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INTRODUCTORY NOTE

The Fourth Meeting of the Board of Governors of the Inter-American Development Bank was held in Caracas, Venezuela, from April 22 to 26, 1963.

At the opening session, the Governor for Venezuela, Minister of Finance Andrés Germán Otero, was elected Chairman of the Board of Governors.

Pedro Irañeta
Secretary

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**AGENDA
AND
SCHEDULE OF SESSIONS**

Agenda of the Fourth Meeting of the Board of Governors

1. Election of the Chairman of the Board of Governors
2. Third Annual Report of the Bank, 1962
 - (a) Financial Report: Ordinary Capital Resources
 - (b) Financial Report: Fund for Special Operations
3. Report on Financing of Exports
4. Election of Executive Directors
5. Application, Through the IDB, of a Regional System of Financial Compensation for Loss of Export Earnings by the Latin American Countries
6. Increase of Resources of the Bank
7. Place and Date of the Fifth Meeting of the Board of Governors

Schedule of Sessions of the Fourth Meeting of the Board of Governors¹

<i>Date</i>	<i>Time</i>	
Monday, April 22	10:00 a.m.	<i>Preliminary Session (Chiefs of Delegations)²</i>
	5:30 p.m.	<i>Inaugural Session (First Plenary Session)</i>
		<ol style="list-style-type: none"> 1. Election of the Chairman of the Board of Governors. 2. Approval of the Agenda of the Fourth Meeting. 3. Proposed Rules for the Conduct of the Second General Election of Executive Directors. 4. Appointment of Tellers for the Election of Executive Directors. 5. Address by the Chairman of the Board of Governors. 6. Address by the Governor Designated to Represent the Visiting Delegations. 7. Address by His Excellency the President of the Republic of Venezuela.
Tuesday, April 23	10:00 a.m.	<i>Second Plenary Session</i>
		<ol style="list-style-type: none"> 1. Financial Report: Ordinary Capital Resources. 2. Statement by the President of the Bank.

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

² At this session two working groups were established: one, consisting of the Governors for Bolivia, Brazil, México, Nicaragua and the United States, to study the Brazilian proposal on a regional system of compensatory financing for losses in export earnings of the Latin American countries; the other, composed of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Honduras, México, Paraguay and the United States, to study The Report on Financing of Exports presented by the Board of Executive Directors. The Governors for Bolivia, Chile and the United States presented draft resolutions to the latter working group. The conclusions of these groups were considered in plenary session and approved by resolutions AG-7/63, AG-8/63 and AG-9/63.

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| | | 3. General Statements by the Governors. |
| | 3:00 p.m. | Round Table: "Financial Aspects of Economic Integration in the Hemisphere" (Part I). |
| Wednesday,
April 24 | 10:00 a.m. | <i>Third Plenary Session</i> |
| | | 1. Financial Report: Fund for Special Operations. |
| | | 2. General Statements by the Governors. |
| | 3:00 p.m. | Round Table: "Financial Aspects of Economic Integration in the Hemisphere" (Part II). |
| Thursday,
April 25 | 10:00 a.m. | <i>Fourth Plenary Session</i> |
| | | 1. Increase in Resources of the Bank. |
| | | 2. Compensatory Financing of Fluctuations in Export Earnings. |
| | | 3. Financing of Exports of Capital Goods. |
| | | 4. Study of the Financing of Basic Export Products. |
| | | 5. General Statements by the Governors. |
| | 3:00 p.m. | <i>Fifth Plenary Session</i> |
| | | General Statements by the Governors. |
| Friday,
April 26 | 10:00 a.m. | <i>Closing Session (Sixth Plenary Session)</i> |
| | | 1. Place and Date of the Fifth Meeting of the Board of Governors. |
| | | 2. Election of Executive Directors. |
| | | 3. Observations on the Meeting by the President of the Bank. |
| | | 4. Address by the Governor Designated to Represent the Visiting Delegations. |
| | | 5. Address by the Secretary General of the Organization of American States. |
| | | 6. Closing Address by the Chairman of the Board of Governors. |

ADDRESSES

**Address by Mr. Pedro Eduardo Real, Alternate
Governor for Argentina and First Vice President of the
Central Bank of the Argentine Republic, at the
Inaugural Session¹**

In my capacity as representative of the Republic of Argentina, whose capital of Buenos Aires had the honor of serving as the site of the Third Meeting of the Board of Governors in April of last year, it is my most happy task to welcome the delegates to the Fourth Meeting and to express, on their behalf, our appreciation for the hospitality extended by Venezuela in offering its capital of Caracas for this new meeting of the maximum organ of the Inter-American Development Bank.

Despite the brief span of its existence, the Bank has already succeeded in earning the recognition of the governments and peoples of this hemisphere and the respect of European financial circles. For this achievement, we present our most sincere congratulations—and I believe that I can speak in the name of all the Governors as well—to the Board of Executive Directors and to its President. In addition, may I express my fond hope that the meeting we are inaugurating today, fully conscious of the responsibilities of leadership, may constitute, by virtue of the serious import of its deliberations, an additional milestone in the progress of this institution which is the keystone of the vast effort being undertaken by the Americas to achieve the highest cultural, economic and social levels. Gentlemen: I declare the Fourth Meeting of the Board of Governors to be formally inaugurated and I invite you to proceed to the election of its chairman.

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

**Address by Mr. Andrés Germán Otero, Chairman of
the Board of Governors, Governor for Venezuela
and Minister of Finance, at the Inaugural Session**

On behalf of the Government and the people of Venezuela, I am honored to welcome the distinguished persons attending the opening session of the Fourth Meeting of the Board of Governors of the Inter-American Development Bank. The selection of my country as the site of this important hemispheric event is a signal distinction for which we are very grateful. We expressed our appreciation for this honor at the Meeting in Buenos Aires and we do so again with real pleasure at this time.

I am mindful of the great honor you have rendered to Venezuela in granting me the privilege of presiding over this Meeting and I hope that my modest efforts will contribute in some measure to the success of your deliberations.

This Fourth Meeting of the Board of Governors begins its work in an atmosphere of confidence which is justified by the scope and importance of the accomplishments of the Inter-American Development Bank in 1962. Its achievements will be carefully considered and analyzed in order that it may profit from past experience, improve its procedures and broaden its field of activity. In this respect, it should be noted that basic action has already been taken to ensure the Bank additional resources that will permit it to consolidate and maintain its pace of activity within its specific purpose of financing the economic development of our countries. This problem, which has been on the minds of all the Governors and Directors of the Bank since its inception, was clearly expressed in the resolution adopted by the Third Meeting of the Board at Buenos Aires last year, which requested the Board of Executive Directors to study the possibility of increasing the Bank's resources and to submit the pertinent proposals to the Board of Governors for its consideration.

It is gratifying to all of us that almost all of the Governors have recommended to their respective governments that the callable capital of the Bank be increased by one billion dollars, and the Fund for Special Operations by \$73 million, to be subscribed by the member countries in the same proportion as they subscribed the present capital stock and contributed to the Fund for Special Operations. At the same time, an additional increase in the authorized capital is recommended in the amount of \$300 million which would

be available for subscription by countries that are not yet members of the Bank but belong geographically to our continental community.

It is to be hoped that the increase can be ratified before the end of the year.

The fine acceptance which the proposed increase of the Bank's resources has had, as well as the promptness with which the original payments called for by the Agreement were made by the member countries, are additional evidence of the spirit of solidarity and responsibility which has characterized our participation in this gigantic collective task we have undertaken to change the social and economic structures of our countries within the framework of the Charter of Punta del Este.

It may also be noted with justified satisfaction, that the Bank succeeded in 1962 in placing some \$100 million in long-term obligations, under very favorable conditions, in the international capital markets. This is an indication of the high prestige that the Bank has come to enjoy in those financial circles and of the effective management provided by its officials. This accomplishment augurs well for the continued use of this important source of funds to speed up the economic progress of our countries. Another factor underlying the optimism that characterizes this Meeting is that the present United States Administration has requested that Congress authorize an additional appropriation of \$200 million for the Social Progress Trust Fund administered by the Inter-American Development Bank in the spirit of the Act of Bogotá, which is a further demonstration of the steadfast determination of the United States to continue its policy of economic cooperation under the Alliance for Progress program.

These events serve to emphasize our collective responsibility to help put into practice, as quickly as possible, the measures that will allow us to achieve the objectives of the Alliance for Progress which were outlined by Secretary of the Treasury Douglas Dillon at the Rio de Janeiro Meeting of the Board of Governors as "growth, stability and social equity for the individual."

Among the topics to be considered by this Fourth Meeting of the Board, the one regarding the establishment of a regional system for financing Latin American exports is singularly important. Serious considerations paved the way for the study made by the Inter-American Development Bank and for the report prepared in accordance with a resolution of the last Meeting of the Board of Governors,

which the Board of Executive Directors submits to the current Meeting.

The study analyzes the reasons that justify the establishment of a regional systems of credits for the exports of our countries. These are based on various aspects related to the growth of our economic development, and of the evolution of international public credit. Among the findings of the report I should like to emphasize one which has constantly plagued our economies: the stagnation of the value of Latin American exports, due to a decline in unit prices despite the increase in volume, in the face of an increase in the value of its imports.

The consequences are obvious and have been the subject of legitimate complaints. For this reason, this problem must remain in the forefront of our discussions because we must not lose time in seeking a permanent and satisfactory solution.

Within our efforts to expedite the development of our countries, to speed up the process of economic integration, to diversify exports, to mobilize internal and external financial resources and to improve the competitive position of Latin American exports, a regional system of export financing, places before us a possible plan of action which, I am sure, will be thoroughly considered by the Governors and their respective governments.

I would not want to close without acknowledging on behalf of my country the unceasing efforts of the Bank's Regional Office in Caracas, which has contributed effectively to the Bank's operations here.

Confident of our faith and hope in the future of this Hemisphere and its institutions, inspired by our dedication to the task at hand, I hereby declare the Fourth Meeting of the Board of Governors of the Inter-American Development Bank formally inaugurated.

**Address by Mr. Salvador Jáuregui, Governor for
El Salvador and Minister of Economy,
at the Inaugural Session**

A great honor has been conferred on Central America in representing the visiting delegations and speaking on their behalf. In my capacity as Governor for El Salvador, I have proudly accepted this honor as a Central American.

I believe I am interpreting the conviction of all the delegations when I say that our greatest desire is to seek, through prompt, practical action, ways and means to meet the justified aspirations of the Latin American people for better standards of living. Latin America can indeed look upon the Inter-American Development Bank as a prime mover for the attainment of such lofty aims.

We have gathered here to review the achievement of the Bank to date, and we now realize, perhaps more than ever before, how necessary it is to provide our institution with additional resources in order to consolidate its gains and to expand its programs for the increased benefit of each and every member country.

The Bank has won our unanimous approval for its activities in the field of development financing, planning assistance and leadership towards economic integration. The IDB owes its success to the high quality of its officers, to the excellent spirit of cooperation among its administrative staff and, above all, to a *mystique* that has evolved from wholehearted dedication to the cause of economic and social progress.

Central America, occupying a relatively small area, does not pretend to serve as an example to others. However, it does feel, with certain understandable pride, that it can offer its sister countries one very valuable achievement—its economic integration—as an effective means of hastening development. This has been accomplished by slow but unrelenting effort during the past 12 years and it has proven to be a most fruitful experiment.

The Central American Isthmus has long been regarded as an area of great social tension and political conflict. Nevertheless, the ideal of economic integration has served as a cohesive bond devoid of any political, racial, religious or social partisanship. We have been devoted to one, clearly defined purpose—better living standards for our peoples.

In early years, during the historical development of the Central American area, there was a consistent policy of looking abroad for outlets, of building roads to the sea in order to trade with other countries of the world. We, the Central American nations, lived together but with our backs to each other. Now, the idea of integration leads us to think in terms of inward development, as allies in the struggle for betterment, building roads that unite the interior of the entire area with the aim of developing the activities and talents of the Central American peoples.

The task in which we have been engaged with singleness of purpose during the past decade, is an economic and social one; but it is later bound to become a political one as well, if we are to forge again the unity that was rudely shattered by a series of unfortunate errors.

The results of the Central American experiment should not be considered from the viewpoint of magnitude but rather in the light of its intentions, its goals, and its methods. Economic integration, which in some other, more highly developed areas has at times led to conflicts of interest, has in Central America been the basis for a policy of true understanding. No clash or discord has ever arisen among us in this process; instead, effective and constructive joint efforts have always been found to achieve certain ends. For our initial efforts to attain integration, we relied on the assistance of a galaxy of institutions within the United Nations Organization, while more recently we were fortunate to receive intellectual, moral and economic support from the Inter-American Development Bank. It is only fair to express our sincere recognition to the Bank for this generous aid.

The philosophy inspiring the formation of the Central American Common Market—i.e., to place face to face those who had lived back to back—did not cease to provide motivation once the Market came into being. It still exists and continues to guide us now in seeking, together with all our sister nations of the Americas and the associations established by them, integration on a hemispheric scale. An integrated Central America is, surely, a better partner in this great venture than the Central American countries separately could ever be. The so-called southern and central experiments—the Latin American Free Trade Association and the Central American Common Market—must, in the future, jointly with the rest of the American countries, become component parts of a single, undivided whole.

Expressing, as I do, the gratitude of the delegations of all countries attending this congress for the generous hospitality shown us by the people and Government of Venezuela, I would like to recall that it is on this soil that the Liberator, that great genius of integration, was born, and all countries striving for this same goal may be sure that he is watching us from above with true satisfaction.

**Address by His Excellency Rómulo Betancourt,
President of the Republic of Venezuela,
at the Inaugural Session**

It gives me great satisfaction to say a few brief words, as President of Venezuela, in concluding the ceremony of inauguration of the Fourth Regular Meeting of the Board of Governors of the Inter-American Development Bank.

Participating in this Meeting are not only the representatives to this inter-American credit agency provided for in its charter documents, but also many special guests from Latin America, the United States, Canada and Europe. To all of you I extend a most cordial welcome to Venezuela and assure you of our wish that during your brief stay in our country you will feel completely at home in a hospitable and friendly land.

The topics to be discussed at this Meeting are of extraordinary importance. Agreements will be sought that will enable the Inter-American Development Bank to increase its capital substantially in order to meet more effectively the credit needs of Latin America, composed as it is of underdeveloped nations that are currently engaged in reorienting their pastoral and backward economies towards a modern and industrialized stage. Your discussions will also relate to the challenge of coordinating and integrating the diverse economies of the Latin American subcontinent by correlating the individual development programs and forming a common market. From these debates it appears difficult, if not impossible, to exclude the exploration of formulas that would permit the Latin American countries to achieve a degree of stabilization for the prices of their raw material exports to the great consumer centers of the West.

This is a priority objective, of the greatest interest and concern to those of us who govern the Latin American countries and to all the responsible sectors of our national life. It has been said time and time again, and with reason, that foreign aid and outside private investments, together with national capital, will always be insufficient to develop and diversify our economies if we fail to achieve stable prices, pre-established in terms of decades, or at least five-year periods, for our raw materials. This is true for petroleum and for coffee, for tin and for cacao, for silver and for sugar. It is characteristic of our countries that each is dependent upon one or two basic export commodities; if no price stability is secured for these items and they are

left vulnerable to the blind fluctuations of international competition, it will be difficult, if not impossible, for Latin America to overcome its present difficulties and to set its course towards sound development.

The Inter-American Development Bank and the imaginative Alliance for Progress program are triumphs of continued efforts by enlightened minds in Latin America. For many decades, it was requested with well-founded reasons, and at a given moment it was demanded peremptorily, that the American country with the greatest economic potential, the United States, cooperate with the underdeveloped nations of the hemisphere in solving their problems of economic backwardness and their urgent social problems. Over the course of many years, these just petitions were ignored in the government circles of the United States. It should be noted that a recent administration of that country understood that the proposal was not of exclusive interest to the Latin Americans but to the North Americans as well. Lincoln, the prophet of a new concept of society and life, said that "a country cannot exist half free and half slave." Paraphrasing this concept, it might be said that in recent years the leaders of the United States have understood that a hemisphere cannot exist half multimillionaire and half pauper.

Without any desire to preach and as a humble but firm statement of what I think and believe, may I say that the Inter-American Development Bank and the Alliance for Progress should not be understood as a philanthropic crusade by the United States in Latin America. It is rather an attempt to join the efforts of the Latin Americans themselves, with foreign financial assistance, in the interest of our development. It is obvious that this Latin American effort should be basically oriented towards altering the obsolete economic and social structures of our countries. It is inconceivable and unbelievable that during the second half of the Twentieth Century there still persist in most of Latin America the same systems of land tenure and land exploitation that can be traced to the latifundist regime of the colonial period. Industrialization, an inescapable imperative because our countries cannot continue to spend their foreign exchange in buying what we can produce with our own effort, cannot be carried out at the expense of the consumer and a low salary for the laborer. Such a drive, with the mystique of a crusade and the necessary financial resources, cannot be postponed if we are to extend education to all the social classes and to combat the shameful rate of illiteracy in our countries.

National income should be redistributed so that the major portion will not remain in the hands of privileged minorities but will justly benefit the entire population. Administrative morality, the legitimate exercise of power by the chiefs of state and their collaborators without illicit enrichment, is imperative, for there are justified misgivings concerning the proper investment of external financing when it is seen that there are still persons in Latin America who avail themselves of the privileges of public office to amass personal fortunes. Deep structural changes must be made in the economic and social organization as essential prerequisites if the development programs, accompanied by external financial and technical assistance, are to attain their goals.

Such structural changes will be accomplished in either of two ways: by peaceful ways leading to what we may term a constructive revolution, or through turbulent and uncontrollable popular upheavals. It has been said, and I wish to repeat it here, that we in Latin America are in a race against time in which the only alternative to development is chaos.

In the opinion of those who take a realistic view of the present situation in Latin America, peaceful structural change is dependent upon political stability. It is impossible to carry out long-term development programs unless they are conducted by democratic, freely elected governments which are subject to free analysis and criticism by public opinion. The so-called "strong" governments can succeed, as they have succeeded, in Latin America in temporarily repressing the aspirations of the people to a better life and of free enterprise to the development of its wealth creating activities. But each and every strong government, once it has been removed from the national scene, has left a heritage of fiscal disequilibrium, economic disorder and deep-seated social rancor.

I am addressing myself here to many who have guiding responsibilities in the private financial circles of their respective countries. And it is to them in particular that I wish to say that the worst kind of transaction that can be engaged in by a businessman is to aid or foment a *coup d'etat*. This is well understood by some but, unfortunately, not by all. It is also increasingly understood by some military leaders. In several Latin American countries, including Venezuela, the Armed Forces have come to realize that it is in the best interest of their country and of the military establishment itself

to turn a deaf ear to those who would incite them to carry out a military coup; for armed uprisings are invariably captured by a dictator and his followers, to the detriment of the country and of the men in uniform.

It has always been true in Latin America that the use of force, rather than free elections, to replace the government has yielded negative results which, in these times can assume clearly menacing characteristics. From its source in Havana a violent message of hate is going out to all Latin America. This message is promoted and financed by the Sino-Soviet axis, which has succeeded in establishing its bridge-head in our hemisphere. When our peoples lose faith in the ballot, in the regular and peaceful succession of one government by another through elections, they will be tempted to follow the Cuban example. In Cuba, not only has private property been abolished but also the fundamental freedoms of man and the rights of citizenship. National sovereignty was turned over to totalitarian foreign powers, and all that is left of the free Cuba for which José Martí fought and died is the faith of the democratic Cubans that they will one day regain their authentic way of life. This is well known to us and to the clear thinking and better informed sectors of public opinion throughout Latin America. But we may well ask ourselves if those hundred million men and women from the Rio Grande to Patagonia who earn barely enough to subsist on are thinking along these same lines or if they might not ultimately be driven by desperation to place their trust in the Cuban formulas of government unless we are able to create and maintain orderly systems of genuine representative democracy that will guarantee our peoples not only a reasonable level of income but also access to land and to cultural values.

I might have asked my economic and fiscal advisers to prepare me a carefully worded technical speech. But I have preferred, as an American and a Venezuelan — the terms are not mutually exclusive — to say what I think and believe with regard to the highly promising but complex historical moment through which Latin America is passing. Latin America has been termed by the present President of the United States "the most critical area in the world today."

Mr. Chairman, Governors of the Inter-American Development Bank, ladies and gentlemen:

On behalf of the Government and people of Venezuela I extend to you, once again, a most cordial and sincere welcome to our country where you can conduct your deliberations in full confidence that you are in the midst of the friendly and sympathetic consideration of eight million Venezuelans.

Address by Mr. Felipe Herrera, President of the Bank, at the Second Plenary Session

Today, inspired by the generosity of this cordial land of Venezuela, we are initiating the work of the Fourth Regular Meeting of the Board of Governors. Scarcely three years have passed since the Inter-American Development Bank first opened its doors. However, for those of us who were entrusted with the honorable and weighty responsibility of launching and planning the work of the institution, these three years have signified an experience far more profound and extensive than the passage of chronological time alone could indicate.

At the First Meeting of this Board, held in San Salvador in February 1960, the underlying concept of the budding institution was ratified. One year later in Rio de Janeiro I reported that the basic organization had been completed and the guidelines established for our operations, which had just begun. In April 1962 at Buenos Aires I was able to describe a going concern wholly engaged in the work for which it had been created. Today I speak as a spokesman for an organization which, despite its brief existence, has become consolidated as an institution, is exerting considerable influence on the progress of Latin America and on relations among its member countries, and, perhaps most important of all, can lay claim to tangible accomplishments in a community of nations that is vigorously striving to overcome the factors that still limit its progress. While in Buenos Aires we noted the substantial increase in financial resources committed; in this Meeting we can point as well to specific achievements in the installation of factories, public services and housing, investments in the private sector, power and transportation.

The Governors are already acquainted with the activities of the Inter-American Bank during 1962 and with its financial results for that year through the reports on our own resources and on the funds entrusted to us for administration. Hence, my remarks this morning will touch on only a few particularly significant aspects of our work, and those relating to the tasks before us and to the general financial position of Latin America.

The year 1962 marks the completion of the process of formation of our own original resources. By October 31 of last year, all our members had paid in full their three installments of capital payable in cash and their two contributions to the Fund for Special Opera-

tions, thereby making available to our institution a volume of resources equivalent to \$528 million, of which \$389 million (73.6 per cent) are contributions in gold or in United States dollars.

During the same year the Bank added to its ordinary funds the proceeds from the first two bond issues, which were promptly and favorably welcomed on the capital markets. First, an issue of 15 billion freely convertible Italian lire, the equivalent of about \$24.2 million, followed by a second issue on the New York market for \$75 million, subscribed by more than 100 investment firms and commercial banks of the United States. The latter bonds were given the maximum Triple A rating, and are currently quoted above par.

If to these resources we add the \$394 million received in trust from the United States Government for social development and the funds placed at our disposal by the Governments of West Germany and the United States for operations in Bolivia and by the Inter-Governmental Committee for European Migration for colonization in Brazil, we arrive at a total of \$1,036.5 million in cash resources, a figure which contrasts interestingly with the \$800,000 for administrative costs with which the Bank initiated its activities three years ago at the first meeting of the Board of Governors.

These funds, added to close to \$8 million in portfolio participations and sales to commercial banks in the United States and Europe, have made possible the rapid and steady growth of our credit operations. In the last annual report we have been able to state that the cumulative total of loans made by the Bank up to December 31, 1962, amounted to \$618 million in economic and social development projects, making an increase of 114 per cent in 1962 over 1961.

The loans approved during the current four-month period of 1963 raise the total of our credit activities to \$727 million. Of this amount, 101 loans financing \$384.4 million in projects were covered by our own resources and 62 loans aggregating \$342.7 million were from the Social Progress Trust Fund.

As one positive consequence of our expanded operations, it should be noted that the Bank's 1962 balance sheet showed net surpluses for the ordinary capital and the Fund for Special Operations, after the deduction of our administrative costs and financing services, amounting to more than \$4 million, that is, several times more than the comparable figures for 1961.

Obviously, this growth in the volume of our activities poses the need for additional resources, whose urgency cannot be underestimated. It is in consideration of this need that the President

of the United States has sent to the Congress of his country a proposal to allocate \$200 million in additional resources to the Social Progress Trust Fund to cover requirements for the 1963-1964 fiscal year. Furthermore, a few weeks ago the Governors approved the proposal to increase the Bank's own resources: the ordinary callable capital by \$1 billion, and the Fund for Special Operations by \$75 million, considering as well the further possibility of an increase of \$300 million to cover the incorporation within the Bank of new member countries.

The Board of Executive Directors and the management feel great satisfaction in being able to report today these positive steps taken to increase our funds. The Governors will remember that, during our meeting at Buenos Aires, we were instructed to conduct a study aimed at expanding the Bank's own resources. The formula arrived at by mature and thorough analysis was confirmed with virtual unanimity by our member countries. In connection with the possibility that the United States Government might again make available to the Bank additional resources for social investments, we wish to refer to the highly cooperative attitude of that government, which, as early as October of last year, through its Secretary of the Treasury and Governor of this Bank, Mr. Douglas Dillon, announced such a decision at the IA-ECOSOC Meeting in Mexico.

In addition to expressing our acknowledgment to the member countries for their cooperation in this matter, I feel it is also essential to stress the urgent need for having them adopt the measure required to implement fully the increases planned for 1963.

In establishing the bases of the Charter of Punta del Este, it was estimated that no less than \$2 billion would have to be injected into Latin America each year during the next decade, of which 60 per cent would have to come from the United States and the remaining 40 per cent from international credit institutions and from the private and public capital sectors in Western Europe, Japan and Canada. Within this distribution, it seems reasonable for the Bank to assume an annual quota of \$200 million from its own resources, a figure which, by the way, is consistent with the pace of its operations to date. To be sure, to this last sum must be added the use of investment funds for social purposes within the framework of the Social Progress Trust Fund, and, eventually, other loans that could be financed by new sources of funds.

A fundamental characteristic of our future program is its dependence, to an ever increasing extent, on issues of our own bonds

to cover ordinary operations. In this way we will continue to mobilize private savings on the capital markets in behalf of Latin America. I view the opening up of the capital markets during 1962 as an event of transcendent importance to the IDB, not only because it marked our entry into these markets, but also because of the excellent terms obtained for our first issues, comparable only to those attained by other international financial organizations of established prestige and experience.

If we can now make projections at reasonable terms for our "hard" operations, that is, those which constitute the portfolio of our ordinary capital, the same cannot be said for our "soft" operations. The latter, which are financed by our Fund for Special Operations and the Social Progress Trust Fund, enable us to mobilize resources on more flexible terms, and they acquire particular importance as a means of financing social investments and special projects that would not be eligible under the criteria for the ordinary resources of the Bank. These operations, by their very nature, depend on such public contributions as we may receive from the most highly developed countries.

The Bank management is concerned over the possibility of maintaining the current rate of soft operations, since it has so far no assurance that funds of this type will be available after the end of 1964. We should keep in mind the need for having such sources of financing remain open to Latin America in the immediate future, given the drafting of new development programs, many of which require flexible financing through operations of the same sort as those carried out by the Social Progress Trust Fund and our Fund for Special Operations. We should also keep in mind that there are practically no alternative sources of financing for these operations and that in any attempt by the Latin American countries to expand long-term programming, available funds must not be limited to medium or short terms.

It has been said that, in the last analysis, international agencies are what their members want them to be. In the case of a financial institution, it is true that its administration, the reliability of its technical work, the efficiency of its staff and the quality of its portfolio are all very important factors. But it is evident that the effective range and significance of the institution depend basically and ultimately on the political and financial support of its member countries. Up to now, the Inter-American Bank has enjoyed this support in full measure; this has enabled it to become, during 1962, the most

active public source of development financing in Latin America, judging from the over-all volume of committed resources, the number of projects financed and its technical and administrative effect on the mobilization of national efforts.

This fact is even more significant when it is considered that the Inter-American Bank has not replaced other channels of international financing, but that quite to the contrary, its activity has been supplementary to and coordinated with that of other institutions dealing in long-term financing. It should be noted, in the latter connection, that we have participated with the International Finance Corporation in financing the expansion of a pulp plant in Chile, and the establishment of a sodium sulfate plant in Mexico. In a number of other projects and programs, moreover, our credit operations have been supplemented by those of the Agency for International Development and the International Development Association.

In three years, the Bank has acquired valuable experience in the complex field of technical assistance, which is a characteristic component in the philosophy of our institution and an express mandate of its charter. As in the financing field, the road has not been an easy one. We have been obliged to adjust our operating policies and our administrative approach to the varied needs of our countries without harming thereby the growing pace of these operations.

In effect, these activities have grown more vigorous and effective not only in regard to the number of projects undertaken but also to the volume of resources committed. Whereas 58 applications totaling \$5 million were approved in 1961, last year we joined in 86 different operations aggregating more than \$9 million.

Quantitatively speaking, it is interesting to note that the Bank has allocated close to \$15 million to technical assistance since 1961. More than 74 per cent of this total has come from the Bank's own resources and close to 26 per cent from the Social Progress Trust Fund. Of this total, 35.4 per cent was granted on a non-reimbursable basis and 64.6 per cent in the form of loans.

A total of 165 technical assistance operations have been undertaken to date, of which 30 were designed to expand the agrarian sector, 40 to strengthen banking institutions in order to intensify the mobilization of domestic resources, 31 to low-cost housing, 9 to water supply and sewerage, 36 to project planning and formulation, and 19 to training activities and the preparation of substantive studies. It may be added that these operations have benefited all the

Latin American member countries of the Bank and that, in several cases, they have been broadly regional in scope.

Much of the technical assistance work is done directly by the Bank's own staff, in which case the costs are charged to the general administrative budget of the Bank and to the Trust Fund. In this way, our professional personnel and specialists have collaborated extensively with the member countries of the Bank in drafting projects and credit applications and, even after the loan contracts have been signed, they have helped in the reorganization of the borrower agencies and in work bearing on execution of the projects. In this way, I believe the Bank has made a powerful contribution to a number of institutional improvements in our member countries, which I intend to discuss at a later point.

It is usual for the Bank to act jointly with other international institutions extending technical assistance. We may cite the joint missions which, pursuant to the provisions of the Charter of Punta del Este, have been organized by the OAS, the IDB and ECLA to help our member countries in preparing their economic and social development plans.

I am also pleased to emphasize the decisive role of the Bank in the establishment of the Latin American Institute for Economic and Social Planning, with participation by the UN Special Fund. The Institute's activities were initiated in 1962 under the expert direction of Dr. Raúl Prebisch. Finally, special mention should be made of the program of intensive training for officers of development institutions which we have been conducting in Mexico City in association with the Center for Latin American Monetary Studies.

The figures we have cited to illustrate the Bank's growth, with respect to both formation of its resources and its financial and technical operations, do not in themselves adequately reflect the scope of our work in Latin America. Furthermore, this requires consideration of the rate at which the funds we have made available to the countries are being used and of the parallel utilization of domestic savings.

In connection with this, I am happy to say that the member countries of the Bank have progressively improved conditions for utilizing our loans, as reflected in the constantly rising rate of disbursements. At the close of 1961, disbursements totaled less than \$8 million. One year later, by the close of 1962, they had already reached close to \$80 million, and have since risen to \$115 million. If we compare the disbursement rate with loans eligible for immediate

utilization, we observe that, from 2 per cent at the end of 1961, this rate climbed to 16 per cent at the close of 1962 and currently exceeds 20 per cent, a ratio we can consider satisfactory, given the nature of the investment projects, whose average period of execution is no less than two years.

There are several factors conditioning the rapid utilization of loans, once they have been authorized. On the one hand, there is need, in some cases, for carrying out institutional and administrative reforms to ensure sound handling of the credit and ultimate success in execution of the project. On the other hand, there are limitations imposed by the borrower country, where administrative and legal procedures can sometimes unnecessarily prolong the utilization period or where the local contribution cannot be mobilized with the speed or flexibility required to afford prompt utilization of foreign resources. The IDB gives its fullest attention to problems of this type in every case and its loan officers collaborate with the competent officials of the member countries in solving them. At the same time, we are striving to simplify our disbursement procedures without sacrificing efficiency in the utilization of loans or guarantees to control the use of funds.

The growing complexity of IDB activities and the great number of projects emerging in Latin America as a result of sectoral programming, pre-investment studies and technical assistance for feasibility studies, make it essential to adopt procedures for the application of funds to top-priority projects. This is most important in the case of those member countries that have not yet completed their development programs. A system of bilateral consultations between the IDB and the member country, along the lines of our recent experiments, makes it possible to agree on preliminary annual work programs expediting the concentration of resources and efforts. These consultations serve to review the most urgent development problems of the member country concerned. In this way, we believe we are also achieving a better mutual understanding vis-à-vis the countries' proposals to the Bank and the actual possibilities of our participation, considering the status of our resources and the physical and institutional limitations on approving more than a certain number of projects within a specific period. Observers often fail to realize that Bank's goal of an average of 70 projects approved each year is a level difficult to exceed, in the light of the operations undertaken by other institutions with similar aims and organization. The fact that the number of applications usually outweighs our financing potential

calls for a careful selection in order to determine the applications to be studied and processed by our technical staff.

The problem of how to put to work quickly the resources made available to our countries through foreign credits is becoming more urgent as that aid and the demands of development increase. Hence the importance which the IDB attaches to the training of officers of planning agencies and development banks and hence its open-door policy at its Washington headquarters so that high-ranking executives from our countries may familiarize themselves with our working methods and those of other financing sources. We are thus helping our countries to adapt their agencies and operating systems to a foreign aid that is more flexible and complete than any known in Latin America prior to the establishment of the Inter-American Bank and the Alliance for Progress program.

It is important to point out that, despite fiscal difficulties, the restrictive policies arising from stabilization programs or balance of payments conditions, and the stagnation of important investment sectors, the Bank has carried through an impressive mobilization of domestic resources and savings to match the financing it has supplied. Our contribution of 40 per cent of the average cost of the projects we have financed has been matched by a member-country contribution of 55 per cent of that cost, with the remaining 5 per cent drawn from other outside sources. In other words, the \$727 million contributed by the Inter-American Bank to Latin America have generated nearly \$1.8 billion in new investments.

As in the life of the individual, traits and attributes evolve during the existence of any institution, and a specific image emerges with the passage of time. Owing to what we may regard as an optimum volume of financial and technical operations, the year 1962 accentuated the increasingly representative nature of the Inter-American Bank vis-à-vis the realities of the Latin American scene. The diversity of our own funds has permitted us to act on several fronts, including some that are generally neglected by other financing sources.

I would like to cite the following lines of action which point to a well-defined pattern in our policies and activities:

Agriculture—Since the last meeting of the Board of Governors, we have substantially expanded our financing activities in the agricultural field, where we have utilized both our own resources and those of the Social Progress Trust Fund. To date, we have approved

51 operations aggregating \$180.9 million, representing nearly 28 per cent of the total amount of our loans.

A sizable portion of this was granted in the form of 20 lines of credit or over-all development loans for relending, covering most of our countries and channeled through specialized credit agencies. These operations were designed primarily to benefit small farmers through the application of modern technology to farming and ranching activities. Another important aspect in this sector has been the construction of new irrigation systems and the improvement and expansion of existing systems. Seven loans have been granted to bring 226,402 hectares of arid or semi-arid lands in Argentina, Chile and Mexico under irrigated cultivation. Another considerable amount of resources has been channeled into land settlement and improved land use projects, generally within the framework of a policy of agrarian reform. Ten loans, totaling \$49.4 million, will benefit 210,000 low-income farmers. Activities of this type have been financed in Venezuela, Argentina, Bolivia, Chile, Ecuador, Mexico and Paraguay.

In granting loans for agricultural purposes, consideration has been given to diversification of production, rehabilitation and improved use of soil, introduction of improved seed, fertilizer and production, farm machinery, and larger and better herds.

I would like to stress particularly our loans for livestock in tropical America: most of these credits are designed to improve meat stock, with a view to satisfying the growing needs of these regional populations for proteins to improve the production of milk and dairy by-products and to replace imports and expand exports.

Manufacturing industries—Also, since our last meeting of the Board of Governors, we have accentuated our policy of supporting the development of manufacturing industries on a hemispheric scale, particularly through direct or indirect loans to local private enterprises. Manufacturing activities have absorbed 96 per cent of the resources we have placed directly at the disposal of private enterprise. In addition, a much larger volume of funds has been committed to national development agencies which, in turn, place them at the disposal of medium and small enterprises in the respective countries. We have granted 45 industrial loans totaling \$144.4 million, of which 16 aggregating \$66.4 million, took the form of global loans. Twenty-nine loans totaling \$78 million were granted directly to industrial enterprises, of which 5 went to metal products manufac-

turers, 6 to farm products processors, 5 to the field of construction materials, 6 to wood products, 5 to chemical products and 2 to textiles.

By way of example, I would like to state that in 1962 we granted over-all credits for industrial financing in Costa Rica, Ecuador and Peru. In addition, we have contributed to expansion of the pulp and paper industry in Colombia and Chile, to the installation of the first cement plant in Costa Rica, the construction of a synthetic rubber factory in Northeast Brazil, and to the expansion of a cement plant and a petroleum refinery in Uruguay. So far this year, we are financing pressed chipboard manufacturing plants in Argentina and Chile, a soda ash plant in Colombia, and the expansion of a textile enterprise in Paraguay and two private chemical plants in Mexico.

Infrastructure—To the extent allowed by the limitations on its resources, and consistent with the nature of the applications submitted, the Bank has sought opportunities to participate in the financing of power and transportation projects.

We have granted six loans for electric power facilities, furnishing \$45.7 million out of an aggregate cost of \$100 million. These loans will enable Argentina, Brazil, Costa Rica, El Salvador and Paraguay to increase their generating capacity by 286,000 KW and to add more than 4,000 kilometers in transmission lines. In addition, electric power distribution networks will be improved in 54 localities. We also undertook to finance three projects aggregating \$7.3 million for highway construction in Honduras and Uruguay. It is interesting to note that the last projects represent substantial benefits of a multinational nature.

Water supply services—We have made 31 loans totaling \$163 million from our own resources and those of the Trust Fund for water supply and sewerage projects, which is more than 22 per cent of all resources committed by the Bank. The total cost of these projects is \$307 million and their benefits will extend over the next three years to approximately 18 million persons in 12 of our member countries. Approximately 60 per cent of these operations were for cities with more than 160,000 inhabitants; about 5 per cent were for cities with from 20,000 to 100,000 inhabitants, and about 35 per cent were for cities of less than 20,000 inhabitants, small villages and rural works.

A few months ago, I visited the small Guatemalan community of San Lucas Zacatepéquez. When, at the invitation of the mayor, I attended the inauguration of some installations for the catchment

of pure water, I was welcomed as the President of the "Inter-American Health Bank." I recall with interest this confusion in the name of our organization because it expresses the profound impression made by our financing of projects for water supply and sewerage systems and for sanitation in general, throughout the hemisphere.

Low-cost housing—Our projects in the low-cost housing field also constitute a very substantial share of the Bank's activities. The operations financed in this field from the Social Progress Trust Fund, which increased considerably in number during 1962, make up more than 21 per cent of the total amount loaned and now cover almost all our member countries. We have granted 20 such loans to date, aggregating \$158 million, which will permit the construction of 163,500 units at a total cost of \$326 million. Approximately 43 per cent of the houses will be constructed under the self-help system, whereby the families benefited work directly on the construction of their homes; the remainder will be built by national institutions through private contractors, the participation of cooperative savings and loan systems and credits to individual landowners. The income level of the beneficiary families ranges from the equivalent of \$30 to \$215 a month; about 80 per cent of these families have monthly incomes of less than the equivalent of \$125. On the other hand, more than 50 per cent of all the houses will cost less than \$1,500, while the average cost of the units will be less than \$2,500.

Fourteen of the housing projects are now well under construction and approximately 33,000 units have either been completed or are in an advanced stage.

Higher education—In the field of higher education and advanced training, from early 1962 to date, the Bank has approved six operations totaling more than \$13 million benefiting the universities of ten member countries by increasing the training of professionals, technicians and specialists and helping to bring about increased application of modern science and technology to social and economic development.

As in other fields, the Bank's loans in this sector cannot solve, nor do they pretend to do so, all the difficulties facing the member countries in carrying out their educational programs. Actually, they act as "seed capital," and their multiplying effects are of extraordinary range. Basically they contribute to the progressive mobilization of domestic resources for advanced education, stimulate the financial cooperation of other agencies and foundations, and help bring about

the adoption of more effective educational programs, the improvement of academic standards and the administrative reforms required within our universities.

The Bank's operations are consistent with an integrated concept of regional financial needs. Owing to this concept and to our limited resources, we have endeavored to apply our funds to those projects where they will be used most effectively, regardless of whether the recipient belongs to the public or private sector. Thus, we have so far channeled into the private sector—either in the form of direct loans or through joint operations with national institutions responsible for extending development loans to small and medium entrepreneurs—almost half of our own committed resources.

The extent to which our loans have benefited the private sector is not accurately represented by this ratio, however, since we must also take into account that a large share of the resources allotted originally to the public sector are ultimately passed on to the companies executing the projects or those producing the materials required. This is particularly evident in the loans granted for the construction of highways, irrigation works, water supply or sewerage services and similar operations which the Bank is helping to finance from its own resources. The loans from the Trust Fund, too, have a strong impact on the private sector, since a large share of the resources for social development allotted by the IDB to public institutions are eventually channeled into the private sector when the investment process is carried to completion.

The year 1962 witnessed an extension of the scope of the Bank's activities by reason of the new political and technical dynamism with which the Charter of Punta del Este has been implemented. Much of this advance stems from the fact that the economic and social programming applicable to our democratic existence has been transformed from a mere aspiration into a real instrument for attaining the objectives of the superior policy of our governments.

Colombia, Chile, Venezuela, Bolivia, Mexico and Honduras have all completed the preparation of their national development programs in a form suitable for presentation to the group of experts organized under the terms of the Punta del Este document to evaluate them. In other cases, the Organization of American States, ECLA and the Inter-American Bank are working jointly with the governments concerned to orient their economic and social policies in accordance with planning techniques. In this manner, the plans of the Central American countries as a group and of Haiti, Uruguay,

Peru and Paraguay, are making active progress. Along with these nations, others, such as Ecuador and Panama, employing positive approaches in the form of public, medium-term investment budgets, and Brazil with its decisive three-year development and stabilization plan, are demonstrating their vigorous adherence to this orientation. Argentina and the Dominican Republic, for their part, have established the instruments needed to take the essential first steps in this direction.

Obviously, the best formula for coordinating the participation of foreign financing in development plans is embodied by advisory groups, which are able to outline, from the outset and over longer terms, the concurrent participation of diverse financing sources together with a valid criterion for division of their activities. It is also the most expeditious way to gauge fully the importance of the mobilization of domestic investments and of the fruitful contribution that private capital, whether domestic or foreign, can make: Colombia's financing group, whose organization was completed in January of this year under the leadership of the World Bank, represents the first important step taken in this direction by any of our member countries.

In June of last year we joined with the AID in establishing a system for handling a short-term program in Bolivia. We had the honor of being appointed the financial agent in this arrangement and our participation of slightly more than \$20 million has been fully implemented, having already resulted in the Bank's approval of the specific projects concerned.

We are also following with lively interest the advances being made towards these same goals by the other nations in the Hemisphere. In this connection, allow me to make special reference to the features and aims of the economic and social development program of this great nation which so generously and hospitably receives us today.

The restoration of institutional normality and the consolidation of democracy in Venezuela have been matched by radical changes in the country's economic policy. Anticipating the ends and means contemplated in the multilateral program of the Alliance for Progress, the constitutional government is taking decisive action to transform the economic and social structure of the country. In 1959 it created CORDIPLAN, its economic planning and coordination bureau; it assigned priorities to economic needs and drafted an adjustable four-year development plan in 1960; it is launching agrarian reform

programs for the economic and social purposes of increasing farm production and of securing for rural towns the living conditions, education and sanitation that are compatible with human aspirations; it is considerably expanding the educational and sanitary services and has initiated an intensive plan for the construction of rural and urban housing for low-income groups, all this at a time when the decline in the foreign demand for petroleum and the many repercussions of the double crisis in the Caribbean have seriously affected the Venezuelan economy.

Those efforts were then projected within the framework of the Alliance for Progress by the 1963-66 National Plan. The National Plan of Venezuela is one of the most audacious approaches to bold execution of the economic and social transformations set forth in the Charter of Punta del Este and its results will offer Latin America an eloquent example of the extraordinary possibilities for peaceful transformation, establishing democracy in our Hemisphere on solid foundations of economic and social justice.

The plan, which calls for a sizable mobilization of domestic resources, since 87 per cent of the total investment will be financed with Venezuelan savings, is aimed at increasing the Venezuelan national product at a cumulative rate of 8 per cent per annum. In order to ensure greater employment opportunities for the population and at the same time reduce the country's present dependence on its petroleum industry, this plan assigns to other sectors of the Venezuelan economy annual growth rates greater than the projected rate for the petroleum industry.

Among the features of this plan, we may note its acceleration of the agrarian reform process both in land distribution and in the consolidation of existing rural settlements. One hundred thousand rural families will be installed in several parts of the country. Counting settlements already completed, more than 150,000 families, in other words more than one million persons, will have received the benefits of the agrarian reform by the end of 1966, to bring about a radical transformation of the structure of land ownership in Venezuela.

We are also pleased to mention the collaboration of the Inter-American Bank towards the execution of Venezuela's economic and social development programs. The loans totaling \$77.7 million we have authorized are being used preferentially in some of the fields to which the government's development objectives assign the highest priorities: agricultural and livestock development and agrarian re-

form, housing for low-income groups, the provision of water supply facilities in small and medium-sized towns, the development of small and intermediate industry and advanced education. In Venezuela, the Bank has used its own resources in making loans for subsequent relending for agricultural and industrial purposes and those of the Trust Fund in the four fields of the Fund's activities.

Another promising gain made by the Bank in 1962 is the increasing prospect of better understanding and closer association with Western Europe in our long-term financing operations. We are all aware of the experience of Latin America with the Old World in trade and the investment of private capital. There is evidence, however, that a new process of *rapprochement* between the industrialized world and the new nations is only just beginning to lay the foundations of a relationship much more mature and broader in scope.

I have already noted with satisfaction that the Bank initiated its operations on the capital market in April 1962 in Italy; that a considerable number of European commercial banks are participating in our ordinary loans and that the Government of the Federal Republic of Germany has transferred to us for administration the substantial sum of \$14.2 million to be used for rehabilitation of the Bolivian mines. But just as significant as these initial undertakings is the fact that the Bank is now engaged in a broad-range dialogue with the European Common Market authorities, with the OECD countries, particularly through the Development Assistance Committee (DAC), and with large and distinguished private European groups interested in our development.

Despite many limiting factors, I believe we are well on the way to discharging the repeated mandate of our countries to diversify, by a multilateral approach, the long-term financial operations required. This progress has been supported by the image we have managed to project as a solid and technically sound financial agency; but at the same time, we have been aided by Western Europe's growing conviction and acceptance of the need to arrive at arrangements whereby it can cooperate vigorously in meeting the new needs of Latin America. Due consideration should also be given to the fact that, since it is the Bank's policy to refrain from tying the loans granted from its own resources to purchases from specific sources, 40 per cent of the foreign payments resulting from its loans have been channeled to European countries.

The Bank has set forth five specific possibilities as formulas for action vis-à-vis Western Europe, Japan and Canada: the placement of bonds as a means of drawing on capital from private sources and from the governments and public agencies; the acceptance of funds in trust; joint financing in parallel fashion; participation in IDB loans by commercial banks and, lastly, participations by public agencies tied to the exportation of capital goods.

It is interesting to point out that the initiative we have been sustaining since 1961 designed to bring about a *European Fund for Latin American Development* has begun to receive increasing support from important European leaders and circles, as evidenced by the conclusions of the important gathering organized by the International Christian Union of Business Leaders (UNIAPAC) late last year.

The same idea underlies the opinion of Sir George Bolton, President of the Bank of London and South America who, in his annual report on his institution's operations, in 1962, said that: "Latin America needs its own international, even supranational, organization to administer the development funds it may procure . . . A Latin American organization for economic cooperation could perform a number of useful functions. Since one of such an organization's principal aims would be to borrow long-term capital and distribute it through the most effective channels, the Inter-American Development Bank, which is already performing this service, appears to be the ideal body to serve as the base of such an organization."

I want to take advantage of this opportunity to reiterate my belief that a fund of this sort should be open not only to countries which are prepared to make public contributions, but also to private sectors, under such conditions as might be established for utilization of the respective resources. In my view, the rich and varied experience of the Inter-American Bank as an administrator of funds, particularly of the United States Government Trust Fund, qualifies it to assume this new responsibility. I further believe that it would not be necessary to alter the structure of the Bank in order to define the proper terms of reference and to establish a system for administration of the resources contributed; to this end, the contributing countries should be assured of full guarantees as respects their participation in executive decisions.

At the close of the meeting of the Board of Governors in Buenos Aires I referred to the future tasks of the Inter-American Bank, and said that the IDB, which had launched its operations by processing

national requests, should accentuate its nature as a regional agency and join forces with those who are now endeavoring to accelerate the process of Latin American integration. Now, looking back, we can state that during the past year the Bank was always at hand whenever an opportunity arose to nurture the structure of integration, which is gradually acquiring a broader basis with the addition of increasingly varied contributions.

A few weeks ago, at our headquarters in Washington, we began the implementation of a technical cooperation program for studies aimed at clarifying some of the inevitable unknown factors in a process of such long range as this one. We worked in close harmony of spirit with representatives of the General Treaty on Central American Trade, the Central American Bank for Economic Integration, the Latin American Free Trade Association, the Organization of American States, the Economic Commission for Latin America, the Committee of Nine, CEMLA and FAO. We succeeded in defining much of our future work and, what is even more interesting, we were able to establish for the first time an informal procedure for coordination and participation through our specific jurisdictions.

Along these same lines, it is also pleasing to be able to recall at this meeting our first two loans of multinational scope. In the first case, \$3 million was granted to a consortium of the Central American universities from the Social Progress Trust Fund; in the second, from our Fund for Special Operations an over-all credit line of \$6 million was extended to the Central American Bank for Economic Integration to expand that institution's operational capacity.

It is true that conditions in the Central American region have made it easier for us to act there, but we hope that, with the technical aid of the agencies dealing with integration on the rest of the Hemisphere, we will be able to define with greater precision the fields of regional financing. Let us not forget that, in addition, our investments themselves influence the integration process. On the one hand, they encourage the growth of regional trade through purchases in the markets of other member countries in Latin America and, on the other hand, many of the IDB loans are designed to create or augment the possibilities of exporting to other Latin American countries.

As further contribution to this field of operations, in compliance with the instructions of the meeting of the Board of Governors at Buenos Aires, we made available to the member countries the results of a long and thorough investigation undertaken jointly with promi-

nent international experts regarding the medium-term regional financing of exports of capital goods. One of the items on our agenda calls for consideration by the Governors of the recommendations set before them.

The momentous meeting at San Jose, with the participation of presidents from the five Central American countries, Panama and the United States, that is, from seven of our member countries, revitalized the movement towards economic association on the regional and inter-American levels. In expressing the conviction of the participants that "the greatest hope for development of the region lies in economic integration," the declaration of San José enunciates with renewed faith an irrefutably valid aspiration for Latin America as a whole and, in asserting that "the movement toward integration is in itself an effort which lays the foundations for regional planning where in common sectoral plans will serve as points of departure," it offers a unique indication for our future progress.

Hence, it is no accident that this year the theme of our traditional round tables refers to the financial aspects of hemispheric integration, for the elucidation of which we rely on prominent experts and businessmen from Europe, the United States and Latin America here present, for whose participation I am, of course, most grateful.

Our institution was established with the clear understanding that our work should be projected and oriented on a hemispheric scale. This is expressed in the letter of our charter, it is revealed in the spirit of service of our staff and it is ratified by our own financial and technical experience. Our Bank is becoming, on an ever increasing scale, the agent through which experiences in economic and social programming and financing are transferred from one country to another and from one region to another.

As a means of consolidating this process, the Bank has given priority to its operations in certain regions of the Hemisphere. This idea is best demonstrated by the distribution of funds earmarked for technical and financial assistance in the relatively less developed nations and areas of Latin America. During the past two years we have contributed the sizable sum of \$85 million for Central American development; we have associated ourselves with the program for the development of the Brazilian Northeast through financing operations aggregating \$50 million; we are contributing \$34 million to overcome the economic and social underdevelopment of Ecuador. Let

us not fail to mention that we have to date allotted more than \$54 million to Bolivia and Paraguay, which together have a population of about six million inhabitants.

The Governors present here today are well aware of the concern and, false modesty aside, the devotion of our institution to the task of helping surmount underdevelopment factors in other areas of the Hemisphere. Activities of broader scope and more positive results have been hampered in certain areas by unresolved limitations, which are in turn the reflection of precarious conditions accompanying their development process.

It cannot be doubted that the IDB came into existence at an auspicious time, and, in a sense, as the characteristic offspring of an age. A direct forerunner of the Alliance for Progress, in the midst of the events to which that collective policy owes its existence and to which it in turn gives rise, it has acquired a more profound meaning and a much vaster scope than could have been anticipated at its inception. The Bank has ceased to be a mere financial mechanism — though an important and effective one — to become the dynamic nucleus of a collective effort aimed at economic and social achievement. This is why it has also become a center of petition and hope, at times out of proportion to the nature of our institution.

It was inevitable that our activities should lag behind the actual possibilities of attacking the entire problem of Latin America. That is why we share the deep concern of many of our statesmen over this critical juncture for the entire hemisphere, which constitutes an obstacle to better understanding between our developing countries and the more highly industrialized nations. However, we must not confuse justified apprehensions of this sort with the attitude of those from within our countries who, because of a false notion of their countries' real contribution to the creation of better living conditions, seek to shift the burden of their responsibilities to other countries. History records no instance of a society that has succeeded in relieving itself of its own duties and hardships by finding another society, however wealthy, to meet all of its needs for establishing progress and well-being on a permanent basis.

That is why it is unreasonable to expect the Inter-American Bank by itself to overcome our slow rate of growth, which results not only from adverse conditions in the raw materials market, but also from a legacy, typical of underdeveloped countries, from preceding generations of leaders who had no clear understanding of how to promote economically sound and socially just development.

The Inter-American Bank alone cannot solve problems of fiscal deficits and limited mobilization of domestic resources, often caused by adverse conditions of foreign trade, inequitable and antiquated tax systems, and inadequate financial policies. The Inter-American Bank, with its bare three years of existence and its limited resources, cannot be expected to offset the fact that our hemisphere is not yet in a position to create conditions more propitious to the growth and prosperity of the productive efforts of local entrepreneurs and foreign capital.

Another source of concern, gentlemen, is that in certain influential circles of the more advanced countries a dangerous discouragement is setting in regarding the prospects of cooperating with Latin America, thus diminishing the effects of a beneficent association with those centers which have, by virtue of their history, been able to accumulate superior productive elements, techniques and financial resources. It has been insistently reiterated, usually baselessly, that Latin America is not taking the steps necessary to overcome the limitations of its own backwardness. To insist thusly is to blind oneself — more through ignorance than bad faith, we believe — to the fact that the past decades of this century represent an unremitting struggle by all our societies to create political, social and economic institutions more in keeping with contemporary demands.

One of the basic aims of the Alliance for Progress policy is precisely the modernization and revision of institutional structures in the Latin American countries with a view to adapting them to the new economic and social objectives set forth in the Act of Bogota and the Charter of Punta del Este. Frequently overlooked is the widespread agreement by almost all our countries to expedite this process. At times observers simply fail to understand the very nature of the changes sought in the belief that within a few short weeks or months our countries can replace or modernize their entire institutional structures.

There is no place in this brief report, for a detailed analysis of this matter, which has been exhaustively dealt with in the current Social Progress Trust Fund Report submitted to the Governors early in March of this year, illustrating the Inter-American Bank's resolute participation in this process.

We should like only to mention that, since the close of 1960, in ten countries of the region laws have been enacted designed to introduce important structural reforms in their present tax systems; in twelve countries, the income tax systems have been improved and,

in general, in a total of fifteen nations, significant tax reforms have been introduced. In seven countries, moreover, the necessary legal measures have been taken to permit revision of the agrarian structure thus ten Latin American countries already possess legal instruments for modifying social and economic conditions in rural areas.

During 1961 and 1962, six new national housing authorities were created to launch the execution of housing programs; during the same period, revisions were made in the operational systems of most existing agencies in this field, with a view to focusing their activities on low-income groups. During the past twenty-four months we have seen nine Latin American countries establish national or regional institutions to execute projects or programs dealing with water supply or sanitation services; in the same period, five countries have revised the regulations governing activities of the institutions responsible for providing these services.

We have already pointed out the positive steps taken with regard to programming, as indicated by the establishment in slightly more than two years of ten national planning institutions and by the incipient execution of six new national programs of social and economic development.

The foregoing measures point to a completely new orientation. However, while noting these positive changes, we are yet aware of certain rigidities and limitations in our tax and administrative systems that hinder better utilization and application of foreign resources, and we realize the extent of the burden such shortcomings place on the development process.

It is incumbent on all who bear the responsibility for preparing and executing development plans to take due account of these factors. International institutions can play a vital role by collaborating with our governments in overcoming these limitations. The technical and financial assistance of the Inter-American Bank has been, and will continue to be, an important incentive and aid in promoting the institutional reforms deemed necessary. Nevertheless, we believe this fundamental task, one of the thorniest confronting all countries in process of development, can be completed only through the unremitting and organized efforts of our societies themselves.

To achieve collective well-being, however, it is not enough to prepare a policy of social reform. The cumulative experience of our countries highlights the need for making rational use of available productive factors within a framework of *financial and monetary stability*.

At the time of my election as President of the Inter-American Bank three years ago in San Salvador, I outlined the institution's future fields of activity, by stating that: "I believe there cannot be an optimum utilization of our resources in an atmosphere of inflation and financial disorder. I come from a country that has suffered economic stagnation as a consequence of inflation. It is unnecessary to repeat the statistics for the Hemisphere which categorically refute the thesis that inflation is an appropriate technique or procedure for stimulating economic growth. Inflation, latent and hidden, or gradual and permanent, or explosive and uncontrolled, is always an enemy of growth. Consistent with the solid basis which we will give to this organization we must, in our credit policy, be diligent in our analysis of economic and financial conditions since these directly affect a country's present and future payment capacity."

The intensity and effects of inflationary pressure have varied from country to country, according to the varying composition of their imports and exports and the different policies they have followed, including the divergent effects the same policy has sometimes produced in different countries. Some countries have successfully avoided these reefs and achieved comparative monetary stability, together with a satisfactory development rate. In other cases, though monetary stability was maintained, there was no appreciable economic growth. There were also countries that deliberately had recourse to inflation to finance their development and, while some achieved a temporary favorable rate of growth based on the mobilization of hitherto inadequately exploited productive resources in an expanding market, most of them only saw their problems grow worse and, in some instances, their domestic levels of employment and income decline. It can be said that at the present time, however, there is a generally prevalent conviction throughout the hemisphere that monetary and financial stability are a *sine qua non* for orderly development of our economics. It is interesting to note that monetary and financial stability — an important index of the stability factors in any economy — have remained constant for the past ten years in eight Latin American countries, two of our countries have made but one readjustment in their exchange rates since 1950, three others have been successfully conducting stabilization programs for more than six years, while the other countries have made, or are now making, strenuous efforts to counter inflationary pressures and balance their economies.

We believe our countries have learned a great deal in recent years through recognition and evaluation of the positive aspects of stabilization programs. To be frank, they have also learned that these programs are unequal to achievement of the stated objectives unless they form part of a broader economic policy taking into account other conditions necessary to development. In our opinion, tendencies towards monetary and financial discipline will be strengthened by the proposed solutions attached to development programs, as the experience of several of our member countries is currently demonstrating.

It has been customary, in judging our societies, to parrot the familiar notion of a spectacular flight of capital. This fallacy has been greatly abetted by the physical impossibility of reducing to quantitative terms, based on reliable statistics, the volume of this movement of capital. The unfamiliarity of many foreign observers with our true financial status is illustrated by a financial publication of world reknown, which seized upon a figure of \$10 billion as the supposed total of deposits in Switzerland from Latin America. The extent to which this figure is exaggerated becomes evident when it is considered that, according to International Monetary Fund figures, total sight and time deposits of the entire Swiss banking system, held by residents and foreigners alike, amounted to little more than \$11 billion at the close of 1962. If the former figure were correct, this would mean that almost 100 per cent of Swiss deposits belonged to residents of Latin America.

Although it is a well known fact that, in free economies, large masses of resources tend to be displaced because of short-term factors, as demonstrated by the experience of the more advanced countries, it is also an observable fact that to the extent that conditions of instability and uncertainty, in both the political and the financial spheres, are engendered, our countries must face a drain in their monetary reserves. Although the reply may seem elementary, we do not feel there is any alternative: not until solid and permanent conditions for economic progress exist — especially in the political and social aspects — will the investors of our countries place their capital permanently in their native lands, and will the incentives necessary for attracting foreign capital be created.

The Inter-American Bank is effectively collaborating with its member countries in implementing sound policies designed to make the development process more efficient within a framework of stability. In conducting our credit activities we have endeavored to

utilize our funds in close coordination with domestic financial policies, giving special encouragement to the possibility that long-term foreign aid can have interesting positive effects on the balance of payments, public sector financing and, in short, the gross national product.

In evaluating the milieu in which our operations will be conducted in the immediate future, we must be realistic and realize that it will be difficult to bring to an abrupt halt the collective processes of adjustment and readjustment characteristic of the type of civilization we live in. It will be equally difficult to create rapidly a setting similar to that achieved by the advanced societies over a long and painful period of time. We are aware of the fact that we are the only region of the Western World with extensive, permanent characteristics of underdevelopment. It is this very difference between the scale of values on which our communities live or to which they aspire and our faulty immediate material basis that constitutes not only a factor of imbalance but also a spur and dynamic force in our progress. This mistrustful and suspicious attitude vis-à-vis our countries has been a constant factor throughout the entire history of our countries. Suffice it to say that in the last century, too, at a time when we were beginning to consolidate our existence as republics, doubts were entertained about the ability of these young nations to carve out their own destinies as civilized and independent free republics. As Andrés Bello, the eminent Venezuelan who has left a rare legacy to all our countries, noted in the middle of the last century:

"Few have failed to predict that, to reach this happy goal, we would have to traverse a road beset by thorns and bathed in blood; that our inexperience in the science of government would necessarily entail much vacillation within our States; and that until succeeding generations had wiped out the memory of the viciousness of the colonial period, we would be unable to glimpse the first dawning of prosperity. Others, to the contrary, have denied us even the possibility of leading our own existence in the shadow of free institutions which they have believed to be diametrically opposed to all the elements that can constitute the Hispano-American governments. In America, the state of uneasiness and vacillation that has alarmed these friends of humanity is entirely transitory in nature. Obstacles that appear invincible will gradually disappear; the guiding principles, without altering their substance, will be modified externally as required to suit the special position of each nation. America will play

on the world stage the distinguished role to which it is destined by virtue of its vast territory, the precious and varied fruits of its soil and the great potential for prosperity it contains."

A further concern of the Latin American countries has been their unfavorable position in the competition for foreign resources as compared to other world regions. Many factors, which have been fully analyzed and are equally well known, have contributed to this stagnation of Latin America. These factors include Europe's reconstruction requirements after the end of the war, the policy of the European nations of aiding chiefly the underdeveloped regions of Africa and Asia and the fact that military costs have enjoyed preference over financial aid.

It cannot be disputed that this situation has changed for the better in recent years. The net flow into Latin America of public capital from the United States and international institutions — excluding the Monetary Fund — increased from an average of \$200 million per annum in the 1951-1955 period to an average of \$310 million in the 1956-1960 period.

With the establishment of the Inter-American Bank and the initiation of the Alliance for Progress program, the flow of public capital to Latin America from international institutions and United States public agencies became even heavier. Net disbursements from these sources averaged \$675 million in 1961 and 1962.

In turn, the net flow of new private U. S. capital which registered in the first of these two periods an average of \$216 million per annum, averaged \$612 million per annum in the second period, primarily owing to heavy investments in mining and petroleum in those years.

It is a well known fact that after 1960 these private investments declined, particularly in the last sector. As we noted earlier, the absence in certain countries of the essential conditions of political and social equilibrium — absolute prerequisites for investment — contributed to this process. However, it is interesting to observe that an analysis by sectors of investment shows that net investments in the manufacturing industry, which averaged \$75 million a year during the 1957-59 period, exceeded \$100 million during the three-year period 1960-62.

The flow of European capital, for its part, expanded slowly but continually over the last decade up to 1955, when it began to accelerate. For example, direct investments by West Germany, which

averaged \$23 million a year from 1952 to 1960, reached an average of \$50 million in 1961 and 1962.

It must be considered that two processes are currently combining in Latin America to make the region a broadly promising field for foreign capital from the standpoint of investment opportunities. One of these processes is industrial development within national boundaries, the result of a deliberate policy of economic diversification. The other factor is economic integration, undertaken in an effort to expand the regional market for the very purpose of favoring such industrial development. It is superfluous to dwell on the vast possibilities for industrial investment offered by the integrated market of the region if it is borne in mind that precisely in the countries offering the broadest Latin American markets — Argentina, Brazil and Mexico — foreign capital has in recent years evinced a marked preference for that sector.

Of course, the increased international flow of private investment to our member countries also depends largely on the incentive policies adopted in this connection by capital-exporting countries, through favorable tax treatment, or a program of guarantees in cooperation with capital-importing countries or some other means. Hence, we are exceedingly gratified at President Kennedy's request to the United States Congress, on the occasion of the presentation of his foreign aid program for the coming fiscal year, that special tax incentives be established for new private capital investment in developing countries, and that some provisions of the Foreign Assistance Act be amended to broaden and clarify the program of guarantees for such investments.

Any analysis of the financial problems of Latin America today would be incomplete if it failed to consider the limiting position of its terms of trade. It is an acknowledged fact that a disparity exists between the sustained trend of rising prices for manufactured goods and falling prices for raw materials. The persistent weakening of income from foreign sources has put greater difficulties in the way of domestic savings, has brought about a loss of capacity to import — particularly capital goods — and has diminished the incentive to develop productive capacity. In this situation, foreign contributions tend to play not a supplementary but a substitutive role in the mobilization of domestic resources for development.

The deterioration in the terms of trade, and especially its increased pace over the last five years, has led to new foreign financial problems, particularly for some countries. At a recent DAC meeting,

the representatives of the 12 capital-exporting countries in attendance said they viewed with concern the fact that annual debt servicing by the developing countries has more than doubled during the past five years, at an annual rate of \$2.5 billion. In the case of Latin America, the balance of the foreign public debt for the IDB member countries increased from \$3.7 billion in 1955 to \$9.2 billion by the end of 1962, including \$2.8 billion in the process of utilization. Debt service, in turn, rose from approximately \$550 million in 1955, equivalent to 7.4 per cent of the value of the exports from those countries in the same year, to an annual average of almost \$1.2 billion in 1961-62, equivalent to 14.5 per cent of average export values during those two years.

Faced by urgent payment crisis and by the need for maintaining a minimum development rate, certain Latin American countries have been compelled to resort to short- and medium-term debts — such as commercial and supplier credits — often in excess of their immediate repayment capacity. This, in turn, diminished their chances of obtaining international financing, which once again drove them into the vicious circle of medium- and short-term credits and refinancing operations. Reflections of this situation are the inevitable frictions in relations between creditors and debtors and the internal uncertainty that affects the psychology of public opinion and hinders the initiation or execution of programs designed to secure domestic stability.

It was inevitable that this problem should become a source of international and regional concern. We trust that the next Conference on World Trade, to be held in Geneva early in 1964, will contribute effectively to a solution of the problem by suggesting new methods of international collaboration.

We understand that the request made by the Governor for Brazil to include on the agenda of this Meeting the point referring to compensation of fluctuations in the prices of basic commodities is related to this concern. Although the possibilities of direct action in this field do not depend on the Bank, within the present framework of its charter, we believe it may be useful for our countries to outline their views on a matter that has already been the subject of extensive study by other regional and international agencies, particularly the International Monetary Fund, which recently adopted operating procedures allowing more flexible utilization of its resources in the case of compensatory financing to offset reduced export earnings.

Distinguished Governors:

In brief synthesis, we have attempted to present to you the essential happenings in the short span covered by our institution, the factors and circumstances conditioning the sphere of its activities and the prospects we envisage for the future, endeavoring to evaluate pragmatically the facts, the aspirations and the potential of our mission.

It would appear that various events, some of a chronological character and others of new substantive content, have sought to serve as a fitting prelude to our deliberations. It is suggestive to note that only four days ago, Venezuela commemorated a new anniversary of its national affirmation of independence and that commemoration coincided with the traditional celebration of Pan American Week in all countries of the region. Thus, national glories were interwoven with the bonds of hemispheric solidarity.

In recent months, all of us who take part in international activities of the Hemisphere have been seeking new formulas which, through a revision of the inter-American system, will bring us closer together and activate our growth and achieve our rightful place in relation to other nations.

At the same time from other areas we have been receiving new expressions of the reality of integration towards which the nations of the Middle East are rapidly marching.

Having lived close to the economic, political and social process of our countries in recent years, thanks to the great responsibility with which you have invested me, I would not be sharing my full experience with you if I failed to repeat before this Meeting, as I have done on the most diverse occasions, that the process of Latin American integration on all its levels is the only dynamic force that can lead our countries rapidly not only to their indispensable internal maturity, but above all to their true and rightful place in the concert of great nations and associations constituting the free world.

Fortunately, Latin America is already on this path.

Some years ago, Rómulo Betancourt said "... from the Mexican border south to Cape Horn, a powerful movement of redemption has arisen. The goal it seeks is the integration of a single Latin American front which will, without diminishing the essential sovereign attributes of each of its component nations, affirm and establish in every one a representative, democratic form of government, promote the coordinated development of its individual economies, and overcome its inferior status as a secondary power in the field of interna-

tional relations. . . . Like every nation that has played an important role at one point in its history, Venezuela is potentially suited to foster great and generous undertakings. Isolationist chauvinism is foreign to its mass psychology, and it has firmly implanted the idea so aptly expressed in the National Anthem, 'All America exists as a nation'."

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

I feel very much at home here today, for it is always a pleasure to renew old friendships — especially when the many friends I see around me are dedicated, as are we, to raising the level of social and economic progress of a whole continent within the framework of free and liberal democracy. I welcome this opportunity to say a few words of what is in my heart and on my mind when I contemplate the Inter-American Development Bank and its work. As you know, the United States Alternate Governor of the Bank, Mr. David Bell, will formally outline the U.S. views when he speaks on Thursday.

But first of all, I take great pleasure in delivering a message: Before I left Washington, President Kennedy asked me to convey to you his full and active support for the Inter-American Development Bank, his admiration for its progress during the past year and his hopes and best wishes for its continued success.

I am sure that all of you were impressed, as I was, to hear the report on the Bank's achievements for the past year, and the tasks that lie ahead, which has just been so eloquently delivered by President Felipe Herrera. His presentation makes it amply clear why the Bank, in the two and a half short years of its actual operation has earned a reputation for sound administration and imaginative and effective action which is as enviable as it is well deserved.

It has been my privilege to attend all four of the Bank's annual meetings and I regret that it will not be possible for me to remain for the entire meeting this year since I must be in Washington tomorrow morning to discuss with our Congress pending legislation of major importance. My regret is reinforced by the fact that we are meeting in such an extraordinary beautiful setting on the shores of the Caribbean. We all owe a vote of thanks to the Government and the people of Venezuela for making these admirable facilities available to us. And I am confident that all of you will join with me in expressing admiration for the manner in which Venezuela, under the leadership of her great President, Rómulo Betancourt, is advancing so heroically toward the very same goals of prosperity and social justice to which the Bank is dedicated.

Our faith in the Bank's increasingly important role in the growth of this Hemisphere is underscored by the calibre of the

United States Delegation to this meeting, which includes key representatives of both the Executive and Legislative branches of my Government. Mr. David Bell, who was appointed only last January by President Kennedy as Administrator of the Agency for International Development — AID — and who is also the permanent United States Alternate Governor of the Bank will arrive tomorrow evening to serve as head of the United States delegation. In the meantime, my close personal associate, Mr. John Bullitt, the Assistant Secretary of the Treasury for International Affairs, will lead our delegation.

Mr. Bell has worked closely with President Kennedy since the start of his administration. Before becoming the AID Administrator he served as Director of the Budget. He has also had a great deal of first hand experience in the development of national economies and enjoys the full confidence of the President. I know that he is anxious to learn more about the Bank's problems and progress and is looking forward to meeting all of you personally, in many cases for the first time.

As Mr. Bell will emphasize when he speaks for the United States on Thursday, we believe that the Bank can and should continue to play a central and an essential role in the Alliance for Progress. We look to the Bank for vigorous and efficient utilization of the resources made available to it. We look to it, as the principal financial institution of the Inter-American Organization, to break the trail, to provide leadership in showing the way to the economic and social development of Latin America.

I have repeatedly expressed my own high opinion of the Bank's management, and I congratulate it on its successful flotation on the U.S. capital market of a \$75 million bond issue. Additional evidence of our confidence in the Bank is the request we have made to our Congress to authorize U.S. support of a substantial enlargement of the Bank's resources, including a \$1 billion increase in callable capital, a one-year expansion of the Fund for Special Operations by \$73 million, and a replenishment of the resources of the Social Progress Trust Fund which the Bank has managed so well. We look forward to working with the Bank during the coming year to develop a program for the further replenishment of its resources.

With regard to the over-all effort of the Alliance for Progress, I think there is much to encourage us. I am particularly happy that some of our mutual friends in Europe are coming to realize the need to join with Latin America in its struggle for development. The

funds that the Bank has raised in Italy and the recent announcement of a significant contribution by France to the development of our great neighbor, Mexico, are good auguries for the future. As I have repeatedly said at so many Inter-American meetings, it is both logical and imperative that the prospering countries of Western Europe and Japan join more strongly in the great and challenging task of helping Latin America to grow and prosper.

Looking back at the Mexico City meeting of the Inter-American Economic and Social Council last October I think we all agree that it was helpful to all of us in realistically assessing the achievements and the failures of the Alliance thus far. For our part, we have a greater appreciation of the difficulties one inevitably encounters in attempting to bring about fundamental changes in whole societies. For your part I am encouraged by the increasing realization throughout Latin America that the origins of the Alliance are essentially Latin American — and that the extent of your own domestic efforts will, in the long run, determine the external resources which can be made available and successfully utilized.

The realization of the goals of the Alliance is a formidable task. Yet as President Kennedy put it in his recent message to Congress on the foreign aid program, "the achievements of the Alliance for Progress in the coming years will be the measure of our determination, our ideals and our wisdom."

Before ending these brief remarks, I want to say again how sorry I am that commitments to our Congress require me to leave this afternoon. I know you will understand, however, that there are times when the democratic process does not give its officials a free choice in such matters.

I wish you every success in your deliberations for upon your wisdom, your initiative, and your dedication to the goals of the Alliance for Progress, depends the outcome of the massive effort in which we are all engaged — to realize for even the least privileged of our people the spiritual and material fruits of the best promise that is America's.

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

Nothing could be more fitting than to honor the Liberator in his own city. Hence, my first words are to pay homage on behalf of Mexico and its President, Sr. Adolfo López Mateos, to Bolívar, unexcelled patriot of this Hemisphere whose devotion was not just to one country, but to all those nations which owe their existence to his genius. We also wish to thank the people of Venezuela and its government for their hospitality. I also bring Mexico's greetings and best wishes for the success of our work to all the distinguished members of this meeting.

The Fourth Meeting of the Inter-American Development Bank's Board of Governors finds us with a dynamic productive institution, as active in promoting new forms of technical assistance and in stimulating a growing interest in Latin American investment on the part of other sections of the world as in granting plentiful financing to broad spheres of activity intimately connected with the economic and social progress of our countries. It constitutes a vivid proof of the resolution and capacity of the American nations to produce means of action capable of finding practical solutions to its problems. The pace of activity maintained by the Bank since its inception is an example of the intensity of our nations' desire to achieve economic and social progress.

In its two years of operation, the Inter-American Development Bank has invested funds obtained from varied sources and of diverse nature in a broad range of social and economic activities. Through 139 loans aggregating \$618 million, the Bank has provided funds to Latin American governments or public organizations of member countries; to development institutions, which have in turn made direct loans to private companies, industrial firms, mutual savings and loan associations, educational and research organizations, and to official or semi-official local entities. Public sector loans have been used chiefly for roads, agricultural settlement, irrigation systems, electrical power plants and a number of industrial and mining projects. Half of the credits granted with the Bank's own resources have gone to private enterprise.

The Bank's activities are examples of the practical application of the Alliance for Progress, inasmuch as attention has been given to

social, as well as economic, needs. An effort has been made to stimulate the mobilization of local resources in borrower countries in the same proportion as resources provided by the Bank. In some cases, financing is tied to the execution of certain institutional reforms, particularly in the field of agriculture. The dynamic role of private enterprise in economic development has also been recognized.

We note that of the total of \$618 million in loans granted by the Inter-American Bank in its two years of operation over half, or \$321 million, was made available from Social Progress Trust Fund resources; one-third, or \$209 million, came from the ordinary capital resources, including proceeds of bond issues sold in the world's capital markets; the remainder, \$88 million, was for loans made from the Fund for Special Operations.

During the past year, total loans granted aggregated \$329 million, surpassing the level of the first year. However, two-thirds of this total represented loans from the Social Progress Trust Fund, while operations with the Bank's own resources declined sharply from \$173 million in 1961 to \$125 million last year. This situation undoubtedly reflects the inadequacy of the Bank's own available cash resources which at the end of last year were \$627 million (\$382 million in ordinary capital, \$146 million in the Fund for Special Operations, and \$99 million from the sale of bonds) taking into account loans already authorized, loans in process, and the needs of the countries relative to projects in the preparatory stage.

The resources of the Social Progress Trust Fund are also almost exhausted, and in this connection we note that the United States budget for the next fiscal year, starting July 1963, includes \$200 million more for the Trust Fund.

It is to be hoped, therefore, that by increasing the ordinary authorized capital and the callable capital of the Bank, as recommended by the Governors this month, we will be able to resume the flow of loans authorized from the Bank's own resources, since the increase in callable capital offers the possibility of obtaining new cash resources by means of bond issues backed by said capital and the sale of these bonds in international financial markets. We likewise hope that greater activity with the resources of the Fund for Special Operations will be made possible by the proposed capital increase. The Government of Mexico will, of course, request the necessary legislative action so that the increases recommended by the Governors might enter into effect by the end of this year.

The strengthening of the Bank's capital structure will enable it to be more active, particularly in channeling foreign financial resources to Latin America, taking advantage of the current interest of the European nations. As the President has noted, greater European participation in the financing of Latin American development can be effected through the purchase of Bank bonds by private investors or by public institutions; the placement of funds in trust, through the purchase, already begun on a moderate scale; by private banks of participations in the Bank's loans; and by public institutions in the proportion in which purchase orders financed by these loans are placed in Europe; and through parallel lending operations. It is significant that more than 40 per cent of the disbursements made and letters of credit guaranteed with the Bank's own resources have been effected in European countries. Thus, non-member countries which have benefited from these purchases might be interested in contributing to increasing the Bank's resources available for new loans. It is also to be hoped that resources channeled through international organizations will aid to strengthen the foreign debt structure of the Latin American countries.

In Mexico, we have been highly gratified by the extent and diversity of the Inter-American Bank's operations. Up to now we have been granted 10 loans, totaling more than \$41 million, from the Bank's own resources and the Social Progress Trust Fund, which have been used for infrastructure projects, industrial investment and technical assistance. The loans include funds relent through private credit institutions and direct investments in privately-owned industrial companies.

I am pleased to mention our participation in some of the programs the Bank carries out in collaboration with the Latin American Center for Monetary Studies, located in Mexico City, and the contribution of Mexican experts in the execution of the Bank's technical assistance projects in sister republics.

I should also like to mention one field in which Mexico has put special effort, since certain methods suggested by the Alliance for Progress can be employed therein, such as the greater mobilization of domestic resources and modifications in the structures of the credit and investment system. This field is low-cost housing, the lack of which in Latin America, repeatedly brought out at every international conference, makes necessary a large-scale investment of domestic funds along with aid received from international financial sources such as our Bank, in order to solve this problem completely.

Last year in Buenos Aires, I mentioned the possibility of the Inter-American Bank's working with local banking systems to achieve this end. Later, in the First Annual Meeting of the Inter-American Economic and Social Council on the Ministerial Level, held in Mexico last October, a resolution was approved, recommending that international development institutions consider the expansion of funds intended for long-term loans under favorable conditions to aid and promote national programs designed to mobilize, channel and produce domestic resources for the construction of low-cost housing, for example.

Although the Mexican Government has earmarked vast sums for meeting low-cost housing needs, the fact is that, as in other countries, the problem not only has not diminished, but we are also faced with a cumulative shortage of more than a million units, which, owing to a lack of funds available for reducing this deficit, is increasing by more than 70,000 units annually.

Hence, at the express instructions of the Chief of State of Mexico and in furtherance of the Alliance for Progress, one of the most noble aims of cooperative effort in our countries, we have organized, with the approval of our Legislature, a credit system in which most of our established banking institutions are participating, to gather new financial resources, redirect institutional savings already available, and thus develop an adequate large-scale program.

However, we have always maintained that, while this cooperation of private credit institutions and their depositors will slowly alleviate this lack of available funds, it is imperative for us to count on initial external resources to provide the first and energetic impetus and multiply our investment capacity.

For this reason Mexico has prepared and presented to the Inter-American Bank an integral program which makes provision for meeting housing needs over the next thirty years. This specifies the financing needed to complement, in the terms of the Alliance for Progress, the efforts of the nation.

Another factor is that the expansion of low-cost housing at this time has a singular social and economic impact, which encourages development of private investment not only in the construction field itself, but by stimulating the production of many other materials and articles, most of which can be produced locally, with consequent reduced pressure on the balance of payments and a resultant additional and permanent demand for labor.

Thus I would like to mention for the record the highly favorable effect of the Bank's operations, through the Social Progress Trust Fund, on urban and rural housing for low-income groups. These have absorbed more than half of the loans approved in the administration of this Fund (18 loans totaling \$153 million). The importance of the housing projects and programs financed from these resources extends farther than just the 159,094 units constructed, since these activities have stimulated aided self-help projects in the areas benefited. But even if these results are worthy of praise, we must step up the pace of our efforts.

In the Third Meeting of the Board of Governors of our institution, the Mexican delegation also outlined the lack of financing for the export of capital goods from our countries, which prevents them from entering world markets on competitive terms.

It is very significant and encouraging, therefore, to see the report on export financing presented to us by the Board of Executive Directors, in accordance with the recommendation of this meeting last year. This report refers to a system for providing new resources from international capital markets, through the Inter-American Bank for medium-term financing of exports of capital goods produced by member countries. The Government of Mexico has from the start supported measures to secure financial aid from international sources to foster the exports of those Latin American industries that are capable of producing goods of quality and competitive cost, but which are at a disadvantage in their ability to offer sale terms comparable to those offered by large manufacturing centers which can count on modern capital markets.

We therefore deem it urgent for this Meeting to approve the project sent to it by the Bank's Board of Executive Directors for consideration, so that we might give the most careful study to the best means of financing exports.

In this respect we are impressed by the unanimity observed in the recent meeting on Trade Policy and Central Banks of the Latin American Free Trade Association held in Bogota. They recommended to this Meeting the immediate launching of an export-financing system and expressed their satisfaction with the high technical quality of the project we are now examining.

We are also pleased to note that the Administration of the Bank is considering a program of studies and technical assistance designed to select, prepare, and finance multinational projects, which will contribute to the economic integration of Latin America, pursuant

to the Agreement Establishing the Inter-American Development Bank.

Mr. President and Distinguished Governors: All of these developments and the work already accomplished exemplify everything we had hoped for from Pan American solidarity, especially if our institutions are entrusted to such wise and able hands as those administering the Inter-American Bank. In this Bolivarian capital let us exalt the memory of this lofty statesman by advancing further toward the federation which was his dream, not only on the political, but on the economic level as well; in defense not only of hemispheric sovereignty but of peace.

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

Once again we meet to honor the compact we concluded with history at the time a new hope arose for Latin America, as manifested by the establishment of the Inter-American Bank. I am certain, after having heard President Herrera's explicit report on the admirable work performed by this institution, that we can take just pride in our historic compact. Actually, the IDB no longer represents a mere hope for our countries, for its first fruits are now being reaped on every hand. The activities of its prominent directors, to whom I wish to express a vote of cordial congratulation, have already surpassed, in my opinion, our initial prospects.

I am sure that everyone here is convinced above all of the vital importance of the notable success obtained by the Bank in selling \$100 million in bonds on favorable conditions, in the markets of Europe and North America. This achievement reaffirms the certainty that our institution has taken its place in the front ranks of the international financial circles.

I am very pleased, moreover, that the Governors have demonstrated their willingness to recommend to their governments adoption of the measures required to implement the resolutions increasing the Bank's resources proposed in the report from the Board of Directors. This action is essential.

Likewise, I consider that the cooperation of the Bank in the matter of Latin American export financing is another significant step we should not hesitate to take. This should be carried out in the broadest terms possible, especially since the exhaustive studies undertaken indicate that the capital required is not of such magnitude as to be beyond our reach.

I would like to recall in this regard that one of the most widely discussed matters during the drafting of the Agreement Establishing the Bank was the Bank's possible assistance for regional integration.

However, if, as the Executive Director for the United States has expressed, some doubt exists as to whether or not the Agreement authorizes the Bank to assume such functions, and if it should be necessary to amend terms of that charter, I would advocate that this Meeting study the possibility of such an amendment, since export financing should be undertaken as soon as possible.

It has further been observed that the need for an export financing mechanism requiring external resources has not been demonstrated. I will agree that this has some foundation in fact, since such operations would not entail an over-all reduction in reserves. But if we consider that these per capita reserves in Latin America declined from \$28 in 1945 to \$11 in 1962, we can understand that further drops, even minor and temporary ones, might cause internal monetary problems. And, more important, I have no doubt that the confidence that would be created in international circles by IDB participation in such operations would make such financing easier.

In the foregoing I have had the pleasure of acknowledging publicly the excellent work our Bank has done with resources available. I also want to acknowledge with deep appreciation the substantial help given by other institutions, chiefly North American, without which the situation in Latin America might well be very critical.

Nevertheless, despite the great efforts already made, I am not sure whether we have made any real progress in our struggle against poverty and ignorance, or whether our free political and economic institutions are on any firmer basis than they were two years ago. This latter problem obscures all others, and I believe we must give it further study.

Has the volume of loans been inadequate? Does the difficulty lie in the prices and volume of our exports? Or rather, as some say, should we seek the answer in such internal failings as the inequalities resulting from outdated land tenure systems or inadequate taxation? Or can the blame be placed on poor national planning and administration? Or, finally, can it be the joint influence of all these problems that hampers our action?

Obviously, the matter is so broad, so complex and so controversial, that all I propose to do is to stress its tremendous importance and raise certain questions. In economics as in medicine the most important step is to make sure of the diagnosis, and it is indeed shameful that up to now we have not even been able to agree on this.

Regarding the first question, on loans, it is well known that during the short period between 1955 and 1962, the foreign public debt owed by Latin America rose from \$3.7 billion to \$9 billion. The service on this debt costs about \$1.2 billion annually, a figure that absorbs 15 per cent of the total value of our exports.

Touching on this last point, we all know that, through considerable effort, the volume of exports from Latin America increased 41 per cent during the 1950's. However, due to unfavorable market conditions, the value of these exports rose only 26 per cent to reach a total of \$8.6 billion in 1960. And as our President, Dr. Herrera, has commented, the value of world trade doubled in this same period, while that of Western Europe expanded 150 per cent, from \$20 billion to \$51 billion. Consequently, Latin America's share in the total value of world trade dropped from 11 per cent to 7 per cent.

There is no doubt that these figures on loans and exports are highly significant, but I will not impose on your good nature by analyzing the implications in depth. This would perhaps be a more appropriate topic to take up at a round table discussion.

However, before closing I would ask your indulgence to refer briefly to two reforms generally considered indispensable to our progress: agrarian reform and tax reform. These have been emphasized in both the Punta del Este Charter and the very well-intentioned statements by some of our foreign colleagues.

I realize that for anyone to cast doubt on these two ideas, especially agrarian reform, is tantamount to siding with the devil. These reforms are always capitalized, like the name of God. Nevertheless, permit me to express my fears with respect to their effectiveness by specifically presenting a few basic facts:

1. In Latin America, the population engaged in rural activity varies from 50 per cent to 70 per cent of the total population. In countries with a higher standard of living, such as the United States, this ratio accounts for only 8 per cent of the total population.
2. All countries enjoying a relatively high standard of living have certain common characteristics: a high technical level of agriculture, industrialization and urban development.
3. Economic progress has invariably been associated with a declining percentage of population engaged in agriculture, as well as with a declining percentage of agricultural production value with respect to gross national product.
4. If we in Latin America are to progress economically, presumably we must follow in the footsteps of the more advanced countries and adopt a program of rapid and modern mechanization of agriculture. This will be accompanied by a rapid decline in the number of workers in the field of

agriculture, who will require planned relocation in industry, transportation, construction, and basic services, etc.

Today it is not enough merely to provide the poor, uneducated farm worker with a plot of land. Modern agriculture requires techniques, machinery, fertilizer, insecticides, etc., which our governments find difficult to supply in an adequate and opportune manner. Thus, the abandoned small farmer can aspire only to a mere subsistence level of production, generally under sub-standard living conditions.

The agrarian reform we need is one that 1) permits the application of the most advanced technological methods on economically feasible land units, and 2) permits a sufficiently rapid absorption of displaced farm workers into other activities, in order to prevent agricultural production from outstripping actual demand.

Therefore, I was pleasantly surprised to read in the most recent report submitted to the United States Congress by one of its committees following a visit to my country, that: "It remains to be seen if Colombia can make the rapid transition from an agricultural economy to an industrial one in a progressive and orderly manner."

In regard to tax reform, I will confine myself to saying that in Colombia we pay a higher income tax rate, at least up until recently, and collect a higher percentage of fiscal revenue from direct taxes than any other country in Latin America. This situation is currently producing "investment fatigue" as the experts call it, with special detriment to industrial development.

Now we come to the last point: better planning and better administration. The necessity of both is so obvious that further discussion is superfluous. The question is how to arrive at these vital goals.

From the foregoing, you should not infer that I am a pessimist. I believe that destiny is on our side, and I have made this brief and incomplete analysis of some of the explanations offered for our slow progress in order to stress the need for more thorough studies of the problem. In such studies, I am sure that our Bank will play a predominant role.

Mr. Chairman: The Colombian delegation takes this opportunity to thank the hospitable Venezuelan people for their incomparable welcome.

**Address by Mr. Diógenes H. Fernández, Governor for
the Dominican Republic and Governor of the
Central Bank of the Dominican Republic,
at the Second Plenary Session**

It is deeply gratifying for the Dominican delegation to attend this Fourth Meeting of the Board of Governors of the IDB. The fact that it is held on Venezuelan soil provides us with a new opportunity to reaffirm that spirit of hemispheric solidarity which has always been the lodestar of the Dominican people's aspirations. Our delegation takes this opportunity to convey to the Venezuelan people and its worthy government our country's sentiments of most affectionate friendship, in which are included all colleagues attending this important gathering and the countries they represent.

Latin America is currently engaged in a great struggle to develop its potential resources in order to achieve the eagerly sought goal of raising its people's standard of living. The prime need in this vast struggle is the domestic effort of each country as a prerequisite for obtaining the foreign resources needed to accelerate its development.

As a member of this great family of nations, the Dominican Republic has had to make an extraordinary effort to join this inter-American movement, which tends to consolidate the vast scope of our organization and affords a multilateral approach to the situation of our respective countries, particularly in the social, economic and political fields.

As you all know, our country was only recently restored to democratic life after suffering more than three decades of oppression. It is easy to imagine that such an abrupt change as has occurred in all spheres of our nation's life, would pose countless obstacles to the most effective marshaling of the factors that promote the economic and social development of our country. Nonetheless, the efforts that are being made to this end are highly instrumental in creating in our people's minds a healthy desire to join forces to strengthen the bases of a revolutionary, representative democracy, firmly and unequivocally dedicated to the interests of the majority of the population.

The Dominican people's economic situation has not been auspicious ever since, for many years, tyranny sank with its greedy claws into the exploitation of its resources, concentrating in the hands of a small group a very substantial part of our national income.

As a result of these unscrupulous practices, our country is today suffering from acute unemployment, and the population is living in truly shocking conditions, lacking food, decent homes and clothing, all of which greatly hinder the consolidation of our budding democracy. This circumstance obliges us to turn to international institutions operating in the economic and financial field, so that they might give increased support and most urgent attention to all of our requests for technical and financial assistance. We must acknowledge that the Inter-American Development Bank and the Agency for International Development have devoted, within the framework of the Alliance of Progress, special attention to the case of the Dominican Republic; yet, if our arduous determination is to accomplish the objectives pursued, the technical and economic assistance granted us must be intensified and must reach our country as promptly as possible.

In the same vein, our delegation feels that a review should be made of the methods applied in some of the foreign aid programs, which are now restricted when it comes to implementation, because local financing of projects is subject to producing domestic currency through the financing of imports. The foregoing procedures should be supplemented by more flexible mechanisms whereby resources can be made available for use more quickly and a more consistent ratio maintained between the proposed expenditures for the projects and the actual allocations of funds in both foreign and domestic currencies.

As regards the financing of local expenses and the contributions to be made by our respective countries, the Dominican delegation, as I mentioned before, is aware that a maximum mobilization of domestic resources must be made. It is obvious, however, that such a contribution cannot commit present and future resources to a limited number of projects. Furthermore, it must be noted that despite all efforts to make full use of domestic resources and to plan economic development, final results would always be dependent upon price fluctuations on the raw-material consumer markets. Hence, we must intensify our efforts to solve the problem of trade exchange terms, and our delegation feels that the proposal presented at this meeting by Brazil, concerning financial compensation for losses in income from exports, deserves your most careful consideration.

In connection with our country's current endeavors to attain a higher level of economic and social development, the Dominican Government's plans feature the reorganization of the national budget

in order to adjust expenditures to a program of capital investment in infrastructure projects, such as the one for irrigation and electric power development on the Rio Yaque del Norte, near Tavera, and tax reform, designed to produce a more equitable distribution of income and taxes. Worthy of special mention also are the plans for agrarian reform, construction of access and feeder roads, and the agricultural development project, implemented through the *Banco Agrícola* with both technical and financial assistance from the Inter-American Development Bank. In the industrial field, our young *Corporación de Fomento Industrial*, established with resources recovered from agents of the dictatorship, is beginning to take its first forward steps, granting credits and financing, particularly to industrial enterprises of manifest economic priority.

The Dominican Republic is now receiving, and would like to receive even more, assistance from international institutions since the present amount of this aid is not sufficient to enable our country to develop at the rate demanded by its dangerous political and social situation. Set as we are in the midst of the turbulent Caribbean area, it seems to us that it is of utmost importance for political democracy in this Hemisphere that the Dominican Republic should begin sound economic development as soon as possible. If the foreign aid our country is so anxiously anticipating does not arrive on time, we will be in danger of falling into the maelstrom of a social revolution of unforeseen consequences. In view of the country's pressing social and economic needs, it has therefore been deemed advisable to recur to suppliers' credits in the Free World to permit the execution of certain projects that can no longer be deferred.

So far we have been speaking of the urgency of carrying out short-term projects. We are equally aware, however, of our country's need of starting at once to draft a plan for nation-wide economic development, pursuant to commitments undertaken under the Charter of Punta del Este; for we realize that our structural problems can be solved only on the basis of rational planning, requiring technical assistance such as we are now requesting.

Allow me, in concluding, to thank you for your kind attention to these few words, which are intended with all sincerity to reflect the Dominican people's great desire for advancement as well as its unflinching spirit of hemispheric solidarity.

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

It is always a pleasure for the delegation of Bolivia to attend the meetings of the Inter-American Development Bank, not only because of the opportunity it affords of making personal contact with Latin American representatives which permits us to examine the real progress made in matters which had hitherto been mere hopes, eloquently expressed in stirring speeches, but which never went further than the verbal stage as auguries of an illusory hemispheric policy, but also because the site of this meeting is in this beloved land, cradle of Simón Bolívar, where those brilliant ideas of continental unity were born. We are therefore honored at this time to extend to Venezuela a fraternal greeting in the name of Bolivia, which the Liberator called his "favorite daughter."

We are pleased that many of those ideas have now become flesh and blood reality. Such are the steps taken to bring about Latin American integration; to establish a suitable financial instrument such as the IDB, and the organizations that are testing out the free trade area. All of these accomplishments, even though only tentative outlines of true economic complementation, represent important evolutionary advances. There is no question but that before our political unity is achieved, our countries will succeed in arranging their economic integration, in which it will be greatly aided by such bonds as a solid intra-regional trade, a truly complementary economy and our own common financing. Even though the results of these endeavors are limited as yet, the above statements cannot be construed as subversion or heresy.

Our peoples, acting almost instinctively, have demonstrated that we are really one nation, a historic, geographic and spiritual entity; this represents a change which our political leaders must eventually convert into a reality. Last year we said that our "Balkanization" militated against our own true interests; that continuance of our separatism, even though we are somewhat artificially united in organizations which temper our divisiveness, only accentuates our backwardness and makes our economies even more dependent, with the further disadvantage of our negative terms of trade.

It is our view that in these meetings we must concentrate on the agenda we were convened to deal with, and we must never shrink from any analysis that may further our understanding of our evolution as a Hemisphere united around the basic tenets of solidarity.

The foregoing is undoubtedly what the President of the IDB had in mind when he told us in his speech that: "The Bank has ceased to be a mere financial mechanism — although an important and effective one — to become the dynamic nucleus of a collective effort aimed at economic and social achievement."

We have heard the report of the Board of Executive Directors on increasing the Bank's resources. Surely all the Governors are in accord with increasing the capital of our organization pursuant to the unanimous vote of the Third Annual Meeting, convened in Buenos Aires last year, though we may possibly hold differing views on how to effect this increase. This was the feeling behind Bolivia's vote on Resolution 2/63, which gave due consideration to the apposite clarification by the President of the Bank in his circular letter of March 19, 1963, pointing out that this was a preliminary indication regarding increased resources and did not signify formal approval of the increase.

Reversing the order in which the problems pertaining to the increase are taken up in the Third Annual Report of the Bank and in the report to the Board of Executive Directors in the present session, Bolivia takes the following position:

It is in accord with the resolution pertaining to the \$300 million increase in the Bank's authorized capital, as well as the election of an additional Executive Director, in view of the possibility of admitting new member countries.

We have received with pleasure the report of the President of the Bank, stating that the President of the United States had requested congressional authorization of \$200 million to replenish the resources of the Social Progress Trust Fund administered by the IDB. In the Third Meeting, we called this to the attention of the Board of Governors and emphasized that new resources for the Social Progress Trust Fund are essential to avoid interruption of its program, since this represents a large block of resources allotted through an independent multilateral instrument like our Bank.

Regarding the Fund for Special Operations, Bolivia agrees to the increase in resources, in the manner accepted and proposed by the Board of Executive Directors, whereby half of the payment is to

be made in gold or United States dollars and the other half in local currencies.

The matter of the Bank's ordinary resources is more delicate, since in the first place this means an increase, not of half a billion dollars as envisaged in the charter, but rather of one billion, in view of the annual volume of loans made by the Bank; in the second place, we must take into account the financial straits of our countries, especially the more underdeveloped ones, which are having difficulty in making foreign payments.

A few general comments on increasing the resources must therefore be made. For example, President Felipe Herrera told us at the Buenos Aires Meetings that 55 per cent of the Bank's resources had been allotted for financing private sector operations. From the Third Annual Report, we note that, of the loans granted from the ordinary resources, 52 per cent went into public sector projects, and 48 per cent into the private sector. We believe this trend cannot continue, since it is logical to assume that these resources are used for loans in which traditional views prevail, with the same inflexible or "hard" conditions exacted by other credit institutions. This suggests that these loans will be used for reproductive purposes, with returns assured, at no greater risk than that run by investment capital. This means that they will be made for profitable private undertakings or, if you will, for self-liquidating social projects. Generally speaking, companies offering assured profits, not to mention those offering social profit, exist not in relatively underdeveloped countries, but rather in countries with unlimited capacity to pay.

Conversely, we note that Fund for Special Operations loans were as follows: 42 per cent to public entities, 51 per cent to private enterprise, and 7 per cent for technical assistance. We do not believe this represents a natural trend, either, since this fund was created especially for more flexible loans, for companies or projects with specific characteristics and for abnormal situations in comparison with the character and conditions of the loans analyzed above. Thus it is the countries with less ability to pay that will use this line of credit.

Thus, we come to our first conclusion, which is that we increase the ordinary capital resources by 118 per cent and the Fund for Special Operations by only 50 per cent. Let us ask ourselves whether this will influence the Inter-American Development Bank's present orientation. Instead of achieving the greater flexibility needed in Latin America, as the Charter of Punta del Este states, will we not

be creating instead conditions of inflexibility? Let me make it clear that by flexibility I do not mean to suggest any idea of lack of integrity, responsibility, solvency, economic quality or profitability in projects. Nor are we trying, under the cover of such words as "perfection" or "perfect project" to impose such exacting demands as to convert our institution into one for refusing, rather than granting, loans.

We have been, and will continue to be, most zealous in our endeavors to make our institution an efficient credit instrument for Latin America, and it is worth remembering that almost all of the programs carried out in our Hemisphere have suffered from a failure to understand Latin America as it is, adopting rather the standpoint insisted on by bankers of capital-exporting countries. We would like to have it understood that perfection, in the context of our present situation, is a relative condition which is subject not only to human failings but also to a number of limitations relating to the actual availability of technical skills and resources for preparing projects and carrying them out. Among these programs, the Alliance for Progress, for example, is experiencing difficulties with regard not only to the local instruments of each country, but also to its own.

If Latin America were better understood, the loan applications would have encountered fewer obstacles, and if there had been greater flexibility of action, positive results would have been more frequent, since consideration would have been given to the economic benefits of the project, its technological contribution and profitability, none of which are contrary to the Bank's interest.

No one wants to alter the use of ordinary resources as a basis for issuing bonds for sale in capital markets, but it should also be kept in mind that they are to be invested not in countries that are models of technological advancement, but in the Latin American countries, with their individual limitations in this respect. Another thing to be kept in mind are the periods of transformation through which those countries that are now highly developed passed, during which credit was the preferred instrument for promoting development, greater proportional "bankability" being required only later as they became more highly developed.

In short, we must not try to imitate or change ourselves into a conventional credit institution. There is room for such institutions in Latin America, as there is for institutions to handle a proper percentage of the situations characteristic of our countries; otherwise we would cease to be an effective instrument for serving this Hemis-

phere. Having both classes of funds available enables us to take this attitude and to decide what part of the ordinary resources should be employed in projects certain to yield a return.

It is also fitting that the Board of Executive Directors should consider the situation of the countries that made possible the establishment and operation of this institution. By this we do not mean that the report of the Directors is not, in some aspects, well founded, but we believe the sacrifice made by the countries least able to pay in meeting their payments on time or in advance must be taken into account, and as well what it means to increase the capital 118 per cent precisely at the time when, in order to launch our development projects, we most need our internal savings and external capital to revitalize our economies.

The argument that the callable capital represents only an obligation is not fully valid, because whatever flexibility may be given by the Bank is not to be construed as a lack of integrity, particularly if the callability must be taken into account in the capital markets, as was stated.

To sum up, allowances must be made for the countries less able to pay by granting them a longer period for putting up the callable capital while, at the same time, taking into account the required rate of operations of the special fund in the interest of greater flexibility.

Another alternative, with respect to the export-financing system, would be to establish a corporation or temporary fund, for which capital would have to be allocated. The IDB could provide for this from the ordinary resources, as proposed in the report to this Meeting.

The Board of Executive Directors should bear this and other alternatives consistent with Bank policy in mind, and make its findings known to us before December of this year. We could then vote on the resolutions regarding the increase of the Bank's resources, together with such changes as will undoubtedly result from further study.

Before taking up the subject of export financing, we would like to make some general observations, based on experience, concerning the more effective operation of our Bank.

With respect to technical assistance, we wish to draw attention to the fact that if this is not forthcoming within the time required to prepare the projects or adjust our development agencies, a delay will ensue that will seriously affect the effectiveness of the credit.

This delay means, for the less developed countries, not only time wasted, but an absolute loss as well, in view of the deferred investment and loss of its revitalizing effect on the economy and mobilization of available resources.

Furthermore, the type of technical assistance should be so specified that not only are just experts sent, but teams of them or consulting firms with a clear-cut description of their functions, to prepare the specific projects necessary for the process of economic development.

At times, by contracting a firm with international reputation we have lost time and money, since that firm was unable to do the same work a Latin American group could have done on more favorable terms. This brings up the point that we should not use only firms which, owing to their proximity to headquarters, may be easier to work with under contract, but should strive as well to build up the reputation and encourage the establishment of Latin American firms. By working with the IDB, these firms would be assured of financing for the projects studied. In this respect we have specific examples, which we propose to take up with the President of the Bank. In general, we would also like to say that commitments for financing have been made with relative speed, but execution has been slower than expected, contrary to the order usual among orthodox credit institutions.

We would like at this time to second the suggestion that the Board of Executive Directors study ways and means of allocating certain resources for granting a special type of loan on terms entailing a commitment for the State but no risk to the Bank. For example, they could be used for certain operations, such as mining and petroleum exploration. There have been cases in which financing from the IDB was extended to Bolivia for medium-scale mining with the condition that mineral reserves be proven. This creates a vicious circle in that to comply with these conditions, prior financing is required. The solution of this type of problem is of prime importance, since these are real bottlenecks in the path of our growth and development. If we do not solve this, the Bank will not only cease to be an efficient instrument for transforming our countries, but we will also be cooperating to the effect that certain monopolistic companies which distort our economies may continue without hindrance controlling different sources of funds.

Looking over the balance sheet as of December 31, 1962, we see that loans were approved from the ordinary capital resources

aggregating \$201,164,459 with disbursements of \$26,628,114, or only 13.24 per cent. From the Fund for Special Operations loans were approved totaling \$88,268,653, and disbursements were \$11,342,532, or barely 12.85 per cent. From the Social Progress Trust Fund, loans were approved totaling \$320,562,000, of which \$22,742,353, or only 7.09 per cent was disbursed.

It would be interesting to have a report showing the reasons for this scant actual investment by the Bank. It would likewise be interesting to determine whether the cause of the delays can be laid to local mechanisms or to the financing institution, so that we might rightly place the blame on international or local instruments and so that we might pinpoint our own shortcomings and correct them in order not to shift the responsibility abroad — as President Felipe Herrera said — nor place it entirely on the shoulders of the local mechanisms, which we must try to understand as they actually are.

The subject of export financing was brought up when the Agreement Establishing the IDB was drawn up, but credit for formal statement of the issue belongs to the Governor for Brazil who presented it to the Third Meeting at Buenos Aires. His motion that this subject be studied by the IDB was unanimously approved. At that time, Octavio Gouvêa de Bulhões stated: "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."

This represents definite progress toward Latin America integration, since it is an accomplishment which will make possible a partial solution to the problems of dependent economies in their relation to dominant economies. It is a start toward solution of our basic hemispheric problem, arising from the lack of liquidity in our economies and accentuated by the deterioration of our terms of trade.

The President of the Bank also has touched on this problem recalling the agreements on coffee and on compensation for fluctuations in international prices. Bolivia knows from experience, as do all our other countries, the meaning of this problem. By the same token, President Herrera reminded us that "the process of Latin American integration on all its levels is the only dynamic force that

can lead our countries rapidly not only to their indispensable internal maturity, but above all to their true and rightful place . . .”

Bolivia vigorously supports the financing of exports either directly, through the Inter-American Development Bank, or indirectly through agencies associated with it; in this connection we would like to comment on the report of the Board of Executive Directors. It is undeniable that we are witnessing the birth of another Latin American conquest which undoubtedly will be as protracted as the struggle for the Bank was but which will represent a hemispheric success and further progress in the inter-relations and the defense of our producer countries.

We think that in the financing of exports there should be a transitional stage which should in no case be restricted to intra-regional trade, as proposed in the Report. Regardless of its bearing on the free trade area, the program should not be limited in its economic scope since it should include whatever commercial sector can be effectively financed. Neither should we be given mere bureaucratic answers to the effect that “if the Bank has sufficient resources it will be able to act extra-regionally as well.”

We do not see why this financing should be limited to capital goods, construction materials, or semi-processed industrial materials, since this system will benefit only the more developed countries. The aim is to benefit all countries, especially through exports of their basic commodities. It is to be hoped and anticipated that the Hemisphere will form a regional system to market its basic products, in close coordination with other bodies dealing in specific items for particular markets.

Regarding the establishment of national organizations and a regional one, as described in the report, we think this will depend upon the final form given to the mechanism, and good use might well be made of the local missions which the IDB already has in our countries.

Our idea is to create a corporation affiliated with the IDB for the specific purpose of financing exports, which would not preclude a temporary phase wherein it would operate under special conditions, but tending toward the ultimate formation of a permanent organization.

The creation of a Trust Fund for this purpose, could be adopted on a transitory basis until the Corporation mentioned above is formed, especially since it is difficult to predict how long it must operate until the permanent system is established.

In the preliminary stage, it is our opinion that the Bank could assign credits for relending or rediscounts, as indicated in the report of the Board of Executive Directors, and part of the ordinary resources might be used, since export operations are of a short-term bankable nature. Undoubtedly, in all countries special cases exist in which the Bank could act immediately in financing exports, as for example in Bolivia where a triangular operation was carried out by the Bank, the United States, and West Germany for the nationalized mining industry. Thus an export financing arrangement could be carried out not only for the Bolivian nationalized mines but also of the privately owned ones. This would facilitate marketing of the mines' output on better terms and at least partially eliminate the usual middlemen, who charge exorbitant sums for their advance payments.

Within the same measures preliminary to the establishment of a Latin American export-financing system, as a step forward Bolivia will, through the Bolivian Mining Corporation and the Mining Bank, set up an agency for marketing ore and metal, with branches in the main centers of consumption; thus, we will be operating independently inside the international framework, under more favorable circumstances and will be freed from reliance on middlemen, whose strength has derived from the fact that they could demand exclusive marketing rights. Such a measure might be taken concomitantly with the proposed temporary system; its effectiveness could be gauged from the returns on a single test operation, which could doubtless be expanded as the volume of our basic products in their entirety increases.

We fully endorse the utilization of other sources of funds mentioned in the report, such as the Alliance for Progress, in the first place, and secondly, foreign currency reserves to be contributed by the various countries, and to be used solely to finance highly liquid exports; in addition, incentives would be offered to attract capital that has fled Latin America and is now in foreign accounts, where much of it is lying idle, rather than earning profits or going into productive investments. If specific local advantages were granted in each of our countries in a joint arrangement with the Inter-American Development Bank or the corporation it is proposed to establish for financing exports, this Latin American capital would be contributing to the development of the region or country of origin.

The importance attached, in President Herrera's lucid presentation, to the steps needed to achieve integration deserves unstinted

praise; our institution should have such flexibility and versatility in its organization. When he referred to the changes and to the foreign aid needed in backward countries, he said: "Let us not forget that history records no instance where social improvement has not come about as a result of changes in the societies themselves; their responsibility cannot be shifted to international action."

In our case we are the ones who must make the beneficial changes in the mechanisms of this institution. In the same way, in our countries our peoples are the only ones who can make the basic changes necessary.

The President of our Bank told us earlier that it had been imperative to establish development institutions to utilize the resources of the Social Progress Trust Fund, since one of its requirements is institutional reforms. This is very dangerous since these mechanisms can never replace the necessary basic reforms.

Without changes in our economic, social, and political structures, it is idle to speak of integrated economic development. The failure of governments or their leaders to take into their confidence the people themselves, who are the real subjects of development, is a factor that might confuse the people at first but never fool them completely. For example, it is impossible to develop an agricultural economy and achieve industrial integration without a sweeping agrarian reform unhesitatingly executed. Preparations conceived with too great disregard for the human factor, however technically perfect they may be, only serve to conceal, disguise, or postpone structural change, and ultimately become actual counter-reforms which sooner or later have to be corrected by the people. We must not let ourselves be caught unawares by those who advocate only marginal changes for they aggravate our economic imbalance and are at heart opposed to our integral development.

As to the reservations expressed by the United States concerning the Report of the Board of Executive Directors, we must dissent from the statement that the need for an export-financing mechanism has not thus far been established. Although the words of the Governor for the United States, Mr. Douglas Dillon, confirm this vital need, it could be demonstrated by simply citing such factors as the existing terms of trade, the chronic balance-of-payments deficits, the fiscal crises preventing profitable investment, in short, the deterioration of our economies in relation to those of the developed countries, all of which plainly justifies the existence of an organization such as ours, which is charged with protecting the interests of its members. The

United States, for its part, is well aware of this problem, since it has constantly been asked for bilateral arrangements — compensations or special agreements — to alleviate partially the effects of fluctuations in the prices of our products. Our governments are obliged, therefore, to foresee the steady deterioration in our economies caused by conditions in the basic commodity market, aggravated by the sale of reserve stocks. This is why, as our ability to make foreign payments dwindles, as Felipe Herrera so aptly states, "foreign contributions tend not to supplement but to replace the mobilization of domestic resources for development."

I ask the indulgence of the President and my fellow Governors for having spoken at such length. In this statement we have sought to convey not only what our Government is thinking but what our people are observing, thinking, and feeling, coldly and calmly, contemplating from our Andean heights our great backwardness and poverty, our extreme economic difficulties, and, at the same time, the grandeur of spirit, the strength of our heroes, the breadth of vision of such statesmen as Bolívar, who, in departing from this venerated land of Venezuela, urged that America not persist in its political fragmentation, but pursue the goal of a united Hemisphere, which we, his heirs, have yet to attain. The constructive steps taken — the free trade area, the establishment of a financing instrument, Central American integration — encompass only aspects of the Latin American problem, for even if they are coordinated, the fact that they are isolated runs counter to the effectiveness which we need to counterbalance our institutionalized divisiveness. Our progress on the local level, including our incipient successes, cannot attain its rightful dimensions so long as the Hemisphere is not integrated. We have a commitment to fulfill, therefore, to history and to our peoples.

**Address by Mr. Octavio Augusto Dias Carneiro,
Alternate Governor for Brazil and Executive Director
of the Superintendency of Currency and Credit
(SUMOC) at the Third Plenary Session**

I should like first of all to express my own and my delegation's congratulations on Your Excellency's election as Chairman of this Meeting. I should also like to express to the President of the Bank, Dr. Felipe Herrera, my delegation's appreciation for the lucid, complete and detailed report he made on the Bank's activities during 1962 in his address.

There are two items on our agenda which are of particular importance to Brazil.

The first is the financing of exports, and the second, included at the request of the Government of Brazil, concerns studies to be conducted at the Bank to determine how it can supplement any systems that may be set up to provide financial compensation for loss of export earnings by Latin American countries producing raw materials.

With regard to the financing of exports, I should like to voice my satisfaction with the speech just delivered by His Excellency, the Governor for Bolivia. Even prior to the establishment of the Bank, a Working Group of the Central Banks, which met in Rio de Janeiro in December 1958, put forward proposals for the creation of a financing system. Several weeks later, a special commission met in Washington to draft the Agreement Establishing the IDB. At that time, several delegations expressed a desire to have the Inter-American Bank participate in the financing of regional exports, arguing that the exportation of capital goods was as important for Latin American countries in the process of industrialization as the financing of projects. There were then no adequate credit institutions for the financing of exports, which could and should be one of the functions of the Inter-American Bank. Nevertheless, the Agreement Establishing the IDB, approved on April 8, 1958, made no specific reference to this possible new function of the institution.

The problem was again discussed, this time at the Ninth Session of the Economic Commission for Latin America (ECLA) held in Santiago, Chile, in May 1961. ECLA adopted a resolution recommending that the Governments of the Latin American countries, through their foreign trade banks and development institutions, lend

their support to the medium- and long-term financing of exports of capital goods and semi-manufactured products, and even of certain industrial raw materials produced in their own countries. It further recommended that they instruct their representatives to international financing institutions to ask these organizations to study the problem of medium- and long-term credit for financing the sale of capital goods produced in Latin America.

The subject was again brought up at the Second Meeting of the Board of Governors of the IDB, held in Rio de Janeiro in April 1961, the then Governor for Brazil, Professor Octavio Bulhões, having drafted a proposal whereby the Bank would finance the exports of the member countries.

Lively interest in this problem was expressed at that time within the Latin American Free Trade Association. And at the first conference of the LAFTA contracting parties, held in Montevideo in July 1961, the Argentine Minister of Economic Affairs submitted a formal proposal that a fund of 200 million dollars be established for the purpose, to be administered by the IDB and made up of equal contributions by the Latin American countries, on the one hand, and the United States and a number of European countries, on the other. This proposal was supported by a number of delegations, especially those of Mexico and Brazil.

The establishment of a regional system for financing regional exports was the subject of prolonged study during the Third Meeting of the Board of Governors of the Bank at Buenos Aires in April 1962. As we know, two proposals were submitted at that time. One, the Brazilian proposal, suggested that the financing of exports should be considered as one of the functions that the IDB was authorized to perform; the other proposal, by Argentina, referred to the desirability of establishing a regional system for insuring export credits. On the basis of these two proposals the Meeting of the Board of Governors finally unanimously approved Resolution AG-5, familiar to everybody and whose terms it would therefore be superfluous to recall to the Governors now.

There can be no question but that Latin America is capable of producing and exporting, on competitive terms, many of the materials and even certain equipment or equipment components essential to the development projects now in progress in this region. Of the total disbursements of \$65,100,000 already made for this loan account and granted from the IDB's own resources and the Social Progress Trust Fund up to the end of 1962, nearly \$3,700,000

was utilized for imports of materials from other Latin American countries. The Latin American countries' own contribution to the institution's capital would justify the Bank's assuming the obligation of facilitating trade in goods of this type in order to encourage the development and expansion of the region's basic industries.

Nor can there be any question but that our countries' balance of payments is vulnerable, since a large share of the balance of payments income is earned from the exportation of primary commodities. It is essential that there be diversification in this pattern of exports, which must be focused on the exportation of semi-finished products and capital goods or equipment components, so that the impact of fluctuations in the primary products market on the balances of payments of our countries in the region can be diminished.

There was a time in the theory of international trade when it was said that countries producing primary products, since they were in a comparatively advantageous position in the export of such products, should remain indefinitely producers and exporters of primary products. This theory, true though it may be from the static standpoint, is highly erroneous from the dynamic standpoint, especially in view of the technical evolution now taking place. Let us take an example: until a short while ago, it was considered that exportation of steel ingots was something that should be done by the industrialized countries. Today, it is the industrialized countries themselves that are delegating this production to countries less able to produce metal products of higher category so that the former can import steel ingots from which to produce manufactured products. Certain blast furnace techniques now adopted, for example, in the European Common Market and throughout the entire Ruhr Basin have rendered it quite possible, even probable, that the Latin American countries may be able to export metal products which have been processed to a certain extent.

These discussions on the establishments of an export financing fund gave rise to the Report, which has been transmitted to us with a statement by the Board of Executive Directors. Both the report and the opinion of the Board of Executive Directors define the general features of an export financing system. With a view to establishing an order of priorities for the operation of a regional export financing system in Latin America, three basic criteria were considered. First, the system must contribute fundamentally to Latin American economic integration. Second, the system must finance the export of those products contributing most to the development

of the regional economy. Finally, the system must contribute to the mobilization of domestic and foreign resources. Various possible institutional structures for the regional agency emerged from the discussion of the financing system. Mention was made of, and thought was given to, the establishment of a corporation affiliated with the IDB. Those delegations which felt that the organization of an additional corporation affiliated with the IDB, or rather that another international institution paralleling the IDB would be detrimental to its functioning, were satisfied with a solution whereby such a corporation affiliated with the IDB would not be outside the Bank's authority.

Consideration was also given to a temporary solution. Considering that the Meeting of the Board of Governors having recognized the urgency of establishing a system to finance Latin American exports, and in view of the fact that adoption of the permanent solution would take considerable time to execute, thought was given to the adoption of a temporary solution which would offer the advantage of enabling the Bank to make a rapid and effective contribution in the field of export financing. It is possible too, that successful operation of the temporary instrumentality would render the establishment of a corporation more feasible in the future. Efforts were made to adopt a pragmatic approach to the problem. The idea was that the Bank should be sounded out on the subject of export financing. And later, on the basis of such experience as might then be acquired, an organization of more lasting character would be established.

Two alternatives were then suggested, the first utilizing the ordinary capital resources, and the second utilizing the resources in the Fund for Special Operations. The Brazilian Executive Director of the IDB favored the first alternative. And, on the basis of this first alternative we will place before this Meeting a proposed resolution containing our ideas on such financing.

My delegation wishes to express its gratification at the elevated plane on which the discussions of this item are being handled. Any solution found through a resolution which gives due consideration to the interest of the comparatively less developed countries in Latin America is entirely acceptable to my delegation. My delegation was concerned precisely with the fact that the financing of Latin American exports might lead to a discriminatory system whereby only the comparatively more developed countries in the area would benefit. I believe that the resolution now before it, which will be

submitted this afternoon to an informal meeting of the Governors, serves this purpose.

Let us proceed now to the second agenda item, which is of paramount importance to my country. This item considers the possibility of the IDB's undertaking to refinance debts contracted by countries in this region either within the framework of financial compensation plans which are at the moment being considered by the United Nations International Commission on Basic Commodities, or through a system which we are already familiar with, namely the application, on more flexible terms, of resources from the International Monetary Fund.

It would perhaps be superfluous to explain here that a basic program of economic development relating to international trade in basic products could be broken down into three specific problems. The first problem would relate to the instability in income earnings of these products. The second problem would relate to the low level and small increase in available resources to finance economic development programs from export earnings. The third problem relates to the downward trend in the capacity of such export earnings to import manufactured goods. These, however, are short- medium- and long-term problems. The problem of instability is a short-term problem. The problem of low level and small increase in export earnings is a medium-term problem. The problem of the downward trend in the capacity of export earnings to purchase foreign manufactured goods is a long-term problem.

Solution of the problem of instability in the price and volume of basic products in international trade may, in turn, be divided into two stages: the first would be how to limit the scope and frequency of such variations; the second would be how to attenuate the effects and residues which could not be eliminated by the first-named measures. The limitation of these fluctuations could be obtained through a series of domestic and international measures, such as the establishment of marketing boards and institutes, similar, for instance, to the Brazilian Coffee Institute, in my own country; another way would be through inter-governmental agreements and conventions, such as the already existing agreements on wheat, sugar and coffee.

Attenuation of the effects of residual variations poses a different problem. Once a basic commodity, such as coffee, sugar, wheat, tin or tea, is made subject to an international body, which, either through quotas or price controls, or both, succeeds in stabilizing the exporting

countries' earnings from exports of such products, it remains to be seen, first, whether the fluctuations permitted by such agreements can be further attenuated. Such considerations led a number of countries in the United Nations to seek a solution for the problem of stabilizing export earnings. The first attempt of this kind was made by Argentina and Brazil during the Seventh General Assembly of the United Nations at the close of 1952. This attempt resulted in one of the great documents produced by the United Nations, entitled "Commodity Trade and Economic Development," in which the basic principles are set forth for an export insurance system applicable not only to problems resulting from short-term instability but also for those problems resulting from the deterioration of trade relations between primary commodities and manufactured products.

The proposal appearing in the annex to that document, prepared by the Argentine economist García Olano, was violently opposed in the United Nations, and for several years, up to 1959, little or nothing was done on this matter.

In 1959, pursuant to General Assembly Resolution 1423, a group of experts was appointed which drafted the report entitled "International Compensation for Fluctuation in Commodity Trade," now known as the Crawford Report, which dealt primarily with international measures to lessen the impact on the underdeveloped countries of instability in international trade in basic commodities. This report was submitted to the Secretary General of the United Nations and in the Ninth Session of the International Commission on Basic Commodities, held in New York in May 1961, and in Rome in 1962, the Commission requested that it be reduced to the terms of a draft international agreement on the matter.

On the other hand, and in this case within the regional sphere of the Hemisphere Chapter II of Title IV, paragraph 5 of the Charter of Punta del Este, signed in August 1961, establishing the Alliance for Progress, vested in the Secretary General of the Organization of American States the power to convoke a group of technicians in the field of stabilization of export earnings. This group convened in Washington from January to March 1962, at which time a draft international agreement was prepared envisaging the establishment of a fund for stabilizing the export earnings of the Latin American countries. This draft, since it was considered and in the opinion of the Brazilian Government rightly so — that it could not be applied exclusively on a regional scale, was expressed in universal terms and sent to the Commission on Basic Commodities last year during its

meeting in Rome. This agreement, together with the draft agreement prepared by the United Nations group of technicians, are the two basic documents which are to be considered in New York starting next week.

That is how it happened that two texts of draft international agreements came into being. One stemmed from the Crawford Report, and the other was the product of the report by the Organization of American States' group of experts.

In the meantime, the International Monetary Fund was requested by the Commission on Basic Commodities to issue a statement on what it would be able to do with regard to financial compensation for losses in export earnings of underdeveloped countries producing primary products. The system only recently adopted by the Fund is still not very explicit. The Report of the Fund is an encouraging one, but since it is written in rather laconic terms, it is not conducive to a very clear understanding of what the International Monetary Fund proposes to do in this field. We are in hopes that the representative of the Fund in the Commission on Basic Commodities, which will meet in New York beginning next week, may clarify more explicitly and at greater length what actual modifications the Fund is disposed to introduce in its procedure for granting loans in order to make some financial compensation for declining earnings from the export of such products.

Quite recently, this month in fact, the Managing Director of the International Monetary Fund, Dr. Per Jacobsson, made a rather lengthy statement, which unfortunately has not yet been published, regarding the mechanism which the Fund is prepared to institute to offset fluctuations in exports earnings.

Therefore, those countries desirous of such a system have before them two proposals and the Fund report, which mentions how far the Fund is willing to go in modifying its procedure in order to permit virtually automatic, or more nearly automatic access to a sort of fifth category of loans. This is not I believe expressed specifically in terms of a fifth category because these would be subject to certain conditions different from those governing access to present categories.

Meanwhile, we must recognize that neither the United Nations proposal, nor that of the Organization of American States, nor any mechanism of the International Monetary Fund, resolves the following problem: there are several Latin American countries which, because their exports are subject to a constant decline in prices, are at the mercy of constantly decreasing export earnings. In Brazil, for

example, these earnings declined from \$1,500,000,000 in 1955 to around \$1,200,000,000 in 1962, in a constant slump in export earnings due largely to the fact that increased volume in coffee exports was not compensated by an increase in coffee prices. On the contrary, it was aggravated by a constant slump in coffee prices since 1955. To say that the 1955 levels were artificial or that use of the 1955 count as a base favors the Latin American countries does not eliminate the problem. The problem is still present. And it is not one affecting coffee only; it affects, in general, virtually all the primary products.

Therefore, the export financing systems suggested by the United Nations, the Organization of American States and the IMF would be insufficient to help those countries which are continuously going into debt for more than the five year term fixed in any of the schemes as a deadline for repayment.

It is therefore incumbent upon the international organizations, the United Nations, the IDB, and other regional organizations to pause and devote their attention to this serious problem, namely, how to refinance short-term debts on longer terms through credit establishments of the development bank type, such as the IDB, for instance.

The Brazilian idea is neither new nor original with Brazil. It is merely an extension of an idea which was discussed as early as the Bretton Woods Conference, in which the Monetary Fund and the World Bank were established. Since that time the possibility has been mentioned of the Monetary Fund and World Bank working together: the Monetary Fund making short-term loans and the World Bank refinancing those loans granted initially for short terms, but which it has been impossible to pay as scheduled. This dual system, of the Fund and the Bank, has never functioned in this manner. Neither has there been any other international credit organization to give consideration to the problem of refinancing short-term debts. The Brazilian idea is, therefore, to do anything possible along these lines: to request and to recommend that the Executive Directors turn their attention to a study of this situation, that they study what is being done in other international organizations, that they bring the problem before the IDB and maintain periodic contacts with the Governors during this year until the next Meeting of the Board of Governors, with a view to devising a system whereby these financings on longer terms, granted by the IDB as refinancing of short-term debts obtained by the countries from international organizations, may be returned to the countries in the form of a loan for specific

given aims, mainly for diversification either of exports or of the domestic economies. In this manner, these structural imbalances in their economies, which cause the underdeveloped countries, especially those in Latin America, to fall constantly in debt because of their exports do not earn what they need for their own development, could thus be prolonged for a longer period, say ten years. Such loans would then be made precisely to correct these structural imbalances in our economies, on the assumption that such a plan would be established and implemented by the IDB.

Such in general outlines, Mr. Chairman, are the reasons of my government in submitting this item to this Meeting. In Brazil, we consider this a serious problem, perhaps the most serious one affecting the economic development of the underdevelopd countries. And this problem is one concerning which the IDB might study ways and means of cooperating, if other international organizations do not do so, in the correction of these structural imbalances in the economies of Latin American countries.

In closing, Mr. Chairman, I should now like to take up briefly a few points regarding the functioning of the IDB. The IDB is an institution which in its brief existence has operated with extraordinary efficiency in its field. For this we owe thanks to the leadership provided this institution by President Herrera. The IDB has functioned as a truly multilateral institution and has thereby won the respect and deference of the governments of all the Latin American countries and the United States. With a view to enhancing this efficiency, it would perhaps be desirable for the Board of Executive Directors to consider the possibility of utilizing the IDB resources temporarily lying idle in treasury bonds of the Latin American countries, as it does with United States Government securities. It would perhaps be advisable, in order to prevent fragmentation of the IDB resources, if resources earmarked for private enterprise were to be channeled into the Latin American countries through institutions similar to the Central American Bank or the Brazilian National Economic Development Bank and the Banco do Nordeste do Brasil. The loan would be made to an institution instead of being parcelled out to firms that have approached the IDB directly to request loans. This does not mean that the IDB would not be granting such loans to individual firms. It does mean that those loans would be channeled preferentially through the governmental institutions of the Latin American countries. It is also exceptionally important that the IDB, in granting loans to private companies in the Latin American

countries, make such loans contingent upon democratization of the capital of such companies. It is imperative that these companies open up their capital structure to contributions by the public so that they may become truly representative of the economies in which they operate.

Another point already discussed by the Governor for Bolivia is that greater opportunities should be afforded Latin American suppliers. It is necessary at this time that specifications for the equipment be so prepared as not to restrict the access of certain firms, to the exclusion of many of our countries, to opportunities to submit proposals for supplying equipment. In conclusion, it is essential that the technical consultation be conducted with representatives of our countries, for only our consultants know local conditions, the conditions under which the loans are made. It has been a bitter experience in my life to provide technical assistance to foreign "technical consultants" who come to "render advisory services" in Brazil. We have the capacity, in Brazil and in many other Latin American countries, to marshal technical advisory skills that could make us independent of foreign consultants whose knowledge of the problem, if any, is purely theoretical.

Mr. Chairman, these are extremely brief considerations regarding the functioning of the Bank. I ask my fellow Governors and your Excellency to pardon the length of my statement.

**Address by Mr. Pedro Eduardo Real, Alternate
Governor for Argentina and First Vice President of
the Central Bank of the Argentine Republic,
at the Third Plenary Session**

Once more the Meeting of the Board of Governors of the Inter-American Development Bank is bringing together representatives of the governments and economic sectors of the sister American nations for a useful exchange of ideas and experiences designed to synthesize the vital need for securing effective and rapid economic and social development of the Latin American countries. This is also a suitable occasion for expressing our opinions on certain mutually shared concerns of urgent importance.

I have heard with great interest the statement made by the President of the Bank on the activities of this institution during the past year. His customary incisive clarity, together with the report submitted to the Governors for consideration, precisely define the activities carried out by the Bank with its ordinary resources, its operations under the Fund for Special Operations and its role as Administrator of the Social Progress Trust Fund. I shall, therefore, confine this part of my statement to pointing out certain observations based on the first two years of the Bank's activities.

As the Mexican delegate recalled yesterday, since the official commencement of its operations, the IDB has granted a total of 139 loans for an amount equivalent to \$620 million. In accordance with the principle established at its initiation, which requires that for each monetary unit granted, the beneficiary shall contribute an equivalent or greater amount, the operations already concluded will make it possible to mobilize domestic resources for an amount we estimate at close to \$800 million, that is to say, through its intervention, the Bank has begun to promote and will soon conclude over-all investments of close to \$1.4 billion. I base this estimate, Mr. Chairman, on figures taken from the Annual Report for 1962.

The very mention of these facts, gentlemen, is sufficient proof of the firm and effective action with which the IDB authorities have carried out their operations and justifies my statement during the inauguration of this Meeting that the Bank has already earned the recognition of the governments and peoples of this hemisphere.

Yet the amount of loans granted by the Bank is not its sole claim to our praises. It also deserves our commendation for its

financial assistance to the most varied sectors of economic activity. In this connection, it can unquestionably be cited as having one of the most broadly diversified spheres of action of any development agency. To this we must add its participation in social development through administration of the Social Progress Trust Fund, in strict accord with the principles set forth in the Act of Bogota and the Charter of Punta del Este.

This straightforward outline of the achievements of the Bank during its first two years of operation will lead to an interpretation of certain concerns I shall describe within the framework of their true significance, which is none other than a desire to improve even further the Bank's already effective performance.

Therefore, I venture to note — as did the Governor for Mexico — that a comparison of the Inter-American Development Bank's loans from its own resources during the 1962 fiscal year with the figures for the preceding year shows a substantial decline in the amounts granted while at the same time the operations carried out under the Social Progress Trust Fund have increased considerably. Since this situation does not concord with the aspiration expressed by the Bank authorities of setting the equivalent of \$200 million a year as the goal for operations financed by its own funds, it might be suggested that efforts should be redoubled with a view to intensifying direct, prompt action by the Bank in achieving that figure.

Another observation based on consideration of the balance sheet concerns the difference between the amount of loans approved by the Bank and the disbursements actually made on these loans. This observation is valid for both ordinary capital operations and those of the Fund for Special Operations, and would appear to indicate a considerable lapse between the date of the agreement and actual utilization. I am, of course, aware of the fact that the extension of a loan for development is the beginning rather than the end of a process; that the beneficiaries themselves — and not exclusively the lender — are responsible for hastening negotiations to make these credits effective, and that these loans, furthermore, are made available in installments as the work or projects for which they will be used progress. Therefore I agree with the statement made yesterday by the President of the Bank to the effect that "there are several factors conditioning the rapid utilization of loans, once they have been authorized." But despite these circumstances and the fact that the ratio of *loans approved* to *disbursements made* has been more favorable in 1962 than it was in the preceding fiscal year, I believe we

should spare no effort to accelerate the disbursement process in every way possible. The success of a development financing agency depends not only on the volume and amounts granted but also on the speed with which they are made available.

In view of the fact that, as outlined above, the Bank shows a favorable position of liquidity enabling it to maintain in bank deposits and in loans with a rapid turnover amounts far in excess of the loans disbursed, it might be possible to help solve the problem of export financing by using part of these idle funds. The Delegation of Argentina has so maintained in the working group which is studying this problem.

In reference to the above-mentioned concern for securing greater flexibility in operations, I wonder — and suggest this matter for possible consideration by the Board of Directors of the Bank — whether or not it would be possible to explore certain untried measures in order to bring the Bank into closer contact with potential borrowers.

I realize, of course, that in Venezuela, Bolivia, Mexico and other member countries agencies of the Bank are in operation to provide assistance and information to those interested in obtaining financial aid from the IDB. On the basis of the experience accumulated by these offices, it might be advisable to extend this experiment to other capitals. However, aside from this possibility, my suggestion has to do with the use of services by one or more banks in each country, acting as representatives of the IDB, not only to guide the initial steps in negotiating a loan but also to advise on the studies required for the preliminary or intermediate stages of application.

Allow me to stress at this point that the Bank is to be commended for its contributions to technical assistance both on the national level to the several countries and internationally through its support of the establishment of the Latin American Institute for Development Planning, which is designed primarily to assist the countries in preparing their programs, in training technicians and in organizing programming systems.

Furthermore, I feel that the Inter-American Development Bank must make every effort to furnish as much proven technical assistance as possible in the various fields of economic activities, in order to supply solid technical foundations for the projects and to conclude their preparation in as short a time as possible.

I note with satisfaction that technical assistance investments increased during 1962; it would be desirable to expand the quantities

for this purpose on an ever-increasing scale in order to shorten the time required in any development process.

The National Development Council of Argentina is one of the agencies that has received financial cooperation from this Bank for programming purposes and, as a result has made important progress in this area. With regard to development financing, my country realizes, in accordance with one of the postulates of the Alliance for Progress, that such financing should be based primarily on domestic resources through the formation of adequate savings and national capital, and on the initiative of its citizens. But considering that these measures in the Latin American countries are insufficient to accelerate the pace of the respective programs, supplementary assistance must be supplied by international credit or foreign capital institutions.

Before closing, gentlemen, I would like to mention briefly certain matters which the Inter-American Bank cannot ignore, as for example, foreign trade in the American countries, prices for export products and regional integration.

I have already mentioned that this Meeting is considering the report submitted by the Board of Directors on export financing and that the Argentine delegation is taking part in these deliberations. However, without prejudice to this fact, I would like to state here that the permanent deterioration in terms of trade suffered by our countries points up, by reason of its negative effects on balance of payments and national revenue, one of the most serious problems confronting Latin America with reference to foreign trade. Argentina has consistently pointed out that the responsible agencies should promote specific measures designed to establish fair and equitable prices for basic commodities in order to facilitate the formation of national savings to finance the country's economic development with its own resources.

Along the same lines, there is an urgent need to undertake an intensive plan of export promotion through measures designed to diversify the basic items of foreign trade. To this end, particularly in the case of finished goods, it is logical that our exporters should have access to the same facilities as the exporters of other countries; in other words, competitive trade should be carried out on an open, honest footing, with quality and price factors as the sole consideration in marketing production.

Finally, with regard to integration, it was pointed out to the Latin American countries some time ago that they should supple-

ment their economies in order to utilize their industrial potential to the maximum, defining their sources of supply and thus assuring permanent and ample markets. This we have done to the extent of our possibilities. The Central American Common Market and the Latin American Free Trade Association are already in operation, encompassing within their respective spheres the aspirations and desires of their regional members. This task is, of course, only beginning; once the standards have been established for future activities, it will be necessary to consolidate these efforts and to overcome the inevitable drawbacks in these countries which, young as they are, are *firmly determined upon dynamic action* to secure for their peoples the well being they so fondly seek and richly deserve.

Mr. Chairman, Distinguished Governors: In this statement I have outlined certain concerns regarding what I believe the orientation of future activities by the Inter-American Development Bank should be, while at the same time acknowledging once again its effective work to date, which, I am sure, will continue to meet with increasing success, thanks to the efforts of its board of Directors and its President.

**Address by Mr. Gonzalo Tapia Collante, Governor for
Panama and Minister of Finance and Treasury,
at the Third Plenary Session**

I am particularly honored to participate, in my capacity as representative of the Republic of Panama, in this most important Fourth Annual Meeting of the Inter-American Development Bank, and equally honored to convey on this memorable occasion a fraternal greeting from His Excellency, Roberto F. Chiari, President of the Republic of Panama, to His Excellency Rómulo Betancourt and to the people of Venezuela.

Through me, Mr. Chairman, my country wishes to express well-founded satisfaction with its achievements to date in the pursuit of tangible objectives made possible by assistance received from the Inter-American Development Bank and from the Alliance for Progress program. However, it also wishes to request the additional incentives required to continue execution of its projects under this vast program designed to promote our countries' economies, to which end it proposes to continue revising and correcting its methods with a view to even greater accomplishments.

For this reason, I would like to illustrate the zeal of the people and the Government of Panama in providing better public services and developing the national economy by mentioning that our budget allocates 28 per cent of State expenditures to education, much of which was used during the past year for construction of 600 classrooms to accommodate 20,000 pupils for whom there had previously been no room in the schools. We are also undertaking the construction of 300 classrooms for 10,000 pupils, as the initial step in a total building program of 2,000 classrooms at a cost of \$8 million, of which \$5 million will be supplied by the Alliance for Progress and the rest by the Republic of Panama. This project will be one of our most important and effective undertakings by reason of its incalculable social benefits, for although it is true that school construction leads to additional permanent budgetary expenditures, such as building maintenance and school material, teacher salaries and general supervision, these will be fully compensated by the formation of better educated generations who will thus be better able to serve the Panamanian nation by their work and knowledge.

Mention should also be made of the significant fact that in 1962 and thus far in 1963, the Republic of Panama has enacted

charter laws governing four autonomous agencies responsible for promoting all aspects of water and sewerage service, electric power, agrarian reform and land credit. These four autonomous agencies are the Institute of National Water Supply and Sewerage (IDAAN), the Institute of Hydraulic Resources and Electrification (IRHE), the Agrarian Reform Commission, and the Institute for Development of Insured Mortgages (IFHA). I am pleased to acknowledge in this respect that the integration, organization and technical advisory services for almost all these agencies resulted primarily from assistance furnished by the Inter-American Development Bank and the Agency for International Development of the United States State Department.

To date, IDAAN has contracted loans for 2,762,000 balboas with the Inter-American Development Bank and for 6 million balboas with the Agency for International Development. The first loan amounts to 72 per cent of the cost of programs designed to expand and improve seven water supply systems in the interior of the Republic, of which four are currently under execution and will soon be completed; two will be initiated in June, and the last will be launched in July of this year. This program will make it possible to serve 85 per cent of the population of these towns, of which only 50 per cent are currently supplied with services which are at best deficient. The loan extended by the Agency for International development will be used exclusively for water supply and sewerage installations in the city of Panama; IDAAN has so far carried out works amounting to 600,000 balboas, the sum assigned as that institution's contribution to execution of the project. In addition, IDAAN has completed seven small water systems with its own resources in the brief period of one year and has concluded five other previously initiated projects in the interior.

The Institute of Hydraulic Resources and Electrification, established for the purpose of generating one of the basic elements of production, has prepared a fundamental program for electrification of a large area of the country through construction of a dam and hydroelectric plant, a project estimated to cost \$6 million, of which \$4 million has been furnished by the International Bank for Reconstruction and Development and \$2 million will be supplied by the State. This institution has, in the space of one year, succeeded in increasing the generating capacity of the electric plants under its control by 3 per cent, and intends to expand this to 12 per cent in the course of this year through general improvement of installations

and purchase of plants formerly owned by other companies.

The Agrarian Reform Commission, established by Law 37 of September 21, 1962, approving the Agrarian Code of Panama, has initiated its operations with a capital of 600,000 balboas, an amount included within the national budget beginning this year, it will also have available the resources of national and foreign loans contracted by the Executive Branch for its programs. This Commission will also receive such idle and State lands as it may require, which will be transferred by the Executive Branch as requested.

Panama, like other Latin American countries, is gravely concerned about the social problems of land distribution, having its origin in the lack of planning in the manner in which the State has been distributing lands, which, even though done with a paternalistic sense, has allowed unproductive concentration of holdings and selfish speculation that have been putting off the farm worker while at the same time placing him in a position of obvious inability to work the land properly since he does not have the economic means or the tools to turn it into a real source of wealth for the country. The Agrarian Code, by reason of its primary goal of correcting these errors and transforming land development into a positive source of national prosperity by fair and rational distribution and intensive exploitation through credits, technical assistance and the establishment of permanent markets, is unquestionably a valid example of the special effort being made by President Chiari's administration to solve one of the problems most seriously affecting our people. Although initial difficulties may arise in setting up standards which will be subject to adjustment in order to correct minor flaws, adoption of this body of law has undoubtedly opened new prospects of social justice and effective production for the Panamanian rural population.

The Institute for Development of Insured Mortgages, established by Law 50 on January 31, 1963, will expand the investment market for foreign capital through mortgage insurance and the establishment of mutual savings and loan associations, measures that are vital to our nation. The assets of this institution have been set at 5 million balboas, to be furnished by the State through a bond issue for a maximum term of 20 years with an annual interest rate of 8 per cent. With full support from the nation plus its subsidiary guarantee on all obligations of the institution, this new agency of the Panamanian State will undoubtedly generate funds for promoting within our country facilities with which to finance undertakings

and programs that will encourage the economic development of Panama.

In order to utilize basic investments to procure sources of employment for the community and of revenue for the Treasury, the Empresa de Desarrollo Industrial, S.A. was recently formed in my country and will begin its operations with official and private capital of which 2 million balboas will be contributed by the latter and 2 million by the State; it is also planned to obtain a loan for 16 million balboas with public banking agencies in this hemisphere. The activities of that institution will consist of obtaining resources in Panama and abroad with a view to channeling them, for industrial and other economic development purposes, towards private enterprises exclusively in order to convert this organism into a creative center promoting reproductive wealth through long-term loans and technical advice to industrial enterprises.

Panama is pleased to refer to the first loan granted by the Inter-American Development Bank from its Trust Fund resources. A month and a half after these resources had been made available to the IDB, the Housing and Urbanization Institute of Panama (IVU) obtained its first loan, thanks to the high standard of its programs and presentation. To the satisfaction of the Panamanian Government, this operation is considered today by the Bank officers themselves as the most impressive achievement in the housing field.

I consider it advisable to make certain observations on this program. The pilot project for this type of operation served as a background of experience for similar loans made at a later date and facilitated the incorporation of standards and the evaluation of systems for further subsequent loans.

The IVU has to date used part of the IDB loan of 7.6 million balboas for a construction program covering 3,000 housing units. Of these, 1,704 have already been built under a contract, while 874 units have been completed under the aided self-help system, making an aggregate total of 2,578, which assures full execution of the program within the next few months.

The magnitude of the project and the accelerated rate of its execution brought to the fore the difficulties confronting agencies of this type. Many of these have been resolved and the others are currently being eliminated, thanks to technical assistance from the Bank, so that the new operations can be carried out with greater efficiency. It should be noted that the constant increase in prices of imported materials and labor in general have influenced the financial

aspects of the local contribution.

If we consider that the essence and motivation of these loans is to assure a self-respecting status for the low-income population, it should be understood that the Bank's contributions cannot be confined to financing only one phase of the program. It is necessary to facilitate conditions of payment to the ultimate beneficiaries insofar as possible, since the dire straits of the low-income sector are based on its obvious economic incapacity, as recognized by nationals and foreigners alike.

Latin America is rich in natural resources, but we all know that the worker, the employee and the campesino in our countries can contribute nothing more than their own work. If we view this situation realistically, we will understand why these operations are being deflected from their original purpose to end by serving sectors far removed from the group we seek to regenerate.

The experience of Panama, Colombia, Nicaragua and other countries has led to a demand for greater flexibility in loans, as well as for increasing attention to direct financing for the prospective low-income beneficiary.

It is only fair to acknowledge that in our relations with the Bank these concerns have been the subject of particular attention by President Felipe Herrera Lane, as well as by his collaborators, who have offered wise solutions as problems have arisen.

With reference to the fiscal aspect, mention should be made of the fact that the Government of Panama succeeded in increasing income tax revenue by 40 per cent during 1961 and 1962 by vigorous measures designed to introduce new supervisory systems and to establish a strict administrative career. These guidelines were set forth in the fiscal law reform enacted by President Chiari in order to place the General Office of Internal Revenue in a better position to exercise its difficult functions. It should be added that because of the particular interest my government has assigned to organization of the fiscal branch as the axis for its economic and social development programs, it succeeded in overcoming serious problems to end the 1962 fiscal year with a small surplus of 267,000 balboas. This fact should not be considered in the light of the amount of favorable balance on fiscal operations but rather of the tangible result achieved by an administration that has characterized its negotiations by austerity and integrity as indispensable premises for translating government activities into more and better community services.

With respect to foreign trade, in 1961 Panama signed a preferential trade treaty with Costa Rica and Nicaragua that constitutes our first step towards more effective and closer trade relations with our neighbors. In August of 1962, the Economic Commission for Latin America (ECLA) completed a comparative study on the Panamanian problem with relation to the Central American Common Market and the Latin American Free Trade Association (LAFTA), which is now being considered by my government and by commercial, industrial and fiscal entities in order to submit to the Executive Branch such recommendations as are deemed advisable on the measures to be adopted by my country in this respect.

On this topic of current interest, President Chiari made the following remarks last March during his meeting with the Presidents of Central America and the United States:

"With regard to economic problems, it should be recognized that there is not complete identity between those of Central America and those of Panama because of the obvious idiosyncrasies and characteristics of my country's geographic and international position; the very items on the agenda reflect the fact that economic integration is a Central American affair. This does not mean, however, that Panama is indifferent to such integration nor that it lacks interest in this question. On the contrary, it views this matter with marked sympathy as the basic factor for the prosperity of its five sister republics and for this reason it is resolved to furnish all the support and cooperation it can muster. Panama also plans to associate itself with the Central American bloc, through agreements establishing ties of economic cooperation that will become more intensive and extensive as experience shows this to be possible despite the idiosyncrasies to which I have referred.

"The Central American nations may be fully assured that Panama shares all their problems and their conflicts and that it will not stint whatever cooperation and solidarity it can give them at any time. This is my country's best way of responding, albeit partially, to the many demonstrations of fraternity and spontaneous affection which Panama has received from each of its fellow republics on the Isthmus."

This sincere statement by the Chief Executive clearly expresses the objective position of Panama in relation to this highly important matter.

I should also indicate that Panamanian problems with regard to the Common Market are complex and sensitive ones, owing to

the traditional free trade established between Panama and the other countries in the world and to our high industrial salaries, the high costs of farm production and a *sui generis* status that enables us to import merchandise valued at \$140 million a year and to export only \$3 million a year. Nevertheless, Panama is marching slowly and surely towards closer commercial collaboration with the countries of the Latin American Common Market.

I hope, Mr. Chairman, that I have demonstrated by means of this statement the great achievements undertaken by the Republic of Panama to encourage and promote the various factors of its economy through systematic organization of its administration and adequate utilization of the economic assistance it has obtained from different institutions, including, by reason of its consistent interest in our applications, the Inter-American Development Bank. This entity is engaged in an enterprise of immeasurable scope on behalf of the Latin American peoples, financed with its own resources and with the funds entrusted to it under the Alliance for Progress program, conceived and implemented opportunely by the illustrious leader of the United States of America, Mr. John F. Kennedy.

Before concluding, I would like to state that my government approved in principle the plan to increase the resources of the Inter-American Development Bank because of its vast and beneficial endeavors and that it will spare no effort within its possibilities to help to execute this measure which is both prudent and necessary.

I would also like to express the sincere appreciation of Panama for the invaluable work carried out by the Directors of the Bank and by its indefatigable President, Dr. Felipe Herrera, whose conscientiousness and zeal in providing the Latin American countries with the instruments necessary for their effective redemption have earned them the affection and admiration of these nations.

Mr. Chairman:

I take this opportunity to express on behalf of my government, the Panamanian Delegation and myself, our most heart-felt appreciation for the many attentions we have received from both the government and the people of Venezuela as well as from the members of the Board of Directors and of this Fourth Annual Meeting of the Board of Governors of the Inter-American Development Bank.

**Address by Mr. Orlando Sandoval, Alternate Governor
for Chile, and Minister of Agriculture, at the
Third Plenary Session**

It is, for Chile, a source of deep satisfaction to participate in the Fourth Meeting of the Board of Governors of the Inter-American Development Bank. This meeting enables us to evaluate once again the growing importance of the Bank's role in promoting economic and social progress in this Hemisphere. It allows us to review, with the perspective of just three years, the spectacular work carried out by the Bank from the time of its inception up to its present active role as a financial source of investments in Latin America. This occasion provides Chile, particularly, with a new opportunity for making public its own testimony to the effective contribution being made by the Inter-American Bank to our economic and social development.

The account given by the President of the Bank of the Administration of the IDB's own funds and those received in trust is further evidence to support the firm conviction I am sure is held by other countries as well as our own, that the Bank has successfully accomplished the tasks entrusted to it at the time of its formation or assigned to it at subsequent Meetings of the Board of Governors.

We feel that the Bank is called upon to play an even more vital role in promoting economic and social progress. We recognize that one of the most important restrictions on the Bank's activities is its volume of available funds. Our government has closely followed the efforts of the Board of Directors to increase its financial resources and deems the result of these endeavors to be highly satisfactory. Nevertheless, we consider it advisable to insist on continued efforts in this direction, until all possibilities have been exhausted for strengthening the capital available to the Bank. Although we have agreed upon expanding our funds through larger contributions by the member countries, we believe it must be kept in mind that this procedure amounts, in substance, to asking the financially impoverished countries to make loans of capital to each other or to themselves. Consequently, without overlooking or underestimating the current success of the Bank in attracting financial resources from outside Latin America, we would, nevertheless, like to suggest that this endeavor be continued, especially after the initial experiences

have revealed such sources to be promising.

Contemplation of the current Latin American scene as referred to above has encouraged our countries with regard to successive increases in the Social Progress Trust Fund and a new flow of funds such as has been derived from recent placement of bonds and portfolio sales. It is gratifying to the Latin American countries to observe how these hopes are being justified through initiatives by the Government of the United States of America, collaboration by the governments of other economically developed countries and participation by international financing institutions.

We know from earlier statements by President Felipe Herrera that the Bank is aware of the desirability of speeding progress towards Latin American economic integration. This is also evidenced by the documents prepared by the Bank for the discussions of this Meeting. We feel that integration is an essential prerequisite if our countries are to enter upon higher stages of economic development; yet, in fact, integration is being approached at a much slower pace than many of us would wish. This is quite a serious situation, inasmuch as the progress shown by the European Common Market and the effectiveness of its protectionist policy have greatly impaired the economies of some Latin American countries, with the present picture threatening even graver deterioration. This is why we in Latin America must spare no effort to unite ourselves and to adopt those measures that promise to strengthen the economic integration of our countries.

The Chilean Government believes that complementary economic agreements are a very effective and immediate instrument for accomplishing this integration. Such agreements are envisaged, among others, by the Treaty of Montevideo, establishing the Latin American Free Trade Association. Our government also feels that an effective means of promoting agreements — which are very substantially dependent on the will of the private sector — would be to provide credits for financing the investments required by such complementary agreements.

We take this opportunity, therefore, to suggest that the Bank's Board of Executive Directors explore the possibility of opening up a special line of credits designed to finance investments under complementary economic agreements, and that in due course it propose to the Board of Governors, if necessary, the rules of operation which should be authorized.

My government has noted with great interest the important and complete document presented by the Bank in relation to a system for financing the exports of the Latin American countries. It is very gratifying for me to indicate that, although discussion of this report in Chile has not yet been concluded, we are in agreement that the proposed system will help to improve the competitive basis of Latin American exports and to diversify national exports, eliminating mono-product structures. We are certain that regional economic integration, and, consequently, our countries' economic development, will be reinforced through this system. I wish to stress particularly our agreement with the opinion stated in the report regarding the necessity to capitalize a fund for the respective credits essentially on the basis of foreign financial resources; for, since the lack of capital is one of our fundamental problems, such a fund could hardly be capitalized among the Latin American countries themselves.

I am purposely differentiating between the two basic elements of the report, that is, the financing of exports and the formation of capital to support such financing operations, because they have to do with different problems.

We believe, of course, that the substitution of imports — a policy followed by all of our countries — has operated along the line of least resistance, which is, however, the one that will most promptly be confronted by limitations. Our countries have been inclined to domestic production of consumer goods such as food and textiles, as well as some durable goods; in all of these areas small-scale production suffices to supply the domestic market at competitive prices. However, as soon as such possibilities for replacement are exhausted, we find that this precludes further possibilities for investment as well, since in order to manufacture other products larger markets are needed if production costs are to be reasonably competitive. Domestic markets are too restricted for this. There can be no doubt, therefore, that any measure capable of expanding our markets will be a beneficial one. Exporting these products — specifically capital goods and semi-manufactured goods — requires competition with highly developed countries in price, quality and payment facilities. The first two factors are within our reach and have in fact been attained by a number of Latin American industries; but as regards liberal terms of payment, because of the acute and, I would venture to say, dramatic shortage of capital prevailing in Latin America, our industries have been unable to compete, even in our own countries, with foreign suppliers. Hence we firmly trust that solid

financial support for our incipient exports of intermediate and capital goods will open up larger markets, whereby we will be able to create new opportunities for investment, industrial expansion and general progress.

The second basic element included in the study prepared by the Bank on a regional system for financing Latin American exports has to do with the financial sources which should provide the fund for granting export credits. The Chilean Government has noted with satisfaction the concordance between the philosophy of the Inter-American Development Bank and the principles outlined in the foregoing paragraphs. Both approaches agree in that they acknowledge the prevailing shortage of capital in Latin America and the pressing need for export financing; both arrive, therefore, at the logical conclusion that such financing must be backed by capital from outside Latin America. In fact, inasmuch as the system is conceived to encompass exports to any market, it should not support a situation in which feeble Latin American economies might find themselves in the dubious position of giving payment facilities to the sound economies of developed countries. We must seek precisely the opposite. This is why we agree that a line of credit for exports should constitute a permanent incentive for the Inter-American Development Bank to maintain the policy of obtaining capital in the economically developed areas.

In view, then, of the extreme importance of the matters dealt with in the above-mentioned report; considering that this type of operation is in accord with the Bank's mandate; recognizing the unquestionable urgency of taking action on these credit lines; and taking into account the fact that the member countries have not had sufficient time to analyze this study thoroughly, we believe it is desirable that this Meeting, for the reasons set forth above, urge the member countries to make official statements regarding the report without delay. This would not preclude entrusting the Bank's Board of Executive Directors with the immediate drafting of the pertinent rules and regulations, taking due account of the member countries' opinions.

Finally, it should be emphasized that such a system as that proposed would be a powerful moving force for more intensive trade within the Latin American Free Trade Area and that its implementation would be instrumental in strengthening the economic integration of Latin America, thus helping to materialize the aims set forth in the Charter of Punta del Este.

I wish to avail myself of this opportunity to convey to the Bank's Board of Executive Directors and to its entire personnel the sincere congratulations of the government I represent for their commendable work in behalf of the well being and economic and social progress, of the Latin American countries; and to reiterate the acknowledgement of the Chilean people for the Inter-American Bank's effective contribution to our prosperity.

In concluding, I wish to express the deep appreciation of my government and myself for the hospitality we have received from this sister nation, which is the home of Simón Bolívar the Liberator, craftsman of the freedom and independence of our peoples, and the home as well of Andrés Bello, illustrious citizen of my country, where his name is highly respected because he left us a legacy of a lofty legal tradition which has enabled us to live and progress within the framework of an institutional system supreme guarantee for the survival and progressive evolution of our democracy.

**Address by Mr. David E. Bell, Alternate Governor for
the United States and Administrator of the Agency
for International Development, at the
Fourth Plenary Session**

I am especially glad that my first trip to Latin America as Administrator of the Agency for International Development brings me to Venezuela. This country stands in the vanguard of the Alliance for Progress. Under the leadership of its far-sighted and valiant Chief Executive, President Rómulo Betancourt, Venezuela anticipated the principles and goals that came to be enshrined in the Charter of Punta del Este. Since the signing of the Charter, this nation has maintained its developmental drive in the face of continuing and violent attempts to disrupt its progress. President Betancourt's stirring address at the inaugural session of this Conference made it clear that Venezuela will continue on this road.

The Inter-American Bank, as a prime institution for the realization of the goals of the Alliance, thus has done well in selecting Venezuela for the site of its Fourth Annual Meeting. Permit me, Mr. President, to express my delegation's and my government's appreciation for the hospitality extended us and the splendid arrangements made by the Government of Venezuela for this conference.

II

The Bank's operations this past year — from all its capital sources — add up to another successful record. From all its resources the Bank authorized 68 loans totaling \$329,393,000. Considering the careful analysis that has to be made of each loan application, and in view of the fact that the authorized loans represent only a small fraction of the applications that had to be reviewed, the Bank's staff has earned a "well-done" from all member countries.

The Bank's record has been very good also in the help it has given Latin American countries to build developmental institutions and to introduce administrative and social reforms. Through effective administration of its loans, the bank has been instrumental in the creation or improvement of many such organs — among them development banks, housing institutes, savings and loan associations, agrarian credit organizations. It has also aided significantly in improving antiquated fiscal, agrarian and administrative systems.

Experience has shown that the writers of the Charter of Punta

del Este were right when they called for basic reforms in Latin America's societies. Among these are: fair and effective tax legislation; a high standard of professionalism in public administration; changes in land tenure, extension of agricultural credit and the introduction of modern farm techniques designed to raise the production as well as the living standards of Latin America's vast farm population. Such reforms, soundly conceived and adapted to the needs of each country, are essential if the resources we are marshaling under the Alliance are to be used effectively.

My government finds special encouragement in the reception accorded to the Bank's first two bond issues in the capital markets of Europe and the United States. The Bank thus has proved itself to be an effective mechanism for attracting private foreign resources into Latin America for economic development and the international financial community has demonstrated its confidence in the soundness of this institution.

The Bank's imaginative approach to its job is reflected in the efforts it has made to obtain supplementary credits from European countries for development projects which it is helping to finance.

The increasing interest of European governments and investors in Latin America is indeed encouraging. We hope that European and other industrialized nations will continue to broaden their participation in international development assistance. At the same time, the Latin American countries must be on guard lest the terms of assistance from any source create a burden for the future that Latin America should not be asked to bear. It would not be a satisfactory solution to the balance of payments problem of member countries for the Bank to make long term development loans while other sources limit their financing to short and medium term credits.

The Bank has moved very rapidly in the allocation of its own resources. Accordingly, we have asked the United States Congress to authorize support of a substantial expansion of the resources of the Bank, which is seeking a \$1 billion increase in callable capital and a one-year expansion of the Fund for Special Operations by \$73 million. Furthermore, most of the \$394 million of the Social Progress Trust Fund have been committed. In view of this, President Kennedy has asked the Congress for \$200 million to continue the work of the Inter-American Program for Social Progress, including the Trust Fund and special technical activities by the Organization of American States.

All this is evidence that the Bank has moved fast in meeting

the responsibilities which the Inter-American Community has entrusted to it. Indeed, it is because of its rapid progress that the question arises whether the structure of the Bank's early years will be adequate for its new and broader responsibilities.

As we review the Bank's record, we should examine the present lending mechanism with its three windows — ordinary resources, the Fund for Special Operations and the Social Progress Trust Fund — to see whether it might not be better to simplify the apparatus while retaining the flexibility we all want it to have. The United States accordingly supports the proposal that the Executive Directors make a study of the structure that will be most suitable and efficient as the Bank broadens its range of activity.

The Bank has become one of the main instruments of the Inter-American community for financing the development of the hemisphere. Its Charter anticipated the principles set forth subsequently in the Charter of Punta del Este. Its membership is also the membership of the Alliance for Progress. All its operations serve the accomplishment of the goals of the Alliance. In short, this Bank has become *El Banco de la Alianza* — the Bank of the Alliance — and thus a central operating element of this great endeavor.

President Herrera's imaginative conduct of his office has had a powerful effect in stimulating thought and opening up new approaches in the area of economic integration and in rallying public support throughout the Americas for the principles and programs of the Alliance for Progress. In his management of the affairs of this institution in the past year he has made it emphatically clear that this Alliance is first and foremost a Latin American program; that it depends for success on the performance of all the nations that make up the membership and that Inter-American institutions must be the prime contributors to its progress.

III

The United States has geared its policy, with respect to the Alliance, to this concept and we shall continue to meet the commitments we have undertaken under the Charter, to provide the margin that is vital to success. It is, of course, only a margin. In his recent message to the Congress on Free World Defense and Assistance Programs, President Kennedy outlined a series of objectives designed to improve United States performance in these programs. One of them is the application of "stricter standards of selectivity and self-help in aiding developing countries." In relation to Latin America,

the President said: "In the Alliance for Progress in particular . . . emphasis is placed upon self-help and self-reform by the recipients themselves, using our aid as a catalyst for progress."

It seems to me useful to remind ourselves that the essential nobility of the Alliance for Progress lies in the recognition by all its members that the goal is genuine economic independence with social justice in the framework of political freedom for all the nations of Latin America. This means that external aid should be so conceived and administered as to outlive its usefulness as soon as possible, with countries satisfying their needs for capital imports thereafter by recourse to normal world capital markets, including international financial institutions, foreign private investment and other sources.

Clearly, foreign assistance of and by itself — no matter how soundly administered — is only one external ingredient in the formula for success. Latin America's foreign trade requires urgent attention. A more stable income from the commodities it exports and greater diversification of the products it can bring to the markets of the world are vital elements in the developmental equation. These problems must be attacked with a greater sense of urgency as an essential part of this program.

The role for private investment in Latin American economic and social development is still another area which needs urgent attention. Here again, the activities of this Bank and our own policies coincide. Loans from the ordinary resources of this institution to private enterprise in Latin America, as well as investments from the Fund for Special Operations and the Social Progress Trust Fund in cooperatives and intermediate credit institutions reflect the awareness of the Bank that the main impetus for the creation of new job opportunities must come from private initiative.

We hope that the Bank will further increase its efforts in this area, that the Latin American governments will facilitate these activities and that full information on the availability of credits will be conveyed to the business and banking communities. Thus the contribution of private enterprise to rapid economic development could be greatly stimulated.

In addition, a substantial amount of private investment from abroad is indispensable. We are all aware that funds from private sources at the present time are not forthcoming at the rate at which they are needed. Political instability, a lack of hospitality to foreign capital born of suspicions bred in the past and excessive reluctance

among potential investors both in Latin America and abroad to take what appear to be more than ordinary risks — these factors contribute to the inadequate flow of private capital into the region. My government is seeking an amendment to the Internal Revenue code for a trial period to grant U.S. investors a tax credit for new investments in developing countries. This credit also would apply to some extent to reinvestments of earnings in those countries. President Kennedy also is requesting changes in the law designed to broaden and clarify existing programs of investment guarantees. I trust that the Latin American governments and ourselves can cooperate more and more effectively in this whole area of encouraging private foreign investment, and particularly in the conclusion of investment guarantee agreements which will contribute so much to this end.

Such policies will tend to dispel both legitimate fears and unreasonable worries on the part of private investors. None of us, Latin Americans or North Americans, can afford the luxury of blind adherence to any dogma. Instead, each developing country must find the proportion of the private and the public sectors that most productively and efficiently serves its needs. The experience of recent decades has supplied ample evidence that the road to progress in a framework of political freedom is the road of the mixed economy.

. My delegation sees potential usefulness for the Bank in the field of export financing. We have studied with great interest the Report of the Board of Directors on this subject, which grew out of a proposal made by the Government of Brazil.

The United States believes that at the present time, such activities by the Bank should be carried on within defined criteria and on an experimental basis. Bank funds could, in our view, be used to finance the export of capital goods normally financed on medium term, among the Latin American countries. Such financing should be made available to countries that are reducing barriers to trade and whose policies encourage the growth of diversified exports.

Furthermore, in order to make the wisest possible use of its resources, the Bank should enter this field only when other financing sources are inadequate; and in all cases it should do so only as a partner with local institutions. That way, the Bank can help mobilize internal financial resources of the Latin American member countries for the pursuit of objectives to which we are all committed.

With this in mind, I would like to make clear that the United States has been glad to support the resolution which has just been adopted relating to the financing of capital goods.

IV

The Bank, the Agency for International Development and many colleagues of ours in national, Inter-American and international institutions are constantly plagued by problems that stand in the way of quicker implementation of projects. At times, we become frustrated and perhaps even short-tempered because outside observers or newcomers to our business criticize our institutions on this score unaware of how intensely we are working to cut down time lag.

Turning to the relationship of disbursements to commitments, it seems to me that we can isolate three distinct problem areas, and point to possible improvements.

On quite a few occasions this Bank, like my government and other lenders, has made loans without adequate advance preparation. We have done so when impatience on our part or frustration on the part of the country concerned — and sometimes both — had built up psychological pressures for quick action. But I believe you will agree with me that, invariably, such quickly made commitments led to lengthy re-evaluations, with even greater frustrations in the end. I think the evidence is ample by now to counsel us against being tempted by the pressures of the moment, against sacrificing sound evaluation to seeming psychological necessities, and to do the job thoroughly and efficiently in the interest of the quickest possible end result — the finished project.

In other cases, loan agreements were well prepared, but because of the large scale of a project, such as a hydroelectric or a major industrial plant, time-consuming and expensive bid plans and specifications were needed. These can take more than one year to complete. In most cases, such delays are unavoidable. In some, the time lag might have been reduced or avoided had the bureaucratic mills ground more quickly — and this problem must have our continuing and critical attention.

Finally, there are the social development projects. These can be carried out with relative speed — especially housing and schools. But here, too, problems must be solved unless we are to wind up with white elephants or new slums. The buildings themselves can go up fast. But what good is a housing project without a credit institution that can administer the mortgages and without community

development that gives the project meaning and keeps it from falling into disrepair? And what is a school without adequately trained teachers and supplies and a curriculum developed and administered by professionals in ministries or on boards of education?

We have learned that such loans, too, take time for effective implementation because in many cases there is a need to build the institutions and develop the administrative and professional skills that spell the difference between a mere physical structure and a living organization.

But perhaps the most pressing problem, on which delays are avoidable or reducible if we make a concentrated effort, is the scarcity of specific projects to flesh out plans and statements of goals.

To do this, the Bank and the Agency for International Development have made loans for feasibility studies. These are designed to establish what lines of activity in a given economy best lend themselves to development, what resources are needed to do the job and what types of projects look most promising. These studies are then followed by the drafting of loan applications for specific projects which are offered to various institutions, including the Bank, for financing.

So far, we have made feasibility loans of this type to Bolivia, Ecuador and Peru. We plan in the near future to make similar loans to several other countries and to the Central American Bank for Economic Integration. We stand ready to consider other requests for such loans and thus help convert ideas and plans into practical projects as rapidly as possible.

V

Through meetings like this annual conference, we constantly review and refine our approaches to the complex and changing problems of economic and social development.

Such consultation is particularly important in this region, where twenty countries are trying to mount a concerted and massive drive toward specific goals on the basis of commonly agreed principles and guidelines, spelled out in the Charter of Punta del Este.

The challenge of the Alliance derives largely from this hemisphere-wide approach. We are breaking new ground, and testing the effectiveness of new methods and techniques, in the hope of finding the way to do our job more quickly and rationally than in the past.

When I say "we," I am referring to all our member republics.

The new ideas and techniques must come above all from our Latin American partners, for you know best what is likely to work in your country or region. At the same time, we must be constantly aware that our searching, testing and our consultation can be fruitful only if we stay within the basic framework set down in the Charter of Punta del Este and that each of us carries his share of responsibility for the program.

Working along these lines, casting aside both complacency and exaggerated expectation, and moving forward at the pace which dedicated men and women throughout the region have set in the first two years of the Alliance, I am confident that this program can and will lead to self-sustaining growth of the Latin American Republics.

But beyond this, it is our joint and solemn responsibility to make sure that such growth takes place in the framework of freedom and democracy. As President Betancourt said in his address on Monday: "When our peoples lose faith in the ballot, in the regular and peaceful succession of one government by another through elections, they will be tempted to follow the Cuban example. . . . (They may do so out of sheer despair) unless we are able to create and maintain orderly systems of genuine representative democracy that will guarantee our peoples not only a reasonable level of income but also access to land and to cultural values."

The words of President Betancourt are an eloquent definition of the Alliance for Progress. This is a program not for the few — but for the many. Its institutions do not serve one sector to the exclusion of another — they must serve all the people.

Let us, then, heed the urgent call of these peoples by assuring the success of this Alliance — a success for which uncounted millions have yearned so ardently for so long and which they so richly deserve.

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

Probably no other international organization with only three years of experience has been able to boast of a history as rich in achievement and with such promising hopes for the future as the Inter-American Development Bank.

Established only yesterday under the aegis of great proposals for advancement in the field of social and economic development in the Latin American countries, this institution has taken gigantic steps not only to accomplish the particular goals envisioned in its formation, but also to become one of the principal instruments of a yet vaster and nobler plan which is the Alliance for Progress. This plan demonstrates the understanding of the problems of the Latin American peoples by the United States of America. It has as its objective higher moral, intellectual, economic, and social standards for the hundreds of millions of inhabitants within our hemisphere.

In view of the accomplishments to date, and with well-founded faith in the ever more fruitful work of the future, this Meeting of Governors can feel a deep satisfaction, for which acknowledgment is due to the President and his worthy collaborators, who have placed their talent, ability and zeal at the service of this profoundly Americanist task.

In performing its functions and planning its programs, the Inter-American Development Bank, more than any other international institution, has identified itself closely with our countries, sounding out and understanding our problems and suggesting the initial solutions, which are consistently based on the most effective methods of furnishing economic and technical assistance to our peoples.

From the very beginning, the Bank has studied the economic and social problems of my country as it has those of the other Latin American nations. At the time that a vital banking reform was underway in Paraguay, the IDB's support of the new National Development Bank, established to promote national agricultural, livestock, forestry and industrial production, served as a valuable incentive to our people.

This, then, was the first operation by the Inter-American Development Bank in Paraguay, which took the form of a credit to the National Development Bank of Paraguay to further the goals of that institution. The first loan, for the modest amount of \$3 million, meant a helping hand at an opportune moment.

I would like to point out the cautious sense of responsibility my government uses with respect to the credit obtained and to the granting of subloans requested for production development.

By putting this credit to work, the advancement of diversified productive activities for small and intermediate business will be assured.

The cordial relations my country enjoys with the Inter-American Development Bank have led to further operations, some of which have only been completed within the last few weeks. I refer to the credits designed to assist the small farmer, to aid settlement of the Alto Paraná, and to finance construction of a hydroelectric dam in this same area. These credits total \$15,150,000.

The proposed hydroelectric plant will open up industrial possibilities in vast areas producing raw materials. These raw materials are currently exported in their original unprocessed state.

On behalf of the Paraguayan Government, I wish to acknowledge the achievements of the Inter-American Development Bank, and to point out the able work of the Bank's permanent representative in Asunción.

In his apt definition of the Alliance for Progress plan, its most authorized spokesman, President Kennedy, summed up the hopes of the masses when he propounded the need for satisfying the demand for "homes, work and land, health and schools."

With respect to improvement in these areas, statistics show the accomplishments of my country, bearing out an almost geometric progression in improved public health and promotion of educational systems in the last few years. In both cases, Paraguay would like to call attention to its most recent gains in behalf of the progress of the country and the happiness of the Paraguayan people.

Our policy of economic stability assures peaceful continuity in the labor field in Paraguay, and recent, modern legislation will ensure even more effective rights and guarantees for workers and employers alike.

With reference to housing and land, the government's work in the field of agrarian reform has made great strides in the past five years as compared with former periods of inertia. The statistics below show actual land distributed to farmers or ranchers:

<i>Year</i>	<i>Hectares of land distributed</i>	<i>Number of persons receiving land</i>
1958	31,787	1,289
1959	73,954	2,710
1960	101,794	3,205
1961	165,808	7,250
1962	209,191	10,016
Five-year Total	<u>582,534</u>	<u>24,470</u>

The national government has given special priority to the construction of roads. Thus areas that were desert regions only eight years ago are now only a few hours distant from the capital. This was made possible thanks to large-scale domestic efforts and to the help of other international financial institutions.

The foregoing figures, in terms of absolute value and the upward trend they represent, are even more significant when it is considered that the population of the country is only two million people, that agrarian reform was unknown in the past, and that land distribution was carried out legally within the framework of the constitution, free of arbitrary measures, and with full respect for the legitimate rights of third parties.

With the constant increase in national agricultural production and improvement of living conditions for the rural class, the agrarian reform will redouble its forward march. To this end, the Rural Welfare Institute has been formed, with a much broader function than the Agrarian Reform Institute it replaces. We have also passed a new law, which is known as the Agrarian Statute.

As Paraguay moves forward in matters of homes, work and land, health and schools, it is accompanied by the peaceful and normal evolution of democratic institutions, contributing as well to the increased dignity of the common man, who is the direct participant in the work of the government and whose guarantees and rights are firmly established in the Paraguayan Constitution.

Mr. Chairman, Governors: I have presented a brief narrative before this high tribunal of sister countries of the Americas, so that you might know of the productive patriotic endeavors being undertaken in my country.

With sincere wishes for the success of this important hemispheric meeting, I would like to express my thanks for the hospitality offered us by the Government and people of Venezuela, in this beautiful country which is the birthplace of the Liberator, Simon Bolivar. Now more than ever the peoples of the Americas are determined to stand fast against any powers and doctrines opposed to our ideals of freedom, democracy, and Christianity in the Western Hemisphere.

Address by Mr. Nefialí Ponce Miranda, Alternate Governor for Ecuador, and Ecuadorian Ambassador to the United States, at the Fourth Plenary Session

In my first words let me pay my respects and express thanks to the Venezuelan nation and its illustrious Government for the warm welcome afforded this Fourth Meeting of the Board of Governors of the Inter-American Development Bank. My country and this noble land of Bolivar maintain an indestructible friendship, constantly intensified by loyalty to the memory of the Liberator's ideals.

In the Board of Governors, normally meeting each year, is vested the full power of the Bank. The general report on last year's operations which the President of the Bank brings before the Board of Governors for consideration is always of special interest at these meetings. This important document for 1962 takes up the most important aspects of the Bank's operations with its ordinary resources, the Fund for Special Operations and the Social Progress Trust Fund, and presents a balanced picture of the favorable results achieved and of the unfavorable factors that have somewhat hindered the task of inter-American economic cooperation.

The Bank has grown stronger and its work of expediting the economic and social development of the Latin American countries has become increasingly important. The loans granted up through December 31, 1962, aggregated \$617,666,854. The noteworthy increase in actual disbursements merits emphasis since only \$8 million had been distributed by the end of 1961, but reached \$80 million by the end of 1962, and now stand at \$120 million.

The proposed billion-dollar increase in the Bank's ordinary resources, which has already won the Governor's approval, is proof of the real confidence which our countries repose in the Bank's ability to carry out its programs. The opening up of capital markets can likewise be attributed to the prestige this institution has gained in such a short time.

The Bank has by now acquired profitable experience in the field of technical assistance that has been of general benefit to the Latin American countries.

The low-cost housing program deserves the highest praise. It includes 163,500 new housing units at a cost of \$326 million, of

which one-fifth are either finished or in an advanced stage of construction.

Very substantial, too, is the amount of credit scheduled for water supply and sewerage projects, which will, in the near future, benefit some 18 million people.

The concept of integration, economic at first and later, perhaps, political, is winning growing support; here the Inter-American Bank will serve as a coordinating factor and influence that will be very useful in this great enterprise. The South American countries and Mexico are deeply engaged in the formation of a common market through the establishment of a free trade area. Concomitantly, the Central American countries are carrying out their common market program. This will doubtless represent a landmark that could in time become a nucleus for the political integration of Latin America, in a future hastened by the inexorable march of events which daily heightens interdependence among the nations of a single hemisphere.

Ecuador endorses the plan for financing Latin American exports recommended at the Third Meeting of the Board in Buenos Aires, a fine study of which has been prepared by the Bank's staff. We trust that the Bank will be able to put this new program into effect, without further delay, in the next few months.

Without going over other points already brilliantly treated earlier in this general discussion, I deem it timely, Mr. Chairman, to comment on certain practical aspects of the Ecuadorian loans that have been granted or approved by the Bank, and that entail some difficulty, despite the good will manifested by the Bank. A satisfactory solution will no doubt be found, you can always be sure of complete cooperation on our part.

The President of the Bank was right in his speech two days ago when he said that the Institution's experience had shown that speedy use of loans depends in some respects upon the borrowing country and in others upon the conditions stipulated in the loans. In regard to these conditions, it happens that one is a substantive one, which in our opinion has considerable bearing upon the execution of important loans granted to Ecuador from the Social Progress Trust Fund. We refer to the rate of exchange to be used for converting dollars to Ecuadorian currency in the Trust Fund loans. The IDB has advocated that the dollar-sucre exchange rate be the highest free market rate, and not the official exchange rate. Unfortunately, this criterion conflicts with the regulations governing

Ecuadorian monetary and exchange policy, and is also contrary to the legislation on international exchange requiring the Central Bank of Ecuador to buy all foreign exchange received by public institutions, from any source whatsoever, at the official rate, and likewise to sell foreign exchange at the official rate. It should be pointed out that most exchange transactions are carried out at the official rate, and only a small fraction about ten per cent of the total transactions use the free rate. This is why monetary authorities have said that conversion must be made in terms of the official rate.

We understand this same problem exists in other Latin American countries, and we are bringing this up only because it affects us so radically since it is adversely affecting the speedy execution of urgent projects related to low-cost housing and water supply for numerous small villages all over the country. I can assure you, without exaggerating, that under present conditions we will not be able to use immediately and as rapidly as the needs require, most of the \$23 million from the Trust Fund approved by the Bank for projects such as housing, water supply and sewerage systems, and land settlement in Ecuador. We understand the difficulties involved in this problem but it seems to us that the theory of using the most favorable exchange rate is supported by the Social Progress Trust Fund Agreement between the United States Government and the Inter-American Bank. This latter agreement sought to establish standards ensuring equitable distribution of Fund resources among the different countries, making more effective use of national currencies to finance projects of local nature. On the other hand, it happens that the Bank naturally requires substantial mobilization of local resources to finance loans for these projects, and this practice has tended to raise the amount of the local contribution. This causes what can be called a duplication of the local share: one from the normal resources which the country provides, and the other from the exchange rate differential applicable to reimbursements, which the country must finance with its own resources.

Through new interpretation or if necessary by a change in the Trust Fund Agreement, perhaps the following rule could be made: in those countries where an official rate of exchange and a free rate exist, the difference between these rates could be considered as a part of the borrowing country's contribution.

None of the Latin American countries, properly determined to check the Communist threat through programs of economic development and social justice should remain on the sidelines of

effective international economic cooperation even momentarily. That is why we are pledged to overcome any obstacle we meet that can be truly surmounted. We are living in an exceptionally important hour of history in the future of our peoples. As a result of the two world wars that have decimated our generations, the prodigious advances in science and technology, the shrinking of the world in terms of time and distance between countries, and the growing interdependence among nations, the masses are awakening and on all sides are demanding a better life, better living conditions, and political freedom. The work we are doing today in this Hemisphere inspires hope that we Latin Americans will know how to satisfy these longings. Agrarian reform has already begun in some countries. However, since this is a complex operation that requires money, education, credit, means of communication, etc., we cannot expect immediate results. It is urgent, though, that so vital a program attain substantial accomplishments during the first ten years of the Alliance for Progress.

My country has made a serious effort to fulfill its commitments under the Charter of Punta del Este. Recently we have enacted important reform legislation of a social nature such as the new income tax law, considered a social measure of great importance, which will benefit low-income groups. Ecuador's economy is predominantly agricultural. We need to accelerate our economic development to arrive at the first stage of industrialization so that we can thus improve the living conditions of our people more fully. But we cannot accelerate our economic development without first increasing land yield by modernization of agriculture. Here we find that faulty land distribution presents a serious obstacle to development since the small farmer with an insignificant piece of land cannot use the machinery and fertilizers that have made for prosperity in advanced countries. On the other hand, the large landowner lets a great part of his land lie idle and does not have the large amount of capital necessary for proper exploitation of the big holdings he does have. Agrarian reform becomes indispensable in correcting the two extremes — landholdings that are too small or too large. In Ecuador we have become convinced that such reform is an urgent need, and a number of bills on this subject have already been prepared. Very soon the National Congress is expected to pass a law designed not only to satisfy the farmer's legitimate desire to own the land he works, but also to increase the productivity of such land, with resultant benefit to the general economy.

As a result of serious economic and political errors, a large imbalance of payments occurred in Ecuador in 1960 and 1961. After having been one of the few Latin American countries on a solid monetary basis for 15 years, we were obliged to devalue our currency in 1961 and the Central Bank had to ask for help from the International Monetary Fund. In the mere year and a half that has passed since then and thanks to good monetary management, the situation has improved markedly. Money in circulation is at normal levels, monetary reserves have risen, a good part of the Monetary Fund loan has been paid off, local prices have remained stable, and businessmen are regaining confidence.

The frequent drop in prices of raw materials in the international market creates a serious and complex problem requiring further study. With fair prices for its products in relation to increased prices for foreign manufactured goods, Latin America will be better equipped to cope with problems of economic growth and social reform through its own efforts and with its own savings.

The successful fulfillment of the Alliance for Progress program is a historical necessity, and we predict that in the near future the fundamental changes will be taking place throughout Latin America that are envisaged in the Alliance. We are just at the beginning of a long and difficult process in which the will and enthusiasm of our peoples are absolutely essential; this will come about only if we continue to execute broad social programs that improve the living conditions of the rank and file. Our peoples will enthusiastically voice their support for the Alliance as an effective anti-Communist instrument for reform, as soon as they see the first substantial results of international cooperation for social purposes.

In conclusion, Mr. President and Governors, I wish to express our faith in the future of the Hemisphere and its institutions like the Inter-American Development Bank which is already doing commendable, fruitful work for all. Our most cordial congratulations to the eminent President of the Bank, Felipe Herrera, the Board of Executive Directors, and all of their colleagues.

Address by Mr. Raúl Ybarra San Martín, Alternate Governor for Uruguay, at the Fifth Plenary Session

It is for me a high honor to speak on behalf of the Republic of Uruguay at this Fourth Meeting of the Board of Governors of the Inter-American Development Bank.

In the name of the National Council of Government of my country, I would like to extend a cordial and fraternal greeting to all the American nations meeting here, sharing as partners in a difficult and lofty task as they endeavor to surmount their problems and to realize a promising future.

We would particularly like to express our heartfelt tribute to Venezuela, which has unreservedly opened its borders and the hearts of its people to us. We are following with special interest its simultaneous struggle on two fronts, to consolidate a political system upon democratic bases and to affirm social and economic justice. Our country undertook the first of these struggles at the beginning of this century at the cost of great sorrow and much bloodshed. We are now free to approach the second stage with greater ease and tranquility. It is our most fervent desire that in this gigantic and admirable struggle, the leaders of Venezuela may win through to a happy outcome.

We fully share the concept expressed in his inaugural address by President Betancourt, for we also believe that if economic and social development is to be fair, well balanced and lasting, it must be built upon political organizations whose origins and bases are the people themselves. There is a close parallelism between democracy and balanced development of the national economies, free of the oligarchies that hinder or distort these ends.

We feel it is timely to mention certain figures contained in the documents submitted to us for consideration.

The fiscal year 1962 shows a large volume of loans were made, 12 per cent more than during the preceding year. The cumulative total as of December 31, 1962, amounts to almost \$618 million.

Of course, the figures on disbursements still represent a low percentage of the total loan volume. Disbursements on that same date from the three sources of funds amounted to a little more than \$65 million, that is, only 16 per cent. Happily, however, the 1962 rate represents a very considerable increase as compared to 1961. There was a 10-fold increase for ordinary resources, a 5-fold increase

for the Fund for Special Operations, and a 24-fold increase for the Social Progress Trust Fund. Therefore, it would appear that, fortunately, one serious difficulty involved in effective concentration of the Bank's activities is being overcome.

It is also a source of satisfaction to note the increase in the ordinary resources of the Bank through full payment of the last capital quota of the member countries and through the placement of bonds in the financial market.

We congratulate the Board of Directors on the success of these negotiations, and we hope that they can be broadened and that, in some way, an attempt can be made to recover the large amounts of capital that leave our countries and to channel them into Latin American development.

Uruguay's relations with the Bank have been productive during the past fiscal year. Three loans totaling \$16,700,000 have been negotiated which, added to the three loans formerly granted, amount to \$25,583,000 and considerable progress has been made on other projects.

Naturally, effective disbursements to date represent a very low percentage, much lower than the general average, but it is only fair to acknowledge that internal factors, institutional and administrative in nature, as sketched by the President of the Bank, have been mainly responsible for this circumstance.

Mention should be made of the Bank's collaboration in very diverse aspects of technical assistance, particularly, the work of the Committee on Investments and Economic Development. We would like particularly to express the appreciation of my government for the effective work being done by the IDB-OAS-ECLA mission.

On March 1 of this year, in accordance with the Constitution of the Republic, a change in administration took place in Uruguay and a new National Council of Government assumed power for a period of four years. It is the goal of the new authorities to continue the policy of the preceding administration with respect to affirmation of freedom of trade, fiscal reform, monetary stability and balanced economic development.

Various internal and external factors have recently led to rather substantial problems affecting budgetary balance and balance of payments position. The government plans to rebalance the budget through a drastic cut in expenditures, particularly by the elimination of consumer subsidies, and at the same time to increase fiscal

revenues by adjusting rates for public enterprises and increasing import charges. With regard to foreign trade, this last measure will also restrict certain imports, while, at the same time, an attempt will be made to stimulate exports through tax exemptions, increased use of systems and technical improvements, credit facilities and lower bank interest charges.

My government is also adopting highly significant credit and banking measures by amending the charter of the Banco de la República and placing stricter limitations on the private banking system. In this way it is attempting to channel credit expansion towards production development, eliminating speculation and cutting money costs.

During 1963, the Uruguayan Government expects to submit its Ten-Year Economic and Social Development Plan, as provided in the Charter of Punta del Este. Preparation of this plan was begun last year and a preliminary study was presented by the Committee on Investments and Economic Development at the beginning of this year. Application of this plan will facilitate the extension of foreign aid, which will help, together with the proposed internal measures, to activate the economy and raise employment levels.

Mr. Chairman: I would like to end this statement by paying homage to the Liberator, whose memory should serve as a guiding inspiration for these sessions held in the land of his birth. In the words of the greatest of Uruguayan writers, José Enrique Rodó:

"When ten centuries shall have passed; when the patina of a legendary antiquity shall have covered the land from Anahuac to the River Plate; when the bones of a hundred generations of mankind shall have mingled in the dust with the fallen leaves of a thousand autumns and the shards of cities twenty times reborn; even then, if the collective inspiration of a free and united America has not lost its essential force, those new generations, who like us will see the snow-capped pinnacle of Sorata as the most majestic pinnacle of the Andes, will see, too, that in all their memories of glory there is none greater than Bolívar."

For he was "great in thought, great in action, great in glory, great in misfortune; his greatness magnified the flaws in the souls of other heroes and enabled him to endure, forsaken and dying, the tragic penalty for greatness."

**Address by Mr. Salvador Jáuregui, Governor for
El Salvador and Minister of Economy, at the
Fifth Plenary Session**

The delegation of El Salvador to the Fourth Meeting of the Board of Governors of the Inter-American Development Bank wishes to express, through me, its satisfaction in participating once more in this important meeting which has gathered together the most outstanding men of state, of economy, of banking and of business in order to review activities for the year 1962 and to indicate the direction in which the Bank must channel its activities with a view to meeting the economic needs of the Latin American countries, thus helping to solve the social problems of their peoples.

In our statement at the Third Meeting of the Board of Governors in Buenos Aires, we noted that the amount of credits granted by the Bank to our country amounted to \$17,500,000, of which only a small part had been utilized at that time. Now, one year later, we are pleased to state that the amount actually withdrawn and utilized from this sum accounts for 25 per cent of the total of these credits, representing the expected rate of disbursement in accordance with the projects to be carried out. If at that same time we stressed the difficulties relating to obtaining disbursements and emphasized the fact that they were not being made as rapidly as might be hoped, it is only fair to say now that such difficulties have been mostly overcome, thanks to the efforts of the Bank officers, whom we wish to thank for their significant collaboration in solving operational problems. Actually, the positive way in which our requests have been attended to, within the context of contractual provisions, has enabled us to become more flexible, thus ending the relative stagnation of our credit funds.

To our great satisfaction, we have concluded a project of rural electrification which did not require the entire amount of the credit granted to our country, since the project was completed, according to the prepared plans, at a lower cost than what had been budgeted; this undertaking was inaugurated by the President of the Bank, Dr. Felipe Herrera, during a recent visit to our country. We are now observing the results of the other credits, for use in programs of sewerage, water supply, housing and specific projects in the industrial, agricultural, stock-raising and craft fields.

Furthermore, our country will be directly benefited by two credits for \$3 and \$6 million, granted to a hemispheric territory considered as one nation, Central America. Through the Central American Bank for Economic Integration, the universities of the five countries on the Isthmus will receive resources designed to help raise the educational level in fields of scientific specialization; in addition, under a contract to be signed between the two banks tomorrow, assistance will be provided in the financing of Central American economic integration through credits for regional industrial projects and infrastructure investments. Thus, the Inter-American Bank is demonstrating by facts its support of the integration movement.

We consider it timely to mention that because of the continued drop in prices for our basic export products, in conjunction with a series of political factors, our investments and the volume of our gross domestic product have declined. In view of this situation, a series of economic and monetary steps were taken to solve the problem. We would like to mention here the credit aid being extended by the Bank to initiate our recovery, which is based on the efforts and sacrifices of the hard-working people of El Salvador.

The measures adopted along monetary and economic lines in El Salvador have led to the mounting of a framework we consider adequate for the solution of our short-term financing problems. The reconstituted level of our international reserves has produced sufficient capacity to cover the seasonal financing required by our economy and to meet our international financial obligations.

These results have been made possible by a series of disciplinary measures in financial matters which have unquestionably meant consumer sacrifices but have not diminished our productive capacity. However, the volume of our resources as well as the particular structure of our financial institutions do not allow us at this time to make use of our full potential capacity of production, a vital element in our development. It is in this area where we believe the Inter-American Bank can help us even further, cooperating with us to establish a suitable system that can bring into play our domestic resources, concentrating them in such a way that they can be utilized in certain fields of our economy currently lacking suitable financing.

We are presently engaged in the task of creating and consolidating institutions to furnish long-term funds for financing industry and the construction of housing, to solve problems of a class which, although it is designated as the middle class in our country, is

actually a low-income sector. But since such institutions have only recently been formed, the savings and investment sectors, not yet accustomed to placing their resources in fixed-income securities, do not supply these institutions with the funds needed to finance essential local currency costs. If, as we have been informed, the Inter-American Development Bank is unable to undertake direct operations in the type of currency we require, it might perhaps, through carefully studied formulas, make a positive contribution to strengthening the operations of such institutions.

We would like to express our opinion and position with regard to the election of Executive Directors of the Bank. Although our country is the smallest in the American Hemisphere, it was represented by an illustrious compatriot on that directive body which is about to conclude its activities, and, true to the fundamental norms of cooperation that constitute the basis of our economic integration, it collaborated in extending the same honor to another sister country before the expiration of the term of its own Director. El Salvador, consistently faithful to such principles and in accordance with the other Central American countries, will fulfill its obligations to these sister republics in order to provide a fair opportunity to those who have not yet been honored with such representation, specifically to the candidates of the sister countries of Costa Rica and Nicaragua, since we understand that the Bank, an achievement of all the American republics, should seek new voices and new ideas that will further enrich its already abundant background.

In closing, allow us to express our appreciation to the Board of Directors which is now concluding its term for its selfless efforts during the most difficult period of any institution, the beginning of its operations, and to extend our best wishes to the new Board of Directors in the hope that it will successfully perform its delicate mission, so that the Latin Americans will find increasing satisfaction in their rightful aspirations to economic, cultural and social progress.

In being honored with the representation of the visiting delegations, to speak on their behalf, we expressed the satisfaction felt by all the hemispheric countries in finding ourselves in the native land of the Liberator. We wish now to repeat this satisfaction on our own behalf and to thank the people and the Government of the Republic of Venezuela for their fraternal hospitality and the special interest with which they have followed our discussions, as eloquently manifested by the presence during these working sessions of the President of the Republic, Mr. Rómulo Betancourt.

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

It has been customary at the closing session of the Meeting of the Board of Governors for the President of the Bank to evaluate briefly what has been done. Nothing gives me more pleasure than to make these comments.

This is, certainly, the most important Meeting that our institution has held in its three years of existence. I believe we are all aware that this gathering has reflected the degree of maturity which the Bank has attained in both its internal operations and its outside activities as regards the mobilization of resources.

I want to stress first of all the truly exceptional attendance we have had, not only in terms of the number of participants, but also in respect to the regions here represented and the various sectors which have been kind enough to join in our discussions. The Meeting has been attended by 130 members of official delegations, among them eight ministers of state; we have had among us observers from 24 international organizations; we have been joined in our work by 300 special guests from all the Latin American countries, the United States, Canada and Jamaica, and from virtually all the West European countries. I would also like to call attention to the attendance of the press: eighty journalists were accredited, including 16 from foreign news agencies.

Obviously, the decisive and basic work of this Meeting has been concentrated on the resolutions recently approved here, about which I will say something later.

I also wish to stress at this time the significance of the newly elected Board of Executive Directors. By their choice of top-flight technical experts, the Latin American countries have once again shown their confidence in the Bank and their resolve that it shall be run by highly qualified persons with broad banking experience.

I must likewise take special note of the observations that have been made to the management of the Bank in the course of our work. Many of them were made in the plenary sessions; but no less important were those made directly to the President, Vice-President and the technical staff of our institution. I am confident that these observations will contribute to the efficiency of our operations and will help us enhance our responsiveness to the needs of the member countries.

The Round Table debates and reports were elevated to a commendably high plane by both their subject matter and, especially, the valuable contribution of experts from the Hemisphere and Europe.

There are two points on which I would like to dwell, before entering upon an analysis of the resolutions. I was singularly pleased to note at this Meeting an enhancement of the character of the Board of Governors as a financial forum. Anyone interested in comparing the minutes of our previous Meetings with the present ones could observe the degree of technical, economic and financial maturity that Latin America is rapidly acquiring. In the course of our deliberations there has been occasion to discuss not only the specific aspects of the Bank's activities, but also those general aspects which shape our activities and, to be sure, constitute the substantive problems of our economic and social development.

In this connection, it is not surprising that the Venezuelan people should have become deeply involved in this Meeting. The cooperation of the news agencies, the lively interest of the Venezuelan Government and private sector have brought into focus an image of our Board of Governors as a hemispheric forum for financial matters. In the presence of the Venezuelan Foreign Minister, I would like to express on behalf of the Bank, the Governors, the Board of Executive Directors and the Administration the pleasure with which we have witnessed this close cooperation of the Venezuelan Government at all levels, from the early stages and physical arrangements for our Meeting to this decisive intellectual and technical gathering. We appreciate particularly the personal concern of President Rómulo Betancourt for the success of the Meeting.

I want now to analyze the scope of the resolutions adopted during the course of the Meeting which, without doubt, will be of profound significance to the development of Latin America and the activities of our institution.

I would like to begin with the resolution pertaining to the increase in the Bank's resources. As you know, the work was completed a few weeks ago, and the Meeting ratified it with a virtually unanimous vote to increase our ordinary resources and our Fund for Special Operations. We are pleased that this ratification recommends to the member countries that they take the necessary legislative and administrative steps to accelerate the procedures for implementing this increase. Highly interesting, in my opinion, was

the technical discussion that took place on what should be the nature of such increase. The Governors for Bolivia and Chile pointed out with justifiable concern that in increasing our funds, we must bear in mind the need to bring in resources from outside Latin America, since we would otherwise be lending to one another, which is obviously neither the purpose nor the philosophy of the Bank. It may be noted, however, that the increase decided upon refers to the callable capital, and not to the paid-in capital, which has already been received. Such callable capital, as guarantee capital, is the mechanism that enables the institution to issue bonds and receive funds from the world capital markets and thereby mobilize additional external resources for financing our development. We are certain that the guarantee itself will not be called, for this would happen only if the Bank could not meet its obligations under its bond issues, and you all know that our resources are being loaned with such extreme care and such a technical orientation that this probability seems very remote. I think those observations reveal great prudence; but I think from what has been said that all fears will be dispelled by the record of the Bank and the philosophy imparted by yourselves in the sense that our ordinary, as well as our other operations, should constitute a 100% sound portfolio.

During the study of the means to increase our resources, I believe all of you confirmed the view of the President of the Bank that our so-called "soft" resources, that is, those intended for the financing of social projects on more flexible terms, must necessarily come from the public contribution of the more developed countries, in view of the impossibility of obtaining resources from the capital markets for financing operations of this kind. In this connection, we are pleased to draw attention to the part of the resolution which asks the Board of Executive Directors to pursue its studies and work to expand these more flexible resources; we also note with pleasure the renewed promise by the Governor for the United States that this nation, our largest stockholder, will provide new trust funds for our social activities and new funds for special operations. We also welcome with interest the pronouncement by the Governor for the United States favoring an eventual simplification of the assets administered by the Bank, since the Fund for Special Operations and the Social Progress Trust Fund possess features which by their very nature make them similar. We in the Bank's Administration have more than once been concerned that the Bank may be projecting a too-complicated public image. The Governors may,

therefore, rest assured that we will study these suggestions carefully in order not only to strengthen the Bank, but at the same time to display a simplified image in two main areas: on the one hand, in our regularly bankable or ordinary operations, which constitute the portfolio of our typically reproductive resources lent on medium and long terms; and, on the other, in our special and social operations from resources made available on more flexible conditions, on longer terms and at lower interest rates.

It has also been mentioned in this connection that it would be advisable for the Bank to maintain a balance between economic investments proper and social investments. I refer on this point to the very lucid observations made by the Governors for Argentina and Mexico. I think, however, that it is at times somewhat artificial to fix on specific dates as a means of evaluating the orientation of the Bank. It is possible that there was less economic than social investment as of December 31, 1962, but it is the general trend in the activities of the Bank that concerns us. If at this moment we were to measure this investment, we would find a certain imbalance, but precisely in the opposite sense, in the direction of economic investment. These latter investments today amount to \$384 million, and investments in social projects to \$343 million. Hence, I repeat, we must look at the general trend; and that trend reveals a balance in our activities which, to be sure, is dependent on the resources available to us. As the Governor for Mexico has said, to the extent that our ordinary resources are more limited than our "soft" and social funds, our ordinary portfolio will obviously not display the same trend as our portfolio of social undertakings. It seems to me, however, that the decisions taken here will enable the Bank to pursue this coordinated and balanced policy in its activities under these two main headings. It is highly stimulating, moreover, to note that the old controversy, which so deeply engrossed us some years ago, as to the relative importance of economic and social development, has been left completely behind. We have all benefited by the experience of the Bank, the AID, the World Bank through the IDA, and others, and we have come to the conclusion that both aspects are equally valid. This, by the way, is being confirmed in the work of the Bank: our social investments have a very important economic component, and our economic investments exert social effects that cannot be ignored. Hence, the Bank is in practice pursuing a coordinated and complementary policy in the use of its various assets.

You will have noted in our Annual Report that there are projects to which we accord mixed financing, partly from social funds and partly from the Bank's own resources, since in many cases it is perfectly feasible to reduce the economic impact proper and the social impact to quantitative terms. I have in mind two types of projects, potable water, for example, and agrarian reform or rural development, in which both aspects are closely interrelated.

The Delegations for Brazil and Argentina have also made interesting observations on the use of our short-term funds, that is, the resources held by the Bank prior to disbursement. In this area, the Bank has acted in the same way as other more experienced agencies. Since we are a new institution, it has seemed wise to us to follow guidelines of this nature and to invest our funds in markets in which we can be assured of absolute liquidity, and which afford us a profit sufficient to cover our administrative expenses, offset the great expenses incurred by the Bank in the rendering of non-reimbursable technical assistance, and even leave a certain capitalizable surplus. However, we do not overlook the possibilities of investing those short-term resources in the Latin American countries. Our technical staff has been in continuous contact over the last two years with the Latin American central banks in an effort to explore those possibilities. You may be sure that, to the extent that Latin America may possess entirely self-liquidating short-term financial markets, that our investments can be recalled at short notice, and that those countries offer institutional arrangements and conditions of security, the Bank would be prepared to look deeper into the subject and to adopt the most advisable policy in keeping with those new circumstances.

There is no better place to voice this aspiration than in the Board of Executive Directors, where the member countries can best draft and formulate these ideas.

In leaving the subject of the Bank's resources, I would like to express my deep concern for what someone has called "financial pyrotechnics." I think we have made very important advances in three years. The resources and investments of the Bank have grown. But it is evident that our current resources have been obtained at great sacrifice to the countries and to the Bank in order to consolidate its prestige and at the same time project a sound image on the financial markets. It is totally illusory to think that we will have unlimited resources at our disposal for every conceivable purpose, and in discussions, particularly when they are informal, I have

sensed something of an aspiration that the Bank meet all kinds of requirements in Latin America. I think that the pertinent resolutions have happily defined the areas in which the Bank may act. You may be sure that, to the extent of its financial resources and that the Charter allows, and to the extent that they support the concept of our institution as a regional public investment agency for Latin America, the Bank will also be prepared to enter other fields.

I am moved also to comment on a resolution adopted at this Meeting which seems basic to me, which refers to strengthening the process of Latin American economic integration through the Bank. On behalf of the Board of Executive Directors and the Administration, I am profoundly grateful for your support of our integration policy, and I would like to congratulate the distinguished Governors for their realistic and intelligent interpretation of the recommendation put forward in the report of our experts on medium-term export financing.

It was said at the Meeting yesterday that the Bank had become the "Bank of the Alliance," and I would venture to add that we have become the "Bank of Integration." This follows, I believe, from our Charter and our philosophy. What happened was that, until a short while ago, the idea of integration had not yet matured politically and technically as it has in the past few months. I am glad that, thanks to the cooperation of the Honorable Governors, the Bank is precisely today in a position to collaborate in this integration effort with a proper technical orientation, special resources and, particularly, with a prestige that is enabling Latin America to face as one body the United States, Western Europe and other capital-exporting regions.

It is evident, as I said to you earlier, that from the standpoint of the Bank's Administration the ideal solution to the problem of export financing would have been the creation of a new instrument, the management of which would have been entrusted to the Bank; but we understand the institutional delays inherent in a decision of this nature, and we also understand the difficulties facing some governments whose decisions were fundamental to the establishment of such a system as that referred to in the report of our experts. Hence we view as wise and practical the decision to ask the Bank's Board of Directors to channel, on an experimental basis, a limited quantity of resources into the medium-term financing of exports of capital goods.

I want to emphasize the content of the appendix to this resolution on the medium-term financing of exports, for it is there that the theory, the economic concept is to be found. I am sure that none of you has been thinking of transforming the Bank into a commercial bank or a mere bank for inter-American foreign trade. In the resoulution efforts have been made to strengthen our character as an investment bank in the utilization of this mechanism for the promotion of exports of capital goods. This, naturally, compels us to become an organization of second-echelon lenders, that is, we must first make the effort with the countries' own national resources, with the Bank only entering the picture in a secondary role. In like manner, it is not a question of financing businesses for their own sake, but rather to help in the exportation of capital goods in cases where the user of such goods in Latin America has real need of them, and in cases where the exporting country may strengthen its economic structure and develop sound industries under this system of export financing. Otherwise, we would have found ourselves in the paradoxical situation of ourselves doing what we have been criticizing at all our meetings, regarding supplier credits without proper technical orientation or without considering the real needs of the countries. It should also be kept in mind that the system must benefit the highly developed and the less developed countries in the Hemisphere: the highly developed countries by favoring their industrial structures, and the less developed by helping them obtain external resources on easier terms. Hence, I believe that the experience of the coming year is going to be very useful, and I hope that the Administration, with the cooperation of all of you, will be in a position to propose a definite solution for the type of mechanism which we all desire.

In connection with this subject, there has been a certain confusion of ideas as to the type of goods to be financed. I think that the resolution has felicitously and clearly defined that the goods requiring medium-term financing are capital goods. For the financing of other types of goods, of raw materials or manufactured or semi-finished products, there are other courses open, other banking structures already accepted by all the countries. It would be highly dangerous, I think, to transform an investment bank into a bank for short-term financing. This is not to say that there is no need for such an institution. One of the Governors has rightly said that commercial financing operations are often conducted under conditions more onerous for the weaker countries; but this is for another

mechanism to deal with which might be called the financial common market of the Hemisphere, and not the Inter-American Bank. We are the instrument for long-term financing but there must be a move for the creation of a financial common market to handle short or medium-term financing operations such as we are now discussing. I see no valid reason why in Latin America, as in Europe during its process of integration, the commercial banks in the various countries should not work together in coordination. Nor do I see any valid reason why — and in this field we have long experience — the central banks should not mutually extend lines of credit to each other in assuming responsibility for financing operations which by their very nature require shorter terms.

In this connection, I should like to anticipate the judgment of the Bank's administration regarding the manner in which we shall undertake financing of exports during this transitional period. You may rest assured that the Bank is not going to diversify its administrative organization.

Our experience with the Trust Fund has been very educational for us. The wish to establish what would be tantamount to a parallel bank giving greater attention to social purposes than the one that we had established already, was wisely overcome by the idea that the Bank was a single entity and that it was quite capable of administering, with its own basic organization, its own technical staff, and its own Board of Executive Directors, resources to be used for social development in a manner very similar to the handling of its ordinary resources. With very slight additions, the Bank is capable of assuming these functions, largely through close liaison with the central and commercial banks of the member countries.

I should like at this time to discuss a comment made by the Governor for Argentina regarding the desirability of, on the one hand, the Bank's making wider use of the commercial banks in the member countries or, on the other, setting up its own agencies. This is an aspect which will require closer study on our part. We already possess certain positive experience. I should like, however, to express my personal views. It is my belief that a dangerously excessive decentralization of the Bank should be avoided. In many cases, the best solution may be a regional representative; in others, greater flexibility is possible through the sending of missions. As for making use of the commercial banks, we are actually doing this in many transactions and operations, working hand in hand with commercial banking in Latin America, just as we are doing in Europe and North

America. However, the usual channels, the channels of communication under the Agreement Establishing the Inter-American Development Bank, are the central banks of the individual member countries, which are also the depositories of our funds.

Lastly, I should like to discuss a third subject, which gave rise to two resolutions: one of these was suggested by the Brazilian delegation, with regard to participation of the Bank in the area of fluctuations in basic export earnings; the other, submitted by Bolivia and now supported by other delegations, concerns the financing of exports of raw materials.

I consider these two decisions to be a clear and comprehensive reflection of Latin America maturity in realizing that the problem of our domestic and foreign financing depends fundamentally on our terms of trade and the conditions surrounding our exports and imports. I believe that the discussions of high technical caliber that have taken place here, plus the mandate to devote our full attention to this problem, will enable the Bank to participate more actively with other regional and international agencies. I should like particularly to congratulate the distinguished Governor for Brazil for his brilliant elucidation of this problem, and also the Governors for Colombia and the United States, whose views were of great assistance in clarifying this very complex subject.

I stated at the beginning that one of the most important decisions to be dealt with by the Fourth Meeting obviously was the election of the new Board of Executive Directors. With regard to this election, I would like to stress one positive and one negative aspect. On the positive side, the Administration of the Bank notes with deep gratification a trend toward regionalization; by this, I mean that the Executive Directors represent, insofar as possible, areas which form part of a single geographic zone of Latin America, similar to the Central American Common Market and the Latin American Free Trade Association. We note a manifestation of this trend in the election of the new Board of Executive Directors. It is likewise of particular interest to us that the small and medium-sized countries of the area, that is, Bolivia, Paraguay and Uruguay have signed an agreement to rotate their representation in a manner similar to the Central American. In this way, we shall be progressively defining those broad geographical areas envisaged for the Bank's operations, which will, no doubt, facilitate the work not only of the Board of Executive Directors, but also of the Bank's Administration, and,

even more important, relations between the member countries and the Bank.

I believe, however, that my views would be incomplete without expressing my concern over the rigid manner in which, unfortunately, our Charter is conceived with regard to the election of the Board of Executive Directors; at this time, as happened three years earlier, it entailed a series of delays, due in most cases primarily to mechanical, or even arithmetical, rather than to substantive causes. For our next Meeting of the Board of Governors, in which we will not have to deal with an election, I believe that, with the experience we have acquired here, it should be possible to establish a protocol which, without controverting the Agreement, will facilitate future elections.

I should like, at this point, to pay heart-felt tribute to my greatly esteemed colleagues and very dear friends who will soon terminate their duties in the Board of Directors. Thanks to them, it has been possible to launch the institution, and all of us remaining in the Bank know that in the performance of their official duties, in the day-to-day contacts, human bonds are established which will continue to link all of us. In this group of men, a community of interests has been created, and I am sure that these distinguished Latin Americans, wherever they may be serving, will consider these three years' stay in our institution one of their most precious experiences. I refer particularly to Dr. Raúl Martínez Ostos and his alternate Max Jiménez Pinto; Don Mario Mendivil, who was chairman of the Commission which drafted the Agreement, and his alternate, Emilio Ortiz de Zavallos; to Lucien Hibbert and his alternate, Julio Heurtematte; Doctor Juan Angel Núñez Aguilar and his alternate Julio Gutiérrez, and finally the Executive Director Hernando Agudelo Villa.

I should like also to mention the choice of Panama as the site of our next meeting. This selection is indeed representative of the inter-American spirit of the Bank, since we all, Latin Americans and North Americans alike, feel in our hearts that Panama is the meeting point of South America, Central America, North America and the Caribbean area. I should like to extend to Panama our sincerest thanks for the offer of this site and congratulations on the selection of its country, for this expresses, as in the case of Venezuela, the trust and affection we feel for one of our member countries.

I should like to make a few comments regarding certain observations expressed throughout our discussions, in many of which, it

is interesting to note, the various delegations concur: It should be noted that throughout our discussions the idea was reiterated that the Bank should act jointly with private enterprise. The Governor for Brazil gave a very lucid explanation of the need for using our resources to assist small and medium business. This procedure, and I refer here to the global loans particularly, has been adopted in thoroughgoing fashion by the Bank. The Governors similarly referred to the necessity of endeavoring not only to strengthen private enterprise, but also to expand it, to create an increasing number of investors in our countries and to strengthen the capital market. I believe that the idea so eloquently expressed the day before yesterday by the Governor for the United States is an expression of the maturity we have attained. He said:

"The role for private investment in Latin American economic and social development is still another area which needs urgent attention. Here again, the activities of this Bank and our own policies coincide . . . Such policies will tend to dispel both legitimate fears and unreasonable worries on the part of private investors. None of us, Latin Americans or North Americans, can afford the luxury of blind adherence to any dogma. Instead, each developing country must find a proportion of the private and the public sectors that most productively and efficiently serves its needs. The experience of recent decades has supplied ample evidence that the road to progress in a framework of political freedom is the road of the mixed economy."

Other Governors, too, especially the Governor for Mexico, made interesting comments on the mobilization of domestic resources. These comments were elaborated further by many of the Governors, with reference to the efforts made by their various countries in the field of structural reforms. I should like to express our thanks for the valuable information delivered here in this Meeting particularly by the Governors for Uruguay, Paraguay and Panama regarding the efforts their countries are exerting to make possible greater mobilization of domestic resources.

As was to be expected, a number of suggestions were made as to how the Bank could best orient its policy in the multi-national field. I should like to thank the Governor for Chile for his valued collaboration in suggesting the possibility of exploring jointly with the Latin American Free Trade Association the prospects of financing supplementary industries. I am also pleased to make special mention of the remarks of the Governor for Brazil on the necessity

of the Bank's continuing use of its investments to strengthen the concept of intra-regional trade. I should like also, in this connection, to call attention to the very sound and direct observations of the Governor for the Dominican Republic. As we had occasion to tell to him earlier, for the Inter-American Development Bank, the Dominican Republic at this time is not only one of the members benefiting greatly from our financial and technical assistance, but is also one most in need of special attention. We are well aware of its democratic government's resolution to achieve rapidly greater economic and social well-being, and he may rest assured that its proposals have already been heeded by the Bank, which plans to proceed with vigorous action designed to strengthen the internal efforts of the new democratic government of this republic.

It was a source of special gratification for us to learn the views of several of the Governors, particularly those for Mexico, Bolivia and Brazil regarding the use of technical assistance in Latin America. We believe that the Bank was one of the first institutions to have followed policies of this nature and there could be no more convincing proof than to see how we are daily making increasing use of the services of Latin American consulting firms in our projects and of Latin American experts who travel from one country to another; thus, the Bank is becoming a great clearing-house for other experiences of technical nature. We are grateful for observations of this type, which strengthen our policy in the field of technical assistance.

Questions were naturally raised regarding the flexibility of the Bank. In my earlier speech, I expressed the abiding concern of our administration to adjust our disbursement procedures and operations to the needs of the countries.

It is well to recall, without going into excessive detail, that while our commitments during the past year doubled, our disbursements increased tenfold, indicating that we are now entering, like any new organization, the phase wherein commitments of financial resources are rapidly matched by actual disbursement of funds. However, to call for a mechanical type of action, whereby the disbursements would be made at the same time as the signature of the loan, is completely alien to the philosophy of investment, a concept, moreover, which the Governors undertook to clarify in very emphatic and explicit terms. I am very grateful for the comments by the Governor for El Salvador in which he recalled how we had been able to mobilize in only one year a fourth of the loans made available

to his country and that this had been possible owing to the existence of a dialogue with El Salvador, as we have held with all our countries. We are similarly very appreciative of the illustration offered by the Governor for Uruguay in referring to the comments made by the President of the Bank on the desirability that the countries expedite their own negotiations and thus speed up execution of the contracts. I should like to draw attention to the very sound and accurate observations of the Governor for Ecuador on this point. You may be sure that this problem, technically so complex, will be kept well in mind by our Administration so that we may adjust our own policy to the urgent need of the various countries for more expeditious utilization of our funds.

In closing, may I reiterate that for us this Meeting has been still another lesson, and for the Administration of the Bank it is a basic factor to have received this new vote of confidence: rather than a vote of confidence, I might go so far as to call this an expression of affection represented by this act of placing upon us the faith and financial hope of Latin America. We shall daily strive to fulfill more completely this mandate. In the course of this Meeting, not only have general concepts been clarified regarding the present inter-American policy of the Alliance for Progress, but light has also been cast on the unique and leading role the Bank is playing as one of the outstanding instruments of the Alliance. We believe that obstacles are being surmounted and that the panorama is becoming more auspicious, thanks to what has been called the "Latin-Americanization" of the Alliance. This means that the countries, after an initial phase, have realized that the great objectives of the Alliance are the great objectives for which Latin America has been struggling for decades, and that the participation of the United States is only a hand extended by a great neighbor of ours, by a generous friend in our Hemisphere, anxious to see our conditions achieve their maximum potentiality in an endeavor to reduce the great abysses between poverty and wealth in the Hemisphere.

In this task we are once again inspired by the figure of the Liberator. You have all made reference to and reflections on Bolívar. In concluding my remarks, I can think of nothing more fitting than the following phrase of the Liberator when he was referring to the need for association in human activities:

"When the course of events is not clear, when the state is weak, when the issues are remote, all men vacillate, opinion is divided, passions are kindled and enemies encourage them in an

effort to triumph by this easy means. I would say to you that the only thing that will enable us to forge a free government is union. But this union will come to us not as a gift from heaven, but as the result of unswerving purpose and well-directed effort."

**Address by Mr. Octavio Augusto Dias Carneiro,
Alternate Governor for Brazil and Executive Director
of the Superintendency of Currency and Credit
(SUMOC) at the Closing Session**

Selected by this Meeting to speak at the closing session as the representative of the visiting Governors, let me first of all express my gratification at the great honor bestowed upon me. Also, I wish to thank you, Mr. Chairman, for the highly courteous, skillful and efficient manner in which you have conducted the work of this Meeting. Finally, I should like to convey our gratitude for the warm friendship with which we have been received in Venezuela by Your Excellency, the Members of the Cabinet, and by the President of the Republic.

His Excellency the President of the Republic of Venezuela honored us with his presence at the inaugural session of this Meeting, dedicating to us words full of confidence in the present situation of Latin America and in the future of the democratic forces in our Hemisphere. He told us of the efforts all the peoples of America are making in order to reach true understanding and find adequate solutions to our political, economic and social problems. The fact that, for the first time in the history of this Hemisphere, the majority of our people are genuinely anxious to find lasting solutions, enhances this effort tremendously.

The Inter-American Development Bank is an outstanding example of this search for Latin American solutions to Latin American economic problems. Even though as an idea it dates back nearly one hundred years, the Inter-American Development Bank has only recently become a reality. It has had to overcome quite a few obstacles to obtain the resources necessary to initiate its operations and to make investments of capital and provide technical assistance for sound development and progress in Latin America. Obstacles and difficulties facing the Bank in the future will also be many, I am sure. A great deal still remains to be done; but now that our Institution's organization and operations have been tested with full success, although there is room for some further improvement, no major innovations are to be expected.

Along this line of advancement, the Fourth Meeting of the Board of Governors, now nearing conclusion, has taken certain definite steps toward attainment of the Bank's basic objectives. In the

course of its deliberations a solution has been reached which, although not yet establishing a system for financing exports, does pave the way for the establishment of such a system comparatively soon. The idea of export financing is one that, in fact, antedates the foundation of this Bank, since as early as December 1958, when the Working Group of Central Banks met in Rio de Janeiro, the eventual establishment of an international financial organization capable of providing this type of financing was envisaged. Only a few weeks later, a special committee appointed to draft the Agreement Establishing the IDB, met in Washington.

The question came up again for discussion during the Ninth Session of the Economic Commission for Latin America, held in Santiago, Chile, in May 1961, one month following the Second Meeting of the Board of Governors of the IDB in Rio de Janeiro. It was debated anew, this time, in the form of a system of regional scope, during the Third Meeting of the Board of Governors, held in Buenos Aires in April 1962. At that time, a resolution was adopted recognizing the great importance of this matter and the need for an early solution. If any doubts still remained as to whether the IDB was the most suitable instrument for carrying the system of export financing into practice, the resolution certainly dispelled such uncertainties and met the legal problems involved in adapting the Bank to this new mechanism.

At the present Fourth Meeting of the Board of Governors, a resolution was approved expressly recognizing that the use of the Bank's resources to finance exports was consonant with the objectives set forth in the Agreement Establishing the IDB, which includes among the Bank's purposes and functions "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."

The resolution also acknowledges that any system of financing Latin American exports must be based, throughout the Hemisphere, on the promotion of economic integration, the diversification of export structures, the mobilization of domestic and foreign financial resources, and the improvement of the competitive position of exports. Still, this resolution represents only a provisional answer to the problem; at this Fourth Meeting the time has not yet come to adopt a final solution. What we need now is to get more experience and to appraise, in the light of that experience, the resources required

for the task, and also to work out the norms and procedures through which such financing can take concrete form in the future.

This Fourth Meeting of the Board of Governors passed a resolution on the matter of financing exports, authorizing the Board of Executive Directors to appoint a working group for the purpose of presenting a written report to the next meeting of the Board of Governors on the financing of basic commodity exports.

Another subject which is now being discussed in the Inter-American Development Bank is that of due observation, study and analysis by the Board of Executive Directors of developments taking place within the United Nations, the Organization of American States and the International Monetary Fund in connection with the problem of financial compensation for losses in export earnings by less-developed countries which export raw materials.

This matter is of the greatest significance for the orderly execution of domestic development programs and the expansion of foreign trade.

The underdeveloped countries' ability to pay for imports essential to their economic development and for goods and services is dependent upon the stability of earnings from their exports, consisting primarily of basic commodities; upon the average level of such earnings and the long-term increase in that level; it depends also on the ratio between such earnings and the expenditures for manufactured products, particularly capital goods and services, which less-developed countries need in order to attain, through investment of domestic savings and the net flow of foreign capital, the annual volume of investments required for achieving the economic development they so eagerly desire.

This interplay of cause and effect between these countries' economic development and the level of income they should obtain from their exports, emphasizes the necessity of maintaining the stability of this level on a short-term basis and of preventing its continued deterioration on a long-term basis.

The problem of short-term stability can be met, on the one hand, through market organization, and on the other, by means of financial compensation for drops in export earnings within a relatively few years. The organization of commodity markets is being accomplished gradually, product by product, starting with those showing most abrupt changes in prices and volume. The problem of residual variations of certain products on the markets and principally the one of variations in total export earnings of underdeveloped countries pro-

ducing raw materials are being approached in proposals for establishing financial compensation mechanisms, as well as in cooperation with the International Monetary Fund, which recently resolved to modify its regulations for the granting of short-term loans in such a way as to permit quick access to its resources by those underdeveloped countries which, under certain circumstances, may need to avail themselves of such resources to meet emergencies resulting from the decline in their export earnings.

The problem remains of medium- and long-term deterioration, in other words, of stretching out the debt-servicing capacity of those countries which cannot repay, for instance, in five years, because of continued decline in their export earnings owing to circumstances beyond their control; this would lead them to constant indebtedness under the proposals now being made or under the International Monetary Fund's financing system.

At the Fourth Meeting of the Board of Governors, now concluding, this matter was dealt with for the first time in the history of the Inter-American Development Bank and, as far as I know, for the first time in the history of international financial institutions. It remains now to study the problem more deeply in order to be able to reach some conclusion regarding the role the Bank is to play in solving this crucial problem of the economic development of underdeveloped countries.

In closing I wish to comment on the resolution approved by this Meeting, recommending that member countries take all necessary steps to increase the IDB's resources, including the adoption of legal and administrative measures to implement the proposed increase as soon as possible.

At the close of this Meeting's work, I wish to express to you, Mr. Chairman, and through you, to His Excellency the President of the Republic of Venezuela, the appreciation of the Governors here present for the courtesy and hospitality of the Venezuelan Government and people. Finally, let me convey the gratitude of all delegations to the President of the IDB, Dr. Felipe Herrera, to the Board of Executive Directors, to all its officers, and to everyone who has cooperated to make this meeting a real success.

**Address by Dr. José A. Mora, Secretary General of
the Organization of American States, at the
Closing Session**

The annual meetings of the Board of Governors of the Inter-American Development Bank have become events of increasing interest where basic problems are resolved and guidelines laid down for hemispheric financial cooperation and improved orientation of the process of Latin American economic and social development. Such occasions are of paramount interest to the Organization of American States. This is the Bank of the members of our regional community. The Pan American Union was the seat of this organization's inception. There the initial studies were made and the Agreement Establishing the IDB was negotiated and drafted. Our General Secretariat had the exceptional privilege of placing all its services at the disposal of the splendid undertaking in which all the American nations were engaged, aimed at realizing a dream long cherished by our people and our governments. Today, when we contemplate the sturdy structure of the Inter-American Development Bank, its admirable programs, so promptly prepared and executed, the skill and decisiveness demonstrated by its officers in accomplishing its lofty aims, our organization can do no less than extend its utmost cooperation and support.

In the Inter-American Development Bank, our nations have found not only an urgently needed instrument, but, as well, a new spirit capable of guiding and directing the operations normal to a bank of this type, and animated by a philosophy which may be called, without exaggeration, revolutionary in the economic and social field.

The close liaison maintained between the OAS and the Inter-American Development Bank, and the continuous cooperation of both institutions, coupled with the establishment of the Tripartite Committee, which has made it possible for both institutions to strengthen joint action with the United Nations Economic Commission for Latin America, are factors ensuring efficient execution of the programs of the Alliance for Progress.

As Secretary General of the OAS, I should like to convey my special thanks to Dr. Felipe Herrera for the opportunity given me to attend this meeting and observe at close range what is being accomplished.

In a purely formal sense, we are here, in response to the gracious

invitation extended us, as observers. In a deeper, truer sense, however, we feel more like collaborators with the Inter-American Bank in a common endeavor, wherein only the principal field and form of our respective activities are different.

In his report to this Meeting, President Herrera emphasized that the formulation of economic and social development plans by the Latin American countries made the Bank's work easier and more effective, in that it provided a more clearcut, coherent framework within which to conduct its financial operations. To the extent that the Organization of American States, through its technical assistance operations, is cooperating with the various governments in the preparation of these plans, it is also collaborating directly and effectively in the further growth of the Bank. The Bank's existence and activity, in turn, add a new dimension to our work, in the assurance it provides that the development plans prepared, with our assistance, by the various countries will receive from the Bank the financial support necessary for converting them into accomplished fact. Thus, our tasks, although different, complement one another and are actually separate facets of a common endeavor to attain the objectives so clearly set forth in the Charter of Punta del Este.

Those who are so quick to criticize the pace at which the Alliance for Progress is advancing are failing to take due account of the magnitude of present difficulties. Never has so vast an effort been put forth to aid Latin America, nor with such vigor, under circumstances rendered so adverse by the resurgence of the problems relating to the marketing of basic export commodities.

It is singularly appropriate that this Meeting is being held in the homeland of Simón Bolívar, whom we gratefully recognize as the genius who blazed the trail for all endeavors to forge a mighty union of the American people. I can say, too, that it is extremely fitting that this Meeting should be held in Venezuela, which at this juncture constitutes one of the most encouraging phenomena in the economic and social development of Latin America. The courage and confidence with which the Venezuelan Government and people are going ahead with their plans for the advancement of all sectors of this great nation are a cogent example of what can and should be done in Latin America, if the goals we have set ourselves for this decade are to be attained. Despite the hard decisions confronting this vigorous nation, the high indices of its economic growth and industrial development are proof that nothing can curb the vital energies of the Venezuelan people and their leaders in their resolve

to attain higher standards of living. Venezuela is in the vanguard of the Latin American countries in achievement of the goals set for the Alliance for Progress.

On behalf of the OAS, it is my pleasure to express the congratulations of our institution to President Betancourt and all the Venezuelans who are assisting in this endeavor on the inspiring results we have witnessed. I likewise extend my congratulations to the President, Executive Directors and Governors of the Inter-American Bank for their great zeal and the successes they have won during the Bank's brief existence.

**Address by Mr. Andrés Germán Otero, Chairman of
the Board of Governors, Governor for Venezuela
and Minister of Finance at the Closing Session**

Now that the time has come to close this Fourth Meeting of the Board of Governors of the Inter-American Development Bank, in my capacity as Chairman I should like to express to the Governors, Delegates and special guests my Government's sincere appreciation of the honor conferred on Venezuela in being selected as the site of so important a conference. We are not only pleased and gratified at the opportunity afforded us to extend our hospitality, but are genuinely heartened by the results of this meeting. The resolutions approved cannot fail to revitalize the work the Bank has been performing, thereby ensuring greater effectiveness in its operations and additional and greater benefits to our countries.

The decisions taken with regard to increasing the Bank's resources have made it incontrovertibly clear that the governments and peoples in this Hemisphere are resolutely supporting the Inter-American Development Bank's operations, having found it to be a capable, flexible and effective instrument for promoting and encouraging the growth of our economies.

Furthermore, I interpret this support as a manifest and significant proof that our countries have now abandoned that outworn individualistic concept which rejected joint action in approaching the economic and social problems of our Hemisphere. In its stead, a new spirit, based on collaboration, is arising; a new approach based on coordination; a new conviction, calling for the collective participation of our peoples in this effort to attain the long-desired goal of progress toward which we are all putting forth such effort.

These ideas are strengthening the new trend toward economic integration which looms with increasing clarity on the horizon of Latin American thought. This process, born of our collective interest, is being converted into joint action as the only means of obtaining positive, concrete results. There can be no question but that we Latin Americans, intent upon finding solutions to our problems, are committed to a race against time which cannot tolerate stumblings or indecision. In the face of the magnitude of these problems and the urgency of solving them, the limitation of our resources obliges us to combine them in order to derive the greatest possible yield from their utilization.

Regional economic integration is for us the realization of that long-standing dream of Western civilization which calls for equality of opportunity for all. If we are to achieve it, we must reform our systems so that the less fortunate classes and regions of our Hemisphere may receive their proper share of progress and well-being.

Dr. Felipe Herrera, President of the Bank, has given us a complete and detailed analysis of what has taken place in this Fourth Meeting of the Board of Governors. I should like to call attention to only two aspects which have remained in the foreground throughout our discussions.

One is the resolution regarding a system for financing Latin American exports. In this resolution it was made clear that the use of the Bank's resources for this purpose is consonant with the objectives and spirit of its Charter, since it is designed to promote the orderly growth of our member countries' foreign trade. The financing of exports is important, not only because of the immediate interest certain countries may take in it, but also because it represents a positive step taken in furtherance of the over-all concept of regional development. Being convinced of the soundness of the idea, we trust that the project may soon become a reality.

Secondly, we have learned that there is a consensus of opinion in Latin America, expressed with concern, regarding the deterioration that has become increasingly apparent in its terms of trade, as an area which exports primary products to industrialized countries. We have been able to detect this concern in a number of the statements made by the Governors and in the dramatic but telling words of Mr. Alfonso Rochac, Technical Manager of the Inter-American Development Bank, when at the first round-table meeting he stated that in Central America the effect of foreign loans has been virtually nullified in recent years by the deterioration in the terms of trade.

The continuous slump in the prices of our raw materials has been the basic cause of the deterioration in the terms of trade. It is logical, therefore, that the Latin American countries should make strenuous efforts to secure greater stability in the international prices of these basic products, which constitute a large share of their regional exports.

This problem, which affects all of us alike, not only weakens our economies, but will make it increasingly difficult to find isolated, independent solutions. It would therefore seem imperative for us to consider the possibilities of collective negotiation, wherein adequate means of compensation would be discussed among the parties

concerned. There are already a number of precedents in the case of certain raw materials which might serve as a model for broader action, on a hemispheric level, in an effort to define a common policy based on the principle of collective negotiation. For one of the results of economic integration should be a logical increase in our countries' power of collective negotiation, applied on the international level. In the near future, this type of negotiation might be the sole alternative for achieving what might individually never become more than a just, but unheeded, claim or national aspiration. In this connection, the Inter-American Development Bank may play a very useful role by keeping close tabs on the measures which other international organizations or institutions may put into practice with regard to topics of this nature.

I would be remiss were I to conclude without once again assuring the President of the Bank, Dr. Felipe Herrera, of our confidence in the intelligent guidance which he has been able to provide for the institution's operations. I should also like to express, through their President, our appreciation and encouragement to the executive and administrative staff.

May I also extend to the new members of the Board of Executive Directors our heartfelt congratulations on their election to so important a post. They bear a responsibility which I am sure they will acquit effectively and with a genuine spirit of inter-American cooperation.

To the Inter-American Development Bank, I extend my wish that it may enjoy increasing success in its aspirations and thus continue to merit our nations' unanimous support and appreciation.

In concluding this Fourth Meeting, I should also like to extend, through the Governors, fraternal greetings from all Venezuelans to our fellow Americans.

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

Resolution AG-7/62

Remuneration of Executive Directors and Alternates

The Board of Governors

RESOLVES:

That, in accordance with Article VIII, Section 2(b)(v), of the Agreement Establishing the Bank, the Executive Directors and their Alternates shall receive, beginning November 1, 1962, a salary or compensation for expenses for the time of service rendered to the Bank at the rate of US\$25,000 per annum for an Executive Director, and US\$20,000 per annum for an Alternate Executive Director, in both cases net of national taxes.

(Approved December 4, 1962)

Resolution AG-1/63

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 1963, 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 22, 1963)

Resolution AG-2/63

Approval of Recommendations in the Report of the Board of Executive Directors on Proposed Increase in the Resources of the Bank

The Board of Governors

Having considered the report approved by the Board of Executive Directors on March 18, 1963, proposing increases in the authorized resources of the Bank,

RECOMMENDS that the members take such action as may be necessary and appropriate to give effect to the resolutions proposed in said report.

(Approved April 8, 1963)

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

Resolution AG-3/63

General Election of Executive Directors

The Board of Governors

RESOLVES THAT:

1. The attached Rules (Doc. AG-IV/3)¹ are hereby adopted for the conduct of the Second General Election of Executive Directors which shall take place during the Fourth Meeting of the Board of Governors, on such date as shall be determined in the schedule of sessions for the Meeting.

2. For the purposes of the Charter, including those of Article VIII, Section 3(d) thereof, July 1, 1963, shall be considered as the effective date of the election.

(Approved April 22, 1963)

¹Published separately.

Resolution AG-4/63

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, 1962, 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, 1962.

3. There shall further be allocated to said reserve any net income with respect to such resources as may result in each fiscal year hereafter.

(Approved April 23, 1963)

Resolution AG-5/63

Financial Statement and Determination of Reserves of the Fund for Special Operations

The Board of Governors

RESOLVES THAT:

1. 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, 1962, containing the general balance sheet and the statement of profit and loss thereof, is approved.
2. There shall be allocated to the general reserve of the Fund the net income thereof for the fiscal year ending December 31, 1962.
3. There shall further be allocated to said reserve such net income of the Fund as may result in each fiscal year hereafter.

(Approved April 24, 1963)

Resolution AG-6/63

Increase in Resources

CONSIDERING the fact that the Board of Governors has adopted the resolution recommending that the member countries take the measures necessary for the approval of the resolutions presented in the report of the Board of Executive Directors, of March 18, 1963, entitled "Proposal for an Increase in the Resources of the Inter-American Development Bank";

HAVING IN MIND that said report points out that further consideration should be given at an appropriate time to additional increases in the resources of the Fund for Special Operations;

The Board of Governors

RESOLVES:

1. To express its gratification for the report of the Board of Executive Directors to the Board of Governors and for the adoption of the aforesaid resolution.

2. To recommend that each member country take the legislative and administrative actions necessary to make the proposed increases effective as soon as possible.

3. To request that the Board of Executive Directors, bearing in mind the desirability of strengthening the Bank's operations in carrying out the basic objectives of the Alliance for Progress and in the light of the needs of the member countries for the financing of economic and social development, submit a report to the Board of Governors on the future relationships of the Fund for Special Operations to other activities of the Bank and on the sufficiency of the Fund's resources.

(Approved April 25, 1963)

Resolution AG-7/63
Compensatory Financing of Fluctuations in
Export Earnings

WHEREAS:

It is of primary importance for economic development of the countries exporting basic commodities, particularly those that are underdeveloped, to increase their export earnings at an adequate and reasonably stable rate so as to permit a continuous and expanding flow of imports essential to the intensification of such economic development;

The problem of the relationship between economic development and export earnings has the following three major aspects: (1) short-term fluctuations in export earnings; (2) the inadequate levels of such earnings and their slow rate of growth; and (3) longer-term trends in terms of trade;

The provision of adequate compensatory financing represents a significant contribution toward the orderly progress of national development programs and the expansion of international trade;

The discussions in the United Nations and the Organization of American States resulted in two proposals for the compensatory financing of losses of export earnings by the developing countries, which were presented by the Group of Experts of the United Nations for establishment of a Development Insurance Fund and by the group of Experts of the Organization of American States for the establishment of an International Fund for Stabilization of Export Receipts; in both of these proposals, compensatory loans would have to be fully repaid within a maximum term of five years, although under the United Nations system the debts would be cancelled after this period; neither of these proposals envisages a mechanism for refinancing short-term debts for a longer period;

The International Monetary Fund has recently decided to create a new system designed to broaden its balance of payments support of member countries, particularly less-developed members, which experience temporary declines in their export earnings due to circumstances largely beyond their control.

The Board of Governors
RESOLVES:

1. To recommend to the Board of Executive Directors that it shall observe closely the work of the various inter-American and

international bodies on the subject of compensatory financing of fluctuations in export earnings of the less-developed countries, taking into account the deliberations of the United Nations Commission on International Commodity Trade and the Organization of American States, the experience acquired by the International Monetary Fund under its newly established policies and such other work on this subject as may proceed in the United Nations.

2. To recommend to the Board of Executive Directors that it keep the Governors advised from time to time as may be required, and submit for the further consideration of the Governors, its observations and suggestions for appropriate studies which may usefully be undertaken by the Bank.

(Approved April 25, 1963)

Resolution AG-8/63

Financing of Exports

WHEREAS:

The Board of Governors, in Resolution AG-5/62 of its Third Meeting, held in Buenos Aires in April, 1962, recognizes "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";

The use of the Bank's resources for the purpose of financing exports is consistent with the Agreement Establishing the Bank, which includes among the purposes and functions of the Bank "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";

A system for financing Latin American exports which has economic development as its ultimate goal should, as a basic characteristic, contribute to the promotion of economic integration, the diversification of the structure of exports, the mobilization of internal and external financial resources, the improvement of the competitive position of exports of Latin America and the solution of the adverse position of its terms of trade;

The member countries of the Bank, in the Charter of Punta del Este, decided that "in the application of resources under the Alliance for Progress, special attention should be given not only to investments for multinational projects that will contribute to strengthening the integration process in all its aspects, but also to the necessary financing of industrial production, and to the growing expansion of trade in industrial products within Latin America";

The adoption of a temporary solution will give the Bank the opportunity to accumulate valuable experience and to make an effective and rapid contribution in the field of export financing;

In compliance with Resolution AG-5/62 referred to above, the Board of Executive Directors has submitted for the consideration of the Board of Governors the document entitled "Medium-Term Financing of Latin American Exports"; and

In fulfillment of the purposes previously mentioned, the Bank, in its administrative decisions and in its loan and technical assistance operations, has associated itself increasingly with the process of eco-

conomic and financial integration of the Hemisphere, a fact which the member countries acknowledge with satisfaction;

The Board of Governors

RESOLVES:

1. To recommend to the member countries that they submit to the Bank, no later than June 15, 1963, their observations on the document entitled, "Medium-Term Financing of Latin American Exports" (Doc. DED/63/5 Rev.) and on the Annex to this resolution.

2. To request that the Board of Executive Directors, bearing in mind the observations referred to in the preceding paragraph, adopt, before September 30, 1963, the procedures necessary for the establishment by the Bank of an intra-regional program of export financing, for capital goods, using for this purpose a limited amount of the ordinary capital resources of the Bank and such other resources, excluding those of the Fund for Special Operations, as may be available.

3. To recommend that the Board of Executive Directors, acting in accordance with the basic policies and mechanisms provided for in the Agreement Establishing the Bank and utilizing the ordinary resources and such others as may be assigned as a result of the studies that may be made, continue and expand the financial and technical assistance operations of the Bank that further the process of Latin American economic integration.

4. To recommend that the Bank expand its relationships and contacts with the Latin American Free Trade Association, with the agencies of the General Treaty for the Economic Integration of Central America and with the Central American Common Market, as well as with the other agencies concerned with various aspects of integration.

(Approved April 25, 1963)

Annex

**Criteria and Objectives with Respect
to Export Financing**

The system of financing exports of capital goods should be based, among others, on the following criteria and objectives:

- (a) The program would be limited to financing intra-Latin American trade;

- (b) The program would be constructed on the basis of a regional system in cooperation with national agencies in each member country;
- (c) The program would accelerate the economic integration of Latin America, including progress toward the reduction of trade barriers and the improvement of the competitive position of the region;
- (d) Financing would be made available only to countries pursuing such financial and monetary policies as do not constitute an impediment to the growth of diversified exports;
- (e) The program would finance only the export of capital goods for which medium-term financing is appropriate;
- (f) Financing would be extended only when no other adequate sources of funds are demonstrably available and in any event only for part of the value of each transaction, so as to mobilize internal financial resources and obtain a significant participation from the exporting and importing countries.

Resolution AG-9/63
Study of the Financing of Exports
of Basic Products

WHEREAS:

One of the most significant factors responsible for the economic backwardness and weakness of Latin America is the situation of persistent deterioration in its terms of trade owing to instability in the prices of its basic export products and the financial crisis of the Latin American Governments, circumstances which constitute sufficient reason for the Bank to establish a working group responsible for studying suitable procedures for financing exports of basic products, without prejudice to initiating the financing of exports of capital goods;

The Board of Governors

RESOLVES:

To request that the Board of Executive Directors establish a working group for the purpose of submitting to the next meeting of the Board of Governors a report on financing the exportation of basic goods.

(Approved April 25, 1963)

Resolution AG-10/63

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

The Board of Governors
RESOLVES THAT:

The President of the Bank shall convene the fifth regular meeting of the Board of Governors to be held in Panama City, during the month of April 1964.

(Approved April 26, 1963)

ELECTION OF EXECUTIVE DIRECTORS

At the Sixth Plenary Session of this Meeting, the second general election of Executive Directors was held and the following persons were elected in representation of the countries listed:

Manuel Barros Sierra, elected by the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Panama and Uruguay.

Guillermo Bedregal Gutiérrez, elected by Bolivia and Paraguay.

Francisco Norberto Castro, elected by Argentina and Peru.

Raúl Hess Estrada, elected by Costa Rica and Nicaragua.

Cleantho de Paiva Leite, elected by Brazil, Ecuador and Haití.

Oscar Niemtschik, elected by Chile, Colombia and Venezuela.

In accordance with Article VIII, Section 3(b), of the Charter, the Government of the United States on September 25, 1962, designated Tom Killefer as Executive Director.

ROUND TABLE

During the Fourth Meeting of the Board of Governors two informal round table discussions were held on the topic "Financial Aspects of Economic Integration in the Hemisphere."

The first meeting was held on the afternoon of April 23, with Mr. Tom Killefer, Executive Director of the Bank, serving as moderator. The following persons participated as panelists:

Mr. E. van Lennep
General Treasurer
Ministry of Finance
The Hague, Netherlands

Mr. Javier Márquez, Director
Center for Latin American Monetary Studies
Mexico City, Mexico

Mr. Alfonso Rochac
Technical Manager
Inter-American Development Bank
Washington, D.C.

Mr. Alberto Solá
Executive Secretary
Latin American Free Trade Association
Montevideo, Uruguay

The second meeting was held on the afternoon of April 24. Mr. Cleantho de Paiva Leite, Executive Director of the Bank, served as moderator and the following persons served on the panel:

Mr. Eugene R. Black, Jr.
Lazard Frères and Company
New York, New York

Mr. José Colagrossi Filho, President
Consórcio Técnico Brasileiro, and Companhia
Auxiliar de Viação e Obras
Rio de Janeiro, Brazil

Mr. Ignacio Copete Lizarralde¹
Financial Manager
Inter-American Development Bank
Washington, D.C.

Gen. Robert Cutler
Former Executive Director
Inter-American Development Bank
Washington, D.C.

Mr. Eduardo Figueroa
Mexican Ad hoc Committee
Committee of Nine
Pan American Union
Washington, D.C.

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

Papers presented at the round tables appear in a separate publication.

¹ Mr. Copete was unable to attend the meeting and the statement prepared by him was presented by Mr. Rodrigo Llorente, Deputy General Counsel of the Inter-American Development Bank.

DELEGATIONS OF MEMBER COUNTRIES

<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
Argentina		Pedro Eduardo Real José Murua ¹	Mario O. Mendivil ² Evaristo Evangelista Hugo Anselmo Severi Juan Carlos Forteza
Bolivia		Roberto Jordán Pando Guillermo Bedregal G. ¹ Gastón Araoz ¹	
Brazil		Octavio Augusto Dias Carneiro	Cleantho de Paiva Leite ² Ernane Galvêas Eduardo Portella Netto Fábio Antonio da Silva Reis
Chile		Orlando Sandoval ¹	Luis Arturo Fuenzalida Luis Palacios Rossini Alberto Besa
Colombia	Emilio Toro	Antonio José Gutiérrez	Hernando Agudelo Villa ²
Costa Rica	Carlos Manuel Escalante Durán	Alvaro Castro Jenkins	Oscar Padilla Sellen Roberto Losilla
Dominican Republic	Diógenes H. Fernández	Luis María Guerrero	
Ecuador		Neftalí Ponce-Miranda ¹	Federico Intriago Arrata ³ Benito Ottati

¹ Temporary

² Executive Director

³ Alternate Executive Director

<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
El Salvador	Salvador Jáuregui	Guillermo Hidalgo Qüehl	Enrique Borgo B. Santiago Rolando Alvarenga
Guatemala		Julio Lorenzo Alvarez	Max Jiménez Pinto ³ Alfredo Izas Rivadeneira Valentín Solórzano José Antonio Pérez Calderón
Haiti		Leonard Pierre Louis ¹	
Honduras		Roberto Ramírez Guillermo Hernández Fiallos ¹	Juan Angel Núñez Aguilar ²
Mexico	Antonio Ortíz Mena	Alfredo Navarrete ¹	Raúl Martínez Ostos ² Mario Ramón Beteta José Luna Guerra Enrique Sosa José Sanz Arroyo Manuel Barros Sierra
Nicaragua	Gustavo A. Guerrero	Francisco J. Laínez M. José María Castillo ¹ José Sansón Terán ¹	
Panama	Gonzalo Tapia Collante	Miguel A. Corro	Julio E. Heurtematte ³
Paraguay	César Barrientos	Germán Jara Lafuente ¹	Julio César Gutiérrez ³
Peru		Juan Ramírez Valdeavellano	Tulio De Andrea

¹ Temporary² Executive Director³ Alternate Executive Director

<i>Country</i>	<i>Governors</i>	<i>Alternate Governors</i>	<i>Other Delegates</i>
United States of America	Douglas Dillon	David E. Bell John C. Bullitt ¹ Teodoro Moscoso ¹	Tom Killefer ² Harold F. Linder Herbert K. May Allan Stewart Hubert H. Humphrey Thomas L. Ashley William B. Widnall Henry J. Costanzo Dixon Donnelley Philip Glaessner Robert B. Goldman Bruno B. Luzzatto Patrick F. Morris Carl F. Norden Eugene E. Oakes Alexander M. Rosenson ³ Reuben Sternfeld William N. Turpin Judson H. Bell Pat M. Holt
Uruguay	Juan Eduardo Azzini	Raúl Ibarra San Martín	

¹ Temporary

² Executive Director

³ Alternate Executive Director

Country
Venezuela

Governors
Andrés Germán Otero

Alternate Governors
Héctor Hurtado
Carlos Rafael Silva¹

Other Delegates
Oscar Niemtschik³
Alfredo Machado Gómez
Luis Vallenilla
Rafael Alfonso Ravard
Benito Raúl Losada
Hugo Pérez La Salvia
Luis Alberto Machado
Ignacio Silva Sucre
Maurice Valery
Lorenzo Fernández
Carlos D'Ascoli
Braulio Jattar Doti
Ildegar Pérez Segnini
Hans Silva Torres
César Rondón Lovera
Guillermo Muñoz
Hugo Briceño Salas
José Arnaldo Puigbó
Mario Mauriello
Julio Urbina
Luis Piñerua Ordaz
Manuel Delgado Rovati
Arturo Ruiz Berti

¹ Temporary

² Executive Director

³ Alternate Executive Director

Other Delegates

Carlos Miguel Lollet
Ernesto Peltzer
Ivan Senior
Eddy Morales Crespo
Mauricio García
Luis Ugueto
Eduardo Acosta Hermoso
Rodolfo Rojas
Armando Branger
Pedro Tinoco
José González Navarro
Armando González
Tomás E. Carrillo
Alejandro Hernández
Eugenio Mendoza
Jesús Calvo Laird
Hermágoras Hómez
Alfredo Rodríguez Amengual
César Casas Rincón
José J. González
Héctor Santaella
Alfredo Ramínez Torres
Jaime Lusinchi
Camilo Daza Moros
Guillermo Pimentel
Gonzalo García Bustillos

OBSERVERS

Central American Bank for Economic Integration	Enrique Delgado
Center for Latin American Monetary Studies	Javier Márquez Fernando Rivera
European Economic Community	Claudio Segré
Food and Agricultural Organization of the United Nations	Carlos Fritze Adolfo Alarcón
Inter-American Council of Commerce and Production	Henry Balgooyen
Inter-American Statistical Institute	Juvenal Utrera Velásquez
Inter-governmental Committee for European Migration	Alexander N. Catsicas
International Bank for Reconstruction and Development & International Development Association	Geoffrey M. Wilson Orvis Schmidt
International Finance Corporation	Jack G. Beevor
International Labor Organization	Carlos d'Ugard
International Monetary Fund	Jorge del Canto
Latin American Free Trade Association ..	Alberto Solá
Organization for Economic Cooperation and Development	Sherwood Fine
Organization of American States and Inter-American Economic and Social Council	José A. Mora José Antonio Guerra René Monserrat
Pan American Health Organization	José Luis García Gutiérrez
United Nations	José Antonio Mayobre A. J. Aizenstat Carlos Araya-Borge

United Nations Educational, Scientific and
Cultural Organization Arturo de la Guardia

SPECIAL GUESTS

The Fourth Meeting of the Board of Governors was attended by 300 Special Guests from the member countries, Canada, Jamaica and Western Europe.