bank has been guided by a true appreciation of this problem, and our loans include a percentage of foreign exchange to finance local expenses where necessary.

Care must be exercised to make sure that the pace of a development policy is guided by possibilities of foreign and domestic financing and the ability to pay, to avoid a crisis of growth. Fortunately, the study and advisory organization created under the Alliance for Progress to coordinate activities of the Organization of American States, Economic Commission for Latin America and Inter-American Development Bank will offset the tendency to demand greater efforts than the possibilities of each country permit, an error which governments frequently encourage for political reasons without weighing the ultimate consequences to national economic stability.

These sound principles, too often ignored, are the basis of the Bank's policy. This is why all the American countries have placed their trust in the Bank as the best instrument for promoting our progress, because of its knowledge of our closely interrelated economic, political and social prob-

lems, and because of its flexibility, which permits adequate solutions in each case.

Reaffirming this trust which the Bank already justifies, I hereby declare the Third Meeting of the Board of Governors of the Inter-American Development Bank inaugurated.

**Address by Mr. Jorge Mejía Palacio,
Governor for Colombia and Minister of Finance,
at the Inaugural Session**

The date of establishment of the Inter-American Bank will always be memorable in American history, for on that historic day inter-American solidarity, affirmed militarily by the Mutual Assistance Pact of Rio de Janeiro, and politically by the Act of Bogota, reached its apogee in the resolute measures taken in the economic and social fields. The regional system became, so to speak, concrete and tangible in human terms for our peoples in financial programs and projects. For the first time the nations of America realized that their destinies henceforth were irrevocably linked and indivisible.

Unions of nations had existed before, usually unions of the weak under the oppressive or benevolent wing of the strong. Here, however, we see the most powerful nation on earth take its seat beside the smallest in a fraternity of common rights and responsibilities, without special privilege or discrimination. Membership in the Bank is like a certificate of American citizenship, committing us to aid others and entitling us to receive aid in our turn.

In a year of operation the Bank has made a name for itself as the most flexible and up to date of international institutions, attuned always to its members' needs. The statistics before us are eloquent testimony of how in so short a time, while burdened with the task of physical organization and familiarization with Hemisphere problems, the Bank processed and approved 98 loans totaling 426 million dollars for a broad gamut of objectives ranging from the purely economic, such as industry, agriculture, mining, electrification and transportation, to social assistance in housing, education and sanitation. No problem has been beyond its sphere of interest, statutory powers or principles of internal policy, and whenever a country sought aid, it received it without excuses or exaggerated conditions. It can well be called the American house for all American nations.

Special emphasis should be given to its role as the chosen instrument of the United States Government in administering the Social Progress Trust Fund under the Alliance for Progress. The Alliance would not have been the same, either politically or economically, had it not found at the outset such an institution as the Bank, enabling it to focus on the proposed objectives, in the face of the manifold difficulties besetting any unilateral assistance, generous and well-intentioned though it may be. The Bank has not only been a good administrator, investing in 31 operations 212 million dollars of the 394 million assigned it, but has given the Alliance a multilateral aspect which preserves, dignifies and ennobles it.

All this is attributable to the intelligence and dedication of the man who, as the Bank's President, endowed it with his personal qualities of generosity, spontaneity, insight and humanitarian warmth. Acknowledgement is also due to the staff of colleagues who display the same sympathy toward the difficulties and hardships of our peoples. Felipe Herrera is not only a source of deep pride to us, but our best answer to those who for centuries questioned the aptitude of the Latin peoples for high finance. He is proving that a man can be both banker and a human being, and this combination is the golden mean for anyone wishing to plan for the future without losing sight of practical implications for the present.

Latin America is in the throes of the worst crisis of its history. From one extreme to the other, strife, unrest, hatred and revenge sow their seeds of discord and topple men, governments, economies and institutions that seemed unshakable. The cold war chills the tenuous organism of our democratic government to the core, and the firing wall looms as the symbol of proletarian claims, even as the guillotine represented the egalitarian principles of the French Revolution.

A year ago, at the Punta del Este meeting, our governments replied to this situation by signing the Alliance for Progress and raising it on high as a banner of hope to hearten people. Much has been accomplished since then, and nothing indicates that this is not the proper turn to take at this crossroads in our history. I believe in the Alliance, the loftiness of its aims, the sincerity of its distin-

guished proponents and mentors such as President Kennedy, for history offers no parallel to this profoundly humanitarian crusade. Should the Hemisphere go down under the Marxist-Leninist tempest lowering over it, the ideal of the Alliance would outlast the horrors of the firing wall, as Christianity survived the massacres of the Circus Maximus.

The Alliance, however, a carefully weighed plan to sustain our exports of primary products as the cornerstone of all proposed development and provide additional financial assistance to expedite it, has not yet been able to maintain a steady, measured pace. This irregularity continues to impoverish our peoples, deepen economic differences between classes, and trigger crises, devaluations and unemployment such as we have witnessed in several countries in the past few months. That these phenomena still occur frequently is a sign that the Alliance, after a year, has been unable to reverse the downward trends in our economies that motivated it. One thing we can do in its behalf is examine its shortcomings.

First and most fundamental is the little it has been able to do to support markets and prices for our primary export commodities. I am from a country that has received substantial assistance from the Alliance in credits for economic development and social welfare. Nevertheless, our losses in the coffee market and in coffee prices since the Punta del Este conference are two or three times greater than the special aid received.

In general, we have lost rather than gained ground. What was intended as additional help to accelerate our progress has served only to mitigate somewhat the tremendous impact of fluctuations in coffee prices. That is why I have often said, and reiterate here today, that as far as Colombia is concerned—and most Latin American countries as well—the greatest contribution the Alliance could make would be a long-term world coffee agreement. As long as this is not achieved, help given us, however generous, will not be new blood and fresh life for our economy as planned, but will be a mere palliative to prevent total collapse.

To add to the gravity of the situation, foreign private capital, which should play such an important role in furthering our economic development plans, is not forthcoming

because of the Cuban specter, in total disregard of geographical and historical considerations. Even traditional foreign capital investors, who for years made steady progress under the protection of our guarantees and institutions, find it more convenient to make use of national savings accumulated in banks and insurance companies than continue to invest foreign capital in their industries, thus giving rise to dangerous exchange imbalances.

If the Alliance, as it should be, is a movement not restricted to governments and international financial institutions, but inclusive of the peoples, too, in a collective effort, it is imperative to raise the morale of foreign capital investors and demand their contribution to this historic crusade.

Acceleration of the economic development of Latin America in accordance with the Punta del Este Charter implies a substantial increase in capital goods imports. But while prices of our exportable raw materials drop, those of manufactured goods continue to increase, widening the gap between terms of interchange. The Alliance for Progress tends to reduce and ultimately eliminate the great disparities between Hemisphere nations, but this will be impossible without equitable remuneration for labor.

Most Latin American countries have made commendable efforts to diversify export production by seeking new and more favorable trade outlets, but this coincides with the appearance of restrictions, prohibitions, preferences and tax and customs barriers in the large world markets which are like fortresses aimed at total isolation, rather than exchange. There can be no economic future for us if we see nothing beyond our frontiers than barriers to our new products, if for no other reason than that we form no part of certain areas of influence, nor are parties to military or political agreements.

International financial institutions first, and the Alliance for Progress later, laid special emphasis on financing projects in the public sector, a readily understandable preference if the elementary economic infrastructure of our republics is considered. But, if a highway is built, it is to drive on it automobiles we do not produce, for the most part. If new power plants are built, it is to power engines we

must also import. Progress in the public sector thus leads to pressure on importations by the private sector, without compensation and dangerous in a way to maintenance of the exchange balance. Our most recent balance of payments deficits are largely a result of this logical increase in demand, but our economists and bankers are shocked when mention is made of loans to cover them. At least during the transitional period the Alliance for Progress must show greater consideration for these phenomena, whose influence it is impossible to avoid, and endeavor to maintain balance between public and private sectors, a complementary action essential to the success of all economic development programs planned under a free economic system.

I am sure that those who guide and direct the Alliance for Progress will correct its deficiencies during its second year of existence. Its funds should be used as additional support to accelerate development, and not as insufficient compensation for losses caused by situations we can remedy. If this is not done, we will reach the end of our ten-year program to find our peoples even poorer than today and, worse, deprived of all hope for the future. It is necessary to act, to act at once, if we are to prevent this noble effort of a people and of a continent—which dwarfs the most altruistic deeds of all time—from becoming the greatest tragedy in history.

Mr. Chairman: There are cities which belong to the world. Buenos Aires is one of them, and its romantic image is forever present in the dreams of half the world's population. Its streets, its glories, its joys and sorrows have been so vividly reflected in the words of its tangos that, on arrival here for the first time, we cannot but feel that we return to a place we already know.

Pursuant to the honorable mission entrusted to me by the delegations attending this Third Meeting of the Board of Governors of the Inter-American Development Bank, I express to you and your Government our deep appreciation for the warm hospitality offered us and, to the people of Argentina, our admiration for their country's glorious past and our great faith in its brilliant future.

**Address by Mr. Felipe Herrera, President of the Bank,
at the Inaugural Session**

Today we initiate the Third Annual Meeting of the Inter-American Bank, thereby fulfilling the desire we all share to pay homage at Buenos Aires to the Argentine Republic, as a great Latin American country decisively associated with the history, organization and initial activities of the Bank. I join the distinguished Governor for Colombia in expressing our gratitude to the Government of this sister republic, and bring cordial greetings to the Argentine nation from our Directors and officers.

The twelve months since we parted at Rio de Janeiro, at the end of our previous Meeting, have been intense, exciting, work-laden and fruitful. While during this time we have had no occasion to gather in plenary session, we have maintained close and permanent contact. This continuous cooperation has helped enormously to ease the tasks we have undertaken and serves to spur the executives and management of the Bank in the pursuit of their aims. You have not been stinting in valuable information, timely counsel or lofty critical judgment during this past year. The Bank staff at all levels has been in direct touch with member countries and has received repeated demonstrations of confidence and appreciation from the governments and peoples.

This reciprocal flow between the countries and the Inter-American Bank would not be complete, however, without these few days each year when we exchange views and judgments on the progress of our institution, of which this Board is the highest authority. Not only do you represent your governments in the high-level management of the Bank, not only are you invested with weighty public responsibilities which give you broad and sound reason for this Meeting, but what is more, many of you have been associated with the Bank since before its inception. At the Inter-American Economic Conference held in this city in August 1957, Governors here present helped decisively to establish the concepts which within a relatively short time culminated in establishment of the Inter-American Development Bank.

I have referred to the period of intense and exciting activity which has just passed. It is pointless to analyze this period, because we have all been players in the most significant historic events in the economic, social and political relations of the Americas. The process of bringing Latin America into the "decade of development"—the 1960's—implies with its inherent complexities a new approach, implemented only in the last few months, which cannot definitively be evaluated at present. Sailors say that only large ships stir great storms. The inexorable destiny of Latin America is now stirring up a heavy sea. Like great ships which need expert pilots and a true course to avoid hazard, the American nations more than ever need leadership that can define purposeful goals.

This period has been work-laden and fruitful for the Bank. I believe the Second Annual Report can easily demonstrate to the distinguished Governors the truth of this statement, and the first report on the Social Progress Trust Fund will produce the same effect. As administrative head of the Bank, it is not my province to evaluate the period recently elapsed, but as an American who is part of a lofty collective undertaking, it is my duty to stress the spirit of service and mystique with which the directors and staff of the Bank have shouldered the responsibility placed upon them by Latin America.

When I reported on our activities during 1960, I noted that the basic organization of the Bank had been completed and the basic operational guidelines defined. Today, in referring to 1961, I can say that following this organizational and preliminary activity, we have entered into our destined work. It is perhaps because our operations have grown more rapidly and on a broader and more varied scale than was foreseen when the Agreement Establishing the Bank was approved that we are currently experiencing the growing pains of any organization, particularly one as complex as ours because of its status as an international financial agency with its sphere of operation in Latin America.

In our opinion, the most significant aspects of the Bank's operations during the past year can be summarized as follows:

Between February 1st and December 31st of 1961, we completed 73 loan operations for a total of 294 million dollars benefiting all the active member nations of the Bank. From December 31st, 1961 to April 15th of this year, we approved 25 operations for an additional 132 million dollars. In all, 98 projects involving a total of 426 million dollars have been negotiated, approved and launched in little over a year.

These figures are of considerable significance in the history of international public financing in Latin America, accounting for close to 30 per cent of all resources channeled to Latin America by international lending agencies and the United States Government for financing specific projects and importing foreign goods and services between March 13th, 1961 and March 13th, 1962, the first year of the Alliance for Progress. We can state with satisfaction that in that period the Inter-American Bank was the chief foreign credit source in terms of resources committed and operations completed for specific economic and social investments. These figures assume even greater importance if we consider that in little more than a year we contributed to economic and social development projects representing a total investment of more than a billion dollars, of which 56 per cent was financed by local contributions, three per cent by other foreign sources and 41 per cent through Inter-American Bank loans.

The fact that we have begun to administer resources of others and have attracted funds from outside sources to help finance Bank projects indicates the growth of our organization and compliance with one of its fundamental purposes. The outstanding example of this is our administration of the 394 million dollar Social Progress Trust Fund, whose purposes are set forth in the Agreement approved by the Governors and signed by the President of the United States and President of the Bank on June 19th of last year. To this trust arrangement can be added administration of funds supplied by the Governments of Argentina, the United States and West Germany, totaling 14.2 million dollars, to be used jointly with Bank resources for rehabilitating the Bolivian mining industry. In the same vein, we may cite administration of the 1.25 million dollar fund of the Committee

for European Migration for farm settlement in Brazil, the Holambra Project.

The participation of United States and European private commercial banks totaled 5.5 million dollars, involving 32 banking institutions that underwrote the early maturities of 25 loans without our guarantee.

Finally, in the last few days we completed negotiations with a consortium of Italian banks, headed by the Banca de Italia, for an issue of our bonds in Italy for 15 billion convertible lire. This operation will increase the ordinary capital resources of the Bank by 24.2 million dollars.

In comparing the paid-in subscriptions of the Bank, currently 375 million dollars, with the additional funds mentioned, amounting to 439 million dollars, we may conclude that each dollar contributed to our institution by the member countries has been increased by \$1.17 from funds entrusted to the Bank for administration, from the participations of other banks or from bond issues.

The Bank is emerging as one of the most important sources of technical assistance for Latin America. By late March of this year, it had committed almost eight million dollars from its own resources and the Social Progress Trust Fund for this purpose. Of this sum, 4.5 million dollars are preinvestment loans made specifically to finance the cost of project preparation.

In accordance with our charter and the policy laid down by the Board of Executive Directors, we have concentrated our technical assistance on proper presentation of loan applications, the establishment or reorganization of institutional mechanisms that contribute to the execution of projects, and training of personnel specializing in the field of finance.

Expansion of activities required us to enlarge our staff to 141 professional and 142 administrative and clerical employees as of December 31, 1961. In keeping with the Agreement, recruitment was based primarily on considerations of technical ability and efficiency, with due regard for broad geographic representation. All member countries are represented on the staff and 70 per cent is Latin American.

Although the Bank is still in the initial stage and has not yet completed its resources or begun to earn substantial

income on its investments, it was possible to meet the costs of normal expansion from our own receipts. In fact, our net earnings for the past fiscal year were \$557,000, more than double the profits for 1960. We have every reason to expect an even more substantial margin for this year, enabling us to strengthen our financial reserves and expand our non-reimbursable technical assistance activities.

The Bank's administrative costs for 1961 were slightly more than 4.7 million dollars, which represents 1.6 per cent of the total volume of credit operations, a modest percentage in comparison with other national or international development agencies. We must remember, however, that last year was a period of initiation for the Bank, and that our loan operations are supplemented by a broad and complex range of technical assistance activities.

To reach a better understanding of trends that shape activities of the Bank and project its final image, we must weigh the significance of events since 1961 within the framework of inter-American economic and social policy. Since the Bank was created for well defined purposes, the nature of the institution would seem to be immutable. However, those familiar with the Bank's evolution as a concept, and with the negotiations that culminated in its organization, are aware that the primary aim was to create an efficient and flexible financial mechanism that could undertake the immediate task of financing and adapt to new situations as they arise.

We know that what has undergone most drastic revision in orientation and content is foreign aid to developing nations. The organization and operations of international financing sources were vastly different in the early postwar years from what they are today.

Recent developments tend to re-define the role of the Bank. The Alliance for Progress, proposed a few days before our last meeting, was defined and formulated in the Punta del Este Charter last August. This new policy is the first integral expression of what may become a full scale attack on Latin American underdevelopment—foreign trade and raw material prices, foreign and domestic financing, economic and social investment, programming and social reforms, and regionally specialized production.

These new concepts have particularly influenced the following aspects of the Bank's activities:

Because Latin America needs a minimum per capita growth rate during the next decade, it was agreed to make sizeable contributions available throughout the Hemisphere during coming years, which enables the Bank to pace its operations within a general policy. A certain volume of resources is assumed for this decade based on the resources available to the Bank, either from its own resources or funds which it administers.

The growth of Latin America should be achieved fundamentally by the efforts of our people themselves. Foreign aid should be only a contributing factor in implementing new projects or accelerating activities already under way. This idea is part of the philosophy of the Bank. Our organization was not conceived to provide grants, indiscriminate credit or massive financial assistance to make up fiscal or balance of payments deficits, but to accelerate the progress of member countries through investment to promote mobilization of domestic resources.

The need to program domestic development policies has been fully acknowledged, and the Bank maintains close ties with agencies established for this purpose at national and regional levels. Our charter states that a function of the Bank is "to cooperate with the member countries to orient their development policies toward a better utilization of their resources, in a manner consistent with the objectives of making their economies more complementary and of fostering the orderly growth of their foreign trade," to which end we should give priority to those operations that will "contribute most effectively to the economic growth of the member countries."

Last November a panel of nine experts was appointed by the Secretary General of the Organization of American States, the Executive Secretary of the Economic Commission for Latin America and the President of the Bank. The caliber of these experts, the sound and dynamic manner in which they began their work, and the response from many of our countries, offer the best assurance of the success of this system and confirm the need for it. The Bank is proud that two of our associates have been appointed to the panel,

Executive Director Hernando Agudelo and Dr. Manuel Noriega Morales, our former Technical Assistance Director.

The work of the Bank will be more efficient as goals are better defined and it will be able to attract more funds from outside sources to the extent that the Latin American countries are able to prepare and submit development plans for proper evaluation. We should take cognizance of our countries' endeavours to set up planning offices and train experts able to assume responsibility for this task. It is interesting to note that during the past year Chile, Colombia and Bolivia submitted development programs for review; that Ecuador, Venezuela and Panama drew up programs covering four to five years; that Guatemala and Honduras prepared four-year public investment plans; that Brazil made considerable progress in regional planning, and that Nicaragua, El Salvador, Paraguay, the Dominican Republic, Argentina and Uruguay established councils or agencies to program and coordinate their development policies. In close cooperation with ECLA and the OAS, the Bank has been actively supporting this vital preliminary work. Along with our permanent technical assistance activities on the national level, we cite our association with the United Nations Special Fund in creating the Latin American Institute for Development Planning, to which we have contributed significant financial assistance. The objectives of the Institute are to meet such urgent needs as assistance in preparing national programs, training experts and organizing planning systems.

It is also recognized that outside financing for economic development must be accompanied by social investment. The bases for this policy were established in the Act of Bogota, a unique document for Latin America and the entire underdeveloped world. Its philosophy was echoed and strengthened by the Alliance for Progress. It was agreed at Bogota that to utilize resources administered by the Inter-American Bank for social purposes, the countries must have institutions able to meet the housing, land use, sanitation and education requirements of their peoples on a continuing and increasingly broader basis.

My report of February 21st to the Governors assayed an initial evaluation of how the Latin American peoples

are meeting the urgent needs of social welfare. In his speech of March 13th, President Kennedy said this report contained an impressive list of measures taken in each of the 18 countries, ranging from mobilization of domestic resources to new education and housing programs, within the framework of the Act of Bogota and Alliance for Progress. These are encouraging achievements, he noted, the fruits of the first seven months of a program destined to cover a full decade, but those who are aware of the magnitude and urgency of the problems, he continued, understand that we have just begun, and must act much more rapidly and on a broader scale if we hope to achieve our development goals in the years to come.

New force has been given to the idea that Latin America needs commercial, economic and financial integration quickly, if it is to step up the struggle against parochial backwardness entrenched behind formidable barriers. During the past year we witnessed the strengthening of the Latin American Free Trade Association, with a membership of nine countries, and the integration of Central America.

The increasing efficiency of transportation, communications and power generation and transmission, and the growing productivity of the various economic sectors compel our countries to search for new frontiers and extend established economic horizons. The policy of the Bank is openly dedicated to promoting the formation, within the national framework, of compensating forces for areas which are traditionally backward or static. We have moved with dispatch to invest in the Mexican rural sector, to cooperate in social welfare projects for various Colombian provinces, to promote the growth of southern Peru and to create new sources of employment in the depressed areas of northern Chile. In Argentina we assisted in the industrial and agricultural development of its provinces, and in Brazil we collaborated in a policy to develop the northeastern region.

The Bank now must assume an even more active role in multi-national integration. We have contributed boldly through technical assistance and offers of financial aid to establishment of the Central American Bank for Economic Integration, with which we maintain the closest ties. We

intend to strengthen our bonds with the Latin American Free Trade Association. We believe that to reinforce the first steps of this organization we can study and outline together how the Bank's investment credits can best be oriented to create a true regional market. Following this Meeting, we intend to explore the possibility of Bank investments in projects combining the interests of two or more countries.

In keeping with these aims, a discussion of the financing of exports was placed on the agenda at the request of the distinguished Governor for Brazil, whose suggestion is roundly seconded by those who would like to continue the debate initiated a year ago at the Rio Meeting. Officials in some countries have expressed interest in having the Bank undertake direct promotion of exports, particularly manufactured goods, within the Latin American area. Emphasis is placed on the need for mechanisms similar to those of banking systems promoting foreign trade in more highly industrialized countries.

These concerns affect the general functions of the Bank since, according to our charter, we are dedicated to the promotion of regional trade and the symbiosis of national economies. Unfortunately, as presently constituted, we are limited, especially by lack of resources, in our capacity to finance export operations directly, but as I stated at other international meetings, and particularly at the meeting of the Inter-American Economic and Social Council last August, if the member countries believe the Bank should perform such functions, and we are provided with special resources for the purpose, we would be willing to assume these new responsibilities. To this end, it might be worth while to explore a formula similar to that used for administration of the Social Progress Trust Fund.

In view of the nature of this Meeting and the limited time available, we know it will be difficult in the next few days to discuss the subject in depth and to advance solutions. The Board of Executive Directors of the Bank perhaps could be asked to study the matter and in due course submit to the Board of Governors recommendations it may prepare following analysis and discussion.

The steady growth of the Bank's operations has been made possible by prompt and, in some cases, advance payment by member countries of their subscriptions of our initial resources. By October 31st of last year, the date for payment of the second installment, 99.3 per cent of subscriptions due had been paid. In recent weeks we had the satisfaction of receiving full payment from the Dominican Republic, which for reasons known to us all, had been beyond the pale of Bank activities. This payment brought all installments up to date.

We have received 229 million in dollars and other currencies representing the first and second installments of the paid-in portion of ordinary capital resources. By October 31st of this year the member countries will have paid in a total of 153 million dollars for the third and last installment. It should be noted that the resources of the Fund for Special Operations, amounting to 146 million dollars, payable in two quotas, have been paid in full. Let me express my thanks to all our members for their cooperation in fulfilling their obligations with regard to payment of quotas and the maintenance of value of local currencies held by the Bank.

As a result of our heavy loan schedule during 1961 and the first quarter of this year, we will soon be obliged to exercise our authority to sell bonds or securities of the Bank on the capital markets. We are therefore particularly pleased to be able to announce our first issue, on the Italian market, for the equivalent of 24.2 million dollars at an interest rate of five per cent, on a 20-year term. These funds are freely convertible into any currency, and in general the terms of this transaction are similar to those granted other international agencies. It is unnecessary to stress the significance of this initial placement of our bonds and the prospects it opens up for enlarging our financial resources in the United States or Western Europe.

I had occasion to report to you the receptive atmosphere I encountered on my tour of seven European countries in May and June of last year. This initiative was followed up by the Executive Vice President and other officers and by appointment of a permanent representative in Europe. Interest is also betokened by inclusion in the schedule of

this Meeting of a round-table discussion on European participation in Latin American progress.

We are convinced that we can create a valuable system of financial cooperation channeled through the Inter-American Bank between the capital-exporting countries and Latin America. This would apply not only to the sale of bonds or bank participations, but to utilization of public resources, as in the case of COMIBOL in Bolivia.

In the last two years the Board of Executive Directors and management of the Bank adopted various preliminary measures to increase our ordinary capital resources by borrowing in the financial markets. In the United States, for example, a number of financially powerful states approved legislation authorizing purchase of our securities by institutional investors. The Bank can now be considered to have legal access to more than 90 per cent of the institutional investment market in the United States.

A special topic was included in our agenda on the Bank's future resources, so that the Board of Governors might instruct the Board of Executive Directors to make a detailed study of this matter. The resulting recommendations to the Governors will be intended to maintain our activities at the current rate at least.

Pursuant to Article II, Section 2(c) of the Agreement Establishing the Bank, after October 31st, 1962, the due date for the third and final installment of the ordinary paid-in capital, member countries may be required to meet their commitment to increase callable capital by an additional 500 million dollars. A decision on this matter will require a three-fourths majority of the total voting power of member countries. In many of our countries, action on such a decision will require special legislation.

The Board of Executive Directors and management deemed it advisable to make a broader study of the situation of our future resources. I wish to stress that the rhythm of the Bank's current operations is inevitably leading to rapid and total utilization of all available resources. In the future, activities of the Bank will be conditioned, not by its capacity to evaluate and decide on specific economic and social development projects and programs suitable for financing, but by the volume of resources at hand.

I would also like to touch on the status of the Social Progress Trust Fund. Of the 394 million entrusted to the Bank for administration, we have loaned 212 million. The contribution received under our agreement with the United States Government will have been totally committed by the first half of next year, and if the Bank is to be made responsible for further social investment projects, we will have to be provided with additional funds in the future. If these observations seem somewhat premature, I have thought it proper to present them at this time, because at the next meeting of the Board of Governors we will have to submit to your examination a well defined outline of our future social development activities if we are to plan in advance. We may well recall the opinion expressed by this Board at our Second Meeting on this point. A specialized multilateral mechanism is the best instrument for administering resources of the Alliance for Progress, since activities in the social field involve not only the preparation of projects, but also mobilizing domestic resources, revising financial structures and undertaking frequently difficult reforms.

The outlook for increasing funds needed for an active policy of promoting economic and social investment in Latin America depends on what financial resources more advanced nations are able to offer underdeveloped countries, particularly in Latin America. The results of the past year seem promising. Between 1950 and 1955, an average of 3.5 billion dollars yearly was contributed through different channels to countries in the process of development. Between 1956 and 1959, this average increased to seven billion dollars, and in 1960, to eight billion. Substantially increasing use has been made of multilateral mechanisms in the 1960's. Where multilaterally used funds averaged 100 million dollars a year, this average climbed to 300 million dollars in 1956-1959, and 700 million for 1960.

In connection with Latin America, we may observe that here, too, the flow of foreign capital is swelling. Not counting assistance received by our countries from the International Monetary Fund and petroleum investments, the inflow of foreign resources amounted to a yearly average of 500 million dollars in 1950-1955, and climbed to almost a billion in 1956-1959. In 1960 and 1961, tentative figures

justify the assumption that the flow has held at more or less the same level as in the preceding period.

The goals stated in the Punta del Este Charter give further cause for optimism as to the possibilities of increasing resources of the Bank in the near future, since the Charter reaffirmed the importance our countries attach to the Bank as an instrument for regional and multilateral financing.

It is also interesting to observe the increasing participation of Western Europe, Canada and Japan. Available figures show the aggregate contribution of these countries since 1959 amounted to more than 50 per cent of all foreign resources reaching underdeveloped nations, and that a proportionate share of this increased contribution is not being channeled to our Hemisphere, which sorely needs greater cooperation from this bloc. The most recent experience of the Inter-American Bank augurs well for closer association between these countries and Latin America.

Now I should like to discuss the principal credit activities of the Bank during the past year:

As of December 31, 1961, we had completed 40 operations totaling 130 million dollars from the ordinary resources of the Bank, 15 operations aggregating 48 million dollars from the Fund for Special Operations, and 18 operations amounting to 116 million dollars from the Social Progress Trust Fund. To these must be added the following operations completed from January 1st to April 15th of this year: Seven operations totaling 17 million dollars from the ordinary capital resources, five loans aggregating 19 million dollars from the Fund for Special Operations, and 13 operations totaling 96 million dollars from the Social Progress Trust Fund. In other words, loans made to date add up to the following totals: Ordinary capital resources, 47 operations for 147 million dollars; Fund for Special Operations, 20 operations for 67 million dollars; Social Progress Trust Fund, 31 operations for 212 million dollars; total of all operations, 98 loans for 426 million dollars.

It is of interest to classify the Bank's credits by purpose and source of funds. From its own resources, the Bank loaned 87 million dollars for the industrial sector, 36 million dollars for sanitation projects, 34 million dollars for agri-

culture and mining, 25 million dollars for irrigation and drainage, 21 million dollars for transportation and electric power, seven million dollars for land settlement and improved land use, and four million dollars for reimbursable technical assistance. From the Social Progress Trust Fund, the Bank financed 95 million dollars in housing projects, 92 million dollars in sanitation works, 20 million dollars in agricultural development and five million dollars in advanced education.

The Bank has made broad use of "over-all lending" through national development, agricultural and industrial credit agencies or institutes responsible for housing, water supply and drainage programs, land settlement or credits to medium and small-scale farmers. Through the first quarter of 1962 we channeled 41 per cent of all loans from the Bank's own resources and 53 per cent of all loans from the Social Development Fund through public agencies in the countries.

Experience has taught us that nothing is so constructive as association with local national agencies and institutions already in operation, or with those we have helped to establish or reorganize by providing technical assistance in conjunction with financial resources. In some cases where we have been faced with unsatisfactory administrative situations, we have committed resources while providing technical assistance to revise imperfect organizations and procedures. This circumstance explains why only slow use has been made of some over-all loans. We think this approach is amply justified, since it has enabled the Bank to build up confidence in agencies which often for reasons beyond their control were unable to function properly.

When the Bank's work was being planned in February 1960 at the First Meeting of the Board of Governors in San Salvador, I had occasion to express the following thought, which has been fully supported by the experience of the last two years:

"I attach great importance to the possibilities the Bank has, in carrying out its operations, of working through national organizations created to provide financial aid for economic development, whether they be promotional organizations, development banks or agricultural or industrial

banks. I believe the experience of such organizations and their knowledge of the economy and needs of their respective countries may enable them to become suitable channels for utilization of part of the Bank's resources. There are also important areas, usually covered by small or medium-sized private associations or enterprises, where we may contribute most productively with our resources. In this respect, our assistance would probably be more useful and give maximum results in agriculture and animal husbandry, and in industrialization."

We have approved 17 over-all loans totaling 88 million dollars from our resources. The agencies with which the Bank has worked over this period include the Corporación Boliviana de Fomento, Banco do Nordeste do Brasil, *Corporación de Fomento de la Producción de Chile*, *Corporación Financiera Colombiana de Desarrollo Industrial S.A.*, Institut de Développement Agricole et Industriel d'Haiti, Nacional Financiera de Mexico, Instituto de Fomento Nacional de Nicaragua, Banco Nacional de Fomento de Paraguay, and Corporación Venezolana de Fomento. Loans were also approved to a consortium of provincial banks in Argentina, headed by the Banks of Entre Rios, Santa Fe and Cordoba Provinces, and to the Banco Nacional de Costa Rica, Comisión Nacional de Valores del Ecuador and Banco de Guatemala.

Deeply conscious of the importance of the development and programming of medium and long-term credit systems, we have started a joint personnel training program with the Centro de Estudios Monetarios Latinoamericanos in Mexico. The first course included 39 officials from 34 development agencies in 18 countries, and was for a four-month training period in Mexico and Washington. In the future we plan to continue these courses at the rate of two a year, to train at least 100 experts a year in the preparation of projects, evaluation techniques and other aspects of the administration and management of development institutions.

Our annual report indicates how important our direct action with private enterprise in the Hemisphere has been. If we compare the amount of our loans which went directly or through development agencies to private enterprise with the total of loans made from the Bank's own resources, we

find that 55 per cent of our credits have been channeled to the private sector. Accordingly, we have thought it useful to organize a special round-table discussion for this meeting to examine and discuss the important role of Latin American entrepreneurs in national development programs.

We thus far have approved 32 million dollars in loans for 22 private industrial projects in such fields as the production of components and spare parts for the automotive industry, cement, construction materials, paper and cellulose, chemical products, textiles and foodstuffs.

To finance power projects, highways, irrigation and drainage, we have approved loans for eleven projects totaling 46 million dollars. It can be appreciated from these figures that our financing of economic overhead projects is limited in relation to other fields. This does not mean that we do not acknowledge the growing need to expand basic investments in roads, power development and harbor construction, but simply that we believe the World Bank and Export-Import Bank can expand their very effective collaboration in this field, especially with the economically stronger nations of Latin America.

A promising field for our activity in this area should be the medium-sized and small countries. We can provide supplementary financing for overhead projects in the larger countries, as exemplified by our loans to expand power generation and distribution facilities at Rosario, Argentina, and Belo Horizonte, Brazil. Deserving of mention, too, are the interesting irrigation projects we have helped finance in Mexico, El Salvador, Bolivia and Chile. We do not anticipate difficulties in financing operations jointly with other sources. The highway loan to Honduras, jointly with the Agency for International Development, is a type of activity which should be expanded.

We have stressed the importance we attach to pre-investment studies. It is not enough for Latin America to have soundly conceived programs or comprehensive plans unless studies and specific projects, particularly on engineering aspects, are also on hand. Only through planning for the use of production factors will we be able to absorb available funds in a useful, rational and effective manner. We thus will be able to familiarize ourselves with action

in the fields of power, agriculture, mining and urbanization, and thereby broaden our vision of the Hemisphere and discover which regions have economic potential and which activities will yield the highest return for the investment of international capital.

It would be convenient if the Latin American countries could draw on additional resources for pre-investment purposes beyond those administered by the United Nations Special Fund, which must necessarily provide for the needs of underdeveloped countries throughout the world. The best way to start would be through non-reimbursable assistance, which perhaps should be linked closely to evaluating over-all programs in accordance with procedures laid down in the Punta del Este Charter.

The Bank feels it can meet this need through loans which, if projects to which they apply are eventually financed, are repaid in advance or charged to the loan which beneficiaries obtain from the Bank. In 1961, we approved nine operations of this type for a total of 2,574,300 dollars. Through March 31, 1962 we approved four operations more, totaling 1.9 million dollars. The salient feature of these operations has been the financing of technical studies and evaluations and organization of programming systems in several of our member countries.

As of December 31, 1961, we had approved seven loans aggregating more than 63 million dollars for low-cost housing programs. To date, these loans amount to 95 million dollars for eleven projects. This means we have cooperated with and furthered the housing policies of the governments of Colombia, Costa Rica, Ecuador, El Salvador, Nicaragua, Panama, Peru and Venezuela. These loans will aid in building 100,000 units benefiting 500,000 Latin Americans.

The magnitude of Latin America's housing shortage and needs generated by the population growth may make these figures seem small. It is anticipated from expert computations that at least 1.4 billion dollars a year will be needed to meet these needs. The Bank does not pretend to act as a welfare institution offering a total solution to this problem. The Social Progress Trust Fund gives the Latin American countries their first opportunity to obtain international financing as a supplement to their public and pri-

vate domestic resources for their housing policies. This is why we see our role as one of cooperating with the specialized agencies, contributing to establishing and strengthening savings and loan institutions, or encouraging self-help construction, a valuable practice which is rapidly gaining momentum.

The Bank has already made loans from its funds for financing water supply, sewerage projects and community sanitation in general, under programs which could improve conditions for economic development. Subsequently, in accordance with rules governing administration of the Trust Fund, we undertook the financing of works which more directly affect the general welfare. As of December 31st, we had loaned more than 24 million dollars of our own funds and more than 40 million dollars from the Social Progress Trust Fund for water supply and sewerage projects. To this must be added operations totaling 63 million dollars, approved by the Bank during the first quarter of 1962 from both sources. In short, we have contributed to 23 projects for 127 million dollars which benefit ten million persons in Latin America.

We are thereby helping to satisfy a collective need which has been neglected in practically all the countries, particularly because of the haphazard growth of large urban centers. In our first 14 months we approved loans for projects which help meet either water or sewerage requirements, or both, in Concepción, Talcahuano, Cali, Cúcuta, Medellín, Cartagena, Quito, Puerto Barrios, Arequipa, Montevideo, San Salvador and Rio de Janeiro, and in six state capitals in northeastern Brazil—Salvador, Recife, Natal, Maceió, San Luis and Terezina. We have helped fill the same needs in over 500 small communities and rural districts in Mexico, El Salvador, Guatemala, Brazil and Venezuela. In the preparation and evaluation of these projects we found a valuable collaborator in the Pan American Sanitary Bureau, whose technical assistance is well known to all our member countries.

Here, as in housing, we are convinced of the need to create favorable living conditions for the farmer. Only in this way can he be provided with proper conditions for increased productivity and well being, and only in this way

can we help stem the massive tide of migration from country to city. Close to 20 per cent of our investments in housing and sanitation has benefited the rural sector.

In specific land settlement, improved land use, supervised farm credit and what might be termed agrarian reform measures, we have approved financing of 20 million dollars so far. We have also allocated over seven million dollars of our own funds to these projects. These figures, naturally, do not mean the problem is near to being solved, in a continent where only half of 20 million rural families earn incomes that could be regarded as adequate.

We know that it is in our countryside that the great struggle against poverty, ignorance and disease must be waged. Our job and that of future generations is to bring the benefits of Latin American economic development to every farmer in the region—white, mestizo or Indian—on equal terms with the most favored classes, and to see that activities which can bring more stable and equitable export earnings extend their benefits to the tens of millions of workers, sharecroppers and tenant farmers who have been cruelly exploited throughout our colonial and republican history. Day by day the press brings us news which no longer surprises us of rural and Indian groups, motivated by poverty and increasing in numbers, squatting on land that is not theirs, of armed reaction against representatives of a world which for them is "broad and alien."

There is a continuing need in Latin America to allot lands to men and locate men on new lands. Applicable to almost all our countries is Sarmiento's reflection on Argentina, "I have always been struck by the sight of the smooth, sea-like expanse of the velvety pampa, still awaiting an order to put forth plants and seeds of all kinds."

Economic, social and educational policy towards the rural populations of Latin America cannot be the ultimate responsibility of our Bank, nor should it be the exclusive object of academic speculation or demagoguery. This responsibility must be faced by the governments of Latin America with the welfare tools now available to the modern state. That they realize this, and hope the Inter-American Bank can help finance these undertakings, is demonstrated by the increasing number of applications that we are re-

ceiving for aid in these fields. We at the Bank have learned from experience that many of our countries wish to establish or improve their land settlement and agrarian reform agencies, and are increasingly interested in establishing supervised and cooperative farm credit systems. Colombia, Venezuela and Costa Rica are in the process of instituting agrarian reforms, and legislative programs of this kind are being considered in Brazil, Ecuador, Panama, Peru, Chile and El Salvador.

In advanced education relating to economic and social development, we can refer with pleasure to our announcement of a few days ago that we have broken ground with a loan of five million dollars to re-equip eight Argentine universities. The Bank is prepared for educational investments under the terms of the Social Progress Trust Fund, in accordance with its resources. In this connection we wish to stress the rapid change of concept in international public investment concerning the relationship between education and economic development. Recent conferences in Washington in October 1961 and in Santiago in March 1962 helped greatly to shed light on this question.

Understanding of the true scope of the Bank's activities cannot be gained from a report on operations alone. It is also necessary to explain some of the criteria by which the Bank has been governed and point out the chief limitations which it has encountered.

The fact that it utilizes funds from diverse sources and for diverse purposes has impelled the Board of Executive Directors and management to evolve a variety of operational criteria with regard to ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund.

We have financed from ordinary capital resources only strictly productive projects, on conditions analogous to those established by other international lending agencies. The Fund for Special Operations has been governed by a policy of financing applications for economic investment whose characteristics, especially those relating to the creditworthiness of the countries, render them ineligible for financing from the ordinary resources. The Social Progress Trust Fund has been administered pursuant to the pro-

visions of its basic agreement and the principles laid down in the Act of Bogota and the Charter of Punta del Este.

Since the Bank's one aim is to promote Latin American economic and social development, the various operational criteria are not translated into policies mutually contradictory in their content and goal, but are integrated around a central idea and single operational strategy. In some of our operations we have combined funds from the various financial reservoirs available to the Bank, which in practice indicates activities in which economic and social aspects are closely interrelated. This approach affords a high degree of flexibility in handling applications from member countries.

The Bank has made active use of member countries' contributions in local currency. Comparing the ratio between funds lent in dollars and contributions in local currency to the ordinary capital resources and Fund for Special Operations, we find that it is almost 60 per cent. If we determine the same ratio in the case of the local currencies of the member countries of the institution, it will be seen to be almost 50 per cent. The conclusion is that the Bank has utilized resources available to it in dollars and local currencies to approximately the same degree.

In addition, and without departing from the limitations of the Agreement Establishing the Bank, we have authorized the use of substantial proportions of our foreign currency loans for financing local costs. This ratio has amounted to 17 per cent in loans from our ordinary capital resources and 41 per cent in those from the Fund for Special Operations. The Social Progress Trust Fund allows a high degree of flexibility for use of its resources to cover local costs, and 77 per cent of loans approved will be applied to purchases inside the debtor countries.

These various sources are valuable means of satisfying one of the most strongly felt requirements for successful absorption of foreign aid—the possibility of supplementary utilization of local funds which cannot be obtained from other sources.

The Bank applies strict technical criteria in evaluating a project and deciding upon its financing. Efforts are made to fit each project into the economic and social situation in

the country involved, to ensure that the operation financed will yield as great a benefit as possible. The assignment of the relative priority of each project is determined by consultations with authorities of the government concerned. Such considerations as the country's capacity to incur foreign indebtedness, bottlenecks in development and its budgetary and general financial situation are taken into account before relevant decisions are made. The new inter-American mechanisms contemplated to support efforts of the countries to formulate development programs will enormously facilitate the Bank's task of allocating its resources to projects with the highest relative priority.

It is evident that the allocation of available resources among countries, or groups of countries, cannot be automatic on the basis of such factors as population, area, income levels, the contribution of each country and the possibility of prospective borrowers' having access to other sources of financing.

Criteria applied yield some interesting conclusions. For example, if we examine the distribution of the Bank's operations by population groups, it will be found that countries with less than two million inhabitants, accounting for four per cent of the population of Latin America, received ten per cent of the total amount of all loans. Countries with two to five million inhabitants, containing eleven per cent of the aggregate population, received 17 per cent; those with five to 15 million inhabitants, accounting for 21 per cent of the population, 37 per cent and, last, those with more than 15 million, accounting for 64 per cent of the total population, received 36 per cent.

The Bank looks forward to receiving projects and endeavors to collaborate with the countries to facilitate their access to its resources. Its missions and experts in various areas have helped countries in preparing applications—particularly those with less advanced techniques. Many applications approved by the Bank were drawn up with the direct participation of its experts. The importance we attach to technical assistance enhances the decisiveness of this operational criterion, so fundamental in an international development agency wishing to serve as a promoter of progress.

It is often said that Latin America today cannot offer sufficient investment projects to absorb funds provided for direct economic development purposes under the usual conditions for productive loans, that is, operations referred to as "hard," to distinguish them from so-called "soft" loans. It is also said that perhaps the most rapid and effective contribution can be made in the latter field, since the nature, terms, interest rates and repayment facilities of "soft" operations make them attractive to broader segments of the financial community. Such an approach assumes that agencies like the International Development Association and the Social Progress Trust Fund and certain types of United States Government bilateral aid should come into increasingly prevalent use.

We think that here, as in all matters where extreme points of view tend to be overemphasized, errors of evaluation may occur. It is true that Latin America at the moment does not have a large number of fully prepared applications with technical specifications ready for financing. For many years the scarcity of foreign aid for Latin America discouraged governments, public enterprise and entrepreneurs from drafting and presenting applications, but the mere opening of new possibilities of financing offers an incentive to the countries to submit requests. Nor should we overlook the high costs, technical complexities and personnel requirements involved in the presentation of such requests. No one will invest resources in studies if he cannot reasonably expect them to be applicable in practice. Hence the importance we attach to pre-investment operations.

These observations are particularly relevant to our recent experience in social development. The Social Progress Trust Fund has spurred preparation of a large number of eligible projects in sectors where collective needs are more acute, and for which no dependable source of foreign funds was available until recently. This is why 31 social operations have been financed for an aggregate of 212 million dollars since the Bank began to administer the Trust Fund in June of last year, a sum equivalent to our entire outlay for economic development loans.

Latin America is gradually training experts in public

and private activities to take on this work. It is no coincidence that, in the few months that the Bank has been in operation, more and more offers of service are reaching us from Latin American engineering and consulting firms with excellent qualifications. By the same token, the granting of over-all lines of credit to national development agencies has facilitated preparation of adequate projects by medium and small-scale enterprises in our countries which find it very difficult to negotiate directly with an international financing body.

I would like to refer to the status of disbursements under credits granted by the Bank. To better understand this, it must be remembered that all new development financing agencies, whether national, regional or international, undergo an initial phase characterized by a gap between loans approved and funds immediately utilized.

In the case of the Bank, even though applications are approved after thorough technical analysis, this lag may be unusually marked because of some of our operating procedures. In many cases the Bank approves a credit, disbursement of which is contingent on the beneficiary's completing administrative and institutional arrangements. We think this approach is advisable, especially in granting loans for relending by development corporations, housing institutes or other national authorities with programs requiring a commitment of funds. By the same token, we have chosen to allow a term of ninety days following approval of a loan resolution for signing of the contract, instead of taking both actions at the same time.

Out of 94 operations approved by the end of March 1962, 60 contracts have been signed. Of these, only 40 were sufficiently advanced to qualify for immediate disbursement, and ten per cent of funds committed had been utilized. If we bear in mind that the absorption of resources by the debtor country or enterprise generally takes at least two years, we do not think the pace of disbursements has been unusually slow, especially since the Bank is still in early stages of operation. It should also be borne in mind that close to 50 per cent of our loans have been approved in the last four months, and that the rate of disbursements is rising swiftly, as evidenced by the fact that in January

they were 24 per cent higher than in December; in February, 48 per cent, and in March, 68 per cent higher.

These considerations do not, however, relieve the Bank of the need evidenced by its recent experience to improve and expedite its system of disbursements and controls. Responsibility also devolves on the beneficiaries, and particularly on some public agencies which seem to believe that a loan by the Bank is the final step, rather than the first of a series. Here, as in other matters, we will request the cooperation of the Governors in promoting more rapid use of our funds.

Doubts or criticism are frequently expressed in regard to foreign aid on the grounds that aid allegedly is late in arriving, that bureaucracy managing the funds is inflexible, or that requirements are burdensome and often pointless. These arguments become even more persuasive when it is pointed out that aid is urgently required, particularly when a country is beset by unresolved political and social tensions.

The concepts of foreign financial assistance are new, and it is hardly surprising that there is still no broad comprehension of its true scope, nature and manner of operation, even among groups which by virtue of their technical responsibilities should have a clear understanding of it.

There is evidence of a dangerous confusion of ideas on these points in short-term aid and the financing of development programs or projects. Many countries are encountering difficulties in their balance of payments and, as a consequence, face general fiscal deficits. This kind of situation cannot be alleviated by international development financing bodies, at least within their present framework of operating charters and policies. The best solution to these persistent imbalances affecting our economic relations with other countries would be to strengthen the mechanisms that serve to counterbalance these fluctuating situations. We cannot deny that on the international financing level the action of long-term investment capital flow can be adjusted to cyclical tendencies in international economic activity which intimately affect us, but this cannot be the direct and immediate responsibility of an agency such as ours.

There are countries where fear is felt for institutional stability because of manifestations of political and social unrest. In those countries we observe inflation; shortages of low-cost housing, food and schools; bad sanitary conditions, and a dearth of employment opportunities, to mention a few symptoms of the profound economic and social ills and limitations that historically have held us back. It is often argued that because of the urgency of this state of affairs, international credit can offer an immediate solution. This may be true in part, but investment in economic or social projects cannot produce overnight miracles. Credits to bolster budgets or meet emergencies can alleviate such situations by providing governments with financial resources for prompt action in meeting the situations, but it is a grave mistake to expect the credit facilities of agencies like ours to transform overnight a situation evolving in Latin America over centuries.

It is easy, but dangerous, to blame foreign aid systems for the fact that increasing aspirations of our vast rural and worker classes and our new, extensive middle class have not been fully satisfied. We must not forget, however, that there is no historical experience to prove that social stability and well being have not resulted from change in societies themselves. Their responsibility cannot be shifted to international agencies.

The Bank's experience has shown that the basic function of foreign public credit is to promote the mobilization of national action and energies. Our loans in themselves have not created administrative bodies to manage them, but they have moved governments to create or reorganize such agencies. Our loans have not determined development policy, but they have helped make it more vigorous and efficient. Our operations have not totally financed any industrial projects of public or social value, but they have encouraged beneficiaries to seek national contributions representing the savings and efforts of the local community.

In implementing its development policies, Latin America can and should make better use of what we might term the "idle capacity" of a large part of its productive resources. Suffice to mention the inadequate use of agricultural land and manpower, varying in degree from country

to country, but present in all of them. This situation is confirmed by the low productivity of the able-bodied rural population, which contrasts with a rising domestic demand for foodstuffs. In our industrial sector, too, many of our countries have an installed capacity only partially utilized, even allowing for temporary circumstances, aggravated by a variety of factors, including limitations imposed by our markets and imperfectly programmed investments.

The more we avail ourselves of development programs, the more we will discover poorly invested potential domestic financial resources or an untapped capacity for savings. The new movement to create savings and loan associations, for example, has brought to light a previously unknown and surprising capacity for popular savings that can be channeled into low-cost housing financing, for one.

The greater the sense of financial responsibility, the better the economic system functions. Happily, the notion prevalent in Latin America that inflation favors economic development is now in retreat. Conversely, the idea that foreign debt must be carefully weighed before being assumed is gaining ground. It is increasingly understood that no solution lies in precarious short-term aid on which excessive interest is charged and which blocks the possibility of future credits for economic development on more comfortable terms.

Recourse to questionable expedients in foreign and domestic financing often derives from difficulties in our balance of payments. It is commonplace to say that foreign credit, however abundant and generous, cannot offset losses our countries have suffered in recent years as raw materials and foodstuffs exporters. The increasing use of relatively short-term commercial and banking credits in many cases is a palliative to sudden contractions in foreign currency receipts.

Though these situations are not a specific field of action for the Bank, they greatly limit its range of activity. This accounts for our lively interest in proposals to give greater stability to basic commodity prices. For the same reasons, we are interested in international efforts—those of the United States in particular—to avoid trade dis-

crimination and ensure the prerequisites for an expanding, free and competitive world trade.

Our nations have declared that economic development must be accompanied by social and institutional reforms, not only for reasons of justice, but to remove impediments to collective progress. The struggle for social reform is not new in Latin America, and it has left an indelible mark on our history. The Bank, without departing from its objective and technical mission, can help create dynamic conditions for growth with greater possibilities for a more equitable distribution of the fruits of common effort. Stagnation intensifies political and social conflict, while development in itself creates conditions for the non-violent solution of these conflicts.

Taking all these factors together, we might say that without economic and social planning there can be no efficient utilization of resources, without stable and increasing export earnings there can be no orderly progress, and without cooperative continental action, there will be no dynamic force to meet our growing needs. Unless these three factors are present and coordinated, our own specific field of financing and promoting investment will always be limited and inadequate.

Distinguished Governors:

These are the basic reflections I present for your consideration at this inaugural session of the Meeting of the Board of Governors. My colleagues on the Board of Executive Directors and I await your comments in the coming days. The level of this meeting and your personal interest will cast light on the weighty responsibilities ahead of us. We know what the Hemisphere expects of us, and we know we have hardly begun our contribution to the great collective task of Latin American progress.

The period ahead of us will demand that we intensify the Bank's efforts in the fields I have mentioned. It will also require us to broaden our objectives. Our future aims will be to perfect the administrative, technical, financial and operational structure of our agency; to maintain and expand, as far as our resources permit, its credit and techni-

cal activities and coordinate them closely with the individual and collective programs of the American nations; to collaborate with other international agencies in defining the objectives of economic and social development, and help to create and improve means of implementing the policies of our countries; to bring the image of the Bank into sharper focus as a solid financial enterprise which, without forfeiting its inherent flexibility, will safeguard the soundness and productivity of its ordinary operations; to carry on as faithful administrators of the Social Progress Trust Fund and satisfy the needs of our countries in keeping with the spirit and letter of our trust; to become more effective in our complex function as purveyors of technical assistance by making wider use of experience accumulated in our countries; to seek means of ensuring the availability of adequate funds needed for our investment programs in social and economic areas; to strengthen and expand our relations with private capital sources which can substantially help to supplement our present resources; to continue our efforts to vitalize even further one of our most valued functions as a genuine supplier of services to governments and private sectors in Latin America.

In sum, we must improve the Bank and make of it a reliable, constructive and flexible response to the complex and growing collective needs of the Hemisphere.

We will leave this meeting revitalized by our contact with the generous land of Argentina. Buenos Aires will once more be a milestone in the course of the Inter-American Bank. The Argentine nation, whose material and cultural destiny is of decisive importance to our community of nations, will continue to strengthen its ties with our institution and maintain its traditional concern with enhancing the stature and prospects of Latin America in our world today.

This mission, which rests equally with all of us, might have been inspired by a thought expressed a hundred years ago by the great American and Argentine, Juan Bautista Alberdi, when he said: "It is understood that principles are human and do not change; that forms are national and do change. Principles are sought and embraced and given the

best, most individual and most suitable form. This is the point at which imitation ceases, the impossible is renounced, and man returns to what is natural, proper and timely. Such is the age of genuine emancipation, the true beginning of progress. Such is the age at whose threshold America now seems to stand."

**Address by Mr. Manuel Tavares, Governor for the
Dominican Republic and Secretary of Finance,
at the Second Plenary Session**

The Dominican Delegation, attending a meeting of the Inter-American Development Bank for the first time, and now speaking with the assurance government representatives acquire only through the free exercise of democracy, extends its most cordial greetings to the delegates of the sister republics of America.

In 1959 the dictatorial regime of the Dominican Republic signed the Agreement Establishing the Inter-American Development Bank. Nevertheless, the infamous political administration under which we suffered for 31 years scoffed at many an international agreement and failed to pay, among other commitments, its quotas toward formation of the capital resources and Fund for Special Operations of the Bank.

With the reestablishment of human rights following elimination of this despotic and brutal regime, a provisional civil government was installed that is determined to establish the bases for representative democracy and fulfill its contractual obligations to friendly governments and international agencies. One of the first steps taken by this government, therefore, was to pay its contributions to the Bank in March of this year.

This step implied sacrifice, for our economic, fiscal and social position is perhaps more delicate than that of any other country in the Hemisphere. As of December 31, 1961 our gross monetary reserves totaled nine million dollars, while foreign exchange banking obligations amounted to about 24.4 million and commercial debts to 28.5 million, resulting in a net deficit. Moreover, we inherited an unbalanced budget with an estimated deficit of 30 million dollars for the present year, equivalent to almost 25 per cent of minimum essential expenses, and a public debt of approximately 148 million dollars. Besides, there is an alarmingly high percentage of unemployment, with possibly tragic national consequences. This situation compels us to accept a rigid austerity program. We are not ashamed

to acknowledge that the Dominican Delegation to this Meeting is very small, and of necessity bears itself with the modesty and simplicity befitting those who represent a nation victimized by looting, obliged to observe mourning for our beloved dead and committed to strict austerity because the wealth and savings of our people have been wiped out or spirited abroad.

In 1960 our gross national product was estimated at 588 million dollars, or 189 dollars per capita. These figures must be interpreted in the light of reality, since it now has been proven that, thanks to heavy-handed financial mechanisms, a very large part of this income ended in the hands of the dictator's family and associates. His personal income alone varied between 35 and 50 million dollars a year. At the time of his death, his fortune and that of his family was one of the largest in the Hemisphere, totaling, without exaggeration, a billion dollars. The amount of assets held by the dictatorship abroad in bank deposits, insurance, stocks, real estate, and the like, has not yet been calculated.

The Dominican Government has begun to expropriate assets of the dictator, his family, accomplices and hangers-on found in our country. More than 22 million dollars was recovered from deposits in local banks and from a cache of money aboard a family yacht. Because of the lack of liquidity in the banking system, the government has been forced to use almost all this money to pay public treasury debts to government banks. The expropriation of property includes sugar mills and plantations, more than a million hectares of haciendas, buildings, sumptuous residences, a cigarette and cigar factory, cement plant, oil factory, glass factory, cotton and hard-fiber mills, cordage plant, distilleries, flour mills, radio and television stations, workshops, garages, shops, hardware stores, cattle and vehicles, etc., currently valued at more than 200 million dollars.

This expropriation does not reflect the people's justified wrath nor does it originate in a long-awaited wave of vengeance. It is founded on constitutional provisions in force prior to the fall of the dictatorship which decree the expropriation of property acquired through misuse of authority. It is a question of recovering booty wrested from

the people by brute force which became law and crime raised to the most diabolical level of refinement. Expropriation is not a punishment, but a just restoration.

Sixty per cent of the Dominican population is engaged in agriculture. Unfortunately, we have inherited the problems deriving from the coexistence of large landed estates and dwarf holdings. The best farm land, about one per cent of all farm properties, covers 25 per cent of the total cultivated area. The dictator and his family systematically encouraged the concentration of land and other production facilities in their own interests. They possessed sugar cane plantations, ranches and other farm lands valued at 26 million dollars, and a sugar mill syndicate valued at 140 million, with a capacity of 700,000 tons of sugar a season.

In contrast, 75 per cent of properties held by Dominican farmers average one hectare or less, and cannot produce the minimum income for decent rural family life. The insecurity prevailing in rural areas under the dictatorship, aggravated by the lack of farm extension programs, equitable credit, education and social welfare services, gave rise to a widespread and continuous exodus of the rural population to urban areas and a series of economic and social problems. Many farmers, seeking stability, settled in mountain regions, destroying valuable forests and accelerating erosion. An agrarian reform program is now being prepared to solve these problems with the collaboration of the Organization of American States, the Agency for International Development and the Inter-American Development Bank, and to this end an agency to be called the Dominican Agrarian Institute is under study. Reforms set forth in a bill currently under consideration are intended to attain the following objectives:

- Stabilize the rural population through permanent centers of production organized as rural communities;

- Distribute government lands expropriated after the dictatorship and those acquired in the future to form production units held by agricultural workers and small farmers with limited incomes;

Improve agricultural areas through construction and improvement of feeder roads, bridges, irrigation systems, water supply services and electricity, etc.;

Construct rural housing for low-income farmers, especially through the self-help system;

Establish and operate equitable farm credit (especially supervised credit), farm extension, first-aid, vocational training, home industry and folk art and crafts services;

Encourage the formation of cooperatives and secure fair remuneration for farm labor and produce.

I take great pleasure in announcing that the farm credit and settlement projects already have been initiated for the benefit of small and intermediate entrepreneurs through the joint efforts of the Department of Agriculture and Banco Agricola.

Our country faces the problem of acute housing shortages in rural and urban areas. Most rural dwellers lack adequate hygienic homes and, behind a screen of luxurious public buildings in the capital city, the pride of the dictatorship, are more than 40,000 huts or completely inadequate dwellings where some 200,000 of the present population of 350,000 live in miserable conditions. In certain central districts of the city of Santo Domingo the population density is as high as 500 per acre. These people are wretchedly housed in disreputable quarters, situated in the patios of apparently modern buildings. The government is now resolutely facing the housing shortage throughout the country.

Closely related to the housing shortage are problems of deficient water supply and drainage and sewerage services. The Government plans to create a National Sewer and Water Supply Institute, to study, plan and execute projects to provide these important public services.

Sixty per cent of the population is illiterate, since it suited the former regime to maintain the masses in ignorance. The new government, fully aware that education is a fundamental factor in creating a legal, democratic state, has attacked the education problem with firmness

and determination. It has earmarked five million dollars, of a loan for 25 million dollars recently granted by the United States Government, for building schools, training teachers and an extensive literacy campaign. The Dean and some professors of the University of Santo Domingo are attending this meeting at the special invitation of President Herrera.

I am also pleased to announce that the Dominican Government has created a national planning board to scientifically coordinate economic and social development efforts and prepare, as is the practice in advanced countries, a coordinated effort to exploit the country's resources to the best possible advantage.

The economic and fiscal position of the Dominican Republic could not be more critical. This situation was worsened by practices to legalize embezzlement and innumerable other measures adopted during the confusion following the dictator's death, when his successor and family attempted to perpetuate the era of darkness.

For many years multiple treasuries were in operation. The public treasury collected taxes to cover administrative expenditures and services of espionage and oppression, while family treasuries received tribute imposed by the dictator and his relatives. Businessmen paid the dictator for the right to import or export merchandise, industrialists paid him or his family heavy "fees" for supposed administrative or advisory services, and engineers and contractors paid from ten to 20 per cent of worth to get contracts. A prosperous business was obliged to cede or transfer a share of its stock at ridiculous prices under threat of shutdown. That is why there are so many claims today for the return to legitimate owners of property usurped by every method of coercion.

At the end of 1961 the administration that followed the dictatorship enacted approximately 107 demagogic laws that seriously undermine the economy, such as tax exemptions; the elimination and reduction of interest rates on debts to the Banco Agrícola e Industrial; salary increases unsupported by analysis of prices, markets and business conditions, and a give-away of vehicles and houses, among many others.

We now are faced by accumulated fiscal deficits, financial imbalance, fettered productive activity, demands for wage increases and other social benefits, and, underlying this depressing economic outlook, the threat of inflation.

Technical assistance from the International Monetary Fund has made possible a careful study of our monetary, banking and fiscal situation and a program of urgent tax reforms which faces stiff resistance from various sectors that have received unjustified exemptions. Tax adjustment is a complicated enough problem in any country, but how much more difficult it is for our country to undertake the initial task of recovering lost tax revenue, and subsequently plan an economically and socially equitable tax structure.

In this process of democratic rehabilitation we received the moral and material assistance of the free world. Economic sanctions that contributed to the downfall of the dictatorship were repealed and we received technical assistance from the International Monetary Fund, Agency for International Development, Organization of American States, and Inter-American Development Bank. All these agencies have sent technical missions that currently provide us with effective assistance, which we hope will shortly be supplemented by additional capital resources within the Alliance for Progress, since our government is ready to undertake an economic development policy favoring the mass of our people, and adopt measures to achieve a high degree of social justice and balanced economic growth.

Here in Buenos Aires, we take the opportunity to express our gratitude in the name of the Dominican Republic to the President of the Bank, Dr. Felipe Herrera, who personally established a permanent mission headed by Executive Director Alfonso Rochac. We also wish to express our appreciation to Dr. José A. Mora, Raúl Prebisch, and Rafael Picó for placing experts from their organizations at the service of a program that is attempting to reclaim 32 lost years in the life of a nation which, with the help of God and its sister republics of America, has reason to hope for a better future within the framework of respect for basic human rights and a completely honest public administration.

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

I am privileged to extend the greetings of the President of Mexico, Adolfo Lopez Mateos, to this Third Meeting of the Board of Governors of the Inter-American Development Bank, convened to discuss the Bank's already fruitful financing of our countries' development and propose sound and lasting solutions for our problems on an increasingly firm basis.

This splendid city of Buenos Aires is an ideal place to discuss our economic needs and further strengthen the spirit of inter-American economic cooperation.

When, at the very beginning of the inter-American system, an inter-American bank was first mentioned at the First International Conference of American States in Washington near the end of the past century, establishment of a mechanism to finance continental trade was envisaged. In the 1930's, as a result of the world depression and its aftermath, the possibility of a monetary organization to help countries overcome balance of payments difficulties was considered. However, it was the need to finance long-term investments, highlighted at present by our efforts to promote economic development, which was responsible for the present Inter-American Bank, whose prime objective is to stimulate capital investments for development. The experience of international financing institutions in recent years has given greater flexibility to its activities through creation of the Fund for Special Operations.

Within a year after it began operations, the Bank was made Administrator of the Social Progress Trust Fund by the inter-American decision expressed in the Act of Bogota, aimed at establishing equilibrium between investments for productive purposes and those essential to Latin American social welfare.

Our Bank has already established precedents during its brief existence, but since its activities must be dynamic and attuned to existing economic social conditions in Latin

America, I believe we should further diversify its operations and focus our attention without delay on solutions to the most pressing problems besetting us.

One of the most important of these problems is housing, particularly low-cost housing. In this connection, Mexico suggests the possibility that our national institutions for financing housing construction discount stocks and bonds from their mortgage activities on terms and to the extent considered reasonable, to be charged to the Bank's own resources, Fund for Special Operations and Social Progress Trust Fund.

Along these lines, we are keenly interested in having the economic development problems of the Hemisphere, especially those with social implications, receive preferential attention, and the Bank's resources made available to applicants as quickly as possible and with a minimum of red tape.

A situation which becomes daily more critical for the Latin American countries whose development is incomplete, and others in the Hemisphere eager to establish closer economic relations with them, stems from a lack of facilities for financing the sale and export of nationally produced capital goods, on terms and at interest rates enabling them to compete with the great industrial export centers.

We have taken modest measures in Mexico to mobilize foreign currency resources on deposit in our banks and financial corporations to finance the export of manufactured goods. This problem also affects financing domestic sales of capital goods produced by our incipient industries, established at great cost to avoid the need to import.

Because of these circumstances, we were especially sympathetic to the Brazilian proposal to amend Article III of the Agreement Establishing the Bank and empower the Bank to grant credits to finance exports of the member countries.

If, as we all hope, inter-American trade is likely to expand substantially, the demand for credits to finance exports will exceed the Bank's ability to grant them. In this event, each of the exporting countries will be obliged to extend credits to importers from other countries in the

region and thus finance transactions with its own resources. The cooperation of the Inter-American Development Bank could help to facilitate these operations, perhaps by setting up a clearing house for long-term exports of capital and semi-processed goods, financed from each country's national resources.

With the participation of the Bank and specialized agencies of each member country, it would be possible to make bilateral compensations, since the commercial paper made out to a country would be a guarantee applicable only to credits chargeable to it.

The time is ripe to explore concrete financing measures to encourage complementary industrial development and other forms of regional economic integration in our continent.

In addition to the foregoing, we have other ideas whose sole aim is an initial approach to the solution of complex problems which will need painstaking study and detailed regulation, and might more fully be developed by the excellent technicians of the Inter-American Bank.

According to the President of the Bank, whose energy and creative foresight have given astonishing impetus to its initial operations, the Bank's basic organizational period is over, now that it has a staff of 120 professional officials. The time is hence ripe for study of the new tasks we propose to undertake.

In the brief period from inauguration of its activities in October 1960 to December 31, 1961, the Bank approved loans totaling 294 million dollars, a significant amount if compared with the first years' operations of international organizations with greater resources and broader activities. This sum covers 73 loans to all countries of Latin America, on conditions permitting joint operations with the Bank. Over half the loans were from the Bank's own resources—130 million dollars from the ordinary capital resources, 48 million from the Fund for Special Operations, and 160 million from the Social Progress Trust Fund.

The volume of credit operations handled by the Bank is not important from the quantitative point of view alone. Its significance as a source of financing also stems from efforts to find flexible forms of credit consonant with the

special problems of each applicant country. These efforts have already begun to produce results, since procedures used in nearly all operations completed so far have been especially designed to adjust loan terms to specific projects in each country, and thus enable them to be genuine stimulants to economic development.

The Bank's own resources have been used to further agriculture, industry and transportation investments hitherto neglected by international financing, such as water supply, sewerage and land settlement. Support to small and medium investments through joint operations with banks and other development institutions is also worthy of praise.

This broad and intelligent policy has not violated the sound principles of banking solvency and reliability proper to the Bank, for we reach this Third Meeting with a smoothly functioning economic institution which is highly esteemed in world financial circles.

The Bank's technical assistance operations have helped several countries to organize institutions qualified to make a sound appraisal and selection of investment projects.

Mexico is among the countries that have worked actively with the Bank, and we can confirm from experience the thoroughness and diligence with which applications for financing are prepared, studied and acted upon. So far we have received credits amounting to 4.78 million dollars, plus 7.5 million pesos from the Bank's ordinary resources and 9.2 million dollars from the Social Progress Trust Fund.

Of these amounts, 11.78 million dollars and 87.05 million pesos were to finance seven irrigation projects to benefit diverse regions of the country. These projects are so important to our rural economy that they will permit 310,000 acres to be placed under irrigation or receive more irrigation, benefiting over 60,000 rural inhabitants.

In granting these loans, which cover part of works completed, most outlays were defrayed from budgetary funds and a high degree of operational flexibility was attained, since part of these loan funds will be used to acquire goods and services produced in Mexico. Payment will also be made in the same currencies lent by the Bank.

A trust fund established several years ago, and now operating in Mexico, was designed to meet the credit needs of small and medium-sized industry for the initial procurement and replacement of equipment. Private banking thus supports operations of this nature. This fund is a useful and profitable credit innovation, and I should like to cite a few figures concerning it. As of December 31, 1961, it had extended credits totaling 650 million pesos for 3,643 operations, without a single instance of default. Its financing services benefited 2,151 companies, employing 82,000 workers, whose 1961 production was valued at 3.339 million pesos.

We have received from the Bank's ordinary capital resources a three million dollar loan for use by this fund, to be used to defray the currency costs arising from its operations.

Mexico received a loan of 9.2 million dollars from the Social Progress Trust Fund administered by the Bank to finance 60 per cent of the costs of water supply and sewerage systems in twelve towns in the Yucatán Peninsula. We note with pleasure how the advantages of inter-American collaboration are extended to one of the most isolated regions of my country, where for ages the shortage of drinking water posed a serious threat to health. Through this joint operation we will be able to dispel it and benefit a vast sector of the Mexican population.

At the First Meeting of the Board of Governors, in San Salvador, we said that one of the Bank's principal objectives would be to become an instrument for channeling funds available in world capital markets into Latin America in increasing amounts. It is gratifying to recall this at a time when this objective is being fully implemented and the first bond issue of the Bank, for 15 billion Italian lire and a 20-year maturity period, has been completely subscribed by the Bank of Italy.

Equally encouraging is that many state legislatures in the United States have authorized institutional investments in the Bank's bond issues, since we know the importance and abundance of funds held by private American institutions and groups desirous of investing them and

holding investments in their portfolios for a considerable length of time.

Mr. Chairman and Distinguished Governors:

Every act and agreement we enter into here is subject to the supreme judgment of our people. Let us once more confirm in these acts and agreements the proven American solidarity which, fortunately for our New World, has so often been demonstrated in the political, economic and social realms.

**Address by Mr. Antonio Mata Martínez,
Governor for Ecuador and Minister of Economy,
at the Third Plenary Session**

I am honored to represent my country at this Third Meeting of the Board of Governors of the Inter-American Development Bank. This is an hour of decision. The world advances swiftly toward the crossroads of its fate, where the survival of man as a rational, thinking, spiritual and liberty-loving being is threatened by doctrines and governments seeking to destroy his individuality and twist his future to suit their own ends. Deprivation, ignorance and disease constitute the medium wherein these destructive forces operate. That is why our republics are intent on combating it. It is urgent and imperative that we do so. Our peoples cannot long remain in a state of expectancy, buoyed by a mere hope that some day their problems of development and well being will be solved. Immediate action is essential, for the crisis assumes tragic proportions and is complicated by the inability to muster resources necessary to satisfy these just and inevitable demands. America realizes that the time has come for final decisions affecting the survival of democratic institutions and the liberty, order, peace and labor which it strenuously endeavors to preserve and defend.

This was the sole purpose motivating establishment of the Inter-American Development Bank. Hence the immense responsibility borne by this institution.

The results obtained by the Bank from its initial operations to the present have justified our hopes. We have founded a sound and respected institution, directed by intelligent and dynamic officials whose lofty vision guides the Bank along the path of success. I should like to make particular mention of our distinguished President, Felipe Herrera, a man of great depth and experience who has devoted all his energy and abilities to the progress of the institution, and the members of the Executive Board of Directors who have shown equal devotion to the common task.

I should like to express my gratification at the Bank's basic policy of acting as a supplemental source of funds

rather than a replacement for a country's own resources. This provides wider access to various sources of capital and better utilization of its own resources. This criterion must be applied with greater flexibility in prior decisions concerning financing by the Bank on the basis of other private sources of capital. It is only natural that the Bank should determine whether a member state can procure financing for its programs on reasonable terms from other sources, but this requirement should not be so rigorous as to lead the Bank to exhaust other possible sources by a long and laborious search before accepting an application, since to do so would defeat the purpose of the institution.

An important factor which should be stressed in granting loans from the Bank's ordinary capital resources is the practice of so-called over-all loans, chiefly to development institutions. This procedure enables these institutions, which most of the American Republics have established, to foster the development of small and medium private companies. In most cases, however, they cannot perform this important task because they lack means to meet the increasing requirements of the various productive sectors. Ecuador hopes to avail itself of a loan of this type and feels the Bank should continue to devote special attention to operations of this sort.

I find it equally natural that the Bank has not set rigid standards for the term of reimbursement. Each loan presents a specific problem, deals with different conditions and, as a rule, differs from others in motive, purpose and scope. It should, accordingly, be evaluated on its intrinsic merits.

I believe that private enterprise should avail itself much more of the benefits of financing in operations financed from the Bank's ordinary capital resources. Perhaps insufficient publicity is given in industrial circles to the possibility of operating with the Bank and to facilities available to them through it. Private enterprise at times may be disheartened, fearing conditions imposed upon it may be excessive or constitute obstacles to access to sources of capital. The Bank will perform a valuable service in this connection if it collaborates with member countries to forestall and dispel such doubts, and displays the trust

and certainty expected by the entrepreneurs and businessmen on whose activity a country's progress and welfare are largely dependent. To this end, the Bank should establish agencies in all countries to give wider publicity to its objectives and operational terms.

The Bank is called upon to function actively and efficiently in technical assistance, to the mutual benefit of the Bank and the various governments. This is a factor vital to the success of any development program, because of the shortage of specialized personnel in certain cases. Technical assistance must be directed along two lines—assistance by experts in preparing, financing and implementing development plans and projects, and instruction and advanced training of specialists in the member states. Both are essential and must be continuous. Fortunately, there already is a wide awareness of this situation, which accepts and publicizes the need for technical action, although the urgency of problems and magnitude of responsibilities at times justify impatience in the face of delay and the long and laborious preparation of essential projects. As far as possible, without sacrificing technical and financing aspects, we might well be more flexible and waive formal requirements so as not to waste effort in insignificant delays.

The Bank has an important instrument for effective assistance in the Fund for Special Operations, because of the flexibility of its statutory provisions. It is gratifying to learn that the policy pursued by the Bank has conformed to this standard of flexibility with regard to terms and reimbursement.

Allow me, Mr. Chairman, to briefly comment on the Social Progress Trust Fund. Establishment of this fund and President Kennedy's initiative in drafting the Alliance for Progress are a frontal attack on the economic and social crisis Latin America is experiencing. We are witnessing a carefully planned attempt, directed from abroad, to destroy our democratic institutions and undermine the foundations of our inter-American system. The danger of these doctrines and attempts stems basically from the deep-rooted economic and social problems affecting Latin America, rather than political reasons. The governments

are aware of this unrest, but are unable to overcome it because of a dearth of resources.

We have made great advances regarding the philosophy which should govern our efforts. In the Act of Bogota we acknowledged the interests of the American Republics to be so interrelated that the sound social and economic progress of each is important to all. This is the true solidarity America awaited, since all could not possibly be bound to a political alliance entailing heavy obligations, while the opposite was happening economically and socially. If we are to be united as members of the same family, reciprocal aid must be evidenced in all our relations. That is why the peoples of America have placed great hopes in the Kennedy Plan.

With the Social Progress Trust Fund and the designation of the Bank as its administrator, a way has been opened for multilateral action to combat underdevelopment and supplant the bilateral system which so often placed Latin Americans in difficult situations.

If the Alliance for Progress, as defined by President Kennedy, proves to be "a vast effort of cooperation, without precedent in its magnitude and noble purposes, designed to satisfy the fundamental needs of the people of America," we shall have carried out the task which the present demands of those in whose hands lies the destiny of America. Should it result in failure, a tragedy of unpredictable scope would undoubtedly ensue.

I ask your indulgence, Mr. Chairman, to emphasize that these joint efforts must be particularly directed to benefit the less developed countries, for such disparity in the standards of living and development of the different American communities cannot be accepted as definite and permanent. We have been fortunate in eliminating the nationalism or vanity which blurs the American problem as a whole. Let us analyze the outcome of financing operations with Latin American countries from 1950 to 1959. Figures tend to show an inequitable criterion in granting loans, considering the comparatively greater need of the small countries. Of 3,415,700,000 dollars granted by international agencies and the United States in our Hemisphere, Uruguay obtained only 63.5 million, Ecuador, 47.7 million,

Bolivia, 38.1 million and Paraguay, 22.5 million. Thus, the more industrialized countries received more, and those facing greater development problems received definitely less.

While bearing in mind the urgent needs of all American countries, it would be neither fair nor equitable for countries in a more precarious situation to receive less attention for different reasons. The reverse should be the case. Ecuador is a signatory to the Treaty of Montevideo, and is firmly resolved to promote economic integration, but considers that the agreement will break at the weakest link unless due steps are taken. I feel certain the Inter-American Bank, as a general policy, will consider not only the size of countries, but the importance of their problems, the scarcity of local resources and their relative degree of development, and then decide to help those in greatest need.

The Bank, with the International Monetary Fund, could render a most appreciable service by operating through existing Latin American integration institutions in financing exports. We consider the interest and concern shown by various governments in this respect to be amply justified.

My country is making praiseworthy efforts to program its own short and long-term development. During the recent visit of the President of the Bank to Quito and Guayaquil, he was informed of our Government's aspirations and urgent problems to be solved, for which concrete plans covering financing and execution have been or are being prepared. Among these projects, emphasis must be placed first on rural economic integration which seeks to raise living standards for the rural worker and strengthen community spirit and organization, which entails planned land settlement for better and more systematic use of land where basic roads already have been built and a considerable number of spontaneous settlers already established, and, second, on a credit fund for the National Development Bank through an over-all loan to enable it to aid economic development by agricultural and industrial credits. The flexibility of this type of credit would permit stronger measures to be adopted, nationally and internationally, to cushion the impact on our economic activity of drops and fluctuations in prices of our basic export

commodities. To eliminate these defects, the Government is studying necessary changes in the National Development Bank system in accordance with the Inter-American Bank's recommendations, separating it from any political interference and reorganizing it properly. We hope the Inter-American Bank will implement its favorable attitude toward this important project.

I also wish to inform Bank officials that my Government, pursuant to the Charter of Punta del Este, has advanced its studies aimed at reform of the tax and social structure, laws for which are now in the final constitutional stages. It is hoped these laws will go into effect within the next few months.

I must also emphasize our efforts to obtain monetary stability, the basis of all economic and social programs. The Government of Ecuador realizes this implies an enormous sacrifice, but that monetary stability is needed by all nations to carry out their basic capital investment programs for the benefit of the community.

All efforts of the Latin American governments need foreign aid, however, to become reality. Thus, future contributions the United States Government may make to implement the Social Progress Trust Fund must be channeled through the Inter-American Development Bank to guarantee the investment and use of these funds in programs genuinely benefiting the American community.

I should stress, Mr. Chairman, that my Government supports the policy of the Inter-American Development Bank, the results of which can be appreciated from the annual report which you kindly submitted to our consideration, and in which we notice how intelligently and wisely administrative and other matters pertaining to the Bank's operation and functioning have been handled.

Let me express to the Executive Board of the Bank and the Argentine authorities my gratitude for their exquisite hospitality during our stay in this gracious country, for whose progressive inhabitants I devoutly wish greatness and prosperity.

**Address by Mr. Roberto Jordán Pando, Alternate
Governor for Bolivia and Minister of Rural Affairs,
at the Third Plenary Session**

I should like to express on behalf of the Government and people of Bolivia our special pleasure in attending the Third Meeting of the Board of Governors of the Inter-American Development Bank.

One of the fondest aspirations of Latin America has been a multilateral, international credit institution. Continental concepts led to the founding of the Bank, overcoming all obstacles which directly or indirectly were opposed to furtherance of our economic and social development, the major objective of contemporary Latin American policy.

Organizations tend consistently to adopt a line of action in keeping with the policy that led to their creation. Traditional credit institutions with greater financial resources than our Bank, for instance, had no definite idea of harmonious economic development and their plans completely lacked social content. The leadership of our nations at present is far broader in scope and, consequently, institutions based on ancient concepts, functioning under rigid regulations and failing to consider basic problems, are complete anachronisms. A clear instance of this phenomenon in Latin America gave rise to an absurd reality—special privilege carried to extremes on the one hand, and the great masses of population in poverty and underdevelopment on the other. A series of negative factors prevented understanding of problems which called for modern solutions. Latin America continued to be an attractive market for investments, with highly remunerative profits in relation to interest and capitalization, and leading international financial circles could hardly incline to the collective and irreversible social and political changes taking place in this part of the world. In the face of hard facts, such as the popular aspiration for better living conditions, there arose the historic need to combat backwardness and poverty in a struggle against underdevelopment. But the struggle would be useless without a planned credit policy which, by financing self-help projects, could enable

Latin America to emerge from economic stagnation through planning and programming domestic and foreign resources. Fortunately, economic planning is no longer taboo. In this evolution, the Inter-American Development Bank offers a progressive solution. It was established, and should serve in the future, as the instrument Latin America requires for development and as an institution managed in accordance with Latin America's needs. The very fact that its resources were constituted by two types of funds, its ordinary resources and the Fund for Special Operations, led us to believe that new patterns were replacing the old as evolution took place. All this is reason for satisfaction. Later, as a special operation, the Bank was entrusted with administration of the Social Progress Trust Fund, pursuant to the Act of Bogota.

In this respect, it is well to draw our Bank's attention to a point that merits consideration. Despite the pressing and dramatic nature of the proclamation of the Act in September 1960, when the words "urgency" and "prompt measures" summarized the expectation of the Americas, we find that, despite all efforts, progress has not been made at the effective pace required by the provisions that call for immediate measures. These words appear to have a different meaning today. Perhaps the intent is to change paragraph 1 of Recommendation II of the Act of Bogota, which provides for "the Inter-American Development Bank to become the primary mechanism for the administration of the fund," i.e., the Social Progress Trust Fund. Some seem to feel that the major part of the special fund for social development should not be administered primarily by the Bank, but by the Agency for International Development, formerly the Point Four Administration. This undoubtedly would be a blow to our Bank and the purposes of this social fund. We have had sad experience with the bureaucratic management of Point Four, which, rather than a change of name, required a complete change of policy and methods to be able to deal with daily problems of backwardness, poverty and underdevelopment. The "urgency" of people who have to face such problems is very different from the declamatory "prompt measures" of those who bureaucratically administer production surpluses, yet easily

lose sight of the genuine need for a harmonious development of national economies, or strengthen the closed circle of industrial and commercial monopolies or political "élites" that cannot resign themselves to the loss of privilege.

It was initially planned that a high percentage of funds for social development in Latin America would be administered by the Bank. This was a sound guarantee for our countries since, in the Bank, as the most efficient instrument for our development, the Latin American countries were assured that those resources would be managed in accordance with their needs. We have noted a trend to reduce this percentage drastically, which leads us to ask: Will the Bank continue to be a genuine credit agency for Latin America, or will it cease to be so because of those who tend to undermine it by restricting its action or imposing strict regulation?

I bring this matter to the attention of the Board of Governors and call on them for their finest endeavors that this attempt be unsuccessful; that the urgency underlying the Act of Bogota be undistorted; that there be no retreat in future banking operations, which must be more flexible and less conventional, especially in this first stage of economic development, and finally, that the prospect of an efficient international credit institution at the service of Latin America be not obliterated. The words of our President, Felipe Herrera, at the closing meeting of the Committee for Negotiating and Drafting the Agreement Establishing the Inter-American Development Bank on April 8, 1959 are a warning and guarantee that the structure of the Bank will not be warped. Mr. Herrera said on that occasion, "The Bank has been, is, and will continue to be a cooperative effort of the inter-American system. It has not been, is not, nor can it ever be the property of any of its members or any particular group of members. The Bank was intended to accelerate the balanced and well-ordered growth of all the countries of the Hemisphere. By its definition it must transcend the narrow limits of nationalism."

It should be clearly recognized that the Bank has been flexible in its operations. Doubtless, for those who advocate a traditional credit policy, it has been liberal. For the underdeveloped countries, on the other hand, there are still many

overly strict regulations to be abolished and a broader definition of operations to be evolved, in view of the fact that we are undergoing the extremely difficult stage of planning our economies and our development. In this regard, care should be taken to avoid any eclectic formula whereby the Bank would achieve a balance initially, but would run the risk of failing to adapt fully to the real conditions in our countries that determine and condition economic and social changes.

The Bank's credit policy has shown flexibility in the management of its funds. The administrators have shown themselves to be highly adaptable. This leads us to affirm that, as a general rule, the Bank should deal with each project, or plan its financing, through basic measures adapted to the circumstances in each case. Often it may not find the appropriate local administering agencies. In other cases these may not meet the relative standard of administrative perfection required, and in still others the Bank will require different stages of preparation of studies, projects, formulation of plans, and sometimes may even need to carry out operations of a highly individual nature. This adaptability will bring about exceptional transactions, but only in this way will we have an efficient, operative institution, while at the same time introducing the elements of change required to perfect our administrative and technical agencies.

Such flexibility in conducting banking operations in line with actual conditions in our countries should relate to the economic policy recommended for solution of the Hemisphere's problems. When the main objective is to achieve harmonious economic development along social and national lines, the Bank as a financial instrument must act in accordance with the requisite changes. That is, if there are privileged circles which, in harmony with the Alliance for Progress, should be displaced by structural change, the Bank could not properly use and strengthen such plutocratic associations or groups as intermediaries. Moreover, a mistake in the Bank's activities would debase our true American ideals. We cannot assign top priority to raising living standards to the level of developed countries, exporters of capital, without first dealing with the problems of

infrastructure and plans for our common economic and social development. The Bank at all times must serve as an instrument for the equitable implementation of development objectives. This policy, originally Latin American, has now been incorporated into President Kennedy's program.

Another attitude we cannot abandon is the position adopted by the Bank in the vanguard of modern concepts. We should not forget that our Bank in its initial formulation and period of organization took a stand which today is generally accepted. This progressive position, in the light of subsequent events, should continue to guide us in promoting development processes opposed to the trend toward stagnation that would oblige our Bank to follow a policy detrimental to the Hemisphere, because of its rigid conservatism and narrow field of action. Even in its relations with the Alliance for Progress the Bank, as an inter-American institution, must act with the promptness that our countries' needs demand. What is more, in a short time it has shown that it can be effective for our development in direct proportion to its broader scope. It has still to overcome certain inherently rigid or imposed regulations. The Bank's adaptability should not lead it to strengthen financial institutions that are instruments of surviving plutocracies, or appoint as intermediaries those with relatively adequate organizations. That would confuse social institutions such as Nacional Financiera of Mexico, for example, with others belonging to private interests that the Alliance for Progress has proscribed. The Bank should take the greatest care in this respect. Countries that received loans promptly from the Bank cannot say the same of the Alliance for Progress, where traditional requirements hinder negotiations and funds are not granted in the amounts or for the purposes requested. This is why we ask ourselves in Bolivia whether the program for Latin American economic development under the Alliance is a promise or reality, is fact or fiction. My country is a case in point. We have met all requirements, such as structural reforms and planning, yet we continue in interminable negotiations while other countries, even those that refuse to make changes or alter their economic infrastructure, have already received funds. We intend to send a mission next

month for final negotiation, to find out once and for all whether this is promise or reality. True, the only countries able to meet all the requirements of the Alliance for Progress are those that have undergone structural changes, such as land reform and others determined by their own economies. On the other hand, certain private interests in other countries must see the Alliance as a menace to their own aid. The Bank should be an efficient instrument for Latin American change and development, and not for those who seek to avoid change to continue oligarchic controls in the international market. The Alliance for Progress and Inter-American Development Bank will fail unless they operate in accordance with established aims and objectives, but the grave difficulty is that it is also possible to fail by not acting along the economic and social lines proposed. These are instruments for development to cover basic needs. They are not meant to revitalize privilege. It is well to repeat what our President, Felipe Herrera, affirmed at the meeting of the Inter-American Economic and Social Council at Punta del Este in August 1961:

“The Alliance for Progress will be valid in Latin America only as we realize that the Hemisphere is experiencing a genuine revolution—one of continental nationalism. Nationalism in Latin America has historic meaning only as associated with a rapid and vigorous economic and political integration. While in other areas nationalism is a process of separation, differentiation and independence, in our Hemisphere national revolution is significant only as it reunites countries linked in the past by geography and historical ties. At present, the deterring elements in Latin America are the groups that safeguard their personal political and economic interests. They are aware that integration will destroy their privileges.”

At this stage in the evolution of our institutions and continental activities, it is evident that many points of the Punta del Este Charter have remained mere statements. For example, it was agreed that priority be assigned to the relatively less developed countries, but even cursory analysis

shows no such priority has been established, and the same can be said for the "emergency fund." That is why we, as Governors of the Inter-American Development Bank, must guard our institution with utmost zeal and care. It has gloriously come through a difficult period of trial, but still requires further consolidation. The Bank is a guarantee for the smaller, relatively less developed countries, as a multilateral agency able to deal with hitherto unsolved problems of this Hemisphere.

With few exceptions, the doors of international credit were closed to Bolivia for eight years, precisely because it made the structural changes demanded today. The Bank promoted lines of credit in my country, and with part of these funds we are dealing with problems of infrastructure and specific economic development projects. It has thus taken the initiative in capitalizing and rehabilitating our nationalized mines by a joint transaction with the United States and the German Federal Republic, for 43.75 million dollars over a period of three years. Of this sum, 22.7 million dollars will be invested the first year, with 14 million dollars spent to date in six months' operations, of which the Bank contributed four million dollars and the United States ten. Parallel to financing of this public operation, which is our main economic activity and largest source of exports, the Bank granted an over-all loan of ten million dollars to the Corporación Boliviana, most of which is to be invested in the private sector, in agriculture, mining, industry, electric power and other fields.

Steps are now being taken to procure financing on the basis of specific projects to supplement agrarian reform and other rural projects, including housing and water supply, among others.

The Bank can be said to have opened the doors of international credit to our country. As a multilateral, flexible inter-American institution operating with the necessary adaptability, it unquestionably has broken traditional molds. This coincides with the new approach developed by President Kennedy, which represents a decided advance over previous policy toward our country. As we have maintained on several occasions, the President of the United States and his team of intellectuals advocate a new program that has

aroused hopes, but other agencies, such as Point Four, now the Agency for International Development, and State Department, etc., still follow the traditional policy and do not adapt themselves to the new approaches, which are in danger of becoming restricted, distorted and, ultimately, unfulfilled.

Experience so far leads us to offer these suggestions on the Bank's activity:

1. Certain rigid conditions of the Fund for Special Operations governing terms and interest rates, and certain criteria for determining the feasibility of operations in the public or private sector should be replaced.

2. The Bank should move with necessary dispatch in the case of comparatively undeveloped countries, pursuant to the Punta del Este Charter.

3. The Bank in general should be flexible enough to execute operations on the merits of individual projects with regard to borrower and administrative structure, but with a view to improving the organization thereof.

4. The Bank should allow credits to be extended directly to the borrower without intermediaries, and without such transfer entailing higher interest rates.

5. Reimbursable or other technical assistance should be coordinated with agencies for programming and executing national plans, and operate jointly with our technical teams organized to formulate projects, complete those now in preparation, or execute those already prepared.

6. The Bank's present concept of pre-investment should be broadened to permit financing studies, local costs and the expansion or establishment of agencies intended for projects included in the development plans.

7. Consideration should be given to development plans and projects in their entirety.

8. Consideration should also be given to financing services when countries are unable to mobilize greater domestic resources during the initial phase of planning.

9. The present interpretation of clause 2.01(c) of the Social Progress Trust Fund Agreement should be changed.

This provision is designed to cover investments only, and not services when the existing domestic contribution is insufficient to meet additional outlays, thus preventing execution of development projects.

10. Working capital should be provided to get development plans under way until the economy of the sector in question has been sufficiently stimulated.

11. The Bank's ordinary capital resources and Fund for Special Operations should be augmented through bond sales in securities markets.

12. The Bank should continue as Administrator of the Social Progress Trust Fund, cooperating on the present level with other international agencies and under the Bank's present procedures, since multilateral relations in Latin American affairs safeguard national sovereignty, particularly among less developed countries, where bilateral relations offer possible sources of pressure.

13. Authorization should be given for deposits on current accounts in the Bank, especially of those resources available abroad to the public sector of the member countries.

We believe the Bank could thus decide the conflict between two present tendencies—the tendency to limit it financially by restricting its scope, forcing it into a conservative credit policy and diverting the flow of its allocations away from infrastructural or development projects, or to agents that ought not to be economically strengthened since they represent forces opposed to the desired transformation in Latin America, and the tendency to expand its activities, strengthen it financially, enhance its possibilities as an effective tool for economic development, and provide it with the flexibility our peoples require.

It is certain that this struggle must be carried on for some time in the Bank. I should like to focus the attention of the Governors and the President of the Bank, in particular, on continuing the policy outlined in behalf of the continent's best interests. The hour has struck for Latin America. Each post must be a front-line trench. This is no time for retreat. We cannot prevent a world in which ex-

plotation, want and backwardness exist from crumbling about us. Let us view matters realistically and not weep for the past, but work for the future. Let us picture each continental institution we defend as a contribution to the integration of our countries. This process has begun on the economic level, and tomorrow it is imperative that it begin on the political level. Artificial "pollenizations" have been made on this continent. Let us not continue them, for our peoples no longer have frontiers.

**Address by Mr. Octavio Gouvêa de Bulhões,
Alternate Governor for Brazil,
at the Fourth Plenary Session**

Article I of the Agreement Establishing the Inter-American Bank clearly states that a function of the Bank is to promote capital investment for development, yet it has been consistently interpreted to mean that investment of capital is limited to specific projects.

We propose greater flexibility in the Bank's operations, with a view to credits for financing exports. Financing to date has been chiefly for the importation of equipment. Our proposal stresses the importance of exports as an integral part of economic development.

In his address to this meeting the President of the Bank told us—and I fully agree—that we should be careful to avoid losses from the inadequate or incomplete use of production factors. He suggested that one of the best ways to exploit our limited capital and scant supply of skilled labor is to merge Latin American markets. We would thus be better able to locate our sources of production and assure more consumers of our goods. Our goal is high production and sound markets. Development is achieved where production and market requirements are clearly and closely linked.

Competition forces buyers to consider not only quality and price, but terms of payment as well.

Countries lacking capital may, through their own efforts, compete successfully in quality and price, but scarcity of capital is an insurmountable obstacle with respect to terms of payment.

Suppliers' credits are more usual in the sale of durable, consumer and capital goods, but it is also customary to extend credit for semi-manufactured goods, insecticides and fertilizers as means of encouraging agricultural production.

Credits to finance the importation of equipment improve the balance of payments, but may exert an inflationary pressure to the extent that installation of the equipment

increases the demand for goods or services. That is why countries obtaining loans seek more foreign currency than is required to pay for importation of machinery. Actually, they wish to use the difference to compensate for scarcity of capital, particularly working capital, in the domestic money market.

If this scarcity already exists and has required highly inflationary measures, it is obvious additional requirements of capital to finance exports will worsen the situation.

It has been said, and bears repeating, that progress is guaranteed by financing production, but not necessarily by financing projects. If the financing of the Inter-American Bank is restricted to loans for specific projects, another organization will appear to handle marketing, a useless duplication of services. In the interval between collecting loans outstanding and granting new ones, the Bank will have substantial sums available which can be used to finance trade, including some products flowing from projects previously financed.

The proposal to finance exports does not by any means imply a diversion of funds from one project to another. All we ask is that the Bank not be handicapped by excessive restrictions leading it to neglect the financing of trade, and that it be given the opportunity to grant export credits at the proper time, for such credits expand the market and, consequently, assure the success of investments in specific projects.

At a meeting such as this, we are not in a position to vote on terms of financing or lending criteria. Only the Board of Executive Directors can consider these technical problems and assess available resources, but we, at a meeting such as this, can inform the Board we are prepared to extend the Bank's lending activities beyond financing specific projects. It was this understanding that prompted the Delegation of Brazil to present a draft resolution recommending that the Bank's charter be made more flexible, to permit the financing of exports. In subsequent discussions, however, it was difficult to reach a decision regarding immediate approval of the proposed amendment to the Agree-

ment. The decision finally reached is reflected in the recommendation submitted to the Governors.

The Bank, meanwhile, is in a position to carry out certain operations of this type on an experimental basis, by acquiring export bills guaranteed by official agencies of the member countries which represent a sufficiently liquid investment.

**Address by Mr. César Romeo Acosta,
Alternate Governor for Paraguay,
at the Fourth Plenary Session**

It is a source of great satisfaction to the Paraguayan Delegation to attend the Third Meeting of the Board of Governors in this delightful city of Buenos Aires, so often the center of important international conferences.

We extend a cordial greeting to the Governors and the countries they represent.

The Paraguayan Delegation is honored and pleased to meet once more with other American delegations in a joint analysis of the Bank's achievements and note the endeavors of each of our governments in the search for common ideals of welfare and prosperity, based on a sound and vital exchange of democratic ideals, the only means of a constructive, useful contribution to economic achievement.

The chief task of the Paraguayan Government has been the program of monetary stability initiated in 1956. After five years of public austerity, inflation has been halted, creating conditions favorable to national economic growth. Domestic and foreign private enterprise in this period has helped to form undertakings and develop industry. Industrial growth since 1956 has been greater than that of agriculture and stockraising, even though not yet sufficient to absorb the unemployed labor force. Industrial development is in its initial stages and requires broad technical and financial assistance. The influx of foreign private capital is still insufficient, as is the supply of international resources that, with the monetary stabilization program, helps to accelerate development. My country finds it increasingly difficult to maintain the monetary stability program without sufficient outside assistance. This explains why certain production sectors have tended to develop and others have not. Substantial unemployment, as well as underemployment, creates needlessly protracted social and economic situations. An immediate consequence of this is the displacement of artisans, professionals and workers to neighboring countries, for strictly economic reasons. This is not a phenomenon peculiar to Paraguay, but to any

country where economic and social conditions in a region promote migration from one place to another. Paraguay is surrounded by two countries, Argentina and Brazil, that have achieved much more advanced development, with greater opportunities for employment and higher standards of living and personal income, which are strong attractions for the Paraguayan people. This is the fundamental cause of the traditional population drift to these neighboring countries. Yet, in spite of this migration, there has been a steady growth of population. This socially motivated phenomenon, migration, is generally attributed to political causes which may have been relatively important in years past, but currently are non-existent, since the Paraguayan Government offers maximum guarantees and security to individuals and property under the fundamental rights embodied in the Paraguayan Constitution.

The Government has made and continues to make efforts to halt this migration and settle the population permanently on its native soil. The purpose of the agrarian reform movement now under way is to furnish suitable mechanisms to assure the means of subsistence to every citizen and family. Public investments in infrastructural projects, which represented 68 per cent of local resources during the 1950's, compared to 32 per cent of foreign resources, are to complete the conditions required for raising living standards, but since local resources and foreign and domestic capital investments are scant, accelerated economic development is impossible without broad and unstinted foreign aid at the same time. Although we are receiving such aid, the particular status of the Paraguayan economy requires greater speed and flexibility and fewer restrictions in granting and utilizing credits.

With regard to loans to the government, the local contribution required to cover certain costs is a dangerous factor, since it exacts a great sacrifice from countries like Paraguay, with scant capital and limited savings possibilities. Such a sacrifice can lead to higher taxes and domestic loans or bond issues, with all their negative consequences.

Financing local costs is undoubtedly very beneficial, since it provides optimum incentives for savings, but there

are serious drawbacks to this requirement. To meet this need, countries like mine have been forced to suspend vital public works, such as construction of certain roads—part of the Trans-Chaco route in our case. Therefore, it would be wise to adjust the contribution of local costs to prospects for local savings. It is impossible to apply a single standard to all, for there is a real and obvious inequality in the prospective resources of the countries interested in receiving foreign financial aid. It is imperative that decisions concerning the contribution of local costs remain flexible, and in many instances it would be advisable from every point of view to eliminate the local contribution when loans are vitally important to economic development, as, for example, when they finance installation of electric power plants or other investments to increase productivity.

Paraguay has submitted several loan applications to the Bank. One concerns construction of a hydroelectric plant on the Acaray and Monday River falls, a loan of continuing interest to our country because of its importance to national economic development, since its scope will include the Republic's most important areas, including the capital. We hope, therefore, that this operation will be formalized as soon as possible. The growing demand from new users makes current operations at the Asuncion plant critically inadequate. We do not want our incipient industrial development to be paralyzed because circumstances beyond our control oblige us to curtail or ration electric power to industry and consumers in general.

Again in relation to Paraguay, we would like to comment on the Bank's requirement regarding the percentage ratio of loan utilization for imports of capital goods and services and for local costs. The high percentage to be used for the importation of goods and services limits utilization of the loans, and may lead to the accumulation of valuable goods, of limited application, by other production sectors.

International financial cooperation is primarily aimed at investments to increase national productivity. Investments by Paraguay since 1956, especially for the purchase of machinery, equipment and vehicles, amounted to very substantial sums. During this five-year period 61.5 per

cent of funds for this purpose went to public investments, and 38.5 per cent to private investments.

Most of the public investments were to enlarge the State merchant fleet so that it might handle 50 per cent of dry cargo and 70 per cent of fuel transportation between Asuncion and Buenos Aires and Montevideo. This investment, totaling ten million dollars, will save the country an estimated million dollars annually in foreign exchange, in freight charges on imports and exports.

Despite a scarcity of funds, the greatest activity of the government in the past ten years has been highway construction. Of a total investment of about 20 million dollars, 32 per cent was for foreign investments and 68 per cent for local investments in manpower and domestically produced material.

The Government created a Department of Technical Planning to program the future economic and social development of the country in an integrated and systematic manner, to take better advantage of my country's efforts to maintain monetary stability, the application of international contributions to Paraguay, and the investment of local resources obtained through great sacrifice, in keeping with the spirit of the Charter of Punta del Este.

Foreign private capital investments in Paraguay not only contributed to new sources of employment, but also introduced modern techniques, thus training workers immediately for production of higher quality goods. It is our ardent wish that foreign private capital investments continue to increase, because so far they are below the levels we had hoped for. The government has issued regulations to facilitate and safeguard foreign capital investments.

The Paraguayan Government favors and supports a plan for the Inter-American Bank to study a system to encourage exports, avoid a loss of markets and encourage competitive production.

There are certain living standards to which we aspire within the economic structure of the free nations of the Western world, but such standards will not be achieved automatically or by individual effort. They can be achieved by the collaboration of all democratic nations, without

exceptions, limitations or restrictions which eventually would dash the hope with which our peoples have heard the promising statements repeatedly made at meetings such as this. We must not indulge in the weakness of looking upon such disillusionment as a foregone conclusion. We believe that the basis of all our effort is the individual, be he worker, farmer, entrepreneur, investor or public official.

The fundamental factor of international cooperation is full understanding—understanding of the psychology of the peoples who form the American community, of their requirements and aspirations for improvement, thus giving a more human meaning to the permanent indifference of foreign aid. The continuing neglect which indefinitely defers the solution of economic problems creates incessant and increasing social unrest which can be exploited to full advantage by those in search of easy victories, creating discord, chaos and political instability in all the Latin American nations.

We understand and have great faith in the vision and vigor of President Kennedy's new policy. We hope his resolute and daring promise to seek solutions to the serious problems affecting the Continent is broad enough in scope to solve the problem of coordinated and balanced development of our economy. We are certain the Inter-American Bank will be the most efficient medium for this policy.

The Paraguayan Delegation expresses its recognition of the most efficient work of the President, Dr. Felipe Herrera, and Executive Board and staff, and is especially pleased to note the great merit of the Social Progress Trust Fund report for 1961. This report contains a most accurate economic study of each member country and is a valuable document for all who wish to learn the true economic situation of Latin America. In conclusion, the Paraguayan Delegation wishes the Bank the greatest success in its noble work in this historic stage of the economic evolution of the Hemisphere.

**Address by Mr. Carlos Rafael Silva, Governor for
Venezuela and First Vice President of the Central
Bank of Venezuela, at the Fourth Plenary Session**

The Venezuelan Delegation and I express our deep gratification at attending this meeting on Argentine soil, which affords us the opportunity to affirm the traditional friendship and mutual respect existing between the peoples of Argentina and Venezuela since the glorious days of Bolívar and San Martín. Our pleasure is enhanced by the opportunity to meet with the distinguished delegations from our sister nations at this Third Meeting of the Board of Governors of the Inter-American Development Bank.

As a matter of elementary justice, Venezuela feels it her duty to acknowledge the financial and technical assistance received from the Bank during 1961, the period under consideration.

Loans approved for Venezuela by the Bank from its ordinary capital resources amounted to ten million dollars, while those granted from the Social Progress Trust Fund amounted to 32 million, this last sum the highest granted to any country during the year. We take pleasure in stressing this figure, because the funds are to be used in accordance with a policy sponsored by the Venezuelan Government even before establishment of the Fund to finance such objectives—that is to say, credits thus granted are to supplement and support Venezuela's economic and social policy.

Early in 1958 Venezuela engaged a group of distinguished American university professors to study its fiscal system. Their report, among other considerations, reflected the astonishment any foreign observer might feel at the social and regional disparities in distribution of our national income, since there was a tremendous contrast between the living standards of different social groups, and between urban and rural dwellers. Their impartial observations confirmed a belief already held by most public figures in my country, and since then efforts have been made to accelerate the measures to correct these discrepancies. To this end, the Government of Venezuela has

undertaken certain reforms in its juridical system and the allocation of public expenditures which are worthy of mention here.

In the juridical aspect, Venezuela has made certain reforms in its financial and tax laws, including the law regulating the Central Bank, governing banks and credit institutions in general, and the Public Credit Law, all intended to promote and channel domestic savings to better advantage and guarantee more adequate control of their sound investment by agencies to which the public entrusts its funds. Some credit institutions were authorized to issue securities, such as mortgage bonds, capitalization certificates or participation certificates, for sale in national and foreign capital markets.

With regard to public credit, an attempt was made to give the National Congress broader powers in the various ways in which the State may incur obligations, and the Central Bank was given the important responsibility of watching over possible monetary effects arising from the contracting of public loans.

Reforms were made in taxation to obtain additional funds through domestic taxes, while maintaining the necessary incentive to private investors by retaining reasonable tax rates and, in the case of income tax, allowing deductions for net profits reinvested in certain economic activities. Indirect tax reforms have tended to levy heavier taxes on superfluous and luxury goods, which my country has shown a tendency to acquire.

These moderate changes have been perfectly justified in Venezuela, where a high percentage of fiscal income is comparable, according to the terminology used by authorities on public finance, to so-called private economy or contractual income of the State, since it is income derived from mineral wealth and tax activities of the State.

In recent years the Government has encouraged investments for economic and social purposes in the allocation of public expenditures. Special mention must be made in this connection of outlays for education, public health and social welfare, water supply to urban and rural centers, land reform, and the construction of basic development installations.

I do not wish to weary this distinguished audience with a detailed account of Venezuela's achievements in these fields, but shall very briefly mention some figures from President Betancourt's recent message to the National Congress which cover the three years of his administration and help to illustrate my meaning:

Intensive efforts have been made to give the Venezuelan people a sound, universal education. Enrollment of school-age children has risen to 86 per cent, enrollment in secondary schools is double the 1958 figure, a new university has been established and four existing public universities expanded, and an important national polytechnic institute is planned.

Maintenance of adequate health standards improved considerably, with a corresponding reduction in the mortality rate, as a direct result of preventive vaccination and environmental sanitation campaigns.

Over 80 million bolivars were spent in 1961 on water supply, sewerage and other sanitation projects to improve services in 59 cities and over 200 rural communities. This, added to work accomplished in 1959 and 1960, made it possible to increase to 893,000 the number of individuals benefited by these services.

Our achievements in land reform can be summarized as follows: Forty-two thousand families were settled on 1,358,541 hectares of land; 94 million bolivars were invested in irrigation projects covering 21,600 hectares of land, and 6,000 kilometers of highways and feeder roads were built at a cost of 126 million bolivars. Credits to finance agricultural production amounted to 553 million bolivars for the entire 1959-1961 period.

Finally, the national government carried out a vast program of construction of 18,483 urban and rural housing units, at an investment of 233 million bolivars for the period 1959 to 1961. The housing problem still exists, however, and is becoming even more acute because of population growth and the persistent trend from rural areas to the cities.

Regarding the institutional phase, Venezuela has such official agencies as the Venezuelan Development Corporation, Agricultural and Livestock Bank, Industrial Bank,

Workers' Bank, National Institute of Sanitation and National Agrarian Institute, in charge of development in specific areas and instrumental in channeling foreign credit and technical assistance.

Moreover, the Foundation for Community and Municipal Development was recently created to activate potentially productive forces able to promote and accelerate national economic development through local development.

On the ministerial level, Venezuela has the Central Planning and Coordinating Bureau, to centralize the attainment of common objectives.

Venezuela is appreciative of both the technical assistance and financial credit extended by the Inter-American Development Bank, and we express our appreciation not only to this Meeting, but in Venezuela as well. In his message to the National Congress, President Betancourt stated that certain operations in his program had been delayed because of technical defects, which explained why they had not received immediate favorable consideration by international credit institutions that were to participate in their financing. He then referred to the World Bank and Inter-American Development Bank, saying that our contact with those institutions had taught us much about preparing and evaluating projects, many of which were delayed, not because of lack of financial resources alone, but because of shortcomings in their preparation.

If praise is due Venezuela's accomplishments in social and economic development, it is because other programs to promote basic industries have continued and expanded. I refer to the Caroni River electrification project, the Matanzas steel mills in Venezuelan Guiana, and the Venezuelan Oil Corporation. Venezuela expects to derive important benefits from these investments, since, as my distinguished countryman, Dr. José Antonio Mayobre, told the Meeting of the Economic Commission for Latin America in Panama, it is the Venezuelan Government's immediate aim to train and educate a young and growing population and create adequate sources of employment to permit those Venezuelans to be absorbed into the active labor force.

We do not presume to rate the work carried out by

my country in the social and economic fields as perfect. We confess that there are many deficiencies, which we are endeavoring to correct. Our work, however, has been based on the hope of benefiting an increasing number of individuals throughout Venezuela. To this end, we shall require in the future a substantial part of the fiscal income produced by our oil exploitation, and financial and technical aid from abroad as well.

Venezuela shares the opinion that the Inter-American Development Bank is an important instrument for promoting the structural transformation of its associated countries. In view of the countless potential needs, we are concerned lest the Bank's own resources and those of the Social Progress Trust Fund may be insufficient in the near future to cope with demands, and are therefore in agreement with the statement made by the President of the Inter-American Development Bank, Mr. Felipe Herrera, in his address to the Inaugural Session to the effect that other resources should be sought in international capital markets, including Europe. It is our opinion that the objectives of the Alliance for Progress could be made stronger and more lasting if the private economic sector of the developed countries were to become interested in its purposes. Some of the positive effects are nullified insofar as they serve only to liquidate obligations abroad, or finance the operations of foreign enterprises in the beneficiary countries.

In closing, Venezuela wishes to acknowledge the effective collaboration it has received from the Inter-American Development Bank in all matters brought before that institution. This appreciation is addressed especially to its President, Mr. Felipe Herrera, who, aside from the solicitous attention he has given to all matters presented by my country, formed and headed a working committee which visited us in 1961, and to the Board of Executive Directors and the technical and administrative staff of the Bank.

Mr. Chairman and distinguished Governors: Let me express the best wishes of the Venezuelan Delegation and myself for the complete success of this Third Meeting of the Board of Governors of the Inter-American Development Bank.

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

We are extremely pleased to be in Buenos Aires for this Third Annual Meeting of the Board of Governors of the Inter-American Development Bank. The city today offers us cordiality, friendship and hospitality. On receiving such a moving demonstration from our Argentine brothers, we express the fervent wish that this noble people may achieve peace, tranquility and prosperity and that a deep spirit of friendship may unite its citizens. To all, our greetings and a hearty embrace, and our admiration for their great conquests and our faith in their future.

The Meetings of the Board of Governors should not be restricted to reports on activities and future plans of the Inter-American Development Bank. Of perhaps greater importance is an exchange of impressions and opinions among member countries and self-appraisal with respect to the Alliance for Progress, as an indispensable formula for furtherance of social and economic development of benefit to the American peoples.

In the months since President Kennedy announced the Alliance for Progress, and in the months of arduous labor completed by the management of the Bank and officials of member countries, we have had time to meditate. Only then did we fully realize the great difficulties involved in the task which we set out to accomplish. It is by no means easy to find remedies overnight, or even in a year, for hunger, poverty and ignorance affecting two hundred million Latin Americans. This cannot be accomplished in a day or even a year. But, however difficult the task, however insurmountable the obstacles, if we work with renewed determination and fervor, with new techniques and a new and firmer conviction, we will attain our aim of bequeathing to our children and future generations a healthy, wise and spiritually and materially rich continent, ready and determined to extend help to the less fortunate of other continents who have been unable to achieve the social rights to which they are entitled.

Within its limitations, Panama has proceeded with social reform projects agreed upon at Punta del Este. Tax reform begun toward the end of 1960 has led to an increase of slightly over 25 per cent in fiscal revenue. Agrarian reform was initiated throughout the country by a program of land sales to farmers and increased taxation on all properties, forcing large landowners to work their land or surrender it to the State in payment of taxes. The General Planning and Administration Board, organized with advisory services of the Government of Puerto Rico, has prepared an extensive program of social and economic development for the entire country. Loans and contributions have been received for housing construction, feeder roads, schools and the promotion of agricultural development, studies of land ownership, rivers and irrigation works. Contracts are about to be completed for credits for water supply systems and sewerage services, industrial development, electrification, hospitals and land settlement.

We might say that our greatest effort so far has been in social development, with the construction of housing, water supply and sewerage systems, schools and sanitation works. Substantial adjustments in our budgets were necessary to meet investments in social works. With construction of each school, we must supply books, equipment and teachers. The building of each hospital implies a new fiscal burden for maintenance, salaries of nurses and medical staff, and medicines and food. Housing programs would be an utter failure if employment were not found for the potential owners as construction went forward. Water supply and sewerage systems could not be financed if our countries did not increase taxes for their maintenance and repair.

Dr. Lincoln Gordon, the United States Ambassador to Brazil, spoke on economic and social development last year during the Second Meeting of the Board of Governors, in Rio de Janeiro. It is necessary and indispensable, he said, to promote economic development in harmony with social development. There can be no social development without generating capital, not only to meet amortization payments, but to provide funds for maintenance as well. It should be thoroughly understood that social and economic development must go hand in hand, for to promote one

activity without the other would be to sow the seed of their destruction. It should also be noted that social development funds will be forthcoming exclusively from the public sector. Economic development, however, will first obtain funds from the private sector, and then from the public sector.

Social works in Panama have been built by partial contributions from the national budgets. The Inter-American Development Bank, International Bank for Reconstruction and Development, Export-Import Bank and International Development Agency, in turn, have contributed additional funds necessary to these important works. These institutions, and in some cases private banks, have contributed, together with our budgetary allocations, toward economic development works such as highways, electric power systems and irrigation facilities and toward promotion of agricultural and industrial activities.

Economic development, however, the pillar supporting the heavy burden of social development, calls for public funds, but to a far greater extent, private funds. We maintain, as we stated at the Second Meeting of the Board of Governors, that the contribution of private capital is of paramount importance to the Alliance for Progress and Bank, for while it is true that the support of state organizations is indispensable to economic recovery, it is equally true that private capital plays a very important role with regard to long-term prospects. We said then that the Bank would initiate a recovery movement and give it impetus to the extent of its ability to maintain such a trend, but we knew that it would be private capital, with its enormous resources which, in the long run, would lead to the success of the Alliance for Progress which we all desire. We expressed the hope that the Bank carry out a harmonious and coordinated plan of action in full accord with private capital.

Large sectors of the population in Latin America have not yet attained income levels allowing them to save money to invest in production activities. Capital for investment in private undertakings is forthcoming in more highly developed countries, principally from the larger population sectors. The small capitalist groups of Latin America are

far from able to provide the capital necessary to promote the economic development of our countries. Savings banks to encourage investments are in the process of organization, but these institutions will not produce the desired results until a better distribution of national income has been made.

The Latin American countries at present can make only limited capital contributions toward their economic development. These limitations show that if real development is to be achieved in Latin America, it will be necessary to exercise our intelligence to attract private capital within reasonable limits from capital exporting areas which are, of course, the United States and Europe. It would weaken economic development in Latin America and delay social progress if we were to close the doors to that flow of capital toward Latin America, whether as the result of measures adopted by our countries or by capital exporting countries. As an example, I refer to a law now being considered by the United States Congress which would seriously restrict the investment of American capital in both developed and underdeveloped countries. This legislation would impose what might be called extraterritorial taxes on earnings of corporations constituted and operating outside the United States, whose shareholders are mostly United States citizens.

This law, in its officially stated purpose of retaining private capital within the United States, and the restrictive and punitive effects it imposes on large sectors of private investment in Latin America would, if approved, directly hamper the fundamental aims of the Alliance for Progress. It would also have vast delaying effects, harmful to the efforts of many Latin American countries to improve living standards and overcome economic and social stagnation.

On the one hand, we are told about the Alliance for Progress and the need to mobilize public and private funds. On the other, the flow of capital to Latin America from foreign private sources is cut off. To limit sources of capital only to the public sector, imposing artificial barriers on private capital, would lead to serious complications for the future. Exclusive dependence on public funds for our social

and economic development would pose a greater threat than continuance of existing price practices regarding such basic Latin American products as coffee.

Some years ago, Mr. Teodoro Moscoso made an interesting comment on the spectacular economic development of Puerto Rico when, referring to private capital, the backbone of all economies, he said: "Capital must be attracted, not coerced." In the same way, Latin American countries must create a favorable atmosphere to attract capital for promoting our development. We cannot attract it by coercive measures, nor can we prevent its withdrawal on demand. On the other side of the coin, the United States should not, within the framework of the Alliance for Progress, impede the flow of private capital from the United States to Latin America. The tax bill under consideration in the United States Senate will not only retard this flow, but will cause the withdrawal of private North American capital from Latin America to the United States, with attendant serious consequences for the economic and social development promoted by the United States itself.

I repeat, Mr. Chairman, the task, is not easy. As we advance toward our goal we shall encounter other obstacles and shortcomings, but we will surmount them. These Meetings of the Board of Governors represent a golden opportunity to hear and speak our minds on what is right and what is wrong in victories and defeats, to consider new problems and suggest solutions. The Inter-American Development Bank, under the very capable direction of Mr. Felipe Herrera and his colleagues, has enlisted the services of talented men with great executive ability and comprehensive knowledge of the economic and social problems of Latin America. It is a sound practice, and most beneficial for our people, for these problems to be presented and discussed with complete sincerity and frankness, without limitation or reservation, since, with our own effort and the help of God, we will achieve economic independence and social well being for all the peoples of Latin America.

**Address by Mr. Marcel Daumec, Governor for Haiti,
at the Fourth Plenary Session**

The Haitian Delegation has listened with keen interest to the report of the President of the Bank on the past year's operations. It notes with pleasure that the community of nations in this Hemisphere has already received loans of various kinds to implement a wide range of projects, and is gratified to hear the interesting individual observations made by the Governors.

While not wishing to make a special case of Haiti at this public session, I would be remiss if I did not draw your attention to a highly important point in the economic and social development of certain countries in this Hemisphere, all poor, underdeveloped or backward.

This crucial subject was broached two years ago at the annual Meeting of the Governors of the Bank for Reconstruction and Development by the Honorable David Horowitz, Governor of the Bank of Israel, who outlined for his colleagues an analysis of the so-called underdeveloped countries and action necessary to improve their economic situation.

Under present circumstances, he said, these countries will likely become increasingly impoverished because their population is skyrocketing, while their economic development, if any, proceeds at a snail's pace.

This state of affairs could be completely transformed by large scale assistance from highly industrialized countries, which would encourage multiple investments of all sorts; by drastic measures to substantially reduce the rate of population growth, something slow, difficult and of questionable effectiveness, or by a plan similar to that which saved Europe, but on a much larger scale and over a considerably longer period.

The *sine qua non*, said Mr. Horowitz, for revitalizing the economy of these countries is a potent transfusion of capital, but it is useless to expect this from their internal savings as long as most of the population exists on sub-standard levels or worse, and it is out of the question to

withhold from these pitiable subsistence resources the amounts necessary to form substantial sums of capital for investments.

Only a trickle of outside private capital is available, subject as it is to restrictions by the various governments, or because it is attracted to more industrialized countries where investments are safer, more profitable and more easily recovered.

Latin America, fully aware of these pertinent facts, has taken resolute steps toward economic revival by establishing this inter-American organization, whose function is to extend to its members the necessary succor, with utmost dispatch and where problems are most critical.

Haiti is one of the countries, Mr. Chairman and distinguished Governors, beset by the pressing problem of overpopulation.

With 250 inhabitants to the square mile, it has the highest population density of all Latin America; the highest percentage of rural population, approximately 85 per cent; the lowest percentage of arable land and the highest population pressure on these scant arable lands—four persons per hectare, compared with an average of 0.2 persons for all America.

Within the next seven or eight years, Haiti's population will be roughly 4.6 million, greater than the present population of Panama, Honduras and Nicaragua combined.

While these countries have a total of 129,000 square miles for a combined population of 4.5 million, Haiti's larger population will have to subsist on an area one-twelfth of theirs.

During the past forty years it was possible for our surplus population to be absorbed by neighboring countries. Nearly 100,000 unskilled laborers settled in Cuba alone over a long period.

This problem is now becoming increasingly acute. Every year four to five thousand young people are graduated from our secondary schools and colleges and set out to find work. A lucky few go to the United States, and others recently have been engaged by the United Nations for the Congo. These are engineers, doctors, lawyers, nurses, the real productive forces of the country.

The majority, however, must remain in Haiti, forced to accept whatever work may come their way because of the Government's inability to find employment for them.

Along with them, the urban proletariat mushrooms astonishingly, its number daily augmented by an influx of rural workers compelled to desert a barren, exhausted soil on which they cannot subsist, to flock to the capital in search of highly uncertain work and crowd into slums.

Governments from one end of Latin America to the other, in Chile and Nicaragua, Brazil and Haiti, wrestle simultaneously with problems of inflation, balances of payments that are unfavorable or endangered by the instability of world market prices for basic commodities, and budgetary deficits.

The situation in the Haitian corner of the Caribbean is critical and calls for special, urgent measures.

At Rio de Janeiro last year, the Haitian delegation had the pleasure of hearing the resolute, heartening words expressing the genuine concern of President Herrera at the inaugural session:

"Haiti also represents for us a special priority case within our community of nations. Its overpopulation in relation to its limited, poor resources is a well-known problem."

Thereafter it fell to our delegation to express through the Haitian Ambassador in Brazil its confidence in the Bank's future and ability to find a solution to Haiti's most crucial problems.

Once again, Mr. Chairman, Haiti reiterates its confidence and hope in the Board of Executive Directors and distinguished President of the Bank, whose unremitting efforts to broaden the Bank's scope of activities and augment its sources of financing are deeply appreciated.

But time is running out, and if peace is to prevail in this part of the Caribbean, immediate action must be taken to solve Haiti's serious unemployment problem.

In conclusion, let me extend to the valiant Argentine people and their Government my sincere appreciation for the reception, unobtrusive courtesy and hospitality they have shown the Delegates.

**Address by Mr. Juan Pardo Heeren, Governor for
Peru, at the Fifth Plenary Session**

The Third Meeting of the Board of Governors, besides fulfilling a statutory provision, offers a splendid opportunity to renew personal contacts with representatives of the governments and principal economic sectors of our sister republics of the Americas, for an exchange of views and discussion of problems concerning our collective endeavor to promote Latin American social and economic development, the great historic responsibility we must shoulder to achieve a better life for our people.

In this undertaking in which the Inter-American Development Bank plays so important a role, it is gratifying to note its great and invaluable contribution over a relatively short span. To our deep satisfaction, the ability, dynamic approach and keen awareness of our problems demonstrated by our President, Felipe Herrera, and the Bank's Executive Directors and other officers have enhanced the prestige and sound reputation based on the record of accomplishment set forth in the annual report submitted to this Meeting.

We are confident that these positive achievements are daily increasing in scope and will attract heavy investments from the world's capital markets to Latin America. We have great expectations that this will happen very shortly. These hopes are strengthened by the Bank's success so far in securing the participation of major private American banks in a number of loans, and in placing all its first bond issue in Italy as a means of expanding its resources.

Our nations' greatest wealth lies in man as an individual, and all efforts to foster economic development should be directed toward increasing the well being of the masses who do not yet enjoy adequate material and cultural living standards. This is a primary objective of the Inter-American Development Bank in its technical assistance and credit activities, in which it mobilizes its own resources and those entrusted to it as Administrator of the Social Prog-

ress Trust Fund, pursuant to the objectives of the Alliance for Progress conceived by President Kennedy.

Our Latin American countries are engaged in overcoming underdevelopment, endeavoring to channel public and private activities harmoniously. The Government of Peru, believing that monetary stability is fundamental to economic development planning, has spared no effort to attain this stability by a sound fiscal policy. This has considerably increased our rate of savings and investment, and has been reflected in substantial budgetary surpluses which are largely the result of improvements in tax collection.

Our monetary unit has held firm under our system of free trade and freely convertible currency, and we have been able to meet all our foreign currency obligations. Our balance of payments in 1961 showed a surplus for the second consecutive year which increased reserves of the Central Bank.

In maintaining this sound fiscal policy, however, our Government encountered strong opposition, directed in many cases by extremists who hope to win support of the masses by offering solutions which build up inflationary pressures. Inflation, as we all know, invariably reduces savings and discourages the domestic and international investments necessary to the balanced development which is a vital factor in securing the progress of our peoples and assuring them equitable and decent living standards.

Preparation of a development plan is a long and arduous task. While gathering data necessary for a long-term program, the Government is carrying out short-term projects in the various fields of economic activity to meet the most pressing needs.

In addition to important basic State investments, our Government has enacted special laws to promote the development of productive activities, relying almost entirely on private enterprise and including incentives to the expansion of basic industries.

To improve living conditions of the less-favored segment of our population, intensive efforts have been made to provide adequate housing facilities for a large number of families in the lower income groups who would be unable to purchase their own homes were it not for the State's

action in the social field. After appropriate planning on a national scale, the Government started mass construction of housing for people with modest incomes through two official agencies, and allocated a substantial portion of the 1960 budget surplus, equivalent to 15 million dollars, to this program. However, since additional funds were needed, we applied to the Inter-American Development Bank and obtained valuable assistance in the form of two loans for a total of 23.8 million dollars, sufficient to cover the cost of building approximately 35,000 low-cost houses.

Also as a part of the short-term development program, we are building a number of access roads which will open up various outlying districts now impossible to exploit economically. This will benefit our large rural masses, who urgently require more land to raise subsistence crops and help overcome our food shortage. The Army Engineering Department is actively collaborating in this task.

A law was recently passed to construct sewerage facilities in small villages, under a ten-year program. The first three-year stage of this program will provide water supply and sewerage systems to some 1,500 towns, representing 30 per cent of the rural population.

Economic development must be accompanied by training programs, not only for high-level and intermediate personnel but also for skilled labor, to provide this sector with necessary techniques. Along these lines, and based on several years' experience with the program of Indian education currently being carried out in various parts of the country with the aid of the International Labor Organization and other international agencies, a working plan has been devised which includes, among other phases, basic education, handicrafts, training in rural industries and training volunteer Indian assistants as agricultural foremen and auxiliaries in health programs and literacy campaigns. In this way the education and training programs will reach the majority of Indian communities and become an efficient instrument for their economic and social improvement.

While on this subject, I cannot but mention the vigorous efforts of the Government to stamp out illiteracy and raise the level of education. In fact, more than 20 per cent

of the national budget is now being appropriated for education.

Nevertheless, our efforts toward social and economic development will be seriously threatened if our export products continue to be subject to price fluctuations on the international market, and restrictive measures in the more highly industrialized areas and countries, since this would hold back the required expansion of our export sector and affect the income levels of large masses of workers.

As stated by almost all my colleagues who preceded me, this is a problem of gravest concern to our countries, a problem which, left unsolved, will seriously threaten the successful outcome of the massive efforts required to implement the Alliance for Progress so generously formulated and administered by the United States Government.

In Peru we believe that development programs must be predicated on monetary stability. In turn, this is largely dependent on the maintenance of stable prices for Latin America's basic exports. Otherwise, such programming and investments will rest on crumbling foundations.

On behalf of my Government and people, I wish to express the firm belief that only through joint action and reciprocal cooperation within the free institutions created by our founding fathers, a heritage we are bound to preserve and perfect, can the American countries achieve their goal of ensuring a dignified, free and democratic life for the 200 million men and women composing this great common nation we call Latin America.

Peru thus follows closely the action of the Inter-American Development Bank, which is our own institution and demonstrates the practical benefits to be obtained from a policy of genuine and effective cooperation.

On behalf of my Delegation and myself, I wish to express our appreciation to the Government and people of Argentina for the many courtesies they have shown us. The achievements of this great country and its brilliant contribution to the history of the Americas have inspired us throughout our deliberations.

Finally, I express my most cordial congratulations to Mr. Eustaquio Mendez Delfino, the distinguished economist who has so successfully guided this Meeting.

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

It is a genuine pleasure for me to join my fellow Governors and the management of the Inter-American Development Bank at our Third Annual Meeting. I regret that long-standing commitments at home made it impossible for me to participate in your discussions earlier this week, but I have read with appreciation President Herrera's admirable opening address—upon which I congratulate him—and look forward to studying the statements that were made by other Governors before my arrival. May I add a word of personal thanks to our host government for the warm hospitality which it has extended to us in this beautiful city of Buenos Aires.

The first year of operations of the Inter-American Development Bank coincides with the first year of the Alliance for Progress. The solid achievements of the Bank, both in its own capacity as a Bank and as Administrator of the Social Progress Trust Fund, encourage us in our conviction that this unique and capable institution will, in succeeding years, fulfill our best hopes in assisting the economic and social development of the Latin American countries, and will continue to play a leading part in furthering the Alliance for Progress.

It is appropriate that I should speak first of the Bank's excellent progress in managing its own resources—progress reflected in those parts of the Annual Report dealing with the ordinary capital resources, Fund for Special Operations, and technical assistance operations.

In the year ending December 31, 1961, 55 loans, totaling 178 million dollars, were made to 18 member countries from the Bank's ordinary capital resources and its Fund for Special Operations. This is a remarkable record for a newly-established banking institution.

Over half of the 178 million dollars represented loans to assist private enterprise in the member countries, thus fulfilling one of the important purposes of the Bank's charter, to promote private investment in economic develop-

ment. In large part, these funds were provided to development institutions for relending to small and medium-sized private industrial and agricultural undertakings. These enterprises, in their thousands of small beginnings, stimulate each other, create centers of local prosperity, and lay a basis for the accelerating, self-generating growth so important in creating a modern, integrated free market economy. The Bank has thus been reaching a truly vital area of Latin American economic development—an area, moreover, which has hitherto been literally starved for credit.

The technical assistance loans and grants provided by the Bank during 1961—amounting to well over five million dollars—also made a valuable contribution to economic growth in Latin America. Pre-investment studies—such as those being made for an Argentine hydroelectric project, for the Bolivian mining industry, for the highway system in Honduras—are often essential for sound investment decisions. The technical assistance which the Bank has extended for both national and regional planning and development organizations should also yield a rich harvest in the years to come. Of immediate practical help to many member countries was the technical assistance to development institutions, in helping to reorganize their structure and administration so as to enable them to utilize the Bank's loans more efficiently.

I am sure that all of us are especially gratified by the confidence which the financial community has shown in the Bank's lending operations from its ordinary capital resources. A large number of leading commercial banks, including several in Western Europe, have participated in 22 of these loans without the Bank's guarantee. And even more striking evidence of this confidence was the action of a group of leading Italian banks in subscribing to the Bank's first bond issue of more than 24 million dollars in lire bonds, the net proceeds of which will enlarge the Bank's ordinary capital resources. This kind of foreign financial operation during an international bank's first years is both exceptional and significant. The Bank has acted promptly to implement the spirit of the Act of Bogota, and the wishes of the Board of Governors are that efforts be made to at-

tract the resources of Europe towards the development of Latin America.

As President Herrera has pointed out, the Bank has already committed a substantial part of its resources. It is clear that if the Bank is to continue to lend in the future at the same rate as in the past, the time is not far distant when its existing resources will have been exhausted. The United States therefore welcomes the proposal of the management that the Executive Directors be asked to study the question of the future replenishment of the Bank's lendable assets.

I am glad to hear that the Governors have already adopted this proposal. I am also most interested to learn that the Governors earlier today adopted a resolution calling on the Executive Directors to study the question of export financing. Certainly the diversification of exports is a most important part of long-range plans for the development of Latin America. The growth of what I might call "export-mindedness" among both the Governments and the business community of the region must also form part of this process. The increasing attention being devoted to the export of capital goods is a very encouraging sign. I will look forward with great interest to the results of the forthcoming study. We are prepared to consider with an open mind any practical proposals which emerge from this study.

I would like now to speak of the very important work of the Bank in dealing, as Administrator under the Social Progress Trust Fund Agreement, with the 394 million dollars of resources placed in that fund by the Government of the United States. This sum, as you know, was the bulk of the half-billion dollars voted by the Congress of the United States in response to the call for social progress in the Act of Bogota. It testifies to our belief that economic progress cannot be successfully achieved if social needs are ignored.

In its first ten months of administering the fund, the Bank has made loans totaling over 200 million dollars. These loans from the Social Progress Trust Fund, and others to come, will help to provide adequate homes for those who lack them, to give the small farmer access to credit on terms he can afford, to bring the blessing of pure water to many now forced to use contaminated supplies. In the true spirit

of a common purpose, those who receive these benefits will also share in their creation. They and their neighbors will help to build homes with their own hands. The homes will not be rented, but sold, so that the pride and satisfaction of family ownership can be realized. Those who receive pure water in their homes will pay for it, loans for all of these purposes being provided on liberal terms which the home owner, the small farmer, the water-user can afford. Self-help and the dignity and independence of the individual are thus being emphasized.

These accomplishments of the Bank have been achieved within the framework of the Alliance for Progress. The Alliance has had a year of solid achievement. I say this in the full knowledge of all that remains to be done, of all the obstacles that must still be overcome, of the wide-spread poverty, disease, hunger and despair that still exist in our Hemisphere. But we can here take note of the progress that has been made with the understanding that we are far from satisfied with it, and that we will not be satisfied until our task is accomplished.

My Government has fulfilled the promise which it made at Punta del Este last August to commit more than a billion dollars in public assistance to Latin America during the first year of the Alliance. More than 400 million came from the Agency for International Development, 375 million from the Export-Import Bank, 135 million under the Food for Peace Program, 130 million from the Social Progress Trust Fund, and several millions more for other assistance, including activities of the Peace Corps.

As you know, President Kennedy has asked the United States Congress for three billion dollars to finance development aid programs under the Alliance for Progress during the next four fiscal years. He asked that 600 million dollars be appropriated by the United States Congress for the fiscal year 1963, which starts this July. This amount would be in addition to the amounts to be provided by the Export-Import Bank, the Food for Peace Program and Social Progress Trust Fund during fiscal year 1963.

Latin America must also look to the other industrialized countries of Western Europe, Japan and Canada for development assistance. The Alliance for Progress is important

to the entire free world. Other industrialized countries, along with the United States, must help if its success is to be assured. This will mean development loans on flexible terms to replace and supplement the high-interest supplier's credits which up to now have constituted the bulk of European credits to Latin America. It is my sincere hope that the other industrial nations of the free world will play a greater role in the development of Latin America in the future than they have in the past. Each of our governments must do everything in its power to achieve this result. The new era in international economic cooperation which is just beginning, as evidenced by the Common Market, the Organization for European Cooperation and Development and the Alliance itself, is an opportune time to encourage outside aid and investment for Latin America.

The participation of the Government of the Federal Republic of Germany with the Inter-American Development Bank, the Government of Argentina and Government of the United States in the program for the rehabilitation of the Bolivian Mining Corporation is an interesting and welcome move towards international cooperation. My Government will continue to seek such cooperation by other capital exporting countries in increasing the flow of long-term public development capital for Latin America.

I was glad to learn in this connection that the Bank had established a European representative office under the direction of an able Argentine, Julio González del Solar, which should be of assistance in interesting European capital in Latin America.

In addition, private capital must be encouraged both within Latin America and from the industrialized countries. Private funds in large amounts are essential if economic growth is to be stimulated to the point where it will outstrip the population gain and provide a significant rise in the standard of living. The goal of 2½ per cent yearly increase in per capita economic growth which we established in the Charter of Punta del Este is not excessive in a continent where the average per capita annual gross product is about 300 dollars. But this goal cannot be achieved without more private investment. Private capital will also bring with it the needed technicians, skilled help and know-how

so important to creating real growth. If private enterprise follows a policy of mixed capital financing—part foreign and part local funds—there will be benefits for all concerned, not the least of which will be the training and utilization of Latin America's own people. Such ventures will encourage the development of local technical and managerial talents and will allow existing talent to gain greater experience.

The broad charter upon which we all agreed at Punta del Este, and the Act of Bogota which preceded it, were based on the principles of self-help and economic and social reform. Before the end of 1961, beginning steps had been taken to achieve the land, tax and administrative reforms that must be carried out if assistance funds from the United States and elsewhere are to produce the effect for which they are designed. These steps are reflected in the detailed report of the Bank, as Administrator of the Social Progress Trust Fund, for the calendar year 1961 with respect to each member country. In some countries, beginnings have been made by law or are under legislative consideration. More than half the members of the Alliance either have national development plans completed or under way. Our progress so far offers hope for the future, even as we recognize that much more remains to be done.

In the period ahead we shall need sounder tax laws and better tax administration to provide the revenue to finance needed self-help measures, to assure that all bear an equitable share of the burden of providing that revenue, and to end the huge annual losses from tax evasion. Each country's needs are different, but nearly all need more efficient tax systems, for only through more efficient tax systems, tighter administration and stricter enforcement of legislation already in effect can widespread tax inequities, non-compliance and evasion be stopped, and the vital resources of the continent marshalled for progress.

In the period ahead we shall need greater land productivity, including a better system of land distribution, so that land does not lie idle or ineffectively used and so that hard-pressed farmers are not exploited. The type of land reform needed also varies widely from country to country. In some, the need may be for the opening up of new public lands by

irrigation or by building roads. In others, the acquisition and reallocation of private land holdings may be in the national interest. The need for reform, particularly reform and investment to increase efficiency, is indicated by the fact that while roughly half of Latin America's labor force is involved in agriculture, agriculture represents considerably less than half its total output. Increasing, and at the same time diversifying, agricultural productivity is an urgent need.

Above all, we shall need wise planning, with a real sense of priorities. The nine-man panel set up to review national plans is a major step to efficient planning. I wish to reiterate that it will be the policy of the United States to give great weight to the views of the panel in providing development assistance under the Alliance for Progress.

At our last meeting, a year ago in Rio de Janeiro, I suggested that the objectives of the Alliance for Progress could be defined as growth, stability and social equity for the individual. In particular, I stated the conviction of the United States that financial stabilization must be accompanied by social progress and economic growth if the goals of the Alliance for Progress are to be realized. I should like on this occasion to restate and re-emphasize that belief. I think it is clear beyond any possible doubt that in our modern era democratic governments cannot long endure if they neglect the needs of the people for social improvement and rising standards of living. That is why government policy in a free society must be directed to offering education to the illiterate; assuring homes, land and food for the homeless, landless and hungry; bringing productive work to the unemployed, and instilling in the hearts of the underprivileged hope for the future, instead of despair. These are tasks of statesmanship which require positive and forward-looking programs, not merely negative restraints. They demand intelligent, imaginative planning for the use of national resources. They call for courageous political leadership to bring about changes in society often contrary to the immediate interests of powerful opposing minorities. Financial stabilization, even though it is essential to the process of widely-shared growth, cannot by itself meet the insistent demands of the people for the better life denied them

by the existing order of things. Experience shows that efforts to achieve financial stabilization will themselves be overthrown by irresistible pressures in the absence of effective and concrete programs to bring economic growth and social improvement in a measurable and tangible form. What is called for are policies which continually blend financial stability with economic and social development.

The Alliance for Progress is a ten-year program which is only a year old. We have accomplished much in one year, but history is in a hurry.

Whether we delay or act, whether we succeed or fail, we know that present conditions will not endure. The winds of change are blowing throughout the world. Let us then employ our wisdom, our energy, and our dedicated efforts in striving for a peaceful change to a better life in freedom, in striving to save our peoples from the violent change of bloodshed and tyranny.

I offer the words of the President of the United States, delivered last month on the first anniversary of the Alliance:

"The Charter of Punta del Este which last August established the Alliance for Progress is the framework of goals and conditions for what has been called 'a peaceful revolution on a hemispheric scale.'

"That revolution had begun before the Charter was drawn. It will continue after its goals are reached. If its goals are not achieved, the revolution will continue, but its methods and results will be tragically different. History has removed for governments the margin of safety between the peaceful revolution and the violent revolution. The luxury of a leisurely interval is no longer available."

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

It is indeed difficult to say something new before so distinguished an assembly of outstanding American economic figures, to say something different, something that will not be mere repetition.

My illustrious colleague from Panama pointed out that we had not met here only to discuss the Bank's balance sheets and reports, but to engage in an informal exchange of ideas on important economic matters, among which we might include the Bank's financial policy, the Alliance for Progress, the "good partner" declaration and, in short, the whole policy of United States cooperation with Latin America.

It is three years since the Specialized Committee for Negotiating and Drafting the instrument establishing the Inter-American Development Bank met in Washington, motivated, without a doubt, by the fear that Latin America might be plunged into economic chaos.

We held the First Meeting of the Board of Governors of the Bank soon after, in San Salvador. Our first problem was to select the captain who would take the helm. With great perception we turned our eyes toward Chile, a land noted for its tradition of culture and men of talent, and there we found our captain in Dr. Felipe Herrera.

We chose well. At the Second Meeting of the Board of Governors, President Herrera gave us an encouraging report on the progress and success of the Bank. This success was crowned by the great trust the United States Government reposed in our institution when it decided to entrust a large part of the Alliance for Progress funds to the Bank and its distinguished President, Board of Directors and staff, to whom I extend my admiration.

We are now met for the third time, and our President has given us a most encouraging report which nurtures the pride we feel in our institution.

Nevertheless, the report shows that although the backing of private banks, President Herrera's successful negoti-

ations in Europe and the confidence of world banking in our institution make its ordinary resources plentiful, they fall short of what Latin America needs. The need is for not one or two billion dollars but, as was noted at Punta del Este, for something like 20 billion dollars over the coming ten years.

We know that the interest rate is 5 or $5\frac{3}{4}$ per cent a year, and that the longest term obtained—in the transaction in Italy, which Dr. Herrera called one of the Bank's greatest successes—is 20 years. If we analyze the terms on which we may borrow from the ordinary capital resources, the inevitable conclusion is that they are completely inadequate to solve the great and pressing social and economic problems besetting Latin America.

At Punta del Este that great citizen of America, the Honorable Douglas Dillon, stressed that Latin America needs loans on terms up to 50 years and at a very low rate of interest, or no interest at all, to ensure its economic recovery and social development. If that is Latin America's situation, if that is the situation as seen by a man of standing who understands our precarious position, an increase in the ordinary resources, no matter how great, cannot solve our Hemisphere's problem.

Since it seems improbable that Latin America's needs can be met from the Bank's ordinary resources, and we cannot rely too heavily on the very limited resources of the Fund for Special Operations—amounting to no more than a million dollars and incapable of expansion through credits from world banking circles because its loan terms are outside their area of operation—our only remaining hope is the resources of the Alliance for Progress.

Inspired by the resolutions adopted in the Act of Bogota, the United States voted 500 million dollars for social progress operations. The Bank was chosen to administer 394 million dollars of this as a trust fund, from which it has loaned more than 200 million dollars to execute programs or meet emergencies. These funds will soon be exhausted, without even a start being made in financing the long-term programs we are outlining under the Punta del Este Charter.

If extraordinary resources are not found to build up the Social Progress Trust Fund so that we may say to Latin America, "Here are the millions to take care of your programs," what will be reported to us at our next meeting in Caracas? Most likely, that the funds for the Alliance for Progress have been exhausted.

Mr. Dillon has told us that he supports President Herrera's idea of increasing the Bank's capital. But, I ask, what capital? If we mean the ordinary capital resources, I hold that an increase in these funds is unnecessary at this time, because the terms on which loans from ordinary capital resources are made are inadequate to finance the Alliance programs. Moreover, these funds are not being exhausted and can amply be increased in the world capital markets.

If we mean the resources of the Fund for Special Operations, I do not think Latin America can contribute money to be loaned to itself, other than small token sums, unless the United States contributes a large sum. This is out of the question, because it is beyond the purview of the Bank's charter.

The only way to solve the needs of the Alliance, therefore, is for the United States, the creator of the Alliance and the party which invited us to sign the Alliance at Punta del Este, to contribute in cash the support it has offered Latin America, in the form of successive increases to the Social Progress Trust Fund administered by the Bank, the instrument chosen to be the principal source of credits for Latin America.

These remarks are an analysis of a situation which I believe to be temporary, for I am sure the United States will fulfill the commitments it assumed at Punta del Este to contribute the funds necessary to finance short and long-range Latin American programs on flexible terms. This policy of Hemisphere cooperation, wherein the stronger brother aids his brothers to the South in eliminating poverty, illiteracy and disease, is deeply rooted in the conscience of the people and Government of the United States. I pay tribute to the unprecedented gesture made by that great nation, and hope the fears I expressed, that next year might find the Bank's flexible resources exhausted, will not

materialize through failure to advance to the Bank the funds we expected as a result of our signing the Punta del Este Charter.

Mr. Dillon told us the United States has made delivery of the billion dollars committed before March 1962 for the Agency for International Development, which began life with funds in excess of that amount, having absorbed the former Development Loan Fund and Point Four operations, and having taken over administration of the Food for Peace program, among others. Here I must confess to Mr. Dillon that I am somewhat confused, because the Development Loan Fund, Food for Peace and other funds he mentions existed before Punta del Este, and were intended for loans to other countries as well as the Latin American countries. AID was established to centralize the handling of those funds, and this new agency to my knowledge has never been considered an agency for the exclusive financing of Latin America. It is therefore rather perplexing that these funds should be regarded as what this Hemisphere expected in fulfilment of the Charter of Punta del Este.

It cannot be denied that Latin America is receiving financial assistance from AID in grants and highly flexible loans. My own country has benefited from these operations, for which I should here like to make public acknowledgment to the United States. It is nevertheless true that the 394 million dollars entrusted to the Bank are the only funds Latin America knows to be available for definite terms, amounts and specified purposes, because they were allocated for its use in an administrative agreement between the Bank and the United States Government.

As to the funds Mr. Dillon mentioned, those administered by AID, we do not know how to apply for them, for we have no agreement to guide us. No one has made the why and wherefore of these funds clear to Latin America, and we do not know what is available. Furthermore, as the Governor for Bolivia said, AID imposes special conditions which do not jibe with the special conditions prevailing in underdeveloped countries. In the eyes of Latin America, the true funds of the Alliance for Progress are those placed for that purpose in the trust fund administered by the Inter-American Bank. Accordingly, I join in the unanimous re-

quest of the Governors here present for an increase in these Bank funds. As proof that funds administered by AID are not earmarked for immediate fulfilment of the Charter of Punta del Este, I should like to note the following:

I am a Governor of the Central American Bank for Economic Integration, founded because the United States, represented by our colleague, Mr. Dillon, assumed the responsibility of breathing life into it by providing it ample and flexible financial support, since our four underdeveloped Central American countries could hardly set up a bank with their own money to lend money to themselves. We made a clear presentation of this situation to the State Department through Mr. Dillon.

The Central American Bank has been in operation slightly less than a year. As an additional incentive to its establishment, the Charter of Punta del Este provided that countries joined in a process of economic integration would receive special financing under the Alliance for Progress, to be channeled preferably through credit institutions set up for that purpose. Sufficient time has passed and we are still negotiating with AID for flexible credit, still not presented in satisfactory form to the Governors of the Central American Bank. Nor has AID taken steps to make the Central American Bank the administrator of Alliance funds for financing economic integration and social development. By placing these funds in the hands of our regional institution, and matching them with technical assistance, the United States could set in motion a pilot development project in Central America which would be a spectacular example of collaboration for all Latin America.

I hope, Mr. Dillion, that you, who drafted paragraphs 8 and 9 of Section 3 of the Charter of Punta del Este—thereby improving on what we Central Americans had drafted—will use your valued influence to see to it that your Government, indirectly through AID, or directly, provides the Central American Bank with special Alliance funds to meet our needs in economic and social integration.

I am confident Mr. Dillon will give careful consideration to this suggestion, because he is a great friend of Latin America and especially of Central America, and because the United States Government wishes this to happen.

I wish now to refer to the proposal made by Brazil, a country that has always been a leader in new and important causes. We cannot forget Operation Pan America. Brazil has now proposed that funds be allocated to finance Latin American exports. When I read the Brazilian proposal I was truly surprised, and thought that such money could not come from resources of the Bank, nor the Bank use its own funds to underwrite the financial operations required in the proposal. It seemed to me impossible to carry out such a project, for if the Bank's funds are insufficient to meet the requirements of Latin America's economic development, they would be even more inadequate to finance exports, which requires an enormous amount of money.

Yet, there is not the slightest doubt that Latin America needs something to underwrite these exports, and that is why I, as a member of a working group, was happy to vote in favor of having the Board of Executive Directors of the Bank undertake a study of some means to solve this problem.

Brazil planted the seed, and I hope that the tree will bear fruit, for although we now may believe it impossible to find a satisfactory solution, we thought the same way when the idea of establishing the Inter-American Development Bank was first announced. It was said here in Buenos Aires, in 1957, that to establish it would be to create one more bureaucracy. Yet, less than two years later, that idea had become heresy, and creation of such an institution was considered a necessity, since it was imperative for us to sit down to this family table to converse as members of the Hemisphere of Freedom, the leader of the free world, in company with the most powerful country on earth, with a mentality attuned to cooperation without parallel in history. From this came the Bank and this meeting, where we have come to discuss the entire economic panorama of Latin America. Since the point raised by Brazil is of such extreme importance, I hope it some day may find satisfactory solution.

Another point, among several mentioned by the Governor for Panama, refers to what was said by the Governor for Colombia concerning basic commodities.

I believe, in general, it would be best for Latin America to have a guarantee for marketing its basic commodities at fair and stable prices. I recognize that this is not easy. Let us take the problem of the enormous coffee surplus. What can we ourselves do to guarantee a stable, satisfactory price? Thought has been given to a long-term agreement. Naturally, as a producer and American, I support the idea of such an agreement, but I do not have much faith in it. The inflexibility of its terms is dangerous. We Americans live desperate times if we do not sell our basic commodities at a given moment. At any time, because of hunger or poverty, the agreement would have to be violated because a country that seeks to remain economically viable cannot help violating it, and when it does so, it will be penalized. The penalties would be unpleasant, not just for one alone, but for many. I sincerely hope I am mistaken, but I am one who believes that by guaranteeing the price of our basic commodities, especially coffee, we guarantee the tranquility of many countries, including my own.

I should like to refer to something of great importance that is being discussed in the United States now.

It has been announced there that there is to be a change in the sugar policy. This will have disastrous effects on most of the Latin American countries, for many of them have invested large sums in this industry, in the expectation that the United States sugar policy would be maintained. We know that the United States is paying a premium price for sugar, and that if this policy is changed and it pays the same price as the international market, Latin American producers will suffer very great damage and face bankruptcy, after vast sums have been invested in modernizing sugar mills. Furthermore, an enormous number of growers and workers support their families on earnings from these sugar mills, which will have to close or reduce their capacity to a half or less.

It has been said—and this, I think, is a mistake—that the new United States policy is based on the notion that its present policy serves only to further enrich certain already wealthy people; that it favors certain sugar mill owners through its policy of special prices. Thus, it is said, the policy must be changed so that the money which has been

going into pockets of the mill owners will remain in the hands of the United States, to augment resources of the Alliance for Progress.

I have said that this idea is erroneous, for Latin American sugar mills today, even with the special price the United States is paying, are not making enough profit to justify the idea that the rich are growing richer. These mills do not pay more than six per cent in yearly dividends, because of high production costs and taxes and large social security payments they must meet. On the other hand, the economic impact on many Latin American countries of a new United States sugar policy would mean abandonment of heavy capital investments, the unemployment of many workers and a sharp dislocation in the balance of payments, and adversely affect government budgets at the moment when more income is needed to finance loans and investments to attain the objectives of the Alliance for Progress.

I should like the representatives of the United States here present to understand that my words express the views, not merely of my own country, but of many others that produce sugar, with which I have been in contact. I ask them to convey these views to the Government and Congress of the United States, so that the present sugar policy may be continued, at least for the duration of the Alliance for Progress. Perhaps in ten years we will no longer need this aid and may be able to think differently, as a result of having diversified our production.

Now that I have mentioned diversification, I should like to take up another very serious Latin American problem. It must not be thought that Latin America will forever be able to live from its mines and agricultural products. To the contrary, it will constantly be faced with the problem of prices and world competition. We cannot ask the United States to pay a high price for a product in which there is competition from Europe. If Europe and the rest of the world do not enter into this system, the United States will be unable to pay special prices as we might wish. This is an extremely serious problem, and the countries of Latin America must focus on sufficient technical assistance to discover what we can produce economically. There should

be some authority to inform private industry about the sectors in which industrialization is desirable.

The Economic Commission for Latin America has said that goods now imported by Central America, amounting to 500 million dollars a year, could be produced in the area, but we do not have the technical know-how or people to advise us on how to industrialize our countries to prevent the flight of those 500 million dollars. I ask the Bank and United States Government to help us to study this field and attract private capital from our own countries and abroad. If we can do this, we shall have advanced by ceasing to depend on our basic products. If we can do this, we may be able to attain our development and help Latin America cease to be a perennial burden to the United States. It does not want to be so, and prefers to advance by its own efforts.

Mr. Chairman, I express my thanks to those present for having allowed me to speak. I believe my remarks may have been useful, for I have touched on points which, in my opinion, should be discussed at this meeting.

In closing, I wish to express, through the Chairman, my warmest appreciation to the people and Government of Argentina for the splendid reception they have given us in this beautiful and hospitable city of Buenos Aires. And to the Argentine people, because of their culture and their important place in Latin America, I express our admiration. My country wishes the Argentine people and its Government every success, every happiness, and every good fortune.

**Address by Mr. Luis Escobar Cerda, Governor for
Chile and Minister of Economy, Development and
Reconstruction, at the Fifth Plenary Session**

It is gratifying for Chile to come to this Third Meeting of the Board of Governors of the Inter-American Development Bank and observe the progress the Bank has made and the importance that financing Latin American economic and social development has acquired. On the basis of numerous past ideas and initiatives, my country presented a proposal to establish an inter-American financial institution to the Quitandinha Conference in 1954. Despite initial doubt and hesitation, the proposal provided momentum for a meeting of experts, convened early in 1959 in Washington, to negotiate and draw up the Agreement Establishing the Inter-American Development Bank. We are the more gratified because one of our prominent citizens was chosen for the difficult task of guiding and consolidating the new institution.

The report on the Bank's transactions, whether with ordinary resources or resources of the Fund for Special Operations and Social Progress Trust Fund, is eloquent proof of our efficient policy, and requires no further comment.

Now it is up to us to strengthen the Bank and increase its financial means and responsibilities, so that it may achieve the full purpose for which it was established.

We support the idea of the Delegation of Brazil to give the Bank powers and means to finance exports by the Latin American countries. There are many Latin American industries that can compete favorably with those of more industrialized countries in price and quality, but which meet with difficulty in granting terms of payment similar to those offered by their competitors. Underlying this initiative is acknowledgement that the weakness of domestic savings in Latin America requires the financial support of capital-exporting countries to finance investment levels that will accelerate our economic and social development in accordance with properly prepared programs, and a cooperative international effort to transfer part of these savings temporarily to other countries. This could be done by in-

stallment sales of our manufactured products which require a marketing system we cannot ignore to meet world competition, but which, unfortunately, we cannot achieve alone. The promotion of Latin American exports is inevitable to diversify our economies and achieve our lofty objective of accelerating our rate of growth and satisfying the need of our peoples for better standards of living. Thus, the initiative of Brazil is a basic new form of financial cooperation to achieve the investment goals we seek. It is only natural that the Inter-American Bank should take this task upon itself.

The resolution approved by the Board of Governors at this morning's plenary session fulfills our aspirations in this respect.

We believe it vital to increase the Bank's ordinary capital resources and those of the Fund for Special Operations. When the Bank was established, we knew the approved capital resources were very modest to meet the economic development needs of Latin America, even those which the Bank was merely to supplement. It was said then that the approved resources were only a beginning, and that once the new institution had shown it could manage them effectively, an increase in capital could be discussed. The President's report shows the Bank's resources have quickly been committed, and we must now consider an increase in its capital or run the risk of paralyzing or slowing the pace of its operations.

The Chilean Delegation believes priority should be given to an increase of ordinary callable capital, because the Bank should contribute a higher proportion of funds or savings from outside the area to development of the area than it can at present.

Taking ordinary resources and the Fund for Special Operations together, aside from the callable capital subscribed by Latin America we see that Latin America contributes 300 million dollars, including local currency payments the Bank naturally uses in its loans. This affords us the possibility of obtaining additional credits for 450 million dollars, the total contribution from sources outside the area, which is still identified with the contribution of the United States. Thus, each dollar from Latin America

is complemented by only a dollar and a half from sources outside Latin America, without considering the trust funds administered. We believe the proportion should be altered in favor of Latin America.

Several Governors have expressed concern over excessive delay in obtaining foreign aid, and we share this concern. Nearly all the Latin American countries at present are at a dangerous crossroads, with time running against survival of their democratic form of government. For this reason, there is a natural desire to see prompt achievement, often faster than can be expected. The same impatience is found among suppliers of funds over immediate implementation of necessary domestic reforms called for by the Alliance for Progress. It is essential at this time that we cast off distrust, and that each play his appointed part in this task with utmost energy and speed. Otherwise, what today is a great hope may become a grandiose failure.

I wish to express our loyalty and optimism regarding the Alliance for Progress. Only a few months after signature of the Charter of Punta del Este, which crystallized President Kennedy's initiative, Chile, because it had a sound economic and social development program and was about to enact important changes in taxation, land tenure and its administrative machinery to make possible achievement of the principles of the Alliance, concluded an agreement with the United States Government for a financial aid program within the framework of the Alliance. We have placed great hope in this program, because we trust our bureaucracies will be adequately reformed to avoid delays about which complaints have been voiced at this meeting.

It has been said that the foreign resources that will help to finance our economic development cannot be used to finance instable budgets or balance of payments. In effect, the Alliance for Progress presupposes domestic policies that will keep the value of Latin American currencies relatively stable, but we should not forget that financing economic development now is in a framework different from that of the past. The Punta del Este Charter establishes the need for planning as a tool for economic development in Latin America. This means that public investments, at least, should be predetermined by planning which, if well

designed, should also indicate the amount of investments to be financed by domestic savings and the amount to be financed by foreign resources. If planned investments are included in the budget, failure to receive foreign loans on time will naturally unbalance the budget and, no doubt, the balance of payments. It may also lead to reduction in the amount of the investments and the impossibility of attaining stated goals. That is why, once a development program is approved, it is essential to success that a country obtain foreign resources for the amount and period planned.

I would like to reiterate our appreciation for the work a group of outstanding Latin American leaders has been carrying out in directing the Bank's operations, especially our President, Mr. Felipe Herrera. I also express to Dr. Méndez Delfino, Chairman of this Meeting, and, through him to the authorities and people of Argentina, our gratitude for the warm hospitality extended to us in this beautiful city of Buenos Aires.

Address by Mr. Guillermo Hidalgo Qüehl, Alternate Governor for El Salvador and Vice President of the Central Reserve Bank, at the Fifth Plenary Session

The Delegation of El Salvador considers it an honor to be present at this Third Meeting of the Board of Governors of the Inter-American Development Bank and wishes to express its appreciation to the Board of Executive Directors and Mr. Felipe Herrera, the illustrious and dynamic President of the Bank, for the rapid processing of our country's requests. El Salvador to date has received financial aid from the Bank for nine approved operations totaling 17.5 million dollars, which will help to accelerate our social and economic development.

This contribution by the Bank will be invested in specific projects in agricultural development, installation of water and sewerage systems in 39 cities throughout the country and certain rural zones, a housing construction program for low-income families, a rural electrification pilot project, extension of credit to small farmers, and, in the private sector, an over-all loan to promote industry, agriculture, stock raising, crafts, and direct financing of a food processing plant.

The Bank mission that visited our country at our request, and successive visits of Bank officials, are responsible for eight of these operations.

El Salvador is also receiving technical assistance from the Bank with respect to some of these projects.

In compliance with the Act of Bogota and Charter of Punta del Este, El Salvador has carried out several institutional, tax and social reforms to create an economic structure that will serve as a point of departure for the country's effective progress. Mention should be made of nationalization of the Central Bank, which was transformed from a private corporation into an autonomous public institution able to carry out functions inherent in such modern agencies. We thus can say that the Central Bank is now participating in this Meeting in its true capacity.

Due to the continuing decline in prices of products, particularly of coffee, which represents 80 per cent of our ex-

ports, and to political events, which always affect the economic situation, our country experienced an acute economic crisis last year, aggravated by the flight of capital, which was reflected in a lower level of international cash reserves. To correct this situation the Government, among other measures, for the first time in the country adopted controls for foreign exchange transfers. It also concluded a stabilization agreement with the International Monetary Fund which, due to efficient application and selective local credit measures, carried the country within a year to a sound international reserves position. As of the 17th of this month, it had cancelled its debt to the International Monetary Fund.

Once we attain our aim of preserving the value of our currency and thereby promote monetary conditions favorable to steady development of our economy, we wish the Inter-American Bank to fully implement its objectives in our country.

To attain "acceleration of the process of economic development of the member countries, individually and collectively," it would be desirable for the Bank, through its Board of Executive Directors, to strive for greater flexibility in its policy and more effectiveness in the programs it finances. We would suggest that just as the Bank provides us technical assistance and study missions in preparing credit applications, it should furnish us additional cooperation following the signature of the loan contracts to make disbursements for financing projects available as soon as possible. Disbursements are not being made as promptly as desired. Of the total loans for 293,695,000 dollars granted in 1961, only 6,606,297 dollars were received by borrowers. We realize there is justification for this circumstance, since this is the first year of Bank operations, but the figures indicate the problem is general and that an effective solution must be sought.

A specific problem is housing, an acute problem common to almost all the member countries, and the Bank could effectively contribute to its solution. Financing minimum housing does not exclude the need for broader formulas in which the Bank could participate actively.

My country has observed with great satisfaction the magnificent work of the Bank as Administrator of the Social Progress Trust Fund of the Alliance for Progress. However, we are concerned that about 60 per cent of the available 394 million dollars of the Fund has been committed within so short a time. It is imperative to increase the Fund in the future, or find new forms of financing to enable the Bank to continue its task of developing social progress programs throughout Latin America. Otherwise, normal execution of programs which have been initiated will be seriously affected within a very short time.

In closing, I express the thanks of my country and our delegation to the Bank management for the cordial reception and collaboration we have received, and our satisfaction at the success of this Meeting. I also express our best wishes for even greater success in the tasks to be performed by the Board of Executive Directors and President of the Bank in the new year of activities commencing.

**Address by Mr. Juan Eduardo Azzini, Governor for
Uruguay and Minister of Finance, at the
Fifth Plenary Session**

On behalf of the Republic of Uruguay, I wish to add a few words to those of the Governors who preceded me and express my great pleasure at attending this Meeting in the beautiful city of Buenos Aires.

I also wish to express my gratitude for the courtesy and hospitality extended to us, so frequent an occurrence between Uruguayans and Argentines as to be taken for granted, such is the close relationship, the brotherhood, the identical historical origin of our two countries, united, not divided, by the river which our aborigines called *Paraná Guazú*, meaning "river broad as the sea."

I would have liked to attend your deliberations from the start, to closely follow the words of the distinguished representatives of our sister nations, but government business kept me in Montevideo until yesterday. I wish to state that I and the National Government Council of my country share in the struggle of the American nations for continued progress.

My country's relations with the Inter-American Development Bank have proceeded along completely normal and cordial lines. All problems of capital payments, parity, and the like have been satisfactorily solved. Credit transactions have not reached a large volume, but we believe several interesting operations will be concluded during the next quarter.

Three loans have been granted so far. The first is for water supply for the city of Montevideo, for 5,743,000 dollars on a 20-year term from the Bank's ordinary capital resources. The second is for 2.5 million dollars for a sewerage project in Montevideo, at a 21-year term, from the Social Progress Trust Fund. The third loan is for 640,000 dollars, payable in eight and a half years, to Establecimientos Frigoríficos del Cerro, a workers' cooperative, financed by the Fund for Special Operations.

The loans we hope to arrange shortly will benefit the National Fuel, Alcohol and Portland Cement Administration, the Oceanographic and Fisheries Service, and two

projects for sanitation installations in the interior of the country and low-cost housing.

In technical assistance the Bank, with the Organization of American States and the Economic Commission for Latin America, sent a mission of qualified experts in response to a request of my government to advise on preparation of a national development program.

Since the present government of my country took office on March 1, 1959, its policy has been directed toward financial improvement and reform, freedom of trade, monetary stability and economic and social development.

With respect to the first, the fiscal deficits of ten years were consolidated and the budget balanced, going from a deficit of 100 million pesos in one year to three years of balanced budgets, and even a considerable surplus. The public debt was consolidated and outstanding payments for over 100 million pesos were met, bringing Treasury accounts up to date. Inspection services and tax collection offices were unified and extensive tax reforms carried out, eliminating 50 taxes, consolidating others, raising minimum non-taxable amounts, consolidating tax claim procedures and establishing an income tax with a very high minimum. The general budget was systematized and adequate provision made for the ministries responsible for development. A general salaries law was enacted, and the ceiling of the general budget, in which deficits of collateral agencies were consolidated, was set at 20 per cent of estimated national income.

With regard to trade, the most significant measure was that adopted by law on December 17, 1959, attacking the evil at its roots and giving a totally new structure to the exchange market.

Until then our exchange system had several rates of exchange for imports and exports. This multiplicity caused all sorts of distortions. The import prices were held below true values, creating an enormous outflow of foreign exchange because of a rapid consumption trend, while producers had restricted access to foreign exchange for exports by reason of differential exchange rates.

This resulted in two disastrous consequences. For one, foreign exchange outflow was uncontrolled and even im-

port-export controls failed to function as a brake. For another, losses by the Bank of the Republic from exchange differences increased steadily, decapitalizing the institution.

The law to which I refer ended this unfortunate system. Foreign trade exchange operations carried out at a free exchange rate contributed largely to adjustment of the national economy.

We are sorry that, despite our decision, powerful countries with flourishing economies, which had proclaimed freedom of trade as a dogma, maintain or establish limitations on our products, based on the most varied arguments.

In monetary stability, the international value of the Uruguayan peso, after losing 75 per cent in less than a year, from 1957 to 1958, has been maintained at eleven to the dollar during the past two years.

Our trade balance after ten years had an accumulated deficit of 340 million dollars. A sound position was aimed at in 1961, and despite a labor conflict that impeded normal meat exports, the deficit was reduced to only 30 million dollars. Balance of payments now is at a favorable position, due to tourist foreign exchange and the return of national capital.

Exports increased from 100 million dollars in 1959 to 174 million in 1961. Private foreign credit lines of the Bank of the Republic doubled between 1959 and 1962, and were used only to the extent of 50 per cent. A standby credit was obtained from the International Monetary Fund amounting to 100 per cent of the unused quota.

Local prices also tend to stabilize. Indices of increase were 50, 36 and ten per cent in 1959, 1960 and 1961, respectively. We know stability is not easily attained in this sector, and that the development-stability problem presents difficult choices.

Finally, we note that the struggle in development began at the lowest level.

An adequate agency, the Investment and Economic Development Committee, was created; personnel training courses were carried on; a national population and housing census is to be effected next month; a nation-wide accounting is in preparation, and technical assistance has been requested from international agencies.

In addition to preparation of the ten-year plan, short-term specific projects for public works, power, transportation and communications, housing, sanitation, schools, hospitals, the fishing industry and zonal development have been drawn up.

Mr. Chairman, three socio-economic events which took place in Latin America in recent years will enormously influence its destiny. They are the Bogota Conference, the Charter of Punta del Este establishing the Alliance for Progress, and creation of the Inter-American Development Bank.

There are two basic aspects to these accomplishments. It was clearly established that economic development and social welfare are intimately linked, and that economic progress in Latin America does not adversely affect that of the United States or other highly developed countries, but can depend on their collaboration.

Although these general principles are unanimously and enthusiastically accepted, there is still much to be done on the level of procedure even if our planning has led to approved models.

The existence of financing institutions based on banking criteria to meet economic development needs is perfectly logical. The origin of such capital, the stability of financing institutions and even the lender's own interest require a rigid orthodoxy, but when social purposes are essential, other criteria should be employed. Creation of the Bank and special United States aid funds have gone far in this connection, but there are still many gaps.

It must not be forgotten that there are national political, economic, social and institutional realities which cannot be overlooked in granting credits or assistance, however important.

At the same time, the circumstances surrounding some standstills, bottlenecks and points of departure cannot be eliminated or attained without sufficient flexibility and breadth of outlook to permit an adequate appreciation of the situation by the organizations involved.

We are perfectly aware that the Bank's executives have full knowledge of these problems and are making efforts to solve them, but rather than general praise for

their most valuable work, we believe it is far better to urge them to put their intelligence and creative capacity to still further use.

We represent governments and peoples, and instead of employing words of complicated technique and ready courtesy, we must convey to the Meeting the feelings and thoughts of the man in the street. It has been rightly said that peoples become desperate when forced to wait too long.

Mr. Chairman, it is our ardent wish that these discussions may help to improve the mechanism governing the Bank's activities and resolve differences of opinion which have arisen in some cases. We must not lose sight of the fact that in the present difficult situation of the world, all must make efforts and sacrifices, involving even interest and dividends, to save Western Civilization.

Remarks of Mr. Felipe Herrera, President of the Bank, at the Closing Session

Before the distinguished Governors return to their vital tasks in their homelands, I believe an evaluation should be made of the results of this Third Meeting of the Inter-American Development Bank.

First, its importance is revealed in the caliber and number of the participants, in its efficient organization and in the manner in which our work has been facilitated.

Our meeting here in Buenos Aires was attended by 99 representatives of member governments; 32 observers, each representing an international organization; 240 special guests, and 100 journalists. I wish to take this opportunity to thank the information media of Argentina and the Hemisphere for their solid support of the Bank's work. Press, radio and television have contributed very effectively to the meeting.

I also wish to stress, and this is the feeling of all who have participated, our thanks for the facilities provided by the Municipal Council of Buenos Aires. This serious, well-organized atmosphere has stimulated our work and made it easier and more pleasant.

With our appreciation for the work of our own officers, who well in advance took the necessary steps to ensure success of this meeting, I wish to mention the local staff, and particularly that of the Central Bank of the Argentine Republic. These people, under the direction of our distinguished Chairman, Dr. Méndez Delfino, made an important contribution to our work.

Here at Buenos Aires we also reaffirmed the spirit of last year's meeting in Rio de Janeiro. The Meetings of the Inter-American Bank more and more are becoming a great economic and financial forum where the interests of our governments, the private sphere and all international organizations related to our development come together.

I am certain that the distinguished Governors are returning to their countries with an accurate picture of the situation. Someone said yesterday, perhaps as an historic evaluation of general conditions, that it was notable how

the situation in the American republics conditioned our deliberations. I believe this is true. The Bank does not live in an ivory tower. In the Governors' statements we sensed deep concern over the problems of our Hemisphere and the rising tensions that damage many aspects of our economies. Nevertheless, it is very encouraging to note that along with this recognition of economic deterioration due, not to our incapacity, but to certain frequently inevitable historical processes, we can feel optimistic because specific proposals for overcoming the difficulties now plaguing us have resulted from the very accurate analyses of the situation made by the Governors.

Therefore, I can state in the name of the Board of Executive Directors of the Bank that, as we conclude this meeting, we are strengthened by the opinions expressed here. We are returning to our headquarters encouraged by the formulas commended to us by the Governors for our future operational policy.

I believe the fact that the Alliance for Progress is in full swing has considerably influenced these positive results.

Obviously, as was recognized in our discussions, we are dealing with a policy, in operation only a few months, that is limited in many aspects because it is complex and ambitious, and signifies not only a commitment by the United States to mobilize financial and technical resources for Latin America, but an attitude of constructive progress by our own countries as well. It is equally obvious that we must unite our wills in a common struggle against hundreds of years of backwardness, poverty and ignorance, and this is not an easy task.

To form an accurate picture of the situation, it is well to remember Pascal's maxim, "Kneel down, and you will begin to pray." Our governments and the various international organizations have resolved to mobilize their resources and efforts to cope with these problems, and I believe this attitude may prove to be more important than appreciable immediate results.

Mention should be made of the Bank's close relationship with the Alliance for Progress policy. Several of the Governors have referred to this point. Perhaps it was the

Governor for Colombia who, with his customary brilliance, best defined that association when he stated in his address:

" . . . for the Alliance would not have been the same, either politically or economically, had it not found at the outset such an institution as the Bank, enabling it to focus on the proposed objectives, in the face of the manifold difficulties besetting any unilateral assistance, generous and well-intentioned though it may be. The Bank has not only been a good administrator, investing in 31 operations 212 million dollars of the 394 million assigned it, but has given the Alliance a multilateral aspect which preserves, dignifies and ennobles it."

I believe, gentlemen, that our deliberations here have been easier because a common attitude is taking shape among the financial and economic leaders of our governments. This should not surprise us, for this common attitude has developed because of a trend towards permanent rapprochement during the past decade.

A tribute should be paid in this connection to the financial meetings sponsored by the World Bank and International Monetary Fund, because of their value to us Latin Americans. The meetings of experts of central banks at the regional level, and meetings of the Economic Commission for Latin America, Inter-American Economic and Social Council and other entities have also been of great value. Here in Buenos Aires we find ourselves again with those who long worked for this cause of Latin American economic cooperation.

At the risk of offending his modesty—and I know I am expressing the feeling of all of us—I should like to make special mention, among this group of men who have worked so long for hemispheric integration and progress, of Mr. Douglas Dillon. He is participating in this meeting as he did at the economic conference in 1957 in this city, a few weeks after he assumed the duties of Assistant Secretary of State for Economic Affairs upon his return from France, where he had served as Ambassador. I remember the comment he made to the South American delegates, that although the United States did not wholly approve the proposal made at that meeting for establishment of an Inter-American Bank, he was deeply impressed by the un-

animous desire of all the Latin American delegates to have a regional, multilateral organization of this type. Just a year later, after Mr. Dillon had become Assistant Secretary of State for Economic Affairs, he told the Inter-American Economic and Social Council that his government was willing to support the proposal. It is not by chance that today, as Secretary of the Treasury of the United States, he represents that great country in the Bank. We find in him an adviser, a friend and a generous representative of our largest shareholder.

Let me refer briefly to the importance the Bank management attributes to the resolutions we have just adopted. The first group of resolutions refers to approval of the financial account submitted by the Board of Executive Directors. It might be assumed that this was obligatory, and had no other significance than that of a simple formality, but it means much more to us, especially because of your generous encouragement. All of you have public responsibilities in your own countries, and know how necessary it is to have a vote of confidence at a given time, not as a cold, ceremonial formula, but as a warm human gesture that expresses public opinion. The manner in which you have reaffirmed your confidence in us is the greatest encouragement we could have for our work during the coming year.

I cannot, unfortunately, quote the constructive opinions of all the Governors, but I should like to read a paragraph from the address of our Chairman, Dr. Méndez Delgado, in which he referred to the work we have accomplished, in terms, I believe, shared by all:

"During its brief existence the Bank has shown that it possesses characteristics which distinguish it from other agencies of its kind: its dynamic approach and flexible operation. It has been able to overcome the sluggishness of top-heavy bureaucratic organizations and solve problems opportunely and speedily—two decisive factors in the race against backwardness, which is also a race against time, precisely when a justifiable desire for better living standards is spreading throughout the Americas."

Our evaluation would be incomplete if we did not reiterate our recognition of our own limitations. Someone told me that my statement at the opening session was more a

critical evaluation of the Bank's activities than an opening address, and so it was, gentlemen.

At this stage of the Bank's activities we need self criticism more than anything else, and therefore are pleased at the lasting incentive you provide when you refer frankly to the Bank's method of operation. The Governor for Uruguay summed up the aim of continuing improvement pursued by the Bank management when he said:

"We are perfectly aware that the Bank's executives have full knowledge of these problems and are making efforts to solve them. But rather than general praise for their most valuable work, we believe it is far better to urge them to put their intelligence and creative capacity to still further use. We represent government and peoples, and instead of employing words of complicated technique and ready courtesy, we believe it is far better to convey to the Meeting the feelings and thoughts of the man in the street. It has been rightly said that peoples become desperate when forced to wait too long."

This statement contains a great lesson on what all of you expect of the Bank's administration in greater efficiency and speed of operation. I can assure you that next year we shall surely be able to submit to you an activities report that will reflect a greater efficiency than this year's.

The second resolution approved refers to resources. I should like to express the deep satisfaction of the Bank's management at the clarity with which the Governors have expressed themselves. I believe all of you have understood the problem our organization faces at this time—not the current rate of loans, but prospects for maintaining it.

The Governors for Chile, Nicaragua and Venezuela referred in detail to this point and very clearly expressed the feeling of all of us, in supporting the proposal of the Directors for a detailed study of an increase in our resources.

In his address the Governor for Venezuela said:

"In view of the countless potential needs, we are concerned lest the Bank's own resources and those of the Social Progress Trust Fund may be insufficient in the near future to cope with demands, and are therefore in agreement with the statement made by the President of the In-

ter-American Development Bank, Mr. Felipe Herrera, in his address to the inaugural session to the effect that other resources should be sought in international capital markets, including Europe."

It is appropriate to here analyze the form this increase in resources might take, or the varied measures we will need to adopt, depending on whether the Bank's ordinary resources, Fund for Special Operations, or Social Progress Trust Fund is involved.

One of the most important results of this meeting is the draft resolution unanimously approved on financing exports. This proposal expressed the unanimous feeling of the meeting and Brazil should be congratulated on its imagination and flexibility of attitude in broaching the matter. As the Governor for Nicaragua so aptly said yesterday, Brazil with its strong sense of inter-American solidarity has once more placed on the agenda of our economic policy and common endeavor a matter on the minds of all the Governors, but not until then brought to the fore.

In this connection this meeting is rapidly becoming a center where long cherished Latin American aspirations are being converted into specific resolutions, such as that on exports, which involves concepts universally enunciated over many years. On this matter we have finally developed a policy that enables us to cope with the problem, and have applied the same criterion to other matters.

For example, one of the Governors commented yesterday on our important part in channeling resources from Europe to the Bank. The fact is that the possible contribution of Europe through public channels had been merely a subject of academic speculation or speeches until the Governors considered this need of Latin America, and no practical results had been forthcoming.

I believe no further comments on the need to finance exports can be added to a very interesting observation of the Governor for Mexico, reiterating ideas he expressed last year at the Rio meeting:

"The source of a situation which daily becomes more critical for those Latin American countries whose development is incomplete, and others in the Hemisphere eager to establish closer economic relations with them, lies in

the lack of facilities for financing the sale and export of nationally produced capital goods on terms and at interest rates enabling them to compete with the great industrial export centers."

I also consider it desirable to repeat a statement of the Governor for the United States that will be valuable to our Board of Executive Directors in their decisions:

"Certainly, the diversification of exports is a most important part of long-range plans for the development of Latin America. The growth of what I might call 'export-mindedness' among both the Governments and the business community of the region must also form part of this process. The increasing attention being devoted to the export of capital goods is a very encouraging sign. I will look forward with great interest to the results of the forthcoming study. We are prepared to consider with an open mind any practical proposals which emerge from this study."

With respect to resolutions, I wish, finally, to refer to that adopted a few minutes ago on the selection of Caracas as the seat of our Fourth Meeting. Nothing could please the Board and Bank management more. We all know from experience and association with our Venezuelan friends the importance Venezuela attributes to the Bank. They know that they have found in the Bank a consistently loyal friend who shares many of their problems. As I said last year, the selection of a city as the seat of our meetings is not a simple procedural act or matter of geographical rotation. It is a tribute to a nation.

And, just as this year the inter-American financial community sought to express its recognition to Argentina for its great effort to achieve development by holding its meeting in Buenos Aires, in selecting Caracas as the seat of our next meeting we sought to demonstrate our recognition of the extraordinary effort in which the present Venezuelan government is engaged in strengthening democracy within a framework of legality and constitutionality, and producing in a peaceful manner a profound social and economic transformation which is demonstrating its significance throughout Latin America.

Among the most important aspects of this year's meeting are the round table discussions. I wish to express my

thanks to all who participated in them, and especially to those friends who came from Europe to give us their views. They can be certain that their opinions are valued by all of us, and that the wealth of information the Bank has obtained will be a beneficial and determining factor in our activities during the coming year. Moreover, this participation by Europe in the development of Latin America was discussed not only at the round table on that topic, but was also referred to in some of the Governors' addresses and especially in the stimulating words of the Governor for Peru.

The round table on private enterprise was also a great success. We were fortunate in having outstanding representatives of American private enterprise and in hearing the voice of the Latin American working class through the Inter-American Regional Organization of Workers. The Bank yesterday had the unusual opportunity of hearing the voices of management and labor joined in behalf of the broad and ambitious Alliance for Progress program.

Let me refer now to some comments repeatedly heard during this meeting, because they are guides to our future.

It was encouraging for the Directors to hear a reaffirmation of faith in the multilateral concept expressed with special emphasis by the Governors for Colombia, Ecuador and Bolivia. This reiteration of faith in multilateral action launches Latin America along the path being followed all over the world in matters of financial assistance. In the latest report of the European Cooperation and Development Organization, statistics showing how multilateral assistance has increased throughout the world are very revealing. Between 1950 and 1955 average multilateral assistance by developed countries to underdeveloped sectors was 100 million dollars a year. Between 1956 and 1959 this type of assistance tripled, to 300 million dollars a year invested through multilateral channels, and in 1960 the 300 million rose to 700 million. In short, there is a growing awareness among countries willing to help the developing nations, and among the beneficiary countries themselves, that multilateral assistance is the best device. This is in accord with all the arguments so brilliantly outlined by you at this meeting.

I must mention the almost unanimous statements of

the Governors regarding the importance of over-all programs and development plans if we are to increase our activities within the next period. The representatives of Bolivia and Venezuela were very explicit on this point, and other Governors referred in similar terms to efforts of the countries to organize planning boards or prepare comprehensive development plans.

The Bank appreciates this, as it does the understanding shown by the governments imbued with the spirit of the Punta del Este Charter. It is good that this work sharpens our own perspective and prevents friction with the governments, so that the use of resources will be more productive because of well-studied programs which the panel of experts, appointed pursuant to the Charter, will evaluate from the technical standpoint.

Something that has become a matter of general concern is our concept of flexibility. The Governor for Bolivia concisely and constructively defined what should be understood by flexibility when he said:

"Doubtless, for those who advocate a traditional credit policy, it has been liberal. For the underdeveloped countries, on the other hand, there are still many overly strict regulations to be abolished and a broader definition of operations to be evolved, in view of the fact that we are undergoing the extremely difficult stage of planning our economies and our development. In this regard, care should be taken to avoid any eclectic formula whereby the Bank would achieve a balance initially, but would run the risk of failing to adapt fully to the real conditions in our countries that determine and condition economic and social changes.

"The Bank's credit policy has shown flexibility in the management of its funds. The administrators have shown themselves to be highly adaptable. This leads us to affirm that, as a general rule, the Bank should deal with each project or plan its financing through basic measures adapted to the circumstances in each case. Often it may not find the appropriate local administering agencies. In other cases these may not meet the relative standard of administrative perfection required, and in still others the Bank will require different stages of preparation of studies, projects, formula-

tion of plans, and sometimes may even need to carry out operations of a highly individual nature. This adaptability will bring about exceptional transactions, but only in this way will we have an efficient, operative institution, while at the same time introducing the elements of change required to perfect our administrative and technical agencies."

Nevertheless, I should like to refer once more to a matter that has caused us concern during these past few months. It is true that the Bank can operate in a flexible manner. It is true that existence of the Fund for Special Operations and Social Progress Trust Fund permits us a degree of flexibility perhaps unknown in other international agencies, but with respect to our ordinary resources, the Bank management holds that it should not depart from classic, orthodox practices. As I noted at the opening session of this meeting, we cannot do without sufficient resources for our productive credits, which are the basis of our bond issues. A different attitude would be irresponsible, and you are all identified with this concern of our organization. The Bank may use its resources in the capital markets to the extent required by a technical level of its projects at least equal to that required by agencies operating on a world scale. As Latin Americans, we must endeavor to put these projects on the soundest possible bases, because it is our obligation to evaluate them to arrive at more satisfactory terms than those of non-regional international agencies.

I would emphasize here that a flexible criterion does not mean accepting imperfect or poorly prepared projects. Those in contact with us know we demand the same technical requirements in using our ordinary funds as in administering resources of the Social Progress Trust Fund and Fund for Special Operations. Flexibility does not refer to the Bank's evaluations for technical approach, but to loan conditions or terms, and on that point I thank the Governors for the understanding they have shown. We all know that it has been a process of mutual education.

We also know that in maintaining these standards we are acting for our respective peoples and providing Latin America with a reputation for reliability beyond our Hemisphere.

I could describe many experiences regarding the Bank's criterion. Requiring governments and entrepreneurs to submit applications in due form has been beneficial. A few minutes ago, one of the Governors said to me:

"Mr. Herrera, when the Bank sent a mission to our country to study the housing problem and recommended reformation of our national plan, there was—and we can say it now—a negative reaction by our government. We felt that this was interference in our internal affairs. We believed that our institutions were sufficiently well organized to solve that problem. But, today, after several months of working with the Bank's experts, after altering our institutional approach to housing policy, we realize that you were right, and that our institutions needed reorganization. Now, even if we do not obtain the loan, merely having induced us to alter our course of action has been a valuable contribution to our government's policy."

A few days ago a distinguished industrialist in Guayaquil, who is a friend of the Minister of Economy of Ecuador, spoke in similar terms. He told me he had requested that a Bank expert be sent to make an on the spot study of an application for industrial expansion, and that the expert had submitted several requirements to him on costs and market prospects. The industrialist went on to say that this work had taken several weeks. "I can tell you," he added, "that my staff and I became tense whenever the Bank officer came to the factory, but as a result of the studies we saw that our plant was poorly planned and that it was impossible to expand it at that time. The Bank did us the best possible service by rejecting our application."

I believe this is the meaning of the Bank's inflexibility. It is an inflexibility used to cooperate with you, and I express our gratitude for the way in which the Hemisphere has responded to our technical requirements and demands regarding the presentation of applications.

It would be very advantageous if the Bank could finance working capital. It is unnecessary to discuss this subject in detail to demonstrate that our Bank, as an investment bank, has a very specific nature, and that if the need for working capital cannot be met with internal re-

sources, it should be satisfied with external resources, perhaps through bank credits or other sources. However, under the terms of our charter, it seems to us that we cannot meet this need. There are also other aspects in which the Bank should be inflexible because of express provisions of our charter and the Social Progress Trust Fund Agreement. One of these refers to the maintenance of public services or the administration of investment projects. We would need amendment of the Agreement to make the Bank's participation possible, especially in the case of the Trust Fund.

I am particularly grateful for the remarks made by the Governor for El Salvador with respect to our disbursements in which he precisely interprets my first address on the need for the Bank to accelerate its disbursement program. We have made the necessary administrative changes for action of this kind, and now request all your cooperation in employing the Bank's resources. It is frequently considered in Latin America—and this psychological approach is widespread—that a loan ends when the Bank or some other agency announces it is prepared to join in execution of a project. In my opinion the beneficial effects of the credit merely begin at that moment. We need to provide incentive and exercise control in using our resources.

Several Governors have referred to the need to assign priority to certain relatively less developed areas of the Hemisphere. The Governors for Ecuador, in particular, Paraguay, Nicaragua and Bolivia mentioned this point. I have here a few statistics that accurately reveal the Bank's policy on this point—to give priority to smaller geographic units or relatively more backward areas. Dividing the Latin American countries according to population, we can see that our loans have been made in inverse proportion to the number of inhabitants, and this has not been by chance.

For example, nations with less than two million inhabitants and four per cent of the Hemisphere's population received ten per cent of our loans. Countries with two to five million inhabitants, or eleven per cent of the population of the Hemisphere, received 17 per cent of loans. Those whose population fluctuates between five and ten million, representing 21 per cent of the population of the Americas, received 37 per cent of loans. Finally, nations with more than 15

million inhabitants, 64 per cent of the Hemisphere's population, received 36 per cent of all loans. These figures speak for themselves regarding our policy.

I should like to refer to the interesting proposals of the Governors for Haiti and the Dominican Republic. I wish to thank the Governor for Haiti for his expression of appreciation for the Bank's concern for his country. He knows our organization has been deeply moved by the special problems besetting Haiti, and we shall continue this high priority policy with respect to Haiti, a deserving land from every point of view.

I should also like to note the profound feeling with which we observed the active cooperation of the Dominican Republic in our work. The Bank already has taken steps to help reorganize that country's agricultural system, and this will be followed in coming weeks by specific financial decisions.

I am most grateful for the remarks made by several Governors regarding the domestic economic, monetary and social policies of their countries.

The statements of the Governors for Peru, Venezuela and Panama have been of the greatest interest in demonstrating how our countries are carrying out in practice the international commitments assumed at Bogota and Punta del Este.

It was also extremely interesting to see the concern of many of our countries for monetary policy reflected here, and I wish to mention in particular the brilliant statement by the Minister of Finance of Uruguay, reporting stabilization efforts made by that sister republic in the past two years.

I apologize for having taken so much of your time, but, as I told you at the opening session, the Bank's administration has found new incentives for its activities at this meeting, which will mean broadening our responsibility. This might be summed up in the following four points:

1. The Bank must continue to associate itself more and more closely with the process of Latin American commercial and economic integration. We accept with optimism and satisfaction the responsibility for making a preliminary

study of establishment of a system of export credit, for we view it in the light of this great process of integration.

2. We believe the Bank and its administration should, in the coming months, devote itself wholeheartedly to seeking more effective means for increasing our resources and speeding up our loans.

3. We believe we have received from this meeting a mandate to provide member countries with the necessary technical incentive to adapt their economic and social programs to their social problems.

4. We believe that we have received a mandate to make the work of the Bank increasingly more flexible, without endangering the attributes of reliability and technical responsibility that are vital to our organization.

My final words are to thank the Government of the Argentine Republic, in the person of the Chairman of the Meeting, on behalf of the Inter-American Bank, its Board of Executive Directors and personnel, for the cordiality shown us, and to thank the Chairman, in the name of the Inter-American Bank, for the brilliance with which he presided over this meeting.

Address by Mr. Gilberto Arias, Governor for Panama and Minister of Finance, at the Closing Session

Several weeks ago, at the time of the dramatic events at Cape Canaveral, I was driving along the Pan American Highway in the interior of Panama when I met 30 or 40 humble farmers and stopped my car. One, standing barefoot in the shade of a tree, holding his worn machete and wearing his only set of clothes and frayed straw hat, approached me and said: "Mr. Minister, help us solve our transportation problem. We have no way to bring our produce the ten kilometers from our village to the market for want of a passable road. While the American Glenn circles the earth in outer space, we who live only ten kilometers away can't get to the highway."

When my fellow Governors conferred on me the unmerited honor of speaking on their behalf during the closing session, I was mulling over the weighty and complex problems to be solved in Latin America. I was reflecting on the sources, causes, and roots of the injustice and inequity among our peoples, and recalled the incident I have just recounted. This Panamanian farmer might equally have been a farmer on the Bolivian altiplano, an unemployed man in Santiago, a landless peasant in Haiti, or the poverty-stricken head of a family in rural Guatemala or Honduras. This humble farmer, who symbolized the lot of millions of Latin Americans, in few words and in his own way was asking: Why do a few have so much, and so many of us so little? Why do certain select groups have such great wealth, while so many greet the dawn exhausted by hunger and malnutrition? Why are there so many indigents in our countries while others, apparently the privileged élite, educate, house and provide their children with medical care and comforts denied the rest?

On the international level, along this same line of thought, why are some countries backward while others are productive, rich and highly developed? Why is it that the United States, Canada and European countries are affluent, while our nations live in stark dejection, powerless to raise our people's social and economic standards? How is it that the intrepid Colonel Glenn can fly through outer space while

even the most rudimentary communications systems are lacking in Latin America?

As this Third Meeting of the Board of Governors of the Bank draws to a close in this hospitable city of Buenos Aires, we should concentrate on the why and wherefore of these problems to give purpose to our thinking and reach solutions. The distinguished American, Alberdi, said: "Only through a profound study of our past can we evaluate the present and discover the key to the future."

At the close of the Eighteenth Century, the French *philosophes* evolved a new system of government. In the next century, through the Industrial Revolution, principles of democracy, human liberty, freedom of thought and political freedom were consecrated. The image of freedom was transplanted to what is now the United States, which, after the Revolution of 1776, enshrined in its Constitution the principles of democracy and freedom that prevail in this Hemisphere today.

The concept of political freedom was enounced at the end of the Eighteenth Century, on the eve of the European Industrial Revolution. The people of Eighteenth and Nineteenth Century Europe possessed an unsurpassed culture. This was transplanted to the United States, and under the aegis of political freedom favored by vast technical knowledge, the precepts of economic freedom were gradually developed. In brief, both freedom and social well being were present. As a result of the democratic principles evolved by the French *philosophes* and the science and technology gradually developed by European savants and educators, democracy flourished spiritually and materially in Europe and the United States.

Latin America presents a very different picture. A small group of conquistadores reached America with sword and cross, and the indigenous communities in their path were absorbed by them. The impact of European culture was felt less strongly in Latin America than in North America. After attainment of our political independence, thanks to San Martin and Bolivar, our governments, stumbling amid success and failure, with heroism and steadfastness maintained the standards of democracy, political liberty and freedom of expression. But, what became of

economic freedom? While economic freedom rose like a star over Europe and the United States, our countries, which had accepted the democratic creed, struggled to maintain political freedom, while unequipped with scientific and cultural knowledge needed to educate our peoples and attain economic independence.

Decade after decade, from the Nineteenth to the Twentieth Century, our population and poverty increased hand in hand. Still operative was the principle of *laissez-faire*, which concentrated greater wealth in the hands of a few while the public interest went unprotected and the unequal distribution of national wealth became even more marked.

Two dramatic changes during the second decade of the Twentieth Century, of profound significance in the life of our institutions, were to shake the foundations of our republican way of life. Thus far, history would indicate that democracy had brought freedom and well being to the United States and Europe and that, with the passing of the years—many years, unfortunately—Latin America would find formulas to raise the living standards of its peoples. In 1917, the world was shaken by the Bolshevik Revolution and Marxist tyranny took shape, depriving people of freedom and spiritual well being and launching its five-year plans to raise the living standards of millions of Russian farmers living in poverty. During the Twentieth Century extraordinary changes also began in our communications, revealing to all the world by means of radio, telephone, ocean liners, aircraft and, more recently, television, what had been hidden by distance and time. The Latin American man in the street, who had little or nothing to lose, heard the voice of sedition from behind the Iron Curtain, attempting to persuade him that the Marxist system would best serve his interests. In return for the sacrifice of his political freedom, he was promised social welfare. With regard to the democratic system, which advocates political and economic freedom, it cannot be denied that some countries have found both, while in Latin America only political freedom exists, but not social well being.

Our peoples, watching what was happening around them, showed signs of unrest and disquiet. We saw they

were anxious for a new system, another creed; they showed signs of distrust in their governments; signs of a feeling that, since they had little, they also had little to lose. It was with this threat and the dilemma of choosing between "freedom and welfare," "welfare without freedom" or "freedom without welfare," that we entered the decade of the Sixties. However, Latin America had illustrious and capable men, sensitive to the poverty of their fellows and equipped and able to analyze social upheaval. One of them, Mr. Pedro Beltrán, said at the last meeting of the Board of Governors in Rio de Janeiro:

"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 fulfill, 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!"

The awakening to the pathetic reality that we are now trying to ameliorate began in 1960. With the extraordinary vision and clearness of mind of a true statesman, President Kennedy defined the Alliance for Progress as "a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people." Operation Pan America, proposed in Brazil; the Act of Bogota, in 1960; the speech of President Kennedy announcing the Alliance for Progress; the organization of the Inter-American Development Bank; the activities of the International Bank for Reconstruction and Development, and the Charter of Punta del Este are unmistakable proof that the welfare of all the peoples of the free world is of vital mutual interest to all democracies, be they highly developed or underdeveloped. The poverty of one must ultimately mean the destruction and failure of the others. If freedom is to prevail in the world, we must show that the democratic creed has brought effective freedom and well being to our peoples.

Until 1960, much had been said but very little done.

During that year, the danger and challenge to our democratic institutions profoundly disturbed our leaders. Using our best talents, we took up the challenge and devoted our efforts to the arduous task of attaining social and economic welfare for Latin America. The Alliance for Progress is not unilateral, nor is it an act of charity. It is a mutual responsibility shared by developed and underdeveloped countries, not intended for the benefit of certain nations, but for the protection and welfare of all freedom loving peoples.

The Alliance for Progress essentially is an attempt to achieve a fair distribution of income among free and democratic countries, in the same way that each country desires a better distribution of its national wealth among its own citizens. Our objective lies at the end of a long, winding road, fraught with vicissitudes and disillusionment, but despite all frustrations, despite all the problems and inequities to be overcome, we may say unequivocally that the program has shown a solidly favorable balance in its few months of operation.

In this short time, Operation Pan America was reflected in establishment of the Inter-American Development Bank, the Act of Bogota, the announcement of the Alliance for Progress, the generous contributions of the United States Government and the Charter of Punta del Este. In all our discussions, our Latin American colleagues have explained their points of view frankly and sincerely, and we have found in Mr. Douglas Dillon, Secretary of the Treasury of the United States, an understanding statesman who is willing to consider and advocate our cause. Mr. Chairman, I believe I interpret the feelings of my Latin American colleagues when I say that in Douglas Dillon we have a friend and partner who has thoroughly understood our problems.

In a little over a year, the Inter-American Development Bank financed 98 projects for a total of 426 million dollars. Our loans, in turn, mobilized sufficient local capital to make up a total of a billion dollars. Technical assistance by the Bank in the preparation of investment programs has been of special importance to Latin America. Sound planning is as essential as honesty and integrity in the management of public funds. Benefits would be limited without proper

planning and a high sense of civic responsibility in those entrusted with administration of public assets.

At the conclusion of the first year of operations, President Kennedy said, on March 13, 1962: "The report . . . contains an impressive list of measures being taken in each of the eighteen countries, measures ranging from the mobilization of domestic resources to new education and housing programs, measures within the context of the Act of Bogota . . . and the Alliance for Progress Charter. . . . These are all heartening accomplishments, the fruits of the first seven months of work in a program which is designed to span a decade. But all who know the magnitude and urgency of the problems realize that we have just begun, that we must act much more rapidly and on a much larger scale if we are to meet our development goals in the months and years to come."

The first eighteen months of operations have produced positive results. At this meeting we have heard valuable proposals that merit consideration and analysis in reaching definite decisions in the future. At the proposal of the Delegation of Brazil, the Board of Executive Directors of the Bank has been requested to consider an appropriate system for financing Latin American exports. The Delegation of the Dominican Republic has submitted for study a proposal concerning guarantees for foreign investments in Latin America. Much remains to be done with regard to basic commodity prices and regional economic integration. These and other well known problems await solution, and others will doubtless arise in the future.

Yesterday the United States Delegate urged the Latin American countries to attract private capital as essential to outstripping population growth. He added: "If private enterprise follows a policy of mixed capital financing—part foreign and part local funds—there will be benefits for all concerned, not the least of which will be the training and utilization of Latin America's own people. Such ventures will encourage the development of local technical and managerial talents and will allow existing talent to gain greater experience." Mr. Dillon could not have been more correct.

Social programs and certain economic projects may be financed by the public sector, but we will have to rely

largely on private enterprise and private capital to install the large factories and industrial processes which will be a source of direct income for our countries.

We hope that American private capital will be given direct access to Latin America, and that Latin America will take positive steps to attract it.

Distinguished Governors: My country and I are honored to be selected to speak on behalf of the Governors and express their appreciation for the countless expressions of esteem and cordiality received from the Argentine Republic, the Chairman of this Meeting and the Argentine people. Our stay in this gracious city of Buenos Aires, the pride of the Hemisphere, has been pleasant indeed.

During this meeting we sensed a deep satisfaction with the brilliant achievements of Felipe Herrera and T. Graydon Upton, the President and Executive Vice President of the Inter-American Development Bank, and the fine work of the Board of Executive Directors and staff. The efficiency and executive skill of the Bank's management is equaled only by the sound judgment shown in selecting the staff, and the *esprit de corps* inspired by Dr. Herrera. The dispassionate consideration, willingness to work and resolute action we have witnessed in the Bank encourage us for our future efforts.

The waves of migration that ultimately implanted democratic ideas in the New World led to an extremely dangerous, uneven development among the free republics. Some prospered, while others were impoverished by international *laissez-faire* policies. But we can thank the Almighty today for having brought us new light; in a free world there can be no freedom without well being. As long as injustice and inequity prevail, those who have achieved freedom and well being will perish side by side with those who have freedom alone.

Here in Buenos Aires, at the Third Meeting of the Board of Governors of the Inter-American Development Bank, we renew our trust in democracy, our faith in a prosperous future for all America, and our determination to extend our hand to all men of good will and assist them in finding freedom and social justice.

**Address by Mr. Eustaquio A. Méndez Delfino,
Chairman of the Board of Governors, Governor for
Argentina and President of the Central Bank of
the Argentine Republic, at the Closing Session**

As Chairman of the Third Meeting of the Board of Governors of the Inter-American Development Bank, I am called upon to close our debates, crowned by this Sixth Plenary Session ending the statutory Meeting for the present year.

The urgency which has attended our work, within the brief space of time at our disposal, prevents me from attempting a detailed study of the observations made by each of the Governors, whose thoughtful statements have been a source of instruction to us all. Furthermore, the President of the Bank, Dr. Felipe Herrera, who has evidenced a tremendous capacity for work, has succinctly outlined the results of our debates.

I wish to stress, however, some of the conclusions derived from opinions expressed during these deliberations. First, there is a consensus of opinion that the Bank is the most efficient medium for promoting adequate and progressive development of the Latin American economies, because of its flexibility of operation and sure knowledge of our problems. Second, it is agreed that the Bank's resources should be increased, by cooperative expansion of its capital and channeling contributions assigned by the Government of the United States and other foreign sources to foster the social and economic progress of our peoples. Third, Latin America seeks collaboration, not charity, in the knowledge that our problems are not exclusively local, but form part of a vast complex affecting the basic principles of the Western way of life, in keeping with a political, economic and social concept which, as one of our most prominent modern philosophers, Jacques Maritain, has said, should have as its objective "the dignity of the human being and the moral conquest of freedom."

To this end, we must further propagate the need for cooperation among all Western nations, especially the European countries which have been successful in the past decade in defending the material and spiritual values of our

civilization and are able to contemplate our problems from a liberal viewpoint, based not on an altruistic concept, but on the conviction that their own best interests will thus be served.

Western Europe cannot isolate itself behind its current prosperity. Scientific and technical advances have drawn us so close together that no distance today can separate us and no local problem fail to have universal repercussions. Moreover, the prosperity of some areas has served to underscore the desperate need of others. Differences become increasingly acute and a favorable atmosphere is created for those in quest of social unrest.

It has already been said in these discussions that it is impossible to consolidate social development without achieving economic development. The United States is aware of this, and its answer to the problem is the Alliance for Progress, an expression of the new spirit with which economic and social development in our Hemisphere is undertaken. Complaints have been heard, however, regarding a disparity between the lofty purposes announced and the means available to implement them. This cannot be attributed to a lack of sincere intention, but to what is surely a temporary prevalence of vestigial concepts, still in evidence within bureaucratic structures that are slow to adapt to the new directives.

It has also been affirmed in this Meeting that no matter how much official aid is received from abroad, private capital is an important requirement for development. However, private capital is forthcoming only under certain favorable conditions which relate less to returns than to safety of investment, a condition only we can meet and which requires, above all else, a high degree of confidence that only we can inspire through our actions and record. Our peoples, and this includes both governors and governed, should bear in mind that confidence is the most valuable ingredient in our development process, and that to earn and retain the confidence of the investing public must be our daily concern, for confidence can be quickly lost and only slowly regained.

This Meeting adopted a highly important resolution for promoting and expanding trade between the Latin American countries. I refer to the recommendation to the Board

of Executive Directors that it consider ways and means of encouraging our exports through appropriate and more favorable credit facilities.

This proposal, vital to our countries, handicapped as they are by a lack of sufficient credit in competing on favorable terms with countries where a greater amount of export credit is available, was hopefully put forward by several countries, among them Brazil and Argentina, at last year's meeting in Rio de Janeiro. Today it finds specific expression as a mandate to the Board of Executive Directors, to be carried out by such means as are deemed most appropriate to attain the end in view.

Naturally, as the Bank expands its sphere of activity, it will require increasing resources to accomplish its purposes. This increase cannot be measured in reference to our stated goals, because the desire for better living conditions is rightly inexhaustable.

A sound and vigorous economy can effectively further this process of social improvement under a democratic system, a process highlighted by abundant legislative action that has developed and further defined the rights of the individual in terms of social well being. Intelligent government leadership will make certain that the economy is kept strong, vigorous and able to accelerate that process which contributes to social tranquility, an essential requirement in a peaceful world, but it would be wrong to believe that our problems and their solutions end at our national borders, and that we need not concern ourselves with the prosperity and social stability of other countries.

This new philosophy that took root following World War II has inspired a modern plan of action throughout the Americas, interpreted in its fullest scope by the Alliance for Progress, and implemented to the limit of its finest efforts by the Inter-American Development Bank.

I voice the unanimous opinion of the Governors in reaffirming our vote of confidence in the conduct of this program by our President, Felipe Herrera, whose vigorous and intelligent endeavors, keen vision and dynamic approach, have won him a place among the great statesmen of the American Republics.

I would like to express my appreciation to the Gov-

ernors for the privilege conferred on me in presiding over their deliberations, and, in closing the Third Meeting, would like to convey to their nations the warmest greeting of their sister Republic of Argentina, which, during a difficult period in its political evolution, has not forgotten, as you are well aware, that only the fruitful and several endeavors of all its citizens can lead to true national prosperity.

ROUND TABLES

Round Tables

Two informal round table meetings were held during the Third Meeting of the Board of Governors.

The first, on "European Participation in the Economic Development of Latin America," was held on April 24, with Mr. Cleantho de Paiva Leite, Executive Director of the Bank, serving as moderator. The following persons, of established reputation in the field, participated as panelists: Mr. T. Graydon Upton, Executive Vice President, Inter-American Development Bank, Washington, D.C.; Mr. Carlo Gragnani, Managing Director, Handelsfinanz, AG, Zurich, Switzerland; Mr. Jean Sadrin, Assistant Director General, Comptoir Nationale d'Escompte, Paris, France; Mr. Hans Georg Sachs, Executive Director, Auswaertiges Amt, Bonn, Germany, and Mr. J. P. Bannier, Director, Office of International Technical Assistance, Ministry of Foreign Affairs, The Hague, Holland.

The second round table, on "Private Enterprise and National Development Programs," was held on April 25. Dr. Alfonso Rochac, Executive Director of the Bank, acted as moderator. The following experts served on the panel: Mr. Eugenio Heiremans, President, Sociedad de Fomento Fabril, Santiago, Chile; Lic. Raúl Martínez Ostos, Executive Director, Inter-American Development Bank, Washington, D.C., and Deputy Director, Nacional Financiera, S.A., Mexico, D.F., Mexico; Mr. John D. J. Moore, Vice President, W. R. Grace and Co., New York, N.Y., and Chairman, United States Inter-American Council, and Mr. Mario O. Mendivil, Executive Director, Inter-American Development Bank, Washington, D.C.

Panelists' statements at both round tables were followed by informal discussions, in which members of delegations, observers, special guests and Bank officials participated.

Papers presented at the round tables and summaries of the discussions appear in a separate publication.

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

Resolution AG-8/61

Agreement with the Government of the United States on the Administration of the Social Progress Trust Fund

The Board of Governors

RESOLVES:

That the President is hereby authorized to execute in the name of and on behalf of the Bank an agreement with the United States of America for the administration of the Social Progress Trust Fund in accordance with the draft agreement annexed hereto.

(Approved June 15, 1961)

Resolution AG-1/62

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 1962, 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, 1962)

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

Resolution AG-2/62

Financial Statement and Determination of Reserves of the Bank

The Board of Governors

RESOLVES THAT:

1. Upon review of the report of the outside auditors, the financial statement of the Bank with respect to the ordinary capital resources for the fiscal year ending December 31, 1961, containing the general balance sheet and the statement of profit and loss, is approved;

2. There shall be allocated to the general reserve of the Bank with respect to the ordinary capital resources, the net income from such resources for the fiscal year ending December 31, 1961.

(Approved April 23, 1962)

Resolution AG-3/62

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, 1961, containing the general balance sheet and the statement of profit and loss thereof, is approved.

(Approved April 23, 1962)

Resolution AG-4/62
Increase in Resources

The Board of Governors
RESOLVES THAT:

In accordance with the corresponding provisions of the Agreement Establishing the Bank, the Executive Directors promptly consider the question of enlarging the resources of the Bank through an increase in its authorized capital stock or an increase in the resources of the Fund for Special Operations, or both, and, that if, having regard to the views expressed by the Governors and considering all other aspects of the matter, the Executive Directors find that action to increase the resources would be desirable, they submit an appropriate proposal to the Board of Governors.

(Approved April 23, 1962)

Resolution AG-5/62
Study of the Financing of Exports

The Board of Governors
RESOLVES:

1. To recognize that there is urgent need to have appropriate systems for the financing of Latin American exports which will promote the economic and social development of the member countries of the Bank.

2. That the Board of Executive Directors of the Bank shall study and present to the Board of Governors, before December 31, 1962, a report on the various systems or mechanisms appropriate to provide for the financing of such exports, and, if pertinent, to submit a concrete proposal for modifying the existing regulations or the Agreement Establishing the Bank, dependent on the conclusions reached, taking into account the proposal made by the Governor for Brazil (Document AG-III/8 of April 22, 1962) and the suggestions and comments of the member countries.

3. That the Board of Executive Directors shall also study the conditions under which a regional system of export credit insurance might be established, if it considers the creation thereof desirable.

(Approved April 25, 1962)

Resolution AG-6/62

**Date and Place of the Fourth Regular Meeting of the
Board of Governors**

The Board of Governors

RESOLVES THAT:

The President of the Bank shall convene the fourth regular meeting of the Board of Governors to be held in Caracas, Venezuela, during the month of April 1963.

(Approved April 26, 1962)

DELEGATIONS

DELEGATIONS OF MEMBER COUNTRIES

<u>Country</u>	<u>Governors</u>	<u>Alternate Governors</u>	<u>Other Delegates</u>
Argentina	Eustaquio Méndez Delfino	Luis María Otero Monsegur	Mario O. Mendivil ¹ Elvio Baldinelli Alberto I. Camps Evaristo H. Evangelista Alejandro E. Frers Raúl Pedro Guzzetti Juan Pascual Martínez Bautista Rezzonico Hugo A. Severi Enrique A. Siewers José Santos Sidotti Jorge Suárez Alejandro E. Tissone
Bolivia		Roberto Jordán Pando ¹	Carlos Arce Zabaleta
Brazil		Octavio Gouvêa de Bulhões Ernane Galvêas ¹	Cleantho de Paiva Leite ² Theophile Araujo Fabio Antonio da Silva Reis
Chile	Luis Escobar Cerda	Jorge Marshall ¹	Arturo Mackenna Carlos Grebe José Piñera Carvallo

¹ Temporary

² Executive Director of the Bank

<u>Country</u>	<u>Governors</u>	<u>Alternate Governors</u>	<u>Other Delegates</u>
Colombia	Jorge Mejía Palacio	Eduardo Arias Robledo	Hernando Agudelo Villa ^a
Costa Rica	Max Gurdían R.	Alvaro Castro Jenkins	Ramiro Mata Arias Alvaro Monje Umaña
Dominican Republic	Manuel Tavares	Rafael Jorge	
Ecuador	Antonio Mata Martínez		Federico Intriago ^a Benito Ottati
El Salvador	Francisco Argüello E.	Guillermo Hidalgo Qüehl	Alfonso Rochac ^a Enrique Bergo Bustamante Catalino Herrera
Guatemala	Gustavo Herrera Orellana	Julio Lorenzo Alvarez	Max Jiménez Pinto ^a Manuel Rubio Sánchez
Haiti	Marcel Daumec		Franck C. Magloire
Honduras	Jorge Bueso Arias		Juan Angel Núñez Aguilar ^a Eduardo Mendieta Dante Gabriel Ramírez
Mexico	Antonio Ortiz Mena	Alfredo Navarrete ¹	Raúl Martínez Ostos ^a Mario Ramón Beteta Enrique Bravo Caro Enrique Sosa P.

¹ Temporary^a Executive Director of the Bank^{*} Alternate Executive Director

<u>Country</u>	<u>Governors</u>	<u>Alternate Governors</u>	<u>Other Delegates</u>
Nicaragua	Juan José Lugo Marengo	Francisco Laínez M.	José María Castillo
Panama	Gilberto Arias G.	Miguel A. Corro	Julio E. Heurtematte ^a
Paraguay		César Romeo Acosta	Justino O. Cocian Manuel Galiano Julio Gutiérrez Oscar Stark Rivarola
Peru	Juan Pardo Heeren	Juan Ramírez Valdeavellano	Emilio Ortíz de Zevallos ^a Emilio Althaus Tulio D'Andrea
United States	C. Douglas Dillon	John M. Leddy ¹ Teodoro Moscoso ¹	Robert Cutler ^a Seymour Halpern Charles A. Vanik Harold F. Linder Robert McClintoch Alexander M. Rosenson ^a Harry Conover Henry Costanzo Dixon Donnelley Roy Englert Stanley Grand

¹ Temporary^a Executive Director of the Bank^b Alternate Executive Director

<u>Country</u>	<u>Governors</u>	<u>Alternate Governors</u>	<u>Other Delegates</u>
United States (Continued)			William Lehfeldd Herbert K. May Eugene Oakes Albion Patterson Edwin C. Rendall Melvin E. Sinn Ruben Sternfeld William Turpin Robert Walker
Uruguay	Juan Eduardo Azzini	Raúl Ibarra San Martín	Guillermo Stewart Vargas Alberto J. Cataldo Alfredo Platas
Venezuela	Carlos Rafael Silva	Ivan A. Senior	Oscar Niemtschik ^a Ildegaz Pérez Segnini

¹ Temporary² Executive Director of the Bank³ Alternate Executive Director

OBSERVERS

Bank for International Settlements	F. G. Conolly
Central American Bank for Economic Integration	Daniel Tapia Mercado
European Economic Community ..	Leonhard Gleske
European Investment Bank	Rudolf Sprung
Inter-American Council of Commerce and Production	Pedro Ibáñez Ojeda Jorge Peirano Facio Pedro P. Pérez Marexiano César Tognoni
Inter-American Economic and Social Council	Persio da Silva
Inter-American Institute of Agricultural Sciences	Manuel Elgueta
Inter-American Regional Labor Organization	César Bordoli Ricardo Esperanza Leyva Francisco Pérez Leirós
Inter-American Statistical Institute	Carlos E. Dieulefait
Intergovernmental Committee for European Migration	Antonio Lago Carballo Abe S. Tuinmann
International Bank for Reconstruction and Development;	
International Development Association;	
International Finance Corporation	Roger A. Chaufournier Orvis A. Schmidt
International Labor Organization	Carlos D'Ugard
International Monetary Fund	Jorge del Canto

Latin American Free Trade Association	Rómulo Almeida
Organization for European Economic Cooperation (OEEC)	Louis Louvet Ernest Parsons
Organization of American States	Jorge Sol Castellanos Walter Sedwitz Julio César Banzas
Pan American Health Organization	Emilio Budnik
United Nations and Economic Commission for Latin America	Esteban Iovovich Bruno Leuschner Julio Valdés
United Nations Educational, Scientific and Cultural Organization (UNESCO)	Carlos V. Penna
United Nations Food and Agriculture Organization (FAO) ..	Hernán Santa Cruz

SPECIAL GUESTS

The Third Meeting of the Board of Governors was attended by 240 Special Guests from the member countries, Canada and nine Western European countries.