

# *PROCEEDINGS*

Fifth Meeting  
of the  
Board of Governors  
Panama, April 1964

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INTER-AMERICAN DEVELOPMENT BANK



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## INTRODUCTORY NOTE

The Fifth Meeting of the Board of Governors of the Inter-American Development Bank was held in Panama City, Panama, from April 13 to 17, 1964.

Mr. Julio E. Linares, Governor for Panama and Minister of Finance of Panama, was elected Chairman of the Board of Governors at the Inaugural Session.

Jorge Hazera  
Secretary



## AGENDA\*

1. Election of the Chairman of the Board of Governors.
2. Election of the President of the Bank .
3. Fourth Annual Report of the Bank, 1963 .
  - (a) Financial Report: Ordinary Capital Resources .
  - (b) Financial Report: Fund for Special Operations .
4. Fund for Special Operations: Increase in resources and future relationship to other activities of the Bank .
5. Financing the export of basic products.
6. Contribution by non-member countries of additional resources to the Bank.
7. Revision of the system for the election of Executive Directors .
8. Place and date of the Sixth Meeting of the Board of Governors .

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\* In accordance with Section 2(a) of the Regulations of the Board of Governors, the Draft Agenda of the Meeting was prepared by the President of the Bank under the direction of the Board of Executive Directors. Pursuant to Section 2(b) and (e) of the Regulations, several Governors proposed topics to be added to the Draft Agenda. The Agenda was approved at the Inaugural Session of the Meeting, as provided in Section 2(d) of the Regulations.

## SCHEDULE OF SESSIONS

Monday, April 13	9:00 a.m.	Preliminary Session (Chiefs of Delegation)
	5:30 p.m.	Inaugural Session (First Plenary Session) <ol style="list-style-type: none"><li>1. Election of the Chairman of the Board of Governors.</li><li>2. Approval of the Agenda of the Meeting.</li><li>3. Address by Mr. Julio E. Linares, Chairman of the Board of Governors.</li><li>4. Address by Mr. Jose C. Cardenas, Governor for Ecuador, on behalf of the visiting Governors.</li><li>5. Address by His Excellency Roberto F. Chiari, President of the Republic of Panama.</li></ol>
Tuesday, April 14	10:00 a.m.	Second Plenary Session <ol style="list-style-type: none"><li>1. Fourth Annual Report of the Bank, 1963:<ol style="list-style-type: none"><li>(a) Financial Report: Ordinary Capital Resources.</li><li>(b) Financial Report: Fund for Special Operations.</li></ol></li><li>2. Election of the President of the Bank.</li><li>3. Address by Mr. Felipe Herrera, President of the Bank.</li><li>4. Address by Mr. Jaime Otero Calderon, Alternate Governor for Bolivia.</li><li>5. Address by Mr. Antonio Ortiz Mena, Governor for Mexico.</li><li>6. Address by Mr. Douglas Dillon, Governor for the United States of America.</li></ol>
	3:00 p.m.	Round Table: "Regional Organizations and Financial and Technical Cooperation for Development" (Part I). <ol style="list-style-type: none"><li>1. Introduction, by Mr. Julio Gonzalez del Solar, Representative of the Inter-American Development Bank in Europe.</li></ol>

2. "The European Investment Bank and the Economic Integration of Europe," by Mr. Guy Trancart, Director, Department of Operations in the Associated Countries, European Investment Bank.
3. "The Colombo Plan: An Asian Experience," by Mr. Braj Kumar Nehru, Ambassador of India to the United States.

Wednesday,  
April 15

10:00 a.m.

### Third Plenary Session

1. Financing the export of basic products.
2. Address by Mr. Luiz de Paula Figueira, Alternate Governor for Brazil.
3. Address by Mr. Enrique Garcia Vazquez, Alternate Governor for Argentina.
4. Address by Mr. Carlos Sanz de Santamaria, Chairman of the Inter-American Committee on the Alliance for Progress.

3:00 p.m.

### Round Table: "Regional Organizations and Financial and Technical Cooperation for Development" (Part II).

1. "An African Experience: The Economic Commission for Africa," by Mr. Robert K. A. Gardiner, Executive Secretary, United Nations Economic Commission for Africa.
2. "Latin America," by Mr. Romulo Almeida, Committee of Nine, Alliance for Progress, Organization of American States.
3. Conclusion, by Mr. Cleantho de Paiva Leite, Executive Director, Inter-American Development Bank.

Thursday,  
April 16

10:00 a.m.

### Fourth Plenary Session

1. Financing the export of basic products.
2. Fund for Special Operations. Increase in resources and future relationship to other activities of the Bank.
3. Contribution by non-member countries of additional resources to the Bank.

4. Revision of the system for the election of Executive Directors.
5. Address by Mr. Hipolito Larrabure Price, Governor for Peru.
6. Address by Mr. Marcel Daumec, Governor for Haiti.
7. Address by Mr. Galileo Solis, Alternate Governor for Panama.
8. Address by Mr. Hector Hurtado, Alternate Governor for Venezuela.
9. Address by Mr. Guillermo Hidalgo Quehl, Alternate Governor for El Salvador.
10. Address by Mr. Jaime Porras, Alternate Governor for Ecuador.
11. Address by Mr. Diego Calle Restrepo, Governor for Colombia.
12. Address by Mr. Cesar Barrientos, Governor for Paraguay.
13. Address by Mr. Ruy Barbosa, Alternate Governor for Chile.

Friday, 9:30 a.m.  
April 17

#### Fifth Plenary Session

1. Revision of the system for the election of Executive Directors.

10:00 a.m.

#### Closing Session (Sixth Plenary Session)

1. Place and date of the Sixth Meeting of the Board of Governors.
2. Observations of Mr. Felipe Herrera, President of the Bank.
3. Address by Mr. Tomas Calix Moncada, Governor for Honduras, in behalf of the visiting Governors.
4. Address by Mr. Jose A. Mora, Secretary General of the Organization of American States.
5. Closing address by Mr. Julio E. Linares, Governor for Panama and Chairman of the Board of Governors.

## NOTES TO THE SCHEDULE OF SESSIONS

1. The Program includes the sessions of the Round Table discussions that were held during the Fifth Meeting of the Board of Governors. Mr. Robert K. A. Gardiner, Executive Secretary of the United Nations Economic Commission for Africa, was unable to attend the Meeting to participate in the Round Table discussions. His paper was presented by Mr. Ibrahim H. Abdel-Rahman, Under Secretary of the United Nations and Commissioner for Industrial Development.
2. At the Preliminary Session a Working Group composed of the Governors for Argentina, Brazil, Colombia, Mexico, Nicaragua, the United States and Venezuela was established to study Document DED/64/33 Rev. on "Increase in Resources of the Fund for Special Operations and Future Relationship of the Fund to Other Activities of the Bank." A proposed resolution was presented to this Group by the Governor for the United States. The Report of the Group (Document AG-V/38) was considered at the Fourth Plenary Session, at which Resolution AG-9/64, presented with the Report, was approved. At the same Plenary Session it was decided to append the Report of the Group to Resolution AG-9/64.
3. At the Third Plenary Session a Working Group composed of the Governors for Bolivia, Brazil, Chile, Panama and Venezuela was established to study a proposed resolution on "Financing Latin American Exports of Basic Products" (Document DED/64/6 Rev. 2). At the Fourth Plenary Session, the Group submitted a proposed resolution, which was approved as Resolution AG-8/64.
4. At the Fourth Plenary Session a Working Group composed of the Governors for Argentina, Bolivia, Brazil, Costa Rica, Mexico, Nicaragua, Panama and Venezuela was established to study the proposed resolution presented by the Governors for Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua on "Revision of the System for the Election of Executive Directors." The conclusions of this Group were considered at the Fifth Plenary Session, at which Resolution AG-11/64 was approved.

# ADDRESSES

**INAUGURAL SESSION  
(FIRST PLENARY SESSION)  
APRIL 13, 1964**

Address by Mr. Andres German Otero,  
Governor for Venezuela and Minister of Finance,  
at the Inaugural Session

In April of last year I was privileged to preside over the Fourth Meeting of the Board of Governors of the Inter-American Development Bank in Caracas. Today I feel singularly honored to welcome the distinguished participants in this Fifth Meeting of the Board, and in their behalf and my own to thank the Government and the people of this sister nation for their warm reception and generous hospitality. It is particularly significant that we meet in this capital where the Liberator Simon Bolivar hoped to lay the foundations for hemispheric unity and cooperation, mutual aid and equality of nations that constitute the basic principles of inter-American public law.

In an openly optimistic vein, the Fourth Meeting of the Board of Governors approved resolutions of transcendent importance that not only demonstrate firm support for the Inter-American Bank by the governments and peoples of the Hemisphere but also, citing my speech at its closing session, prove conclusively that our countries have now abandoned their long-standing individualistic approach. The traditional attitude that rejected a joint attack upon the social and economic problems of the Americas is giving way to a new spirit based on collaboration, a new formula channeled through coordination, and a new faith summoning our peoples to a massive surge towards the lodestar of progress that guides and inspires us all.

I believe I voice the feeling of all those present when I say that despite the lamentable and premature death of the eminent statesman, John F. Kennedy, the spirit of the Alliance for Progress and its implementation shall continue to underlie the relations and achievements of the countries of this Hemisphere in their struggle for the welfare of the Latin American people.

A number of highly significant points will be discussed during the sessions of this Fifth Meeting of the Board of Governors. The decisions to be adopted will be studied carefully by the distinguished Governors and their respective governments, for the future of our Hemisphere may well depend upon them.

Gentlemen, it is my most sincere and ardent wish that success will crown the results of our deliberations, I declare the Fifth Meeting of the Board of Governors of the Inter-American Development Bank open and I invite you to elect my successor to the chair.

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The Governor for Venezuela presided over the Preliminary Session and the Inaugural Session pending election of the new chairman of the Board of Governors.



Address by the Chairman of the Board of Governors,  
Mr. Julio E. Linares, Minister of Finance and  
Governor for Panama, at the Inaugural Session

Seldom is an American public official given the great privilege that now devolves upon me to convey our most cordial and affectionate greetings to the distinguished Governors of the Inter-American Development Bank; to its illustrious President, Mr. Felipe Herrera, and to the Alternate and Acting Alternate Governors, Observers and Special Guests and other representatives who have come to Panama to attend this Meeting. In extending this welcome, I would also like to express my most sincere appreciation for the confidence manifested in the Republic of Panama by the delegates to the Fourth Meeting, in Caracas, who selected this country as the site of the momentous meeting that is today initiating its deliberations.

For Panama, this gathering on our isthmus of the most important officers of the Inter-American Development Bank is highly significant, not only because of the fact that the Inter-American Economic and Financial Advisory Committee that drew up a draft convention for the establishment of an inter-American bank had its origins here, but also because the organization of the IDB represents a positive achievement in the best tradition of americanism. That tradition was born at the memorable Amphictyonic Congress held in Panama at the instigation of the Great Liberator, and has consistently served as a source of inspiration for our Panamanian leaders, even during the most difficult moments of our history.

Fellow Governors, in choosing me to serve as Chairman of this Meeting, you have conferred upon me a distinction which I realize full well has been extended, through my person, to the Panamanian Nation. This young nation, small in population and territory and limited in natural and economic resources, is yet great in its readiness to open its heart to every noble cause of the Americas and equally great in its struggle to strengthen day by day its international image.

The Inter-American Development Bank grew out of the vital need for providing our countries with an intergovernmental agency capable of promoting our individual and collective economic progress, for it is not admissible that Latin America, our America, which is, in general, a region immensely rich in soil and natural resources, should prolong its status as a developing area best characterized by chronic undernourishment, housing shortages, illiteracy, low personal income and inadequate production.

A number of different causes have brought us to this unhappy pass. Without pretending to mention each in turn, suffice it to note here that the lack of valid economic and social development programs, the failure of some of our leaders to grasp the full implications of their mission, the existence of disproportionate tax systems

and the presence of ultraconservative foreign and local interests has resulted in the concentration of wealth in the hands of a very few families at the expense of the great masses. These masses, composed mainly of laborers, miners and farmers, are convinced that they are the orphans of destiny and have mistakenly concluded that democracy is the root of their poverty and suffering. Although they are inspired by the righteous purpose of securing social benefits thus far denied, they have on more than one occasion welcomed the deceptive solutions preached by those who flaunt on every hand the banners of unrestrained rebellion.

However, to America's credit, men of great moral and intellectual stature, worthy heirs of Bolivar, Washington, Morazan and Juarez, among others, have for many generations labored with determination and vigor to raise us from the morass of underdevelopment, to transform our expectations into achievements and to confirm our America in its rightful position as a sanctuary of freedom and democracy. In this rewarding struggle, the contribution of the Inter-American Development Bank, despite its brief existence has been a weighty one. Only yesterday, optimism prevailed among the delegates to the First Meeting of the Board of Governors as it convened in San Salvador to elect the President of the Bank and to authorize the Board of Executive Directors to set the date on which that institution would commence operations.

Today in Panama, four years later, we note with satisfaction and pleasure that our previous optimism was justified, for the IDB has successfully progressed beyond the phase of initial organization, the preparation and promotion of projects and the negotiation and granting of loans, to enter confidently upon the implementation of credits and execution of programs. In addition, the Inter-American Development Bank has been active and successful in mobilizing foreign private capital for the economic development of Latin America and, along parallel lines, has concerned itself with furnishing the technical assistance required to supplement its task of promoting and channeling national efforts.

The extent to which the action of the Inter-American Development Bank has been effective is illustrated by the volume of its loans, which, at the close of the last fiscal period, totaled \$875 million, and by the fact that since 1963 it has been the most important source of Latin America financing. In the specific case of Panama, for example, IDB participation in foreign aid received from international credit agencies is highly significant as an indication of the importance acquired by our Bank. Out of a total of \$40.9 million contracted in loans from the time of inauguration of the present administration to December 31, 1963, \$13.6 million was supplied by the IDB, representing 30.07 percent, the highest percentage received from a single source.

It is a further source of satisfaction to note that the financial assistance of the Inter-American Development Bank has been broad and flexible, covering fields not normally benefiting from international financing and at the same time meeting the needs of our small and intermediate farmers and manufacturers, either directly or through development loans for relending.

Persuant to Resolution AG-9/63, adopted at the Meeting of the Board of Governors in Caracas, we have received a resolution from the Board of Executive Directors and a report on the financing of Latin American exports of primary products. As pointed out in that report, the increase in exports of primary products is an essential factor for regional development; it is therefore to be hoped that at the United Nations Conference on Trade and Development (Geneva, Switzerland, 1964) a policy will be established designed to ensure more favorable conditions for the expansion of trade in these commodities. Such a policy is indispensable since foreign trade is unquestionably one of the greatest problems confronting our Latin American neighbors, inasmuch as economic balance is closely tied to exports. I am well aware of the fact--that as Mr. Felipe Herrera observed at the Caracas Meeting--the financing of raw materials or semi-manufactured goods does not really correspond to the Inter-American Development Bank. But our Latin American sister republics attach such great importance to a high level of exports as well as a system of guaranteed prices, that I could not let this opportunity pass without mentioning the point.

Doubtlessly the real problem of exports resides in the low price paid for Latin American products in the world market. It is an open secret that the industrialized countries have failed to meet the developing countries half way on the matter of terms of trade, which have been characterized by a decrease in the prices of our export products and an increase in the prices of our imports. If this policy continues, you can be sure that the day will come when the now developing countries will have no economic incentive to justify such production. Since these goods are a vital factor in maintaining the present high standard of living of the industrialized countries, the alternative would be for them to produce their own basic commodities, transferring resources from the industrial to the agricultural and mining sectors, a measure which would, of course, be a serious blow to their economies.

The objectives of the Alliance for Progress cannot be attained until Latin America can secure a fair price for its exports and a guarantee for its products. Therefore, we must support every effort made by Latin America in this direction for once we achieve a favorable balance of trade it will no longer be necessary to assign such high priority to loans and grants.

At the Fourth Meeting of the Board of Governors, the main topic of discussion was the increase of the resources of the Bank, which at that time were insufficient to meet demands. As we meet again this year, we can congratulate ourselves on the

prompt action taken by the governments of the member countries, which by approving and implementing this increase have given us ample proof of their faith in the Bank and in its achievement. We should also take pride in the fact that the Social Progress Trust Fund, which was almost exhausted when we last met, is once again solvent. Although the resources currently at its disposal may not be as ample as expected, they are sufficient to ensure continuation of its direct and indirect benefits in the latest field opened to international financing, namely social development.

If we have any cause for concern, in view of present circumstances, it would be how to best use our increased funds and to adapt these resources to the growing needs of our countries, most of which, unfortunately, have not yet even approximated a self-sustaining level through utilization of their domestic savings. In this connection, the Inter-American Development Bank is now equipped with more flexible criteria and instruments on the basis of its experience during these four years of intensive work and of the progress made by the different countries in planning their economic development and in setting up the necessary administrative mechanisms for executing these plans.

Insofar as Panama is concerned, the administration headed by the President of the Republic, Mr. Roberto F. Chiari, following our traditional international policy of strict compliance with commitments and aware of the fact that the progress of our countries depends mainly upon our own efforts, has not only prepared an economic and social development program for the years 1963-1970, currently being evaluated, but has also implemented important fiscal reforms and authorized five charter laws that will unquestionably help us to attain the objectives set forth in the Alliance for Progress. These laws are those establishing the National Water Supply and Sewage Institute (IDAAN), the Institute of Hydraulic Resources and Electrification (IHRE), the Agrarian Reform Committee, the Insured Mortgage Institute (IFHA), and the Popular Credit Bank.

For the economic and social program the required investment has been calculated at \$900 million, in order to ensure that the rate of economic growth per capita of the Republic of Panama will not fall below 2.5 per cent per annum as set forth in the Charter of Punta del Este. In accordance with this program, just under half of the total volume of proposed investments will be allocated to the public sector, mostly for economic infrastructure, which is a vital factor in effective utilization of national productive resources. Lastly, I would like to note that the economic and social development program for 1963-1970 is designed particularly to solve urgent social problems and that a good part of the public investments will be used for agrarian reform, housing, education and public health projects.

We know that any achievements in the field of economic infrastructure and social

welfare must be supplemented by heavier productive investments, in order to increase the flow of goods to the public, especially in view of the population rate of growth, which is one of the highest in Latin America. It is therefore necessary to direct all our energy toward dynamic development of the private sector, so that it can, in turn, fulfill its obligations properly.

Distinguished Governors; I would like to express once more my government's pleasure at having the Republic of Panama chosen as the site of this conference and in inaugurating this Meeting of the Board of Governors of the Inter-American Development Bank, I herewith extend my best wishes for the success of our deliberations.

Address by Mr. Jose C. Cardenas, Governor for Ecuador and  
Minister of Development, on Behalf of the Visiting Governors ,  
at the Inaugural Session

It gives me great pleasure to speak in the name of my colleagues at this inaugural session of the Fifth Meeting of the Board of Governors of the Inter-American Development Bank. We are meeting in a city which, since the days of Simon Bolivar, has been closely identified with efforts to secure the fullest cooperation between the peoples of America. The Amphictyonic Congress of Panama was, in fact, the first step towards continental unity and opened the way for a historically united America. It is therefore an honor for us to be in this country and to accept its hospitality once more. We wish to thank the Government and the people of Panama for sponsoring our meeting. At each of the sessions we shall find ourselves closer to all those Pan American ideals which were so freely expressed for the first time under these same skies, at the crossroads of the world.

Please permit me, fellow Governors, to abstain from any protocol and simply to set forth once more the concerns of Latin America. Perhaps my opinions do not coincide with those of all whom I represent. If this is so I hope you will forgive me but I think it is necessary for all of us to discuss the important problems of our future simply and frankly.

The chasm separating the advanced countries from the developing world is widening every day. This is happening because the difference in productivity levels as generated by unequal paces of technological progress and capitalization is also growing progressively greater. The decline in exports of primary products, the deterioration in terms of trade, the throttling of import capacity and the chronic tendency towards unfavorable balances of payments are all symptoms of the same thing: the frustrations of the poorer countries trying desperately hard to progress. Only united action by the whole world, at present so dramatically polarized between the poor and the rich, can bridge this gap which, left open, would ultimately engulf all the countries however much they may strive toward technological progress.

Latin America is no exception. Its economy tends to stagnate and many of its countries live in a permanent crisis of instability. This has been going on for a number of years.

In view of these circumstances it is difficult for us Latin Americans to subscribe blindly to the principles of free trade, international specialization and the exclusive role of foreign private investment as forces for the development of our countries. Historical experience forces us to critical attitude. For one reason or another, all of the primary products in which we have specialized must contend almost continuously with markets in crisis. In the case of mining products, along with ore depletion and scant reinvestment of profits by the mining companies, we are faced

with world markets beset by falling prices, always responding to the price policy and to the supply prevailing on the international market. Turning to tropical agricultural products, we immediately find preferential regimes, which encourage the expansion of production to new areas, while the traditional producers are already wondering what to do with their crop surpluses. The situation is no better in the countries exporting temperate zone agricultural products. In addition to the peculiar problems of each product, these countries have to pay the price of the efforts made by the industrial economies to shore up sectors of low production efficiency and also contend with subsidies to compensate the farmer for his low relative productivity in the industrialized countries.

Such, to sum up, is the picture of foreign trade in our modern world. The enormous interests at stake have helped shape its structure and it will be very difficult to change; even knowing as we all do, that world concord is at stake.

The United Nations Conference on Trade and Development (Geneva, Switzerland, 1964) is our first serious attempt at coordinated action and it is not to be wondered at if the outcome is still in doubt. The arguments presented by the underdeveloped world at Geneva are based on logical and irrefutable grounds. If it is recognized that it is in the interest of the whole world to develop the poorer countries, and if it is not denied that international cooperation must work towards that end, then there is no reason not to use foreign trade as the primary instrument of cooperation in the fight against poverty. What we do want is that foreign trade be bent to the purposes of international development policy.

Today foreign trade is working in the opposite direction, and financial and technical assistance are insufficient to cope with the situation. Let us get to the root of the matter and accept the logic and urgency of the socio-economic clues to the absurdity of the present situation.

The contradiction is brought out immediately when we examine what happens in the national economies of the very same industrial countries which advocate free trade. There is no industrial country which is not protecting its depressed sectors and taking measures at home similar to those which the poor countries are clamoring for in the international sphere. The Secretary General of the United Nations said recently in Geneva that there is nothing to keep us from viewing the international economy with the same criteria as the national, and the eminent Colombian economist Carlos Lleras Restrepo, in proposing the internationalization of development plans remarked that there is no valid reason for not applying on a world scale what has already been accepted in the national sphere.

From the above principle stems another of the main theses of the Geneva Conference:

The impossibility of requiring reciprocity from the developing countries in their relations with the industrial nations. The present structure of world trade has been built on the principle of full reciprocity. The most-favored-nation clause has been the cornerstone of all negotiations. The Havana Charter and GATT crystallized around this principle of negotiation. But, strictly speaking, true reciprocity is only possible among equals. It can no more be demanded of the depressed regions of the world than from the depressed regions of a country.

These are the basic postulates, and from them follows a multitude of consequences in the more specific aspects of trade: preferential treatment for the exports of underdeveloped countries; the establishment of preferences among them not extendable to the industrialized countries; abolition of tariffs and preferences for tropical agricultural products, etc. We hope the Geneva Conference will launch a new era in international relations. Until now, all international cooperation for development has skirted this central problem and its results can only be superficial or, in some cases, disappointing. Let us face the truth; it is the very least that our generation can do for a civilization that is now facing its greatest trials.

An even more lively concern compels us to touch briefly on the Alliance for Progress, in which the hopes of America have acquired concrete expression. As in all troubled periods of history, it was born of circumstances and of the idealism of groups of intellectuals who had perceived the profound crisis in our everyday world. There was too much tension on the international scene; there were unmistakable symptoms of a weakening in the development of the Latin American countries and it was also clear that existing instruments for international cooperation were ineffectual. The Alliance, like all its forerunners, especially the Pan-American Operation, was at the same time a new intellectual approach to the international problem and an emotional response to an ethical conflict that could no longer be ignored or buried in the logic of the old theories. In this sense, the Alliance was born in circumstances favorable to its growth into a great social movement capable of changing the course of history.

Unfortunately, it was wanting in faith; the conviction that man and society can progress and work towards a better future was missing. There was an almost inevitable inclination to alleviate present tensions rather than to stimulate the display of the creative energies of society. The Alliance originated in a deep slough of pessimism. It became more an effort to conceal poverty than a force to overcome it. More of a stop-gap solution than a formula to master time and history. This was not the fault of its intellectual fathers; it was the slant it gradually acquired when the basic idea was embedded in an organization with all its baggage of cumbersome detail.

Time flies so quickly that today we can already see the initial stages of the Alliance



in perspective.

Without wishing to theorize, we must admit that a one-sided emphasis on social investments without a similar emphasis on reproductive investment reduced the capacity of the former to stimulate economic expansion. In a state of near stagnation, a rich source was needed to feed the increases in demand that the expansion was to bring about. There was need of programs capable of putting idle resources to use, of awakening dormant energies and of spurring businessmen to action. If to these circumstances we add the placing of high initial demands on the pace of mobilization of internal savings, then we will understand one of the causes of the delays in the programs laid down. It was very reasonably stressed that development depended on self help; but the mistake was made of not planning a gradual strategy to secure it: To insist, from the beginning, on a substantial increase in savings, either voluntary or imposed through taxation, was to ask for one of the benefits of development before it had time to act upon the economy. And as if this were not enough, at the same time that the importance attached to social programs reflected the lively expectation of changes and improvements in living conditions, in other words, as the propensity of society to consume increased, every effort was made to encourage substantial increases in internal savings. To this end, constant and rigid proportions were imposed for the local contributions to financial aid and drastic fiscal reforms were demanded. The contradiction between these two policies poses one of the greatest obstacles to the Alliance. We insist on the acknowledgement that, in the last analysis, development can only be achieved by present sacrifice; but it is also fair to assert that its pace and scope should be scaled to the expected intensity of the incentives by which the society will be moved to accept it.

In a democratic society, the majority of the community as such must consent to save more or to pay higher taxes. Scaling the demand for such contributions to the degree to which that social acceptance is secured, and shaping development programs so as to obtain a climate of activity favorable to that acceptance, or at least to an understanding tolerance, is a strategy which was not considered during the initial stages of the Alliance.

Even if practical aid priority had been attached to purely economic investments, it would first have been necessary to set the growth process in motion before asking for appreciable sacrifices. Without that priority, that endeavor is not merely doomed to failure but is even damaging because it helps erode the will of the public to participate in the struggle against underdevelopment, an attitude which, essential to democratic society, is an indispensable component of the effort the Alliance involves. Nor was there understanding of human inertia or of resistance to change by the various social groups that would be affected by it. Social change had to be gradual if it was not to provoke conflict or a dangerous plunge into the unknown.

This is why, in my opinion, the Alliance should have been conceived as a program divided into two distinct states.

In the difficult opening stage, it would have seemed reasonable to grant more foreign aid, with a local contribution that at first would be minimal, and later gradually increased. The investment program and, therefore, foreign aid should have tried for a combination of economic and social investments more likely to generate rapid increases in the national product and stimulate the whole economy while at the same time reinforcing the desire for progress and social change. Tax reforms and other social reforms could then have followed at the same pace with rising incomes.

During the second stage, with the economy already advancing and institutional and other obstacles to the execution of social programs removed; increasing responsibilities could have been demanded from internal savings, to induce a gradual relative reduction in external financing. This would have led into the stage of consolidation of reforms in all areas and of vigorous encouragement to social programs.

In our opinion, the implementation of policies such as I have suggested, would have encountered far fewer problems as to the absorption of capital than those pursued during the first years of the Alliance. Obviously if the countries and the financial institutions would have had to be more clearly aware of economic priorities, there would have been need of greater and more flexible technical assistance effort and more imaginative financing policies. For example, the possibilities of local contribution would have increased substantially and balance of payments problems would have been mitigated if when the Alliance for Progress was launched the creditor countries and institutions had sponsored consolidation of the foreign debts of debtor countries, thereby releasing internal resources for investment programs. I will mention as an example that the external public debt of Latin America at the close of 1962 was approximately \$10 billion of which close to half was to be paid between 1963 and 1965, thereby draining off financial resources needed for economic investment to service this debt.

The foregoing summary analysis is not to be interpreted as a cold blooded adverse criticism of the Alliance. Rather it should be understood as a statement of faith in its importance and as an expression of the desire to see it become what it should be, an inspiring historical movement.

Now that we are engaged in a review of the Alliance it is time to look at its shortcomings as the result not only of organizational flaws but also of errors in its conception. The need of multilateralizing the Alliance has already been mentioned and the first steps in this direction have been taken with the establishment of CIAP.

We should also tackle its conceptual weaknesses in the strategy chosen for the development policy, because from these changes may come what we so badly need to stir our peoples to a desire for progress: the awareness, more than the idea, of impact.

If we do not keep an open-minded willingness to accept and learn from constructive criticism, the fate of the Alliance may well be a listlessness tantamount to failure to solve the problems of development. It is beset by avowed and unwitting enemies. Besides the political groups who want to see it collapse so that they may impose their own sterile philosophy of society upon a despairing people, the Alliance is undermined by the selfishness and the blindness of those for whom liberty is a gift to which they are entitled by nature, and not a privilege to be won by devotion to just causes and self-sacrifice. In other sectors the Alliance is misunderstood; if not despised. Some accept it merely as a way to gain time in the cold war and others as just another plank in a political platform.

We are now undergoing a dangerous phase of discouragement; the cut in foreign aid voted by the United States Congress is proof of this. It is time to reaffirm the pure and lofty concept of inter-American cooperation for development which was conceived in the minds of the Hemisphere and born as the Alliance, to which President Kennedy brought his presence as a thinker and a just individual. The Alliance is not merely another episode in the cold war, it is not a modern version of biblical charity either. It is an immense social task, historically new, in which the will and action of the peoples of America are combined to create the economic basis for a society where material progress, respect for freedom and for the dignity of men are all possible at the same time.

I hope that this revolutionary concept of inter-American cooperation will not be bogged down in the internal politics of our countries and that, on the contrary, it will continue to be inspired by John F. Kennedy, that great human leader whose brilliant ideas shaped the spirit of the Alliance.

There is proof that the peoples of America are capable of fulfilling this task. Among the more evident is the Inter-American Development Bank. It is not for me to describe its work or analyze its results. I shall simply sum up in a few phrases all the hope that we, who are responsible for the development of our countries, have placed in it.

Those of us who have watched the trends in international cooperation in the last decade closely, have seen how a dream slowly took shape until it became a living reality. The action of the Inter-American Development Bank has become a sort of symbol to everyone of what can be obtained, even in such a delicate and changing field as that of international relations in the economic and social field. Today the

Bank is in full operation; it rapidly outgrew its formative stage and is now a positive reality both as a financial institution and a leading influence in inter-American co-operation.

But maturity does not mean rigidity. Those of us familiar with the spirit of the Bank know that it has all the necessary vitality to maintain a constant self-criticism and the necessary flexibility. The human qualities of its President and those who share the responsibility for the management and operation of the Bank, make us feel confident that it will not lose this alertness.

If we consider the work carried out by the IDB during 1963, we can see that the Bank has increased its activities considerably, using both its own funds as well as those of the Social Progress Trust Fund.

The increase in the operations this last year shows that the IDB fulfills its mission as a promotion and investment bank and at the same time efficiently helps in the capitalization of Latin America. These loans finance 36 per cent of the total cost of the projects they are assisting, while domestic resources from each country put up the remaining 64 per cent. Though it is true that this effort might seem high for the countries in view of what has been said before, it is a fact that the IDB is adhering to the Punta del Este Charter and the conditions set out for the utilization of the funds of the Alliance.

The evolution of the operating policy of the Bank has been such that a balance is taking shape between social and economic investments. To achieve this, the Bank has had to attach greater importance to investments of an economic nature during the past year. It is hoped that the IDB will maintain this balanced credit policy advocated by some of the Governors at previous meetings.

Also with regard to the Bank's operation, it is worthwhile to mention the work done by the IDB to encourage private enterprise and capital formation in that sector. Fifty-five per cent of the approved loans to be financed by the Bank's own resources is channeled towards the public sector and 45 per cent is financing private enterprise projects, on the condition that the proceeds shall be re-loaned both to the large enterprises as well as to medium and small ones through the official credit institutions of each country. The catalytic effect of the loans granted by the Bank to financing and credit institutions is more important every day and doubtlessly will have great importance in the future.

The fact that in 1963 it has been possible to speed up the utilization of loans gives us great satisfaction, because the disbursements of the Bank during that year reached \$141 million, which is close to the total amount of the loans authorized during the year.

Technical assistance, as well as loans, is doubtlessly making a valuable contribution to economic and social progress. The Bank has been emphasizing this activity during 1963. While the technical assistance is taking shape it might be a good idea to ask the Bank to carefully evaluate the methods used. Hasty and superficial technical assistance should be avoided as far as possible, as it might wreck many worthwhile projects.

Even more important is the mobilization of foreign resources. The IDB has entered the world's markets successfully through the placement of its bonds with the guarantee of its callable capital and the sale of participations in Bank loans, which gives some idea of how it has consolidated its prestige and has earned a solid reputation and the confidence of financial communities thanks to a sound investment policy and to well conceived development plans for Latin America. While on the subject, we must mention the work carried out by the chief executive of the Bank, Dr. Felipe Herrera, and his able associates, who, through personal visits, have interested investors in contributing and have maintained the contacts so that this beneficial flow of foreign capital will continue.

In this way we are enlarging the circle of multilateral aid to the developing Latin American countries. One of the immediate results has been the creation of the Atlantic Community Development Group for Latin America (ADELA), in which private enterprise in the developing countries has direct participation, and the establishment of a multi-national investment company is fore cast for the near future, financed by the private sector which, jointly with Latin American private capital, will work for the development of the area.

In our work of increasing the resources of the Bank, we ought to pay special attention to the Argentine proposal which favors an enlargement of the operating capacity by means of a system which will facilitate technical and financial cooperation by through the contribution of additional resources by non-member countries.

Another new activity which is giving the Bank a chance to fulfill another of the tasks assigned to it in the Punta del Este Charter, is the financial participation in national development plans that the Latin American countries have prepared or are now preparing in order to channel investment efforts in accordance with established priorities and speed up their rate of growth. Last year Ecuador submitted its ten-year plan to the Panel of Nine and appointed the IDB as financial agent of the plan.

The President of the Bank has already said in speaking of integration "that the IDB is not only the Bank of the Alliance for Progress but also the Bank for Economic Integration." On our part, we ought to examine the meaning of this integration our Continent. We are at the beginning of this road; we knew beforehand about the obstacles and the difficulties, but there are shorter roads which lead to the

great avenue of total integration and the IDB is helping in the preparation of some of them.

Among the early landmarks are assistance in the creation of the Central American Bank for Economic Integration, which may be an example to the other countries in the area, and, more recently, in the financing of intra-regional exports of capital goods. To make the latter completely efficient and use its potential to the fullest, each of the countries should publicize this program so as to make it well known and obtain maximum benefit from it.

Insofar as this praiseworthy effort of integration is concerned, at the last meeting it was agreed to recommend that the Bank prepare studies on the financing of Latin American exports of basic commodities. The Bank has prepared a serious study on the subject which today has been put to consideration of this Meeting. The report states that financing is not generally a decisive obstacle in the exports of these products; nevertheless the same study points out other problems, as for instance the lack of financial integration in Latin America and the outdated methods used in trade in our continent, with the result that access to credit is hampered by intermediaries who are making it more costly, especially at the producer and small exporter levels.

We think that work should continue on other studies about these matters, among other things, on the old idea of establishing a Latin American financial common market through the development of banking relations in the area. The possible use of a pool of short-term resources in the financing of exports of basic commodities which, because of their very nature, are short-term operations, should be further studied, as well as the possibility of investing in highly liquid securities in the capital markets of Latin America.

The aforementioned study clearly points out the real and tragic problems of Latin America's trade with the rest of the world, which are also the problems of all the poor countries. We are sure that at the Conference on Trade and Development which is taking place in Geneva, the IDB will adopt an expectant attitude vis-a-vis the solutions that might be arrived at there, because they are directly concerned with the work of the IDB.

In the name of the Governors I would like, in closing, to pay tribute to Panama, the youngest nation in our Latin America, and especially to its proud and generous population which keeps alive its hopes for a better future. In particular, I should like to express the hope that, as a result of this important Meeting, the Bank will come out strengthened and faith in positive inter-American cooperation will be reaffirmed.

Address by His Excellency Roberto F. Chiari,  
President of the Republic of Panama,  
at the Inaugural Session

Panama is highly honored to serve as host for the Fifth Meeting of the Board of Governors of the Inter-American Development Bank now initiating its activities at this opening session.

On behalf of the Panamanian people and of the national government I represent, I bid you a warm welcome, extend a cordial and fraternal greeting to you and express our hope that these few days during which you grace our company will be memorable ones for us all. Gentlemen, consider this your home.

The fact is, gentlemen, that the present unfortunate situation is cause for grave concern. We cannot blindfold ourselves or stop our ears to cut off the sound of our destitute masses, who are fully justified in clamoring for relief from their inhuman living conditions.

The tragic shortage of housing, the appalling scarcity of schools, the diminutive size of farms from which to wrest daily sustenance, the absence of any proper health safeguards stand before us as implacable accusers.

And, if to this social drama we add the economic status of our developing nations, we will then arrive at a brutally clear concept of the situation confronting their governments and of the imperative need to act, and act quickly, if obsolescence is not to overtake programs based on extensive studies in every field, coordinating the resources of the private and public sectors towards clearly defined objectives, and consistently striving toward lofty goals that will fulfill the aspirations of the great masses for a better life. The efforts and aims that have found expression in our economic and social development programs cannot and should not be allowed to suffer the fate that has so far been theirs. Therefore, it is my opinion that at this Fifth Meeting of the Board of Governors of the Inter-American Development Bank a formula should be offered for the flexible and dynamic execution of these programs, once they have been examined and evaluated by the competent organizations.

This measure will determine the outcome of President Romulo Betancourt's admonition at the Fourth Meeting of the Board of Governors in Caracas, that Latin America's race against time will be won through development or lost through chaos; there can be no other outcome.

It is not my desire to cloud this delicate matter with skepticism, but my accustomed frankness obliges me at the very least to touch upon it in general terms, trusting that in its deliberations the Meeting will explore and define this situation, which I

consider extremely important to the success of the efforts demanded by the peoples of our developing countries, who await with growing impatience the adoption of practical measures that will produce prompt results and shed light and hope upon a region that has known only incredulity, despair and resentment.

It is my sincere belief that the Inter-American Development Bank is destined to play an increasingly important part in every aspect of development program financing. The progress achieved during its formative years in the execution of such programs has fully demonstrated its ability to discharge the unique mission entrusted to it by the Charter of Punta del Este.

In this connection, I attach particular importance to the Bank's prospects for expanding its operating capacity through the participation of other capital-exporting countries in contributing additional resources. From another standpoint it will also be interesting to learn of the experience of other regions which, like ours, are striving to emerge from their present state of underdevelopment. I am certain that the round table discussion on "Regional Organizations and Financial and Technical Cooperation for Development" to be held at the Fifth Meeting of the Board of Governors will supply a suitable background for the decisions to be taken, which we all hope will serve to strengthen our own regional agency.

The discussion of the Bank's decisions regarding the financing of Latin American exports of basic products will merit our eager attention because of the far-reaching implications of such financing for Latin American economic development programs. There is also lively curiosity in regard to plans for the Fund for Special Operations, its increased resources and its future relationships with other activities of the Bank.

To these brief remarks on the agenda items, must be added the questions to be dealt with in the round table discussions, which will undoubtedly be favorably received, in view of both their subject matter and the status of the speakers, who are recognized authorities in these economic matters.

To close, gentlemen, may I once again cordially welcome you and express my hope for the successful outcome of the sessions of this Fifth Meeting of the Board of Governors of the Bank, which is now officially opened.



**SECOND PLENARY SESSION**  
**APRIL 14, 1964**

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

Today, in this sister republic, we begin the work of the Fifth Regular Meeting of the Board of Governors of the Inter-American Development Bank. Upon commencing our work. I wish first of all to express the profound appreciation of the Board of Executive Directors and the personnel of the Bank for the friendly welcome given to us by the people and the Government of Panama.

After another period of assiduous work, we once again meet with our supreme authority, the Board of Governors, to report to it on the progress made by the Bank during the past year. We arrive at this meeting knowing that we now have an organization exerting great influence upon the economic and social development of Latin America. We know, also, that at this meeting we shall surely be in a position to write finis to the important first chapter of the establishment and growth of our institution and be able to plan new tasks on already clearly defined bases, inculcated as we are with four years of valuable and irreplaceable experience in attempting to establish and consolidate one of the most important economic and financial pillars of the inter-American system.

The Bank's annual report for 1963 has been submitted to the Governors. Moreover, in our capacity as administrator of the Social Progress Trust Fund, we have presented to our member countries a report on the Fund's activities during the past year.

I am sure that at this meeting, as at previous ones, the direct and frank expression of opinion by the Governors on the work of the Management of the Bank will also acquaint us with current concerns of the member countries of the institution, regarding their problems in the complex field of financing the implementation of their respective national development policies.

Within this framework, the Inter-American Bank has tried to give increasing attention to the problems of the Latin Communities. A valuable contribution to this aim has been the work of the members of our Board of Executive Directors, elected or re-elected a year ago in Caracas. I therefore wish to express to them my deep thanks for their devoted contribution to the work of the Bank, which with their qualifications as responsible administrators of a financial institution, they have been able to provide, at the same time that they perform their delicate duties as direct representatives of the member countries.

We believe, however, that existing systems for approaching our countries must be improved. In this connection, the Management of the Bank is progressively expanding and improving the organization of regional representations of the Bank in

the countries, as one way of achieving greater identification of the Bank with the concerns and problems of the nations of the Hemisphere.

**EXPANSION OF LOAN ACTIVITIES:** The Bank has maintained a vigorous pace in expanding its loans. Let us remember that in 1963, the Bank, through its various resources, financed 53 economic and social development projects, totaling \$258.7 million. Let us also remember that a year ago, that is, at the time of our Caracas Meeting, the total amount of the Bank's loans was \$727.1 million, and that as of today this total is \$963 million, representing an increase of more than 32 per cent.

As explained in our annual report, during the past years, the Bank, in its loan operations, has given greater emphasis to loans with ordinary funds, a policy which is explained by the relative decrease in 1963 of the resources of the Fund for Special Operations and the Social Progress Trust Fund. Recent increases in these funds will surely make it possible in 1964 for our placements to show a better balance between ordinary loans and those financed with the so-called "soft" funds.

**FIELDS OF OPERATION:** During the last period, the fields of operation of the Bank have been more clearly defined, in accordance with the guidelines followed since the beginning of our financing activities. In this respect, we should point out the predominance of our financing for the industrial and agricultural development of the Hemisphere.

During the past year, that is since April 13, 1963, the Bank assigned \$101.3 million from its own funds to the industrial sector, representing 39 per cent of the loans from those funds.

In the field of agricultural development, and during the same period, the Bank has made loans from its own funds amounting to \$101.5 million, which represents 39 per cent of all operations undertaken with these funds. Furthermore, in the last period, we have allocated about \$19 million from the Social Progress Trust Fund to loans for the rural sector.

Another important aspect of the Bank's operations has been the financing of infrastructure projects in the fields of electric power, transportation, water supply and sanitation, to all of which it has directed a substantial part of its own resources and those that the U. S. Government has entrusted to it for administration. In this respect, it might be mentioned that during the last year approximately \$62 million was assigned for this financing, representing more than 20 per cent of the loans by the Bank in that period.

We should also mention the vigorous impetus given during the last year to operations in connection with higher education. To date, we have made 13 loans totaling

\$20 million, which benefit more than 30 institutions of higher learning.

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In making an over-all analysis of the total loans made by the Bank from the beginning of its operations to date, both with its own funds and those of the Social Progress Trust Fund, it may be observed that it is broken down as follows: 29 per cent in loans for development of infrastructure in the fields of electric power, transportation, and water supply and sanitation services; a little more than 28 per cent for the agricultural sector; 22 per cent for industry; 18 per cent for housing; and a little more than 2 per cent for higher education.

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We believe it advisable to point out, however broadly, the scope of some of the projects financed by the Bank during 1963 within its various fields of operation.

-- With reference to industrial development, during the past year the Bank assisted in financing private industrial plants in Mexico, Argentina, Chile, and Paraguay, for manufacturing heavy machinery, chemical and petro-chemical products, chip-board, textiles, and cement, and for meat processing. At the same time, the Bank granted a loan in Peru to a private financing agency, which will channel the funds to small and medium industries. Similarly, we granted industrial financing through lines of credit to public development agencies in Brazil, Colombia, Costa Rica, Chile, Mexico, Peru and Uruguay, and the Central American Bank for Economic Intergration. Moreover, in the course of this year, the Bank continued to help in the rehabilitation of the mining industry in Bolivia; it granted financing to a government enterprise in Chile for the installation of a petroleum refinery and to another firm in Colombia for the establishment of a chemical plant.

-- With reference to the agricultural sector, the loans authorized by the Bank this last year will help to finance important irrigation projects in Mexico, Panama, and Peru; a program for introducing technological skills and mechanization into agriculture in Argentina; and programs for agricultural development, settlement and agricultural credit in Bolivia, Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Nicaragua, Uruguay and Venezuela.

-- The loans granted by the Bank this past year for the development of Mexican agriculture are good examples of the scope of our activities in this field. In effect, one of these loans is helping to provide irrigation for more than 75,000 hectares and to bring under cultivation 30,000 additional hectares in the northeast region of the country ("Humaya" Project). Through another operation, which included two loans--one from ordinary capital and the other from the Social Progress Trust

Fund--we are cooperating in a settlement and agricultural development project in southeast Mexico, to bring another 72, 000 hectares under cultivation (Project "El Limon"). Also, a loan has been granted for undertaking pre-investment studies, principally in the fields of irrigation, agricultural development and transportation, within the development program for the Lerma-Chapala-Santiago basin, which includes the most densely populated areas of the country.

The two irrigation projects in Peru being assisted by the Bank through loans granted this past year are being undertaken by private firms and are intended to irrigate more than 34, 000 hectares of dry land in the coastal area of the country. These lands will be sub-divided and sold to new settlers who will be assisted financially and technically by the official agencies responsible for implementing the agrarian reform program.

- -Funds obligated by the Bank for basic infrastructure facilities in the period ending with this meeting will contribute to the installation or expansion of electric power plants and their respective distribution lines in Brazil, Guatemala, and Paraguay, aggregating an increase of 1, 270, 000 kilowatts in generating capacity.

In the transportation sector, funds provided by the Inter-American Development Bank in the last period will help to finance the construction of farm-to-market roads in Honduras and Costa Rica and to prepare feasibility studies for a highway between Penonome and the port of Colon in Panama and for the Jungle Highway, designed to open large expanses of land to settlement in the high Amazonian plain in Ecuador, Colombia, Peru and Bolivia. Also, a loan granted at the end of 1963 will help in the expansion and mechanization of the port of Buenaventura in Colombia.

- -The loans granted for furnishing basic sanitation facilities, through the establishment or extension of water supply and sewage systems, were assigned to projects in Brazil, Chile, Ecuador, Haiti, Honduras and Peru. These works will benefit such important cities as Santiago (Chile), Porto Alegre, Belem, Tegucigalpa, Port-au-Prince and almost 500 small and medium-sized urban and rural communities in Chile, Peru and Ecuador. Furthermore, in 1963, the Bank granted technical assistance loans for drawing up similar projects in the capital of Nicaragua and in various medium-sized towns in Costa Rica.

I should also mention that a part of the funds that we have placed at the disposal of the Central American Bank for Economic Intergration is intended to finance regional infrastructure projects with a view to expediting the integration process.

- -Projects financed by the Bank in the housing field during the past year will involve the construction of about 30, 000 houses for low-income families in Bolivia,

Chile and Mexico. Along with a loan from AID, the loan granted to Mexico is helping to finance a construction program calling for 42,000 houses, for the financing of which, the Government of Mexico has established various systems designed to stimulate the mobilization of internal funds for financing the program.

Finally, loans granted last year for higher education and advanced training will make it possible to establish basic science institutes in the Universities of Quito and Guayaquil in Ecuador; to expand and improve the teaching of these sciences in the University of Oriente in Venezuela; and to put similar projects into effect in the Technological Institute of Bolivia and the National University of Colombia, and as part of the national program in Brazil.

With reference to our operating policies, it is interesting to note the significant use made of national development agencies to channel the Bank's funds toward the activities of small and medium enterprises. During the past year, the Bank granted over-all loans for these purposes, amounting to about \$100 million, to development banks and similar agencies in the area. In this way, the funds allocated to date to agencies of this nature amount to more than \$230 million, which is undoubtedly an important contribution to the national or regional systems financing Latin America's development. Actually, all the Latin American member countries of the Bank have received financial and technical assistance to strengthen their national development agencies. This policy, perhaps one of the most characteristic within the operating framework of the Bank, has made it possible to extend external financing for activities, particularly in the agricultural and industrial sectors, which until a few years ago had received only minor help from international public financing sources.

The policy of strengthening the system of public and private development institutes in Latin America has made the Bank an important center of financial and technical cooperation for more than fifty different agencies. In this connection, we cooperated with great interest in the initiative taken by the Venezuelan Development Corporation to promote an international meeting of development financing agencies. In turn, the Bank has scheduled a first Latin American meeting of these agencies which will be held at our Washington headquarters at the end of this year. Undoubtedly, that meeting will result in greater institutionalization of our activities with reference to assisting and coordinating regional institutes for financing development.

The channeling of funds toward the activities of private enterprise in Latin America, in the form of direct or indirect loans, has continued to be one of the basic elements of our operating policies. We need only recall that since our last annual meeting, the Bank assigned funds amounting to \$121 million to the private sector of the Hemisphere, which figure raises our total financing to the Latin

American private sector to more than \$300 million.

In the past year, the Bank has devoted considerable effort to seeking out and promoting the best contacts with organized groups of Latin American businessmen, as well as cooperating with them, not only in their search for methods that will give them freer access to our activities, but also in their relations with the private sectors of the developed countries. The Bank, usually represented by its Executive Vice President, has taken part in many meetings and other events with this aim in view. Special meetings of businessmen have also been held under our sponsorship for the purpose of clarifying factors that enter into the mobilization of private, national and foreign funds.

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In examining the sectoral orientations of our operating policies, I think that we can recall with great satisfaction the opinions authoritatively expressed by Mr. George Woods, President of the World Bank. Mr. Woods has repeatedly said that the World Bank has reached the conclusion that, after the vast effort achieved in the field of infrastructure, it is now essential to direct its activities toward agriculture, the industrialization of the developing countries, the strengthening of their national development agencies, education and technical assistance. These are precisely the fields with which the Inter-American Development Bank has been basically concerned since it began operations.

UTILIZATION OF FUNDS: Perhaps one of the outstanding events of the year which ends with this Meeting, has been the rapid increase in the utilization of funds made available to the member countries. We should bear in mind that, in accordance with the intrinsic conditions attached to loans to be used for development purposes, the disbursements during the first stages of the Bank's activities could not keep pace with the expanding loan operations. At the time critics and impatient observers made an issue of the situation, forgetting that perhaps the mobilization of resources did not depend solely on the ability of the Bank and its debtors but basically on the gradual utilization inherent in investment projects of the type financed by the Bank. As expected, our rate of disbursement has led to a highly favorable ratio between utilization and loans.

A year ago the disbursements of the Bank reached \$115 million and today they surpass \$260 million; in other words, this signifies a 125 per cent increase which obviously is a higher rate than the increase in loan authorizations.

It might be of interest to mention some ratios indicating the sectors that account for most of our funds. As of March 31 we had disbursed 40 per cent of all authorized loans to the industrial sector, 33 per cent of housing loans, 31 per cent of

sanitation loans, and 21 per cent to the agricultural sector.

The rise in the Bank's disbursement rate is clearly reflected in the year-end financial statements, which show how our organization is coming to depend more and more on the interest earned by its loans rather than on its temporary investments.

The current rate of the Bank's disbursements indicates that their amount during the current year will surely rise to more than two-thirds of the annual average of loan authorizations. A comparison of this record with that of agencies performing functions analogous to ours is very favorable. It shows that the Bank and its borrowers are doing increasingly better work in the physical execution of projects. In addition to having improved its own internal procedures, the Bank, together with its beneficiaries, has made notable progress in perfecting its administrative and accounting systems, with the result that our funds are put to faster and more effective use.

**PHYSICAL EXECUTION OF PROJECTS:** Our satisfaction with the rising use of the Bank's resources is obviously not due merely to arithmetical or statistical reasons. The figures I have given express in financial terms what can also be seen in the physical progress being made in the works in which we are participating. In fact, though scarcely 3-1/2 years have elapsed since we first opened our doors, 15 new industrial plants have already been put into operation, and work is going forward in the expansion of 7 existing and in the installation of 14 new plants.

It may further be mentioned that 748 sub-loans have been made to date, under the credit lines extended to national development agencies; to medium and small-scale entrepreneurs for industrial purposes.

Under the housing programs financed by the Bank, beneficiary families have already come into possession of 43,000 units housing more than 250,000 low-income Latin Americans, an additional 60,000 units are under construction, and it is expected that by the time the projects for which we have provided financing have been completed, that is, before the end of 1966, a total of 210,000 units will have been built to house more than 1.3 million persons.

Furthermore, 240 water and sewage systems have already been installed in more than 210 cities and towns for the service of close to 1 million persons. Works of this nature are currently going forward in 1,400 localities throughout the Continent and it is expected that, by the time all the undertakings in this sector which we have provided financing have been completed, our Bank's contribution will have made possible the installation of new or the expansion of existing services benefiting more than 22 million persons.



Resources made available in our member countries have been utilized to finance facilities for the irrigation of 250,000 hectares, and other works are underway to prepare more than 110,000 hectares for cultivation. At the same time, 13 access road projects are already in execution in several rural areas throughout the Continent, and the resources placed at disposal under global loans for the agricultural sector have made possible the granting of more than 50,000 sub-loans to small and medium-scale farmers. It is estimated that the operations authorized for agricultural development in Latin America will directly benefit not less than 1.4 million rural inhabitants and will increase the yield from more than 1 million hectares, thereby raising the incomes of the farmers who till them.

As regards power projects, works are going forward that will enlarge generating capacity by 1,534,000 kilowatts, approximately 4,800 kilometers in new transmission lines are being added to existing networks, and distributing systems are being constructed or improved in 70 localities.

**TECHNICAL ASSISTANCE ACTIVITIES:** In Caracas a year ago we said that the Bank was becoming not only a fundamental source of financing for Latin America, but also one of the most important suppliers of technical assistance. During the course of this last period we have continued actively to fulfill this mandate of our Charter.

In fact, whereas up to December 31, 1962, the Bank had authorized a total of 141 technical assistance operations aggregating \$14.4 million, by March 31 of this year 252 operations aggregating approximately \$24 million had been carried out; this means that, during the last 15 months, the number of operations has increased 78 per cent and the total amount authorized 66 per cent.

Out of all our technical assistance operations, approximately \$17 million refer to operations conducted with the Bank's own resources and about \$7 million to authorizations under the Social Progress Trust Fund. Furthermore, 66 per cent of that total amount has been provided in form of reimbursable and 34 per cent in the form of non-reimbursable technical assistance.

As for our loan operations, the fields towards which our technical assistance activities are to be aimed have come to be more clearly defined during the last period, as follows:

a. Between December 31, 1962, and March 31 of the current year, the Bank allocated about \$4.9 million for purposes of economic programming and feasibility and pre-investment studies. Thus, the resources assigned by the Bank for those purposes has reached a total of \$13.4 million, with this field absorbing the preponderant share (56 per cent) of the Bank's technical assistance activities.

b. The Bank has continued to stress the rendering of technical assistance for agricultural development and improved land use and tenure, an area in which we have so far invested approximately \$3.5 million (14 per cent).

c. Training programs for Latin American specialists in economic and social development projects and programs also acquired special importance in 1963. In this area with a cumulative investment of about \$2.2 million or 9 per cent of all technical assistance appropriations, \$1.4 million was invested during the past 15 months.

d. Another important group of activities refers to the institution, extension and improvement of the operating practices of development banks agencies in Latin America. By March 31, 1964, about \$1.5 million, or 6 per cent of the total invested in this general field, had been allocated for these activities. An important part of the training activities engaged in by the Bank consists in the courses offered for officers of the national development agencies in the Latin American countries.

e. Operations approved for the preparation and execution of housing projects and programs have also been significant. This field has so far absorbed about \$1.3 million, or also close to 6 per cent of the total technical assistance investment.

f. We may also mention the technical assistance provided for purposes relating to basic sanitation projects and programs, to which close to \$1 million has been allocated.

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One technical assistance activity that I would like to emphasize particularly at this time refers to the nature of the training programs in which we are participating.

To begin with, I should mention the internal training programs being conducted at the Bank's headquarters to train officials from our member countries in matters relating to the organization, operation and policies of the Bank and of other international financing agencies. Two such programs were conducted during 1963 and were attended by 43 officers of 37 agencies in 18 countries of the Continent.

During 1963 the Bank continued the so-called National Courses for Development Agencies, which are conducted in Latin American countries for officers from development agencies to which we have extended global credit lines. That year the Bank organized four national courses, in Honduras, Paraguay, Nicaragua and Ecuador, at which 157 officers from 18 financial institutions received training.

In collaboration with the Center for Latin American Monetary Studies (CEMLA), last year the Bank conducted two courses under the IDB-CEMLA Training Program

for the training of officials from Latin American development agencies in the techniques of project preparation and evaluation, in the structure and organization of development institutions and in other financial aspects of economic development. These courses, which are offered in Mexico City, were attended during 1963 by 70 officials from member countries.

Parallel to all these activities, the Bank continued its collaboration with other international agencies in the organization of training programs in agrarian reform, farm credit, economic and social programming, housing and other aspects of economic and social development.

More than 350 persons attended the various training course conducted by our institution during 1963, raising the number of Latin American experts and functionaries whom the Bank has helped train to more than one thousand in slightly more than three years.

While I am on this subject I would also like to recall that, in keeping with the aim of adopting measures aimed at the training of administrative experts for development, during the past period the Bank allocated more than \$600,000 to the Getulio Vargas Foundation and to the Latin American Faculty of Social Sciences (FLACSO) for the establishment of two post-graduate schools of administration.

Under the policies pursued by our institution in the technical assistance field, I think it useful to point out that these activities have been financed out of the profits from the Fund for Special Operations. Since this Fund is so small, the Bank has tended preferentially towards the rendering of reimbursable technical assistance, while limiting grants or subsidies to special cases.

**INCREASE IN RESOURCES:** The concern of the Governors, Board of Executive Directors and of the Bank's Management to enlarge the financial capabilities of the institution so as to sustain an appropriate pace of loan and technical activities has been constructively dealt with during the last period.

The increases in the authorized ordinary capital and in the Fund for Special Operations, recommended by the Board of Governors in April 1963, became effective on January 28, 1964, as a result of the legal and administrative measures adopted by practically all the member countries of the institution. Furthermore, on February 17, 1964, the Bank and the United States Government signed a Protocol which has added \$131 million to the Social Progress Trust Fund administered by the Bank.

Consequently, the financial structure of the Bank has been appreciably expanded in the last few months. The total ordinary authorized capital has been increased from

\$850 million to \$2,150 million; the resources authorized for the Fund for Special Operations have been augmented from \$146,316,000 to \$219,474,000; and the Social Progress Trust Fund has grown from \$394 million to \$525 million.

It is well to point out that the increase in the authorized ordinary capital includes \$300 million to allow the eventual subscription of capital by countries in the Western Hemisphere which decide to join the Organization of American States and which subsequently become members of our institution.

Within its institutional and operational framework, the Bank during the past years continued its policy of augmenting its funds with resources obtained from the financial markets. Our two bond issues, floated in the United States and Italy in 1962 and totaling \$99.2 million, have been supplemented by a new issue subscribed on March 23 of this year on the United States market for \$50 million at 20-year terms, 4.5 per cent and at par by a syndicate of 102 banks and investment firms headed by Lehman Brothers, Blyth & Co. and Lazard Freres & Co. This new issue once again confirms the solid position attained by the Inter-American Bank.

The Bank has continued selling participations in the early maturities of its loans. As you know, these obligations are transferred without the guarantee of the Bank, that is, they are taken up exclusively on their own merits. The sale of participations underwent a notable increase during 1963. From a total of \$7.7 million on December 31, 1962, these operations rose to \$15.1 million by the close of 1963. At the same time, the number of commercial banks participating in these operations went up appreciably: 37 banks (28 in the United States and 9 in Europe) had taken up our participations by December 31, 1962; exactly one year later this total had risen to 52 banks, of which 38 were in the United States, 12 in Europe and 2 in Canada.

These figures show that, within a relatively short time, the Bank has been able to acquire resources amounting to more than \$164 million on the international capital markets.

Also, during the period closing with this Meeting, the United Nations Special Fund for the first time took up participations in several of our loans both from our ordinary resources and from the Fund for Special Operations; these participations total about \$3,200,000.

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We remember that, when the Bank began its operations three and a half years ago, its total resources did not exceed \$150 million. Today, the Bank's own cash assets amount to \$707 million, made up of contributions from the member countries

to its ordinary capital resources and its Fund for Special Operations, funds obtained on the capital markets and the proceeds of the sale of participations in the early maturities of our loans. If to this we add the two contributions of the United States Government to the Social Progress Trust Fund, we arrive at a total of \$1,222 million in accumulated financial availabilities, with which we have pursued our ever expanding economic and social investment policy.

Let us briefly review the situation of the funds that will be available to the Bank for future lending purposes. To this end, we must distinguish between our ordinary capital, with which we finance strictly bankable economic development loans, and the Fund for Special Operations and Social Progress Trust Fund, with which we finance operations generally referred to as "soft."

Regarding the resources of the first type, we must take into account the current cash availabilities of the Bank, future sales of participations in the early maturities of our loans, repayments under our loans (which have already begun) and in particular, future bond issues placed on the capital markets. The Bank will come to rely more and more on transactions of the latter type for obtaining needed resources.

It is that circumstance which has imparted such overriding importance to the recently approved increase in our callable capital and particularly the highly important new subscription undertaken by the United States Government. In the light of our operational decisions and experience, analogous as it is to that of other international financing agencies, the subscribed quotas to that callable capital allow us to forecast a pace of ordinary loan operations through 1967 similar to that sustained thus far.

There are factors, however, which restrict our possibilities of obtaining funds in capital-exporting centers. For a variety of reasons too complex to analyze here, the European capital markets are themselves small and limited for international bond issues, although it is fair to acknowledge that there are indications that they are becoming broader and more flexible. However, the cost of issues there is notably higher than in the United States and, besides, in Europe we do not enjoy administrative and tax privileges and exemptions that would afford us conditions comparable to those which apply to the issues of the agencies in which the countries of that continent are members, such as the World Bank or the European Investment Bank. In the Development Assistance Committee (DAC) of the OECD we have outlined the need for treatment equal with that enjoyed by those financial agencies, toward which end we are negotiating in several countries.

We have weighed the need to pay a higher price for money on the European markets against the advisability of increasing our available resources and against the need

of diversifying our sources of funds. The clear directives of our Board of Governors and of other political and economic authorities within the inter-American system have led us to the conclusion that an effort must be made to open those markets to Latin America. It was this very conviction which motivated our first bond issue in Italy, which we hope to supplement in the near future with bond issues floated in other European countries.

The policy of the Bank's Board of Executive Directors of passing the higher cost of money obtained on the European financial markets to the ultimate users of those funds appears well advised; on loans which the Bank has made in Italian lire, we have charged a special fee of 1 per cent.

The restrictions which the United States Government has been moved by an unfavorable balance-of-payments situation to impose on foreign bond issues floated on its markets do not affect those of international agencies such as ours. Furthermore, reports for the last period show that these deficit trends are being overcome.

Those who fear that transactions such as ours can affect the United States balance of payments situation may well be reminded that a sizeable percentage of the funds obtained by the Bank flow back into the economic and financial system of the United States as bank deposits, short-term investments, and through purchases by our borrowers from United States suppliers.

The Bank has been able to replenish its "soft" resources with the recently authorized increases in the Fund for Special Operations and the new United States Government appropriation to the Social Progress Trust Fund. Our member countries are already paying their installments for the first of these funds and we are confident that--as has occurred on other occasions--all the member countries will have fulfilled their commitments by the closing date for their obligation (April 28 of this year).

Last February 17 we joined with the United States Government in signing a Protocol under which a second quota of \$131 million was transferred to the Inter-American Development Bank for administration on the terms currently applying to operations under the Social Progress Trust Fund.

We believe that, with these additional "soft" resources, the Bank will be able to sustain a satisfactory pace of loan operations of this kind for a period which we may tentatively project to mid-1965. If it is found desirable that the Bank maintain its capacity to engage in "soft" loan operations beyond the first half of next year, we will very soon have to be provided with new funds. The Governors are acquainted with the proposals put to our Board of Executive Directors by the governments of Brazil and the United States. It is our hope that this Meeting will act on those pro-

posals and adopt such resolutions as it deems suitable to deal with this important subject.

Both proposals advocate a merger of the Fund for Special Operations with the Social Progress Trust Fund. In the light of our experience, the Management of the Bank believes that such a merger would simplify the structure of our organization and impart greater flexibility to its operational policies.

The Bank hopes to consolidate its activities as financial agency in the field of operations carried out with its "hard" resources; however, we would be overlooking the present realities of Latin American financing if we did not reassert the urgent need for additional funds that can be offered to our member countries on conditions more flexible than those available for "hard" resources.

We should not forget the situation of foreign exchange indebtedness through which Latin America is passing. The region's foreign indebtedness almost doubled between 1957 and 1963, from \$4,964 million to \$9,547 million. In 1964 Latin America will have to allocate close to 17 per cent of the value of its exports to the service of its obligations; in several countries this figure, which five or six years ago did not exceed 7 or 8 per cent, now stands at more than 25 or 30 per cent, and in one country has even soared beyond 50 per cent.

We feel that in its "soft" operations the Bank should continue its policies to date which have shown themselves to be sound: longer terms and lower interest rates than those used for operations with ordinary capital, possible repayment of loans in local currencies, and flexible financing of local costs in foreign exchange. The very nature of the projects financed by such loans--primarily social investments with a high component of local costs--justify these more flexible procedures.

**FINANCIAL AND ADMINISTRATIVE ACTIVITIES:** I believe we should underline the net surplus in the Bank's own resources for the 1963 fiscal period. After deducting the corresponding administrative costs, net income from ordinary capital resources and the Fund for Special Operations, which amounted to \$4,076,872 during the 1962 period, increased to \$4,798,878 in 1963. It should be noted that the surplus from the Fund for Special Operations, pursuant to the provisions of our Charter and to the policy established by our Board of Directors, has been used in full to finance the costs of non-reimbursable technical assistance granted by the Bank.

Ordinary capital surplus has been allocated to strengthen the general reserve position. This reserve, which included the special statutory reserve, amounted to \$7,737,942 on December 31, 1963.

At the end of the last period, the financial statements of the Social Progress Trust Fund showed a net deficit of \$1,892,914. In this connection, it must be kept in mind that the Bank is not able to obtain returns by short-term investments of these funds, since these resources are only available for disbursement as loans. These financial statements are also closely related to the policy of charging a special low interest rate on loan operations, as established by the United States Government and our Board of Directors. However, in accordance with the past rate of disbursement of these resources, surpluses can be predicted for 1964.

The Bank's portfolio shows no defaults on the service of loans granted; this is a clear indication of the solidity of our operations in the various fields of investment in which we are participating.

The 1963 period has also been most favorable in various aspects relating to the Bank's administrative progress. In this connection I would like to emphasize the significance to the Bank of its acquisition of our headquarters building in Washington, a decision that will improve the efficiency of the staff and our services to the member countries.

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It is obvious that the operational, financial and administrative results shown by the Inter-American Development Bank during 1963 expressed the dedication of its entire staff in the service of the complex and delicate tasks entrusted to them. For this reason, I take pleasure in repeating on this important occasion, before the representatives of our member countries, the appreciation of the Board of Directors and the President for the decisive collaboration of our personnel which has successfully maintained the efficiency and prestige of the Bank in its many aspects.

8. COOPERATION BY NON-MEMBER COUNTRIES: During the past year, the Bank has continued its activities designed to broaden the possibilities of financial and technical cooperation by developed countries that do not belong to our organization.

In this respect, I would like to mention the bond issue in Italy, the sale of loan participations to European and Canadian commercial banks, and the funds entrusted to the Bank by the Government of West Germany for operations in Bolivia (mining rehabilitation and pre-investment) and by the Inter-Governmental Committee for European Migration to establish settlements in Brazil. Mention should also be made of our support for the formation of ADELA since preliminary measures were adopted in 1963; this private financing corporation composed of companies and banks in Europe, the United States and Japan will provide venture capital (equity) in Latin American development projects.



Also in the last period, parallel financing operations were promoted by the Bank with participation by European and Canadian resources. An example of this type is the operation undertaken with the National Electricity Authority of Paraguay (ANDE) to finance the Acaray River hydroelectric project which, in addition to a loan of \$14.2 million from the Bank, includes a parallel financing commitment of \$8.7 million from the member countries of the European Economic Community.

The Governors are aware of the sustained efforts of the Bank's Management to secure not only a broader understanding of our agency in Europe, but also a better comprehension of general Latin American economic relations with that continent. Positive preliminary steps have been taken in recent months in the capital markets of France, Germany, Switzerland and England. At the same time, we have also made substantial progress in discussing and exploring the prospects for setting up European public funds for administration by the Inter-American Development Bank. In like manner, we might mention various proposals for associations of European businessmen who have on several public occasions stated that the Inter-American Development Bank is one of the channels best suited for mobilizing the resources of that continent toward Latin American economic development. We are confident that the diverse negotiations undertaken by the Bank and the high-level contacts with European Governments, intensified during the past year, will in the future lead to broader utilization of our operating mechanisms to channel European financial and technical cooperation to our region on a more dynamic basis.

In the course of the last annual period, we have also maintained active contacts with Canada, as illustrated not only by the sale of participations in our operations to commercial banks in that country, but also by negotiations to broaden formulas for parallel financing of projects presented to the Bank, part of whose cost can be absorbed on suitable terms by the official Canadian mechanisms responsible for promoting the placement of long-term capital goods. It is interesting to repeat the statement made by Mr. Paul Martin, the Canadian Minister of Foreign Relations, who, in announcing to the House of Commons the amplification of Canadian foreign aid programs last November, pointed out that one of the basic purposes of the new policy was to contribute more heavily to Latin American economic development, in close collaboration with the Inter-American Development Bank, through the formation of new sources of funds for lending purposes.

Within the context of this general orientation designed to broaden the Bank's sphere of activities, we note with special interest the proposal presented to this Meeting by the Governor for Argentina to the effect that the Board of Directors undertake a detailed study of the various alternatives for increasing cooperation offered to the Bank by non-member countries in an advanced stage of development.

THE BANK, THE NATIONAL DEVELOPMENT PROGRAMS AND INSTITUTIONAL REFORMS: We have, on various occasions, pointed out that within economic deve-

development proposals, planning efforts are a parallel, and in many cases a prerequisite, factor in financing. Therefore, in compliance with the provisions of the Charter of Punta del Este, the Bank has maintained close contacts with the work of its member countries in the preparation and formulation of national development programs and, subsequently, in the negotiations for financing these programs.

During the past year, the Bank participated actively, through the OAS-IDB-ECLA Tripartite Committee, in the preparation of development plans for Central America, Peru, Paraguay, Uruguay and the Dominican Republic, and at the same time collaborated directly with several other countries in establishing and strengthening their national planning agencies. In this connection, mention should also be made of our substantial financing, in cooperation with the United Nations Special Fund, of the Latin American Institute for Economic and Social Planning.

In October last year, we agreed with Ecuador to act as financial agent for its Ten-Year Development Plan for the purpose of mobilizing the required foreign resources. This initiative is similar to our continuing role since 1962 as financial agent of Bolivia's Short-Term Development Program and to our participation in the Financial Advisory Group--headed by the World Bank--for the General Economic and Social Development Plan of Colombia.

In this regard, I would like to emphasize that our work was considerably simplified by the implementation of the principles contained in the Charter of Punta del Este. Although many of the national programs have not yet been fully evaluated by the Panel of Nine, the very fact that our member countries bring to the Bank a clear concept of priority has facilitated our selection of projects. Such has been the experience of the Bank with respect to countries like Venezuela, Chile, Mexico, Honduras and Panama.

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The Bank has made an equally active contribution, within the basic guidelines of the Charter of Punta del Este, to the improvement of the institutional, administrative and fiscal systems of our member countries. Much of this work has been supplementary to the utilization of loans extended by the Bank from the Social Progress Trust Fund.

As set forth in the last annual report on our administration of that Fund, important progress has been made in the establishment of institutions and mechanisms responsible for mobilizing public and private savings for purposes of economic and social investment; in the strengthening of agencies relating to the administration of farm credit, land settlement and agrarian reform programs; in the support of agencies executing housing programs and the development of cooperatives and savings

and loan systems for housing purposes; in the formation and reorganization of national or regional agencies administering sanitation and water supply services, and in the reorganization of teaching and research in the fields of basic sciences and technology in various universities of the hemisphere.

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In connection with the Bank's activities within the framework of a development program, it is interesting to consider the specific case of Panama.

The total volume of resources obligated by the Bank in this country amounts to more than \$22 million. This figure represents one of the highest ratios between the amount loaned by the Bank and the population of the beneficiary country. The Bank's financial contribution over the last three years which also constitutes the heaviest flow of resources of all foreign financing sources operating in Panama, is designed to bring direct benefit to almost 20 per cent of the population by means of water supply services, housing, rural credit and irrigation works.

For development of the agricultural sector we have granted a loan for \$2.9 million to the Economic Development Institute (IFE) to help finance an extensive farm credit program. This operation, currently in full execution, has been accompanied by technical assistance provided to reorganize the IFE on the administrative and operational levels.

Again for the agricultural sector, the Bank's Board of Directors approved, a few days ago, a loan of \$8.5 million to finance an ambitious irrigation project to bring more than 20,000 hectares under cultivation in the central provinces by means of various installations utilizing the La Villa River. In addition, we are studying another operation to be channeled through the IFE in order to furnish low-interest, long-term credits to small-scale farmers throughout the country.

In the field of housing, to which Panama's development program also assigns special priority, we have already contributed to the construction of more than 2,600 houses, through a loan for \$7.6 million extended to the Institute for Housing and Urban Improvement (IVU) in August 1961. We have disbursed close to 90 per cent of this loan. The program, which calls for the construction of 3,000 units, will be completed in the near future. We recently initiated the study of a new housing project in order to continue our work in this area of social investment.

With respect to water supply, the Bank is participating in a program already in full execution through a loan for \$2.8 million granted to the National Water Supply and Sewage Institute (IDAAN) in 1962. Under this program, construction of water systems has already been completed in Penonome, Aguadulce, Pocri, Los Santos and

Las Tablas, while installations in Santiago are nearing completion and the La Chorrera treatment plant is well under way.

We have also participated in the work being carried out by the Government of Panama in the transportation sector, which already received a technical assistance loan of \$300,000 to finance technical and economic feasibility studies for a new highway to link the city of Penonome, capital of the Province of Coclé, to the port of Colon. This route will facilitate the marketing of products from the province of Coclé and also open up more than 40,000 hectares of good agricultural land which has been sparsely settled because of the lack of feeder roads.

In the industrial sector, we are studying an over-all loan to the National Bank in order to make resources available to small and medium entrepreneurs in this country. We are also initiating studies on possible technical and financial assistance to Panama in the field of higher education through a program designed to train specialists in economic and social development activities.

THE BANK AND LATIN AMERICAN INTEGRATION: During the past period, we have reaffirmed our philosophy and action as the Bank for Latin American Integration.

The resolution adopted at the last Meeting of the Board of Governors for the purpose of establishing a medium-term financing program for intra-regional exports of capital goods was implemented at the end of last year. To this end, the Board of Directors approved special regulations and assigned \$30 million to finance the program.

Within the last few days the Bank has approved four applications for lines of credit to Argentina, Brazil, Chile and Mexico for a total of \$11 million.

It is interesting to note that this is the first multinational system in the world designed to finance exports and, although it would be premature to attempt an evaluation of its results, we are convinced that, within the framework of arrangements by LAFTA and the Central American Common Market, the system adopted will provide broad benefits for the promotion of intra-regional trade. Our conviction is based on the Bank's painstaking preparation, in collaboration with our member countries, of the various aspects of that system, in which we have endeavored to apply standards which are not only flexible but also make it possible to utilize additional funds supplied by the financial markets.

As a subsequent step to the establishment of this program, the Bank has made various preliminary inquiries relating to a supplementary study of the conditions required for a regional system of export credit insurance. Consequently, we look

forward with great interest to any suggestions or guidelines on this point that may be presented to this Meeting by the Governors.

Among our operating mechanisms, we have during the last period particularly stressed industrial projects producing items for export to other Latin American countries and, at the same time, we have given special attention to the prospects for importation from other Latin American nations that might be generated by execution of some project or program. Application of this last criterion is responsible for the fact that 14 Latin American countries--Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela--are currently exporting to other nations in the region products and materials for the execution of projects financed by the Bank. The value of these exports already amounts to close to \$10 million and we are certain that the Bank's promotional activities in this field will cause this amount to increase very rapidly in the future.

Furthermore, in accordance with the limitations of our resources, we have tried to finance infrastructure projects designed to improve inter-communication systems among neighboring countries. We have undertaken such operations in Uruguay and Honduras and are studying similar projects in other countries.

In addition to assigning additional priority to projects on the national level designed to accelerate the integration process, we have stepped up our efforts to participate in the financing of multinational projects or programs. For this purpose, during the last year we extended a line of credit for \$6 million to the Central American Bank for Economic Integration, which has to date authorized nine industrial sub-loans totaling \$3 million from this source to promote regional integration.

The special technical assistance program for integration purposes which we initiated early in 1963 has made considerable progress and we have already committed more than \$726,000 to this end. We are actively contributing to pre-investment studies to improve infrastructure conditions facilitating and accelerating the integration movement. As noted previously, the Bank has cooperated with the Governments of Peru, Bolivia, Ecuador and Colombia in general studies on the "Jungle Highway" and is furnishing technical assistance to the Governments of Colombia and Venezuela in planning the over-all development of the border zones between those two countries.

In collaboration with FAO and ECLA, we are conducting a study on agricultural "inputs" with a view to analyzing how our supply of these agricultural commodities can satisfy growing regional demand. Through the OAS-IDB-ECLA Tripartite Mission we have been collaborating with the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA) on a study of the mobility of capital and labor within the Central American Common Market. In like

manner we are establishing the bases for other joint activities with ECLA and LAFTA and we have completed the initial steps for a study on integration prospects in various industrial areas in which eight Latin American research institutes and the Brookings Institution of the United States will participate.

I would like to announce at this time the preliminary measures adopted by the Inter-American Bank for establishment of a school or institute of advanced study on Latin American integration. Through this center, for which the Argentine Government has already offered a site in Buenos Aires, it will be possible to study, analyze and revise the economic, technical and institutional measures required to strengthen the process of Latin American integration. Participating in the courses and seminars will be high-level officers with direct responsibilities in this area.

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It is obvious that Latin America has recently taken very significant steps toward regional integration. However, we believe it necessary to speed up this process and to project our experiences toward the successful evolution of new phases. The progress achieved through the systems of LAFTA and the Central American Common Market should serve as a basis for developing a General Treaty of Latin American Economic Integration associating the two existing systems and also incorporating countries not now participating.

This treaty should not only establish formulas for free trade but also lay the groundwork for the formulation of policies and the creation of instruments in the fields of hemispheric economic planning; collective action in relation to trade policies--the first step in this area was the Declaration of Alta Gracia; coordination of monetary policies with a view to establishing a single monetary system; and, finally, regional financing. These measures should be accompanied by action to bolster the institutional framework of regional integration and our technical, cultural and scientific ties.

**THE BANK AND FOREIGN TRADE PROBLEMS:** By virtue of two resolutions of the Board of Governors meeting in Caracas, the Bank, in the past year has identified itself more closely with the problems of the Latin American countries regarding the world market situation of the hemisphere's basic commodity exports.

A group of Latin American experts, in cooperation with officers of the Bank, prepared a comprehensive report on the financing of exports of basic products, which was presented some weeks ago to the Governors and on which this meeting will certainly take action.

The Bank has followed with great interest the collective position of the Latin

American countries with respect to the World Conference on Trade and Development being held in Geneva. We are participating in that meeting with a view to lending our support to the countries of the Hemisphere and setting forth our experience as the financial organization of a region whose economy is affected by the weakness of its trade with the rest of the world. I arrived here directly from the Geneva Conference, where I had occasion to express the Bank's points of view on this problem.

The experience of our hemisphere has made it quite clear that the conditions of the international market for the products of the region have seriously limited the possibilities of internal financing in Latin America, which, because of its balance-of-payments difficulties, has substantially increased its indebtedness for the years immediately ahead, particularly as a result of short- and medium-term obligations. We also know that even though international public financing for Latin America has increased to an extraordinary degree in the past decade, this increase has only partly offset the negative effects of our trade with the rest of the world. It should be borne in mind that from 1948 to 1962 the value of Latin America's exports rose by only approximately 43 per cent while the value of world trade increased by almost 150 per cent.

I believe, however, that it would be erroneous to assume that the slow pace of development of our communities is simply an automatic reflection of our external trade conditions. It should be recognized that in many cases our internal financial policies have tended to aggravate the above problem to a dangerous extent and the solutions to our problems can largely be found in the formulation and implementation of balanced development policies that will strengthen internal savings and hasten the flow of financial resources from outside the area.

In recent months we have seen some encouraging improvements in the unfavorable conditions that have long been evident in our basic commodity trade. In 1963 several raw materials that are important export items for Latin America showed a favorable price trend on the international markets. Coffee (Santos No. 4), which had sold for 33-1/2 cents a pound at the end of 1962, rose to 49-3/4 cents by March 30 of the current year; in the same period, sugar increased from 6-1/2 to 7-1/2 cents a pound; wool, from \$1.30 a pound to \$1.45; copper, from 31 to 32 cents a pound; lead, from 10 to 13 cents a pound; zinc, from 11-1/2 to 13 cents a pound. and tin, from \$1.09 a pound to \$1.34. Although it would be premature to regard these increases as indications of a sustained trend they can, in any case, now be considered as a bright spot in our over-all economic picture.

I tend to agree with those who do not expect the Geneva Conference on Trade and Development to produce direct and immediate results leading to the solution of the complex problem of the relations between industrialized countries and developing

nations. However, having witnessed the manifestations of collective goodwill that prevail in Geneva among the 120 participating nations, representing many stages of progress and diverse political and social structures, I am certain that the Conference will represent a decisive step in the creation of a genuine international system for the orderly arrangement of world trade. I had occasion to observe the maturity and solidarity with which the developing countries presented their problems and discussed alternative solutions; also, I was able to sense a profound change in the attitude of many industrialized countries that are now showing awareness of the existence, in the contemporary world, of serious gaps between rich and poor countries.

Following the preparatory work embodied in the Declaration of Alta Gracia, Latin America finds itself admirably situated for presenting its problems. I also believe that our Hemisphere is in a better position than other underdeveloped areas of the world to take advantage of possible tariff concessions that several of the industrialized countries are prepared to allow on manufactured and semimanufactured imports without requiring a system of reciprocity.

As unanimously emphasized at the plenary sessions of the Conference, it is evident that the regional grouping of developing countries provides an effective formula for accelerating industrialization, expanding markets and strengthening the base of trade. I maintained at Geneva, however, that it is not sufficient to obtain tariff or trade concessions unless the regional groups have their own financial and promotional machinery to enable them to derive maximum benefit from those concessions.

**THE BANK AND MULTILATERALISM:** The past twelve months have seen the Bank strengthen its position within the general framework of regional organizations implementing the inter-American policy of the Alliance for Progress. The meeting of the Inter-American Economic and Social Council (IA-ECOSOC), held in Sao Paulo in the last part of 1963, contributed significantly to strengthening the multilateral philosophy that is demanded by our countries as a basic tenet of the Alliance and, in general, of all inter-American economic and social policy.

The establishment of the Inter-American Committee on the Alliance for Progress (CIAP) is the tangible expression of this philosophy. Both in the document establishing CIAP and in the early activities of the new agency, emphasis has been placed on the role of the Bank as the leading financing organization of the inter-American system, and we are assigned important technical advisory functions in matters relating to external financing in Latin America.

It is obvious that multilateral concepts have been assuming greater content and vitality in recent years, particularly in the financial field.



Perhaps the most noteworthy characteristic of the flow of resources to the underdeveloped nations in recent times has been the strengthening of multilateral forms of external financing. While the flow of bilateral funds from the developed countries to the rest of the world showed a decline from 1961 to 1962, the net disbursement of loans and grants from multilateral financial organizations more than doubled in the same period, reaching a level of close to \$1.4 billion, the highest ever attained by multilateral financing. In the case of Latin America, the flow of bilateral funds diminished between the same two years while multilateral funds increased by more than 100 per cent.

Multilateralism in financial relations is not only reflected on a broad international scale, particularly through the activities of the World Bank and its affiliated agencies, but also through the strengthening of the regional financial organizations. Together with the existing regional organizations such as the European Investment Bank, the Central American Bank for Economic Integration and our own Bank, there are others now being established or commencing operations, including the African Development Bank and the Bank for Economic Cooperation of the member countries of COMECON.

It was highly encouraging that the countries organizing the African Development Bank called upon us for technical cooperation. A similar request has recently been received from the Economic Commission for Asia and the Far East, which seeks our assistance in technical studies on the possibility of establishing a regional bank to finance development in that important region of the world.

The experience of our organization can be of the greatest significance for other areas of the developing world. That is why we believe that the round table on "Regional Organizations and Financial and Technical Cooperation" that is to take place during this Meeting will provide an interesting exchange between our own countries and other communities of the underdeveloped world.

**FINAL OBSERVATIONS:** This summary examination of the principal aspects of the Bank's activity in the past year, its operating experience over a period of four years and the various developments and trends that make up the pattern of external financing in Latin America today, affords us an opportunity to outline the basic tasks to which we must address our efforts in the next stage of our institutional life. The complex conditions prevailing in the financial world, together with the interdependence of economic and social trends in the various regions of the world and the difficulties which the development of Latin America is now facing, will no doubt continue to lead the Bank to project its activities and interests far beyond the traditional confines of an international public financial organization.

In the road we have traveled since 1960, we have gradually been able to distinguish

what might be termed the four dimensions of the Bank. We began our work by participating in the financing of specific economic development projects; subsequently, as a result of the guidelines established in the Act of Bogota, we were able to expand our field of operations by providing technical and financial assistance for social projects and programs; still later, particularly since the signing of the Charter of Punta del Este, we entered into a close relationship with the planning efforts of the member countries, and our financial operations were based on a broader view of the development process, and finally the activities of the Bank assumed a further dimension when we began to regard specific projects--both economic and social--as well as national programs, from the standpoint of integration.

We believe, gentlemen, that the Bank should now initiate, here in Panama, a new era of institutional consolidation and projection of its activities. The principal tasks for this period can be summarized as follows:

- -We should continue to improve our internal administrative organization to bring it increasingly into line with the complexity of our financial and technical functions and with the individual and collective interests of our member countries.
- -The Bank must attempt to strengthen its financial structure by replenishing its own funds and those entrusted to it for administration. In this connection, it is essential that we intensify our activities in the various capital markets and that we be ready to serve as a channel for financial and economic cooperation not only from the inter-American system but also from other regions of the world.
- -It is also necessary for the Bank to give greater emphasis and depth to its technical cooperation with the member countries in order to help them strengthen their internal financial systems and more effectively mobilize their resources in the light of national and regional programs. We must not lose sight of the fact that the projects we have financed to the extent of \$952 million\* represent a total investment of approximately \$2.6 billion, which indicates the multiplier effect of our support for national endeavors.
- -As a minimum goal we must maintain our annual loan average in terms of amounts authorized and number of projects financed. Naturally, the fulfillment of this goal will depend on the volume and nature of the funds that can be obtained from the capital markets and from public international sources.
- -In our loan operations, we must see to it that the Bank's activities are increasingly linked with the national development programs, and we must maintain our

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\*This figure does not include the operations authorized by the Bank for the financing of exports.

policy of channeling a substantial part of our resources through national development organizations.

- -It will be necessary to increase the scope of those programs and activities that are designed to strengthen Latin American integration, such as financial assistance to multinational projects; the financing of intraregional imports; support for the development of industries whose markets are related to the Central American Common Market and LAFTA; the promotion of investments directly or indirectly strengthening regional trade; technical assistance for the planning of activities or projects involving two or more countries, and the training of leaders and experts with active responsibilities in the integration field.

- -A new dimension should be added to the Bank through expanded programs of financial assistance to advanced education centers in Latin America, particularly those whose activities are related to regional economic and social problems. Latin America, in its current stage of awakening, is more than ever in need of leaders with sound technical training and broad hemispheric vision. The Inter-American Bank should strive to become "the Bank of the Latin American universities."

- -We must also prepare to receive new members as countries are admitted to the regional system of the OAS and express a desire to join the Bank.

- -As an expression of Latin America's newly-acquired capacity to diagnose and prescribe for its economic and social ills, we must be prepared to furnish technical cooperation to other underdeveloped regions of the world.

- -The Bank must devote all its experience and will to the enhancement of the multilateral content of inter-American economic and social policy, acting in concert with the Committee on the Alliance for Progress and other regional organizations.

Distinguished Governors:

As a final task, we must increasingly emphasize, both by word and deed, that "being a Bank, we are yet something more than a Bank." We must continue to put ourselves forward as a response to the needs of our peoples. And in so doing we must bear in mind the words of John F. Kennedy: "Unless we can provide greater opportunities for our peoples, unless the great masses of the Hemisphere can share in a growing prosperity, our Alliance, our revolution and our dream will all have come to nought."

As we begin our deliberations in this geographic and spiritual isthmus of Panama,

let us reaffirm the faith of Bolivar: It is indeed fitting that this place of the Hemisphere, should be chosen to join together the vital elements of our united destiny, founded on the traditions of our past and projected toward our boundless future.

Address by Mr. Jaime Otero Calderon,  
Acting Minister of Planning and Alternate Governor for Bolivia,  
at the Second Plenary Session

It is an honor on this occasion to express our pleasure and to congratulate Mr. Julio Linares on his election as Chairman of the Fifth Meeting of the Board of Governors of the Inter-American Development Bank. We are sure that, thanks to his intelligence and experienced leadership, important resolutions will emanate from this meeting. At the same time, we wish to convey the cordial greetings of the people and Government of Bolivia to the distinguished participants in these discussions, and to say that we are very happy to be in the hospitable and beautiful capital of Panama, to whose people we extend our thanks for their warm welcome.

The Bolivian delegation takes special satisfaction in attending this Fifth Meeting of the Board of Governors of the IDB, since, of all the activities and accomplishments of this institution during the past year, one positive and creative achievement stands out that vindicates its effective role in Latin America's struggle against underdevelopment. For this we congratulate President Felipe Herrera, the Executive Vice President, the Executive Directors and the entire staff.

With continuing effort, the Inter-American Development Bank is evolving from a great aspiration to an efficient instrument of cooperation by entrenching its policy of timely credit in sufficient amounts and on flexible terms, preferably to the less developed countries, adapted to the situation of each group, and taking into consideration their peculiar characteristics and problems, as an essential means of effectively stimulating the development of the American peoples.

We are in sympathy with the obviously wise criterion that loans should be channeled toward works leading to a more rational use of domestic savings. A study of this decision has persuaded us to support unreservedly an increase in the Bank's capital, despite our shortage of foreign exchange.

Moreover, the Bank has already taken decisive steps to associate the private capital market with its activities. The bonds sold in Italy and the 1962 and 1964 issues rapidly taken up in the United States constitute the first important progress demonstrating the Bank's institutional solidarity, and the consequent confidence which it has awakened in world financial circles due to its serious performance. We feel sure that the coming years hold great promise in store, particularly when the soundness of the IDB's operations can be perfected with the bold action needed to eliminate the backwardness and depression that enclose our countries.

Latin America's outpost in Europe is materialized in the Bank's office in Paris, where officials of this organization have set up an effective information center on Latin America's prospects.

The universal and non-discriminatory scope of the Bank's policy is a high example of the historic role assigned to it by its wise leaders'. High hopes are also raised by the Board of Directors elected last year in Caracas because of its competent, aggressive and continuing struggle against underdevelopment.

The role of the IDB in the drive towards Latin America integration has been decisive; it has strengthened its ties with the Latin American Free Trade Association. Bolivia is studying the possibility of joining this trade group, since it believes that full hemisphere membership is a safeguard against cyclical fluctuations and a step towards achieving stability for the prices of its basic products that will lead to better terms of trade.

In this connection, the reports of our Institution include alarming figures illustrating the vulnerability of our nations in their foreign trade with grave effects on its sustained growth and the improvement of its national income. Consequently, the urgent need to undertake industrialization and economic integration becomes even more apparent, especially so since it seems that little progress is being made at the World Conference on Trade and Development, in Geneva, where apparently the anachronistic concept of master countries and slave countries continues to prevail.

In our times it can still be truthfully said that the international market is anarchic. We speak of free competition, of casting aside the impediments to that age-old precept of the classical liberal philosophy. But the fact is that the international market still lacks the authority or ability to plan its orderly development.

On the one hand, the imports of machinery and manufactured articles produced in industrialized countries for sale in the rest of the world are governed by values established unilaterally or even monopolistically. On the other hand, the prices of our raw materials are subject to the whims of our purchasers who operate under the pretext of a strictly interpreted law of supply and demand.

If these flagrantly unfair conditions are not promptly dealt with, the only attitudes to be expected in our countries are despair and discouragement. No amount of direct aid will suffice to satisfy the need for justice and only justice, in our terms of trade. Let us see to it that in the community of nations the poor will not become poorer and the rich richer, more insensitive through the slave labor of the majority of mankind.

In view of the foregoing, we believe that those responsible for the administration of the Bank are showing tenacity and intelligence in maintaining its principles and that it is our duty to offer them all possible understanding and cooperation so that their efforts shall not be in vain.

Bolivia is confident that the Bank will maintain its efforts to see that its aims and objectives are not distorted. All of us attending this Meeting share a feeling of anxiety and concern for the serious consequences to our peoples, (impatient to win the rights and satisfy the demands long denied them,) should they see their sacrifices, their efforts and their hopes defeated.

Conscious of its reciprocal obligation, we Bolivians are mobilizing all our energies to the extent of our financial ability, as our contribution towards overcoming stagnation. We are resolutely meeting the requirements of the times, eliminating negative factors, and by ensuring a higher living standard, satisfying the longings of our people.

The Bolivian people have, once and for all, broken up and eliminated structures that distorted their economy and formed obstacles to their progress towards well-being and human dignity. Agrarian reform, universal suffrage, educational reform and the annulment of private political and economic powers stronger than the State itself made up the effective mechanisms to bring about such substantial reforms. It should be emphasized that these structural changes were consolidated even before their recognition and requirement by the Alliance for Progress.

Following this consolidation of the national institutional process, Bolivia has embarked on a new, constructive phase that has now become its main objective: Economic and social development, which is the best approach to authentic independence and an efficient means of providing for mass welfare and more equitable opportunities so that the individual can pursue his personal evolution with integrity.

We propose to attain this development through a systematic planning of public and private enterprise designed basically to rehabilitate and expand the mining industry, our main source of foreign exchange, and to undertake a solution of infrastructure problems. At the same time, in other domains, we propose to continue our agricultural extension services, the development of rural communities and sanitation works; to initiate a new phase of industrialization; to build urgently required installations in the social fields of public health, housing and education; to continue internal colonization in order to alleviate certain demographic pressure and develop vast fertile tracts recently made accessible to population centers. We are also carrying out fundamental reforms in administrative functions to bring them into line with the present aims of the State.

Within the framework of a throughgoing national mass revolution, stemming from our traditions and experiences, conducted democratically and peacefully and obeying only the free will of our people, we attach special importance to this development drive, not only because we are fulfilling a historic duty at this stage of world

evolution, but also because we are convinced that this is our only hope of securing political and economic integration with the other American republics.

Bolivia, located in the heart of South America but deprived of its rich and extensive coastline, is situated between high mountains and broad tropical plains. Its territory is vast, disconnected and sparsely populated; paradoxically, some of the poorest agricultural areas are heavily settled. It is a country of disquieting contradictions and a history of constant longing for freedom and social justice.

Bolivia's marked underdevelopment is the result of an economy distorted by the anti-national action of the mining super-State and by the semi-feudal relations existing in rural areas. Consequently, we are obliged to overcome conditions that are far more backward than those of the other countries in our hemisphere. For these reasons, our possibility of forming our own capital resources through domestic savings is very remote and our national budget has almost no funds available for investments. Since foreign private investments, for which in Bolivia we provide ample leeway and broad guarantees, are not risked in the infrastructure works we so vitally need, we have no other alternative at this crucial moment than to resort to loans from the State or from international institutions.

Fortunately, as noted by the President of Bolivia, Dr. Victor Paz Estenssoro, "in recent years the prospects for the underdeveloped countries have improved considerably. The highly industrialized countries have realized that, because technological progress has made the contemporary world interdependent, they can no longer isolate themselves within the prosperous confines of their high living standards and raise a Chinese Wall to keep out the rest of the world. These countries are now aware of the need for cooperating with and assisting the underdeveloped countries to progress and to emulate as far as possible their own enviable position."

Encouraged by this rejuvenated spirit of solidarity and cooperation and convinced of the Bank's loyal adherence to its original goals, to the principles adopted at the Bogota and Punta del Este Conference, and to the new policy proposed by that visionary statesman, the late John F. Kennedy, my delegation would like to suggest that the IDB study the establishment in Bolivia of a technical and financial mechanism designed to facilitate its operations with the South American countries. Among the many reasons justifying this step are Bolivia's central geographic location and the fact that my country synthesizes all of the problems with which the Bank is concerned and is engaged in securing social justice through democratic means. We would also like to stress the success of the joint efforts undertaken by the IDB and United States and German capital working towards rehabilitation of the mines and preparation of specific projects for roads, electricity and public services. This indicates that Bolivia can also serve as an objective testing ground



for extra-continental participation in economic development and a model for further regional expansion.

Since our own efforts are evident--despite the aforementioned difficulties, to which must be added our arbitrarily landlocked position and discriminatory terms of trade--we venture to repeat our request that the Bank consider with special attention the exceptional cases presented and adapt loan terms more closely to the special conditions prevailing in the less developed countries; eliminate the delays between authorization of a credit and its disbursement, and increase substantially the resources allocated for pre-investment and for the preparation, presentation and feasibility study of specific projects and their subsequent supervision.

On various previous occasions when the Bolivian delegation, in similar circumstances, expressed its enthusiastic support of the IDB, it assumed in some instances a critical, sincere and constructive attitude. Following this same line, we now take great satisfaction in noting that this young finance and development institution has reached maturity: its administration and technical structure are in the hands of top professional specialists; its disbursement procedures have been sped up considerably; the reports accompanying the different operations analyze in depth the various local and national problems entailed within a coordinated framework aimed at the integral, democratic programming of development.

These positive achievements place our Institution on a level with others that required much longer to reach the same institutional stage.

President Kennedy, who occupies a unique and revered position in the gratitude and hearts of our peoples, in his memorable speech establishing the Alliance for Progress, launched his international policy by acknowledging the urgent need to solve the basic problems of Latin America. Inspired by his standards and by the tragedy of his martyrdom, we take pride in affirming that the IDB is the best instrument for overcoming our present unequal status.

In closing, we would like to extend our wishes for the continued success of the operations of the Inter-American Development Bank and confirm our trust in its worthy President, Felipe Herrera, who by his actions and convictions shares actively in our peoples' stubborn daily struggle to eradicate backwardness, poverty and illness, which are the cause of the social unrest, hatred and instability that draw us farther away from the ideals of peace and happiness to which we all aspire.

Address by Mr. Antonio Ortiz Mena, Minister of Finance and  
Governor for Mexico, at the Second Plenary Session

Four years after our first meeting in San Salvador, the Delegation of Mexico attends this Meeting of the Board of Governors motivated now, as it was then, by the highest sentiments of inter-American solidarity, with reference to carrying forward, together with the distinguished member countries meeting here, the objectives of our Bank within the unshakable framework of common principles and aims.

Before beginning my formal remarks, I wish to express to the people and the Government of Panama the most cordial greetings of Mexico and of its President, Mr. Adolfo Lopez Mateos.

Having heard the excellent report on the activities of the Inter-American Development Bank, I also wish to congratulate and thank its President, Board of Executive Directors and staff for their splendid achievements.

We hold this meeting at a time when the attention of countries of all economic and political persuasions is focused on the needs of the developing economies. The problems being studied at the United Nations Conference on Trade and Development are familiar to all of us at this meeting. We may therefore congratulate ourselves that the Americas have an efficient instrument for action on a regional scale, insofar as its resources permit, to advance through the various stages of development. A product of realism, of experience and of an awareness of the obstacles to development, the Bank was conceived with understanding and vision and has been equipped to give aid in various activities designed to yield social benefits as well as bring about changes in the productive mechanism involved in the process of over-all growth.

Since it began its activities, the Bank has gone beyond traditional patterns of international financing, daring without abandoning prudence, to commit its own resources in types of projects that had previously not been handled with international credit and under more flexible conditions. Part of this work has been done through the Fund for Special Operations, but the ordinary capital resources of the Bank, too, have been applied to agricultural and livestock development projects, and to water supply works--activities almost ignored previously by international financing--in addition to infrastructure and industrial projects. It should be noted, moreover, that of the funds lent in dollars from its ordinary resources, up to December 31 of last year 15 per cent had been assigned to the financing of local expenditures. In the case of dollar loans from the Fund for Special Operations, the amount allotted for these purposes represents 40 per cent.

It might be pertinent here to mention the intention of the World Bank, expressed

on recent occasions by its President, Mr. George Woods, of expanding the sphere of activities in which it will grant loans. Its operations will be extended to the financing of over-all agricultural plans and to helping agencies that grant credits or technical assistance to farmers. It also expects to make its first loan in the field of education. The World Bank is also adopting more flexible financing terms and is showing itself more favorably disposed toward expenditures in local currency. It has begun to grant loans at longer terms than in the past, when the useful life of a project so justifies and the economic situation of the country makes it advisable. In one case, it has already granted an eight-year grace period for the payment of the first installment of principal.

I mention these examples of unusual financing as an indication of the possibility of varying international operations to conform to the requirements of countries, in order that the developing economies may benefit more from these operations, without ignoring repayment requirements and using "hard" funds acquired in the capital markets.

As of December 31, 1963, loans granted by the Inter-American Development Bank from its ordinary resources amounted to \$385.8 million, three times more than loans granted from the Fund for Special Operations, which totaled \$121.7 million. On the basis of the increase in the authorized capital to \$2.15 billion now in effect, the Bank will be in a position to increase its operations with ordinary funds obtained in the capital markets to a level several times higher than that of the Fund for Special Operations. For this reason, it is particularly important that in its operations, the institution continue to be at once able and flexible, prudent and wise, in planning its operations.

The growing activity of the Bank in the realm of technical assistance and feasibility studies is gratifying, three-quarters of the funds for these purposes coming from its own funds and the remainder from the Social Progress Trust Fund. The financing of feasibility studies for industrial projects on a partially reimbursable basis is increasingly needed as industrial integration moves forward in our countries. The use of lines of credit and of certain funds through national industrial development institutions seems to us a suitable way to render this type of help.

Mention should be made of the funds being provided by the Bank to the private sector--directly to industrial enterprises and through public and private development agencies for medium and small industry--as well as to the public sector. We may also note industrial financing activities of our institution in channeling international funds to medium and small industry and to state processing industries, which generally have no access to international public credit.

Now underway is the first multilateral system for the medium-term financing of

exports of capital goods, set up by the Bank with its ordinary resources. The object of this system is to aid national industrial integration efforts by encouraging Latin American intraregional trade. How to break the traditional foreign trade patterns of the developing countries has become the imperative concern of students and persons responsible for economic policy. The corresponding evolution required in international trade and investment policies to achieve the desired changes will have to be brought about through the drafting and adoption of a number of specific and operationally feasible methods, designed to increase and diversify our countries' possibilities for production and trade. Fortunately, the program of the Inter-American Development Bank includes an effective and immediately applicable measure which, though started on a modest scale, we hope may be increased in proportion to the growing needs of intraregional sales.

In this way, greater use will be immediately made of existing productive capacity, and there will also be an increase and diversification in foreign exchange receipts of the countries whose industries are in a position to place components and finished capital goods on the market at competitive quality and price, and which only require financing to be sold on normal terms and conditions. At the same time, industries in buyer countries will have greater opportunities for diversification and more direct access to financing for their imports. Besides this, the stimulus to trade among our countries resulting from this program will promote the economic integration of the region and, through the expansion of markets, will enable industries to emerge from the protected stage of import substitution--already too prolonged in some of them--to a stage in which new productive industries are established on a more efficient scale for export.

The advantage of the Bank's program is that it aims to mobilize internal financial resources for export, to procure additional funds from private sources through the placement of local credit documents and to help expand the external market for the credit instruments of domestic organizations. The program represents a praiseworthy combination of public and private, internal and external, financing for economic development.

In this section on exports, I wish to deal with one aspect in which our countries lack experience and which sometimes obstructs sales abroad. I refer to protection against the risks to which export credits are exposed, principally the so-called commercial risks, which are governed by principles and mechanisms similar to those for insurance and reinsurance.

To give more complete support to industrial and export enterprises in Latin America, it is advisable to consider setting up a system of credit insurance for intraregional exports, which might take advantage of the mechanism established for the medium-term financing of these exports.

In view of that, and of the advantages of a regional-level credit insurance instrument for exports, the Management of the Bank might find it advisable to make a thorough study of the matter.

Other useful activities of the Management of the Bank have to do with mobilizing greater resources from international sources by means of bond issues, the sale of participations and parallel financing. For its part, Mexico has made modest investments (\$5 million) in Bank bonds, and we believe that it might be in the interest of other member countries to use occasional surplus funds for similar investments, particularly those kept liquid by frequent operations on the market.

We look forward with particular interest to the results of the joint Inter-American Bank-Development Assistance Committee (DAC) working group, particularly with regard to the possibilities for establishing trust funds by the member countries of the Organization for Economic Cooperation and Development (OECD) for administration by the Inter-American Bank. We are also interested in the results of the contacts initiated with the members of ADELA.

The function given to the Inter-American Bank of providing technical advice to the Inter-American Committee on the Alliance for Progress gives our agency the added responsibility of taking initiatives leading to the multilateralization of development financing in Latin America. Multilateralization can make for more efficient obtaining of funds in some cases, although, of course, we cannot ignore the advantages of bilateral negotiations under favorable circumstances and must take into account that diversification of bilateral relations can bring about some of the benefits of multilateral ones.

With the funds deposited in the Social Progress Trust Fund--which, we are pleased to note, were recently increased by the United States Government to \$525 million--our organization has granted loans totaling \$367.6 million, an amount almost equal to the \$385.8 million extended for loans from our ordinary capital funds. These loans, which are undeniably of direct and immediate benefit to the recipient social groups, also help to strengthen institutions and to improve the utilization of internal funds.

Mexican projects have been financed in four fields, including higher education, in which the Social Progress Trust Fund operates. This financial support has been combined with funds from other international organizations and has been complemented, furthermore, with internal contributions from public funds and from private banks, industries, cooperatives, management and labor. We have projects directed toward raising agricultural productivity and the demand for manpower, which also directly benefit the needy sectors of the population.

Irrigation works have occupied a position of primary importance in public investment programs during the last two decades; national production has been stepped up, as well as the use of fertilizers, insecticides, and improved seeds, and better field techniques have been disseminated, with a view to increasing the yield of agricultural production.

For the same purpose, and in just the last few years, credits have been extended to farmers for agricultural machinery and livestock. The growth of agricultural production has been a decisive factor in the relatively balanced development of the Mexican economy, which is reflected in increased productivity and cultivated area, as well as in a whole series of institutional measures constituting comprehensive agrarian reform. Nonetheless, there is notable contrast between the yield of the agricultural sector (in which more than half the labor force earns its living) and that of other sectors, where growth has been more vigorous. Therefore, for both social and economic reasons, an increase in agricultural productivity is a matter of the highest priority in our country.

With the establishment of the National Agricultural Center we hope to give new impetus to agricultural education, research, and extension services as part of the national effort to increase productivity in the field. In this respect, we have the cooperation of the Social Progress Trust Fund of the Bank and other organizations of friendly foreign countries. At this time, we are pleased to offer all the facilities of the Center to Latin American countries wishing to participate in its programs, whether for information purposes or through the admission of fellowship holders.

Also in the field of education and training, Mexico is carrying out a number of plans that are capable of considerable expansion, when more funds become available. In this respect, I want to mention that the largest item in the Mexican Budget (more than 24 per cent of the funds) is for educational and cultural services, principally in connection with primary instruction, school construction, and advanced and technical education. Special attention is given to national industrial training programs.

The loans granted to Mexico by the Inter-American Development Bank for a variety of projects, ranging from infrastructure works to export financing, have expanded our possibilities for international public credit and stimulated the mobilization of additional external and internal resources.

Thus, better use has been made of internal financial resources, both through the establishment of various mechanisms to stimulate and channel private savings. Tax reform, principally with reference to the income tax, has aimed at obtaining more revenue for the government in a non-inflationary way, at increasing the tax

burden to keep pace with the development of the country, and at correcting inequities in national income distribution. In tax administration, an effort has also been made to prevent tax evasion by exercising greater control over taxpayers.

Policy measures and internal economic development measures have encouraged an increase in domestic private investment, and the ability of the economy to expand while maintaining its monetary stability has stimulated a rapid increase in internal savings which in recent years have grown twice as fast as the national product, and have also attracted foreign private capital to take part in the economic expansion of my country.

We are confident that the operations of our Bank, carried out with daring and good judgment, will gain increasing vigor in properly organized programs, which will hasten and maintain the growth of our countries and strive for economic development in keeping with social progress.

Mr. President and Governors:

It was 138 years ago in this city of Panama that the Liberator convoked the first inter-American congress, which served as a precedent for the establishment of the inter-American system and, certainly, for the world conferences at The Hague and the later organization of the United Nations. In this metropolis, notable in so many ways, was born the tradition dear to our republics of--using the words of the Bolivarian amphictyony, drafted at the Panama Congress--"making their ties and fraternal relations increasingly strong and indissoluble through frequent and friendly conferences, in order to agree upon action for establishing reciprocal relations on a mutually agreeable and satisfactory basis."

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

It is particularly fitting that we are holding our Fifth Meeting of the Bank's Board of Governors today, which is being observed in my country as Pan American Day. There could be no more fitting place for today's meeting than this honored and historic city, which Bolivar chose for the first inter-American conference, the Congress of Panama.

This is the hundred and fortieth year since Bolivar prophesied proudly and boldly that "a hundred centuries hence, posterity, searching for the origin of our public law and recalling the compacts that solidified its destiny, will touch with respect the protocols of the Isthmus. In them will be found the plan of our first alliances that will have marked the beginning of our relation with the universe."

The Bank, then, could not be more "at home" than here in Panama, where inter-American meetings first were launched, for the Bank in the best inter-American tradition is a strong and progressive force in the social and economic development of the Hemisphere.

In 1963, the Inter-American Development Bank completed its third full year of operations and once again compiled an impressive record of achievement:

To support the economic and social development of its Latin American members, the Bank last year authorized 56 new loans, for a total of \$259 million. Its lifetime loan approvals at the end of the year had reached the impressive figure of \$875 million, and activity under these loans is proceeding at a sharply accelerated pace. Total disbursements at the end of 1963 were \$206 million--more than three times larger than disbursements at the end of 1962.

Impressive as they are, these statistics can give us only a limited appreciation of the truly remarkable work which the Bank's dedicated management and staff have accomplished in the past three years. Each loan, for example, reflects weeks and months of careful scrutiny and planning. Behind each loan, moreover, lie several additional applications for projects found wanting or not yet ready for execution, but which nonetheless required--and merited--time and effort to review.

The Bank has also continued its efforts to mobilize private capital for Latin American development in the highly industrialized free countries. Last year the Bank was able to sell a total of \$7.4 million in additional participation--without any guarantee in the United States, Canada, and Western Europe. As you know, the Bank has just floated its third successful bond issue--the second in the United States--in the amount of \$50 million. In addition, the Bank is actively negotiating for further flotations in various Western European countries. I am confident that these



efforts will soon bear fruit. Additional external capital has also been mobilized by the Bank through arrangements for the joint financing of projects. As stated in the Annual Report, five of the Bank's ordinary capital loans last year were made in association with other external sources of capital.

Equally important--although perhaps less immediately evident in our usual review of the Bank's activities--is the fact that the Bank's lending policies have stimulated the mobilization of very large amounts of domestic capital in its member countries. The total cost of projects financed by the \$875 million of the Bank's loans amounts to nearly \$2.5 billion.

Most of the additional cost--some \$1.5 billion of it--represents the direct participation of local interests--governments, firms, and individuals--and their domestic capital required.

In directing the Bank's lending policies, President Herrera has increasingly emphasized the encouragement of regional integration. It seems to me all to the good that the Bank should give priority to loans having a "regional integration component"--for regional integration is essential if an adequate rate of Economic growth is to be achieved in Latin America. I note that in the pursuit of these policies the Bank has extended a \$6 million line of credit to the Central American Bank for Economic Integration and has made a \$3 million loan to the national universities of the five Central American countries in order to insure technical progress within the framework of that area's vigorous movement towards regional integration.

During the past year, the Bank moved to implement the export credits program which the Governors approved in Caracas. The Bank has given specific form to the general directive laid down by the Governors and has completed the detailed regulations to govern this new activity. The \$30 million of ordinary capital resources allocated to this program has now been put to work by the grant of lines of credit to several member countries. I am sure we will all watch with great interest and expectation the important role this export financing program can play in the development of capital goods production, export diversification, reduced trade barriers, and regional integration.

The pace of the Bank's activities required some time ago that the Governors consider an increase in the Bank's lendable resources. The process begun two years ago in Buenos Aires has now been completed and the authorized ordinary capital of the Bank now stands at the equivalent of an imposing \$2.15 billion, of which \$475 million is the authorized paid-in capital stock and \$1,675 million is callable capital. Our Congress in January authorized United States participation in this increase to the extent of \$411.8 million in callable capital, which will be sub-

scribed in two installments--this year and the next--along with the subscription of the Bank's other members. With the Bank's demonstrated success in raising funds in private capital markets, the increased authorized capital provides ample assurance of adequate resources for projects on standard "bankable" terms for several years to come.

We have at the moment no such assurance on the availability of Bank funds for so-called "soft" loans--loans designed to supplement those made on ordinary bank terms. Agreement was reached earlier this year on an increase of \$73.2 million in the Fund for Special Operations, of which \$50 million will be paid in by my Government on April 28. This will bring the total capital of the Fund for Special Operations to the equivalent of \$219.5 million, of which \$150 million will have been paid by the United States.

In addition, our Congress last year appropriated an additional \$131 million to increase the Social Progress Trust Fund administered by the Bank. These additional funds for loans on easy repayment terms will suffice for less than one year of lending operations at an adequate rate. It is urgent, therefore, that the Governors address themselves once again to the future of the Bank's lending activities on soft terms and begin action to obtain the requisite funds.

At our last meeting in Caracas, and again in the Report on this matter which is now before you, my Government has expressed its view that the Bank would be strengthened if at this point in its life--and at this juncture of the Alliance for Progress--the lending windows to which the United States and other member countries provide funds were reduced from the existing three to two. We have therefore proposed that there be no further replenishment of the Social Progress Trust Fund and that, instead, there be a substantial enlargement of the Fund for Special Operations.

The Social Progress Trust Fund, as you know, grew directly from the Act of Bogota and the emphasis which at that time we all agreed to place on social development in Latin America. It was unfortunately all too true that social progress in the Hemisphere had been sadly neglected, and therefore it was both essential and proper that the Act of Bogota call attention to the priority needs of the social sector.

The Act of Bogota, as we all know, was soon succeeded by the great milestone of hemispheric dedication and cooperation, the Charter of Punta del Este. That Charter gave formal recognition to the fact that social and economic progress are mutually-reinforcing objectives. It also called for comprehensive planning of the path of progress--planning that would make it necessary to reduce or remove any sharp distinction between economic and social projects. The mark of well-pre-

pared plans--which, happily, are now well-advanced in a number of countries--in the rational allocation of available resources between the economic and social sectors, taking full account of their interdependence.

We can expect, therefore, that the Bank, in deciding upon particular projects for financing, will increasingly take into account both economic and social considerations and not just one or the other. With this approach, only two sources of financing, one hard, one soft, seem necessary--the choice between them to be determined, not necessarily just by the nature of the project, but also by the situation of the borrower, or other special circumstances.

In the context of these considerations, I hope that we can agree at this Meeting to seek the commitment of our Governments to a three-year program to enlarge the Fund for Special Operations by an amount equal to \$300 million per annum, of which the United States would contribute \$250 million, and the other members of the Bank, \$50 million, all in our own national currencies. This enlargement, which would enable the Fund to make loans on special terms for the purposes currently being financed by both the Fund and the Social Progress Trust Fund, can be accomplished without any change in the agreement Establishing the Inter-American Development Bank. This would simplify the legislative problems of the member governments. This is particularly desirable as far as the United States is concerned. In view of our forthcoming national election, the United States Congress can be expected to adjourn somewhat earlier in the year than has recently been the case. Delay in reaching agreement on this matter or the introduction of complexities involving basic changes in the Bank's Charter would greatly increase our difficulty in obtaining Congressional approval this year--as can be attested by the members of the United States Congress who have come here from Washington to attend this meeting as members of our delegation.

We look for the Bank to continue and expand its role as the "Bank of the Alliance." During the past year, the Bank has assumed new duties as financial agent in the mobilization of external resources for national development programs, in filling a special advisory role with various entities concerned with the provision of external development financing and, finally, as technical advisor to the newly established Inter-American Committee on the Alliance for Progress (known as CIAP).. In connection especially with the latter body, it seems appropriate for the Bank to assume a more active role in the programming of development assistance and in directing its activities toward the support of well-designed national and regional programs.

Turning to the Alliance for Progress, in which the Bank plays such an important role, I think we must, in honesty, acknowledge that the present moment is one characterized by skepticism and doubt, both in Latin America and in the United

States. Unquestionably, we still have a long way to go before we achieve the objectives envisioned in the Charter of Punta del Este. But while we face that fact, let it not obscure the equally important fact that, by every realistic measure, we have come a long way.

First, in the recent creation of the Inter-American Committee on the Alliance for Progress we have established a sound mechanism for hemispheric coordination and guidance within the framework of the Alliance. Our appointment of Ambassador Theodoro Moscoso as United States Representative has made it clear that the United States wishes to play an active role in this Committee, to which President Johnson has pledged "our full support."

Second, we should not lose sight of the fact that eleven of the nineteen Latin American member countries have been achieving the minimum 2-1/2 per cent per capita growth target set at Punta del Este. Equally important, perhaps, is the fact that throughout the hemisphere we have witnessed in the past two years the creation of institutions vital to the pace of future growth. The Bank itself has participated in the establishment or reform of a variety of intermediate credit institutions--development banks, agricultural credit banks, savings and loan and housing finance institutions--all critical in the process of domestic resource mobilization.

Intense efforts are being devoted to the reform of tax structures, improved tax collection, a more equitable and productive distribution of land, and improved facilities in the fields of health and education.

These are the very sinews of growth, and the attention and activity focused in these areas in the past two years has far surpassed anything ever before witnessed in the Hemisphere. The fruits of endeavors such as these will not miraculously ripen overnight--on the contrary, progress will be difficult and even hazardous. But without these efforts, progress simply will not occur. We therefore have a clear choice before us:

- Shall we hold timorously back, afraid to move, because we might stir up waters that could become troubled?
- Or shall we venture forth on new paths--but always within a framework of free and democratic institutions--that will offer all of our peoples a fair share in the gradually ripening fruit of our mutual endeavors?

On behalf of my country, I urge that we move without timidity and with confidence.

Sofar as external funds are concerned, taking into full account the self-help mea-

asures of the various countries of Latin America in connection with their commitments under the Charter of Punta del Este, the United States continues to be prepared to provide public assistance in the order of magnitude suggested by the Charter. As our AID Administrator, Mr. David Bell, emphasized in his address to the Governors last year, the pace at which aid can be provided must depend upon a series of preparatory and correlated actions. Careful advance planning and sound implementation takes time, and there will be inevitable lags between commitment and disbursement of funds. I have pointed out the close attention the Bank has given to the problem of project execution and loan disbursement during the past year, and wish to assure you that our own financing institutions have also made every effort--consistent with the overriding requirements of sound project implementation--to expedite disbursement.

Among the disappointments of the past two years, I might note that the commitment of external funds from Europe has thus far been less than had been hoped. Recently there has been new evidence of European interest in Latin America symbolized by the recent visits of President de Gaulle and President Luebke. The United States wholeheartedly welcomes these renewed signs of European interest and hopes that the interest will be clearly manifested in an increase in the kinds of low-interest, long-term development loans so badly needed by Latin America. In addition to liberal terms, we would hope that European assistance to Latin America would be carefully related to the over-all planning effort and to the system of priorities established within the context of the Alliance for Progress. The proposal of the Governor for Argentina raises interesting possibilities in this respect, and I can state that my delegation is in full accord with the objectives underlying his proposal.

I should like once again to emphasize in the strongest terms the need for the Latin American countries themselves to be on guard against terms of assistance from any source which would create an unacceptable burden for the future. The indiscriminate and unrestrained acceptance of short- and medium-term suppliers' credits--in cases where longer-term development loans are the real need--all too often simply creates an unwieldy and unmanageable problem which can very quickly assume crisis proportions, leading to a slowdown in the pace of development.

The field of private investment is another area where flows of external capital have proved disappointing. In this connection, we must constantly bear in mind the fact that the foreign investor always has alternative possibilities for investment of his capital. Given the high levels of current economic activity in the United States and Europe, the opportunities for profitable investment at home in both areas are relatively great. In order to attract private funds from the United States or Europe, or to induce the investment of local private capital, a country--

whether already industrialized or developing--must maintain an investment climate which offers a reasonable prospect that a sound project will yield a return commensurate with the risk involved. The choice is for each country to make. The results will depend, to a very great extent, upon that choice.

In the United States over the past three years we have adopted a series of tax measures to increase the relative attractiveness of investment at home as compared with investment in other free industrialized countries. Countries that deliberately hamper the investment of private capital or fail to provide a hospitable climate, should be aware of the fact that they are foregoing sources of financing and technical knowledge of great importance to their future growth--and to the strength of their international position--sources which cannot possibly be replaced by public funds.

An important corollary of a favorable "investment climate" is a country's ability to raise capital abroad. In this connection the recent experience of Mexico comes to mind: Mexico has been able to float two highly successful bond issues in the capital markets of the United States--one last year, and a second just two weeks ago--for a total of \$65 million. It goes without saying that these Mexican issues were very welcome, and we hope that other Latin American countries will be able to follow this example in mobilizing private external funds for their development. I should mention here that the Interest Equalization Tax on foreign securities which has been proposed to the United States Congress by my Government is not designed to apply to the securities of the Latin American countries.

Finally, I cannot let this occasion pass without mention of the World Trade and Development Conference now under way in Geneva. I am aware of the intense interest which your Governments have in this Conference, and in its purpose of helping to ease the problem facing the developing world. That endeavor is, of course, one in which the United States has long taken the lead, and I would simply like to emphasize my country's determination to continue its efforts, in every feasible way, to serve that purpose.

Mr. Chairman, the tangible evidence of the Bank's progress placed before us at this meeting symbolizes the activity, movement, and forward progress being accomplished throughout Latin America under the guidance of the Charter of Punta del Este. I am confident that at our meeting next year, and in the years ahead, we will find ourselves increasingly able to meet the needs of Latin America and of Western Hemisphere solidarity.

**THIRD PLENARY SESSION**  
**APRIL 15, 1964**

Address by Mr. Luiz de Paula Figueira,  
Alternate Governor for Brazil, at the Third Plenary Session

The Brazilian Delegation, in the first instance, would like to express its pleasure at the election of Dr. Julio Linares, Minister of Finance and Governor for Panama, as Chairman of this Annual Meeting of Governors of the Inter-American Development Bank, and also to express appreciation for the generous reception we have received from the authorities and people of this wonderful country.

The Brazilian Delegation would also like to congratulate the Inter-American Development Bank for the important contribution it has made notwithstanding its brief existence, in strengthening continental understanding, including the periodic contacts it has fostered between authorities and technicians of the nations of the Hemisphere, such as this in which we have the pleasure to participate. To all the Governors and members of their respective delegations, our most cordial greeting.

The Fourth Annual Report, relating to 1963, demonstrates very clearly how extraordinarily helpful the Inter-American Development Bank has been to our countries, both through its loans for rural and industrial development, infrastructure projects, technical assistance, higher education and social welfare, and through its efforts to foster initiatives tending to strengthen regional integration in Latin America. The excellent statement presented here yesterday by President Felipe Herrera is another document of great significance to corroborate my statement.

The great importance of the integrated development of the Latin American countries, undoubtedly, gains emphasis day by day, as shown by the regional groups in which the different commercial areas are being organized. Countries with small domestic markets naturally look for solutions to their economic and financial problems, insofar as they stem from the size of the market, within the broader framework of common markets, free market zones, or agreements for sectorial complementation. These facts could not have escaped the illustrious Board of Directors of the Inter-American Development Bank, as indeed they have not.

We make special reference to the policy followed by the Board of Directors of the Inter-American Development Bank which has carried out its operations with a dynamic and flexible policy in order to satisfy the most varied aspects of the social and economic conditions of each member country.

As far as my country is concerned, I deem it only fair to mention that the performance of the Bank bears eloquent witness to those characteristics and to balanced and impartial consideration given to all projects and enterprises submitted to the Bank.



And we have noted with great satisfaction that, the Inter-American Development Bank, through recent adoption of the program for financing intra-regional exports of capital goods and through its participation in mobilizing capital from the Western European countries and Canada with the cooperation of the Development Aid Committee, and through its other activities, is becoming a growing source of assistance for Latin American countries due to the diversity of its functions.

The very important contributions which the Inter-American Development Bank is so successfully making to the economic and social progress of our countries is evidently due to the highly intelligent leadership of its Board of Directors, presided over by Mr. Felipe Herrera, whose performance in the field of continental finance has been extraordinary.

Therefore, it is for us a great pleasure to express the satisfaction of our government at the unanimous election of Mr. Herrera to serve as President of the Bank for an additional five-year period, convinced as we are that his performance during this new period will be as brilliant as it has been to this date.

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The Brazilian Government has examined very closely the excellent report by the Working Group established by the Board of Executive Directors with the purpose of studying the possibility and advisability of providing cooperation through the Inter-American Development Bank to solve the problems relative to the export of the basic Latin American products, in compliance with Resolution AG-9/63, approved by the Board of Governors at its Fourth Meeting in Caracas last year.

The profound and conscientious manner in which the group carried out its work leads us to admit the acceptability of its conclusions, in spelling out the type of aid which the Bank could make available for the solution of the important problem posed by the export of basic products.

In expressing this view, we believe that the most effective means by which the Bank could assist in solving the problem would be to make available to the member countries its organization, its prestige and its contacts with the international capital markets in order to promote among the member countries a broader understanding of the mechanisms for the financing of Latin American exports and for the harmonization and improvement of the financial practices of the export trade, permitting a greater interchange between banking and financing institutions dealing in that trade; in order to stimulate the operation of a system of bank acceptances adapted to the characteristics of intraregional trade; in order to establish regional mechanisms of export credit insurance and other similar mechanisms applicable to the intraregional trade of basic products; and in order that through its standard oper-

ations, emphasis be given to the policy which tends to provide preferential treatment for the financing of productive activities which would result in an expansion and diversification of the exports of the member countries.

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Another problem of great importance is the imminent depletion of the Fund for Special Operations and the Social Progress Trust Fund, whose purpose is of the greatest significance for the economic and social development of the Latin American countries.

In reference to this, my government recognizes the basic convenience of merging both existing Funds with the resulting enlargement and reform of the Fund for Special Operations. For this reason, we note with great satisfaction that during the present session it has been possible to arrive, without major difficulties, at a formula which seems to meet all the purposes we had in mind.

It is gratifying to note that in accordance with the adopted decision the future operations of the Fund for Special Operations will be guided, where appropriate, by the same lending policies that have applied to the activities of the Social Progress Trust Fund.

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We do not wish to close without expressing our support for the proposal presented by the Argentine Republic, to the effect that an agency be established that will permit the Bank to broaden its operating capacity through the participation of non-member countries.

Even though at the present time we are not aware of the modus operadi which will be suggested, we are prepared to support a proposal that the Board of Executive Directors of the Inter-American Development Bank arrange for a study of this nature.

Finally, I take this opportunity to join in the votes of appreciation and encouragement to President Herrera, to Vice President Upton, the Board of Executive Directors, the Management, and other officials for their effective leadership of the Inter-American Development Bank which has enabled it to attain great levels of efficiency and worldwide prestige.

Once again the Brazilian Delegation expresses its gratitude to the authorities and to the noble people of Panama for their wonderful hospitality and for the many courtesies and attentions which they have extended to us.

Address by Mr. Enrique Garcia Vazquez,  
Alternate Governor for Argentina,  
at the Third Plenary Session

It is indeed a happy coincidence that this Fifth Meeting of the Board of Governors of the Inter-American Development Bank, held in the beautiful and hospitable City of Panama, is taking place at the same time as the United Nations Conference on World Trade and Development in Geneva, where almost all the countries of the world have gathered to seek harmonious formulas for counteracting the unfavorable trend of purchasing power abroad that continues to overshadow the economies of the developing countries and retard the process of Latin American growth.

The Latin American countries confidently expect that from the Conference on Trade and Development will evolve new ideas, forged with boldness and a sure vision of the prosperous future we all foresee which will, without loss of time, serve to solve present conditions that inevitably accentuate the broad gap between our living standards and those of the industrialized countries.

Therefore, gentlemen, I believe that this Meeting, in permitting us to reaffirm the principles contained in the Charter of Alta Gracia, our guiding spirit on this occasion, also provides us with an outstanding opportunity for presenting, through the distinguished leaders here today, the vast efforts being undertaken throughout the hemisphere to solve our common problems, the highly efficient manner in which we are doing so with the limited funds available, and the enormous possibilities opened up by an international credit agency, provided it is supplied with sufficient resources for the great task before us.

The Inter-American Development Bank, to which I refer, is the true manifestation of the serious endeavors being made by our Latin American countries, with the understanding cooperation of the United States through its financial assistance, to accomplish in joint accord a significant undertaking for the common benefit of our depressed economies.

We fully realize that this agency is the appropriate means for directing activities and channeling savings toward productive investments, which will have the virtue of mobilizing the vast unexploited wealth of our lands, thus substantially raising the living standards of the Latin American peoples. Its credit activity, insofar as it is substantial, soundly administered and channeled towards key economic sectors, will help to expand agricultural productivity by reforming the current stagnant structure of this basic Latin American sector covering immense tracts of our territory. This would ensure higher living conditions for millions of Americans now bereft of the chance to develop their creative potential. It would also enable new industries to expand productive utilization of the labor force which is today employed in extremely low-yield services that support only a bare subsis-

tence economy.

For this reason, my government, fully aware of the vast prospects inherent in the work of the IDB, firmly supports the dynamic action shown by it in its brief existence. We particularly wish to express our appreciation to the Board of Directors for the Bank's achievement during the past year, which indicated a highly favorable expansion of its future programs.

Furthermore, the fact that the member countries have adopted the measures recommended by the Fourth Meeting of the Board of Governors, in Caracas in 1963, to implement an increase in the Bank's ordinary capital resources and in the Fund for Special Operations implies the unanimous disposition of the governments, which thus confirm their confidence in the efficiency and prudence that will govern the administration of these funds.

This consensus by the several member countries on the excellence of our agency, whose resources are palpably insufficient to meet the financial needs of an orderly and sustained development of Latin America, has led my government to seek new formulas for broadening the flow of capital from other areas to supplement the bond issues and sale of participations in our loans to commercial banks which have been utilized to strengthen the Bank's operating capacity.

The present abundance of capital in the highly industrialized countries in quest of safe, profitable investments suggests that we should exhaust all possible means of attracting funds from outside the Hemisphere, especially so in view of the favorable predisposition of government circles, particularly in Europe, to participate more actively in supporting resources.

This was the basis for the paper presented by Argentina for consideration by this Meeting. It raises no new concepts, but instead attempts to synthesize various outstanding initiatives and concerns regarding access to large-scale sources of supplementary financing. This paper has received the support of the other member countries and a cordial mention by Dr. Herrera in his speech yesterday.

In this connection, we would like to note that the Alliance for Progress calls for capital contributions from outside the region and that the idea of a European Investment Fund has been under consideration since 1961.

Moreover, the President of the Bank, Dr. Felipe Herrera, on signing the contract with the United States Government to increase the Social Progress Trust Fund by \$131 million, has imparted new life to this concept by pointing out that the Bank is in a position to act as a multilateral channel for European aid, repeating a statement frequently heard in the Old World. This important background

to the Argentine proposal and the zeal of the Board of Directors assures us that the studies recommended will make it possible to establish systems that are sufficiently flexible to achieve our stated goal of attracting the savings available in industrialized countries.

Another new function of the Bank during the past year, which can in time evolve from a modest proposal to a far-reaching program, is the adoption of the procedure for participating in the financing of intra-Latin American exports of capital goods, which is based on the principle of strengthening the region and is guided by the concept of Latin American economic integration.

As you know, the City of Panama, so lavishly endowed by Nature, will provide a suitable setting for the signature of such financing agreements with IDB by various countries including Argentina. In other words, the new program will shortly be placed in execution and will, under able leadership, be given a strong initial incentive, which should be encouraged by every means available to our countries.

With a view to swift attainment of this goal, I would like to make certain observations on the subject, which will undoubtedly be taken up by the executive officers of this institution for consideration by reason of their underlying constructive intent.

Although it is true that the very special characteristics of such operations and the experimental nature of the program will require a certain flexibility during its initial stages in order to take due account of particular features in each country, I would like to point out that certain conditions must be met if the system is to be established on a solid footing.

Fundamentally, these prerequisites are the existence of internal provisions within the member countries facilitating preferential agreement on facilities for bank endorsements by the importing countries, gradual elimination of exchange measures inhibiting free access for the goods included on the IDB lists, and the establishment of an automatic mechanism ensuring the transferability of funds involved in operations under the financing program.

The various measures needed to ensure the success of this financing system for capital goods have already been considered on the technical level but require a definition of policy by the member countries before they can be adopted. I can assure the Directors of the Bank, as a term of reference for their evaluation, that the Argentine Republic is willing to participate in a study of the solutions required to ensure that practical application of that program will achieve a scope and effectiveness consistent with its basic goals.

I might suggest to the Bank Management that the study proposed by resolution of

the Board of Directors on February 27, designed to establish resources for improving existing mechanisms to finance intra-Latin American trade, be extended to cover the suggestions outlined above.

Finally, I would like to express my country's gratitude for the proposal that Buenos Aires be the permanent site of a school of higher studies on Latin American integration. This suggestion has been seconded by the President of the IDB and warmly supported by all the member countries. I can assure you now of my government's sponsorship and rapid implementation of this new undertaking of the Bank, which will facilitate our progress towards a goal that holds great promise for the development of our economies.

Mr. Chairman, distinguished Governors, I would like to conclude these remarks by transmitting the official view of the Argentine Government, namely its broad and enthusiastic support for this Agency which we consider to be an extraordinary American achievement providing orderly and soundly administered credit assistance. I would also like to convey my country's appreciation to Dr. Felipe Herrera, to the members of the Board of Directors, and to the entire staff of the Bank, who by their devoted, persevering and intelligent collaboration are making a highly important contribution to the establishment of a concept of unity among the sister republics of the Americas.

Address by Mr. Carlos-Sanz de Santamaria,  
Chairman of the Inter-American Committee on the  
Alliance for Progress (CIAP), at the Third Plenary Session

I am deeply grateful to Dr. Felipe Herrera for having invited me to attend this Meeting, and I am glad to have the opportunity of exchanging ideas with you on matters of vital importance to the peoples of the Americas, especially now that I have heard the statements made in the last three days.

In a certain way, the discussions here seem to echo those taking place at the United Nations Conference on Trade and Development in Geneva.

In giving the opening address at that conference, UN Secretary General U Thant spoke of the dilemma of our age, saying that although the United Nations pointed to the decade of the sixties as being the decade of development, the end of which should see a minimum annual growth of 5 per cent, it seems that this modest objective cannot be reached without a new approach to the problems and conditions of aid and trade.

This is a wise opinion of Mr. Thant's, and it applies not only to the less developed regions of the Eastern world, but also to those of the West, such as Latin America.

The CIAP, of which I have been elected Chairman by the American republics, has just concluded its first meeting. The work was basically exploratory, but at every point in the initial discussions, it was made clear that the Alliance for Progress cannot be conceived of as an aid program, if we ignore the fundamental aspect of trade relations between the industrialized nations and those in various stages of development.

The Charter of Punta del Este recognizes this in stating that "the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign exchange incomes received from exports, a lessening of cyclical or seasonal fluctuations in the incomes of those countries that still depend heavily on the export of raw materials, and the correction of the secular deterioration in their terms of trade."

According to recent tentative estimates, it is believed that if, during the 1962-1971 decade, Latin America is to achieve the minimum growth foreseen in the Charter of Punta del Este of 2.5 per cent per annum per inhabitant, taking as a basis a population growth figure of 2.6 per cent, a total gross investment of between \$120 and \$150 billion will have to be made in the ten-year period. Of this amount, between \$25 and \$30 billion must be foreign investment. At this rate, investment would have to increase from \$6.7 billion in 1962 to \$16.3 billion in 1971.

Thus, of the approximately \$120 billion that must be invested during the decade to achieve the objectives set forth, about \$92 billion must come from internal savings and \$28 billion from the net contribution of foreign funds.

These estimates presuppose that external contributions amounting to \$1.5 billion in 1962 will increase to at least \$2.8 billion in 1971.

But as you well know, foreign investments have not reached these levels in recent years, for which reason there has been a delay in fulfilling the aims fixed by the American countries in the Charter of Punta del Este.

Our countries are now clearly aware that external aid is not a substitute for self-help, but they also recognize that this aid must be appropriately programmed, with reference both to time and to procedural flexibility, owing to the urgent need of cooperating opportunely with the countries in the solution of problems brought about by reform; for reforms may--temporarily but immediately--result in the withdrawal of private investment and even provoke the flight of capital, with direct effects upon the balance of payments.

The President of the World Bank, Mr. George Woods, has shown a keen appreciation of this problem. He recently noted in Geneva that the conditions for aid should be rapidly improved, owing to the pressing problem posed by debt services.

Mr. Woods pointed out that between 1955 and 1962, the public debt of the developing areas of the world appeared to have risen two and a half times, whereas payments for service on these debts increased almost four times during the same period.

He also mentioned that the World Bank is interested in providing long-term financing for programs to import parts and replacements for manufacturing and maintenance.

The Alliance cannot be conceived of as an aid program, if we ignore the importance of improving conditions of trade with the countries in the process of development. Trade and aid are complementary economic instruments and should maintain a reciprocal relationship. Thus, if international trade relations are improved, it is possible to foresee that external aid may in time be reduced; but if trade relations between the developed and underdeveloped countries do not improve substantially, there must be an increase in aid, in order to be able to reach the aims established in the development programs and in the Charter of Punta del Este.

On the other hand, it does not seem that the industrialized countries should feel oppressed by their external aid, which represents less than 1 per cent of their gross national product, especially if it is considered that most of this assistance



is given in the form of loans.

The fact is that progress in trade unfailingly results in a higher degree of development. It is therefore essential to enable the developing countries to increase their exports of manufactured products to the markets of the industrialized countries. This calls for the granting of preferential treatment without requiring reciprocity, at least in the early years. This would give the underdeveloped countries the income they need to implement their development projects. It seems predictable that at Geneva the world may come close to finding ways to overcome the vicious cycle that for too long has engulfed two-thirds of the earth's inhabitants in misery and despair. But to do that requires a high degree of political courage and technical ability. Without overlooking the fact that insufficient administrative and technical knowledge is one factor delaying the advance of our peoples, I believe that it is equally important for the governments, of both the industrialized countries and the ones in the process of development to know how to make timely, courageous and politically imaginative decisions.

But how can the market of an industrialized country be opened to the manufactured products of a country in the process of industrialization? Is it possible to export manufactured products of low quality and, because of the limited production, high prices? This is not the intent. The countries will take the necessary steps to deliver to the market products that are competitive in price and quality. But to do this requires aid in loans for new machinery and occasional technical assistance at the administrative level or in the training of personnel. One concession that the countries could not make at the beginning, at least, would be to offer complete freedom of access to their markets, because they lack the foreign exchange necessary to finance unlimited imports.

The political decision called for in the commercial sphere and in relation to development is equivalent to the decisions that the governments have taken to support farm prices on the domestic market. During the great economic depression of the late Twenties and the early Thirties, the farmer in the United States was producing more and more to earn less and less, while at the same time the prices of the manufactured products he needed for his livelihood were higher each day. The United States Government then adopted a series of measures to help the farmer. On the one hand it gave them greater credit facilities and more technical assistance to enable them to produce more efficiently, and on the other hand it put into effect a parity formula whereby the price that the farmer received for his produce would be in line with the price he paid for the manufactured goods he required.

Somehow or other we must develop a system somewhat like parity in the field of international trade. I believe that this is what is being asked by those who have expressed their concern at Geneva.

Without overlooking or discounting political or technical difficulties, I would venture to suggest that encouraging certain types of exports from developing countries to the markets of the industrialized nations is not as visionary as some people seem to think. There have been cases of semiliterate laborers who, without any industrial experience, have become highly productive workers at modern electronic factories in underdeveloped regions after a few weeks more of training than are required for the same training of manpower in the United States or Europe. Brazil's automotive industry was built in a decade, and Mexico has already become an exporter of steel and steel products.

Various countries and members of the Panel of Nine have suggested that hemispheric development funds be set up for the multilateral promotion of integration, industrialization and trade. I hope that the IDB and other international agencies, together with private industry, the development organizations and development banks of the various countries will carefully study these proposals. I think they raise points which tie in with the call for export-promoting programs made at the Sao Paulo Conference last November, and which have been supported by the important remarks made by others from this podium.

The Inter-American Bank has already done a great deal to promote agricultural and livestock production, irrigation works, credits, etc. However, since it is so important to the Latin American countries to heighten the efficiency of their production, modernize their agricultural technology and foster the growth of institutions supplying credit and technical assistance to farmers, I would like to suggest that in these coming stages the Bank give every consideration to the possibility of expanding its financial programs in these areas. The local currency commitments for the infrastructure works going forward today in almost every country are of such magnitude that they generally absorb the new fiscal revenues collected under the reforms being instituted. To resort to domestic credit on the necessary scale as a means of aiding agricultural and livestock production is to risk compounding the inflation. On the other hand, external credits which permit the gathering of domestic currency through the sale of foreign currency for new acquisitions of capital goods sterilize a proportionate volume of domestic currency, and agricultural and livestock credit can be expanded while avoiding the price rises inherent in an unmanageable inflationary cycle. The Bank would do well to bend special efforts to the fostering and technological modernization of agricultural production in the coming years, and to collaborate in financing the agrarian reforms now under way and to be instituted in the future.

It is too early to predict the outcome of the Geneva Conference. Representatives of Latin America are among those who at that Conference have been calling for the establishment of a new international trade organization. If such an organization does not materialize overnight, we must not conclude that any effort to improve

the terms of trade will be fruitless or that anything attempted for the sake of development is doomed to failure. I have said before that I am frankly optimistic about the possibilities of the Alliance for Progress, partly because of the instruments that the American republics have evolved to mobilize international cooperation for their struggle against underdevelopment. No other group of countries in process of economic development has gone as far in the forging of instruments for integration such as LAFTA and the Central American Common Market; the IDB and the Social Progress Trust Fund, which have already done very important work; the political resources of the inter-American system; the technical divisions of the OAS Secretariat and the Economic Commission for Latin America; the Panel of Nine; the specialized agencies such as the Pan American Health Organization; institutions for the development of cooperatives and trade unions; and the IA-ECOSOC, for discussion and definition of social and economic policies. These instruments, together with CIAP, provide the necessary political and technical strength for cooperation within the hemisphere and for enlisting the resources of the developed nations.

We owe the Bank our appreciation for its new programs, such as the one set up for the financing of exports of capital goods. The Bank will also be taking over the direction of the Advisory Group or Consortium being formed to obtain the financing for Ecuador's development programs. It is going to be an excellent experience. This is a good time to study the manner to which consultative groups or consortia, when they are resorted to, can act most effectively and, in full agreement with the countries they assist, in implementing programs to satisfy their most pressing requirements. The best means could also be sought of enlisting the membership of friendly countries on other continents that may be interested in joining in the great cooperative enterprise of the Alliance. The Bank is taking the initiative in other fields as well. As an example, Mr. Felipe Herrera has proposed the establishment, by the European countries, of an investment fund for Latin America to be administered by the IDB. It can be said, therefore, that many new activities are under way.

We must recognize, however, that the resources of the Ibero-American countries are generally insufficient to satisfy their needs. This situation will grow worse because, at least until 1970, the financial requirements for execution of their programs will increase from year to year. Moreover, the demand will rise because the completion of national or regional projects in each of them will add to their capacity to utilize foreign aid. In the last five years, foreign financial assistance, apart from the revolutionary change in the system and in the terms on which it is being provided, increased 50 percent and more and more of it is being channeled through multilateral agencies.

The United Nations General Assembly has set at 1 percent of gross income the

amount that the industrialized nations should make available to developing countries. Some nations, such as France and the United States, will contribute more. But the \$6.6 million invested by all foreign public and private sources in 1962 amounted to only 7/10 of 1 per cent of the gross income of the developed nations.

Furthermore, the many millions of dollars spent annually for the upkeep of armies and armaments at a time when nuclear weapons make a new war almost impossible are a symbol, as it were, of the urgency that at least part of those vast resources be employed to improve the living standards of the three-quarters of the world's population who are ill-fed, ill-clad, ill-housed and ill-taught.

The new mechanism now coming into operation, the Inter-American Committee for the Alliance for Progress, CIAP, will be the political driving force of the Alliance and will recommend and coordinate the economic and social policies that will guide this continental development effort by means of what are fundamentally multilateral and cooperative procedures.

The economic development and the social, spiritual and material progress of Latin America will be fully achieved because it must be achieved. It is above all necessary, therefore, that the American individual be prepared for this important task, that he be given a part to play in that development and a sense of responsibility for it. His involvement in the execution of programs must be secured if these are to become the achievement, not of the governments alone, but of the urban and rural masses which, imbued with an awareness of their historic mission and of their obligations for human solidarity, provide the momentum for, and carry out, their own development.

None of our countries can develop successfully alone. Most of them must cooperate with their neighbors to expand their markets and to step up their production and trade. It is necessary, therefore, to encourage domestic popular effects in each country and the cooperation of the entire American region to erect a structure that will afford the distribution of goods to all the people, with agrarian, tax, monetary, credit and administrative reforms that may be needed, and a continental solidarity that will give political effectiveness to the numerous populations which the Alliance seeks to impel toward rapid economic growth and a better life, so that Latin America may present its programs to the industrialized world as it is now doing at Geneva.

And CIAP is a sturdy link in the Pan American chain because its purpose is precisely to cooperate with the governments and peoples of America in working towards those goals.

Our peoples want more deeds than words, more effective action than good inten-

tions, and more accomplishments than promises. That, precisely, is the mission of the inter-American organizations, including the Inter-American Bank, whose Governors are gathered here, and the new agency for dynamic policy-making set up by the American nations at Sao Paulo: CIAP.

The Alliance partners should therefore work tenaciously for economic development and, at the same time, toward a relaxation of world tensions so that the armaments burden may be lightened and efforts for economic and social development intensified. This dual purpose poses a challenge to all the wisdom, all the courage and all the political ingenuity of which the American peoples are capable.

**FOURTH PLENARY SESSION-**  
**APRIL 16, 1964**

Address by Mr. Hipolito Larrabure Price,  
Governor for Peru, at the Fourth Plenary Session

It gives Peru great pleasure to be present once more at an Annual Meeting of the Board of Governors of the Inter-American Development Bank. This Meeting, the fifth held since the Bank was founded with so much enthusiasm and such high hopes in San Salvador in February 1960, finds us looking back on some very positive work in spite of the short time elapsed.

This time we are the guests of Panama, whose people and Government we greet warmly in the name of the Government and the people of Peru, expressing our sincere appreciation for the warm hospitality and the many attentions bestowed upon us.

We would also like to use this opportunity to greet all the friendly nations here represented through their distinguished Governors.

It gives me great pleasure to express our satisfaction over the unanimous reelection of Dr. Herrera as President of the Bank for a new term of five years, an event which ratifies our trust in him and the general recognition of his capable work in running the Bank.

The Fourth Annual Report covering fiscal year 1963, contains detailed and well-documented financial reports concerning the ordinary capital resources and the Fund for Special Operations and, since this has already been extensively commented upon, I think it unnecessary to discuss the different items or compare the results obtained with those of the previous fiscal year.

Nevertheless I will refer to this report in adding yet more to the many praises already heaped on the President of the Bank, Dr. Herrera, the Board of Executive Directors, the Managers and Officers for the high efficiency attained by the Institution through their capabilities and dedication.

While we are expressing our satisfaction with the success being attained by the Bank in its activities, we think, as President Herrera has well said in his brilliant address, that this is a good occasion to survey the future work of our Institution. It is with this in mind that I shall make some comments and suggestions, inspired by the best of intentions to help the Bank, within the framework of the limitations of its financial capacity with which we are all fully acquainted, to adapt its activities better to the great needs of our countries.

The situation of Peru is no different from the general situation of the area, whose economic and financial problems have already been described by the President of

the Bank. Within this general situation nevertheless, my country is engaged in a vigorous reform effort in various areas of social and economic development.

This renovating action accords with the commitments contracted by our countries under the Charter of Punta del Este. The Government of Peru is determined upon an agrarian reform which will revitalize that sector of national production and establish fairer conditions for land tenure and for distribution of the fruits of labor in that sector. At the same time my country is engaged in promoting a greater mobilization of domestic resources for development through fiscal and tributary measures. It has also undertaken so to plan that development as to assign roles in it to both public and important private sectors. The country is continuing its industrialization effort, basically through the private sector, in which fields and sources of production have been opened up by the stimulating influence of the Industrial Promotion Law. Parallel to this, credits to promote small and medium industries have been granted through our Industrial Bank and private financing sources with the firm backing of the Inter-American Bank.

The serious problems of education, food, housing and health are being tackled by the Peruvian Government, but the magnitude of the needs by far exceeds the possibilities for an immediate solution, in spite of the increased national resources which the Government is appropriating in these fields.

Hence the lively interest with which we have listened to the address by the President of the Bank on our Bank's need for a greater volume of resources from which to grant credits under the most flexible conditions possible insofar as terms and interest rates are concerned, to cooperate with the national effort in these fields of social development.

I would especially like to point out that this vigorous push which Peru is giving its development work is firmly grounded in the monetary stability that results from the policy of free trade and exchange that Peru has been maintaining for some years and whose effects are reflected in the growth index for national production. This policy also enables Peru to offer some of the most advantageous conditions in Latin America for foreign investment which might be desirous of joining in our own efforts to capitalize our country.

The healthy economic and financial situation of Peru and the determined reform spirit that characterizes its Government ensure that social and economic development plans and projects will be launched which, however, cannot depend exclusively on Peru's own internal effort. Hence the urgent need for foreign financial and technical aid, and Peru hopes that this assistance will be increased in the future.



While on the same subject, we also hope that the important cooperation we are receiving from the Inter-American Bank may be increased as the new plans and projects for various aspects of our development now being evolved by our Government, are presented to it. We also trust that the Bank will step up its cooperation with the Peruvian private sector, whose contribution to the development of the country is of the greatest importance.

Of course, we understand the limitations of the Bank's financial capacity and we shall not make the mistake of expecting our regional institution to provide everything, but we do think that it can collaborate in a very important way with countries in their search for new resources to finance projects which are beyond the Bank's capacity or operating scope to support. This is a suggestion which I should like to make to the Board of Directors and the Management of the Bank in view of the great spirit of service which characterizes our Institution and which we all appreciate.

I would like to use this opportunity to stress how essential it is for our countries for the Bank to continue its policy of backing the credit capacity of national development organization. We think that the work of development banks is most important in stimulating and encouraging small-and intermediate-scale enterprises by channeling public and private funds to them. Hence the constant preoccupation of the Government of Peru with the need to increase foreign aid to development banks through the extension of lines of credit adequate in volume and conditions or through the other forms that this financial assistance may take.

To attain these objectives, it is imperative that the Bank work to obtain resources from non-member countries to increase its capacity to satisfy the demand of the Latin American countries for financial aid. This is why we support the interesting and timely proposal of Argentina aimed at increasing the financial resources of the Bank.

I also wish to voice the pleasure with which we have followed the Bank's efforts to accelerate the integration process to achieve regional development. I think it is appropriate to point out here that the Government of Peru has often stated the need that our countries carry out vast regional infrastructure works in cooperation with international public organizations, to promote the integration of our peoples. Such an enterprise is that proposed by the President of Peru, Fernando Belaunde, for the construction of the Bolivarian jungle-skirting highway. This proposal for a regional artery has been enthusiastically received by the Governments of Colombia, Ecuador and Bolivia and the Inter-American Bank is cooperating in the performance of the preliminary studies.

Finally, we think it is most important to speed up the establishment of a Latin

American common market. The work to be done by the Institute for Advanced Integration Studies, which the Bank intends to establish as announced by President Herrera, and which already is firmly seconded by the Argentine Government, will be very helpful in the various aspects of this economic integration process.

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

Allow me first to proffer my thanks to the noble nation of Panama for its generous hospitality to us on the occasion of this Fifth Meeting of the Board of Governors of the Bank, and also to pay my respects to its leaders, whose sagacity and vision in the recent troubles have made it possible for us to gather here and discuss the financial aspects of the economic and social process of our entire continent. I am happy to be among you once again, happy to be again among friends and colleagues and discuss our common problems with them. It is very reassuring for all of us, I think, to be here to replenish ourselves at this source that is the Inter-American Bank with new reasons to hope for and believe in a better economic future for our Continent, and to strengthen those we have always had since that year of grace 1960 in which we met for the first time in the city of San Salvador to give concrete expression to that dream dear to all of us economists: a development agency of our own.

My words will be brief. The activities of the IDB in Haiti are carried forward through the Institute of Agricultural and Industrial Development (IDAI), which is an autonomous agency of the Haitian state operating with a capital of close to \$3 million provided by Haiti and with a credit line of \$3.5 million made available by the IDB.

The IDAI began its activities on October 1, 1961. It had been agreed between the Haitian Government and the Inter-American Development Bank that the funds of the Institution would be placed at the disposal of the private sector. The bulk of the loans made from those funds were to be granted to enterprises of intermediate size.

After a few months of operation, the IDAI management called the attention of the Haitian Government and of the IDB to the fact that far too few enterprises of intermediate size were disposed to draw on the available funds, whereas the small farmers asked nothing better than to make use of these credit facilities. The IDAI management ascertained at the same time that small farmers would be unable to profit effectively from agricultural credits if they lacked facilities for storing and processing their products, and that those storage and processing facilities ought to augment the profits of the farmers rather than those of an industrial class which, by force of circumstance, would establish a de facto monopoly.

Thus, in order to better serve the needs of the agricultural class, the IDAI proposed the establishment of a development agency to be called the Societe D'Equipement National (SEN) a principal function of which would be the instal-

lation of warehouses and processing plants, pilot farms and small local electric power stations under a program designed to promote the economic independence of the Haitian farmer. It is hence important to stress that the purpose of establishing SEN was not to institute a statist policy but, to the contrary, to reinforce the natural individualistic tendencies of the Haitian peasant.

As an illustration of the free enterprise spirit that inspired the foundation of the Societe d'Equipement National, we may emphasize that the warehouses and processing plants opened by it may be purchased by individuals or cooperatives, and that the IDAI is always prepared to finance similar warehouses and processing plants whenever asked to.

The Societe d'Equipement National was approved by the IDB on February 15, 1962. The decree authorizing its establishment was published on January 24, 1963. (Official Gazette No. 8).

Thereafter, the IDAI management drafted a new program of action aimed at aiding the independent peasant in the hinterland and at bringing to him the benefits of the latest advances in modern agricultural technique.

The new IDAI program, approved by the Haitian Government on March 2, 1964, has been designed quickly to enable the peasants, even those who are not improving their cultivation methods rapidly enough, to store and process their products in warehouses and plants provided by the Societe d'Equipement National.

These warehouses and plants will be gathered in agricultural centers dispersed at well-chosen strategic points.

The execution of this agricultural center program is in full swing. The processing and warehousing facilities at the various centers have been designed specially to handle the principal products in their respective regions.

The technical and financial assistance of the Inter-American Development Bank is highly appreciated for the results it has achieved.

Other projects, such as a spinning mill, a pilot plant for animal feeds, an agricultural center endowed with a 350 KWA electric power station, several buildings which could eventually serve as prototypes for low-cost housing projects that the IDB could finance and which, as I told you two years ago in Buenos Aires, are badly needed in Haiti. Other concrete achievements, fostered by the Government of Haiti, such as agricultural centers under construction, a butter factory, an 875 KWA electric power station, etc., demonstrate quite clearly that a modest start has been made towards the economic development of the remote areas of the

country.

May I be permitted here to congratulate the Board of Executive Directors for approving that loan, and particularly my good friend Cleantho de Paiva Leite, Executive Director for Brazil, Haiti and Ecuador, whose praiseworthy efforts and persuasiveness were decisive factors in the granting of the loan to my country. And I also seize the occasion to join the members of other delegations in congratulating our distinguished President Herrera, Executive Vice President Upton and the entire Board for the successes recorded in three years of operations. And if, in this brief period, we have witnessed an impressive increase in the IDB's resources, this has been owing to their unremitting efforts and to the high standing our Institutions enjoys in all financial circles.

I am gratified to point out, moreover, that the Haitian Government has not been standing still. On a larger scale, to be sure, without fanfare and with only its own resources, it recently launched an economic development program: three large secondary schools have already been built in the large inland cities, several rural schools equipped with dispensaries, markets, low-cost housing units, a recreation center for workers and laborers, etc., etc., not to overlook the impressive construction of a modern city a few kilometers outside the capital, which can serve as a pilot project for the renewal of inland towns.

Above all, in January we began the construction of a modern jet airfield that will offer all the facilities necessary for the development of tourism, an important source of revenue for the country.

You will easily grasp the significance of this latest formidable effort by comparing it with those made in this field by other nations on the Continent, either with the aid of loans or with the participation of international financing agencies.

You will understand it even better if you realize that these lone efforts of ours were begun hard on the heels of the great misfortune that befell us in October of last year, when hurricane Flora ravaged the entire southern region of the country, and left standing, not one single crop, or house or stock animal.

The reconstruction is possible, but we know that we must move ahead with what we have and, as always, with your deep understanding.

If circumstances are favorable, our government expects to hold the formal opening of this airfield by the end of the year.

I would now like to ask the President and the Governors to consider the possibility of holding one of the next meetings of the Board of Governors of the IDB in my

still, little known or badly known country in the not too distant future.

It will be a pleasure and a great privilege for us to receive you and welcome you as we once welcomed Bolivar, the great Liberator of Latin America. You, too, will then be enabled to discover at close hand a sister nation which, like yourselves, is confronting the same problems, experiencing the same difficulties, entertaining the same aspirations and cultivating the same ideals.

Address by Mr. Galileo Solis,  
Minister of Foreign Affairs and Alternate Governor for Panama,  
at the Fourth Plenary Session

Pursuant to the By-Laws of the Inter-American Development Bank, its illustrious President, Dr. Felipe Herrera, has presented to this Fifth Meeting of the Board of Governors the Fourth Annual Report for the 1963 fiscal year. The Panamanian Delegation to this Meeting would like to offer certain timely comments with reference to this Report, not on the details of the Bank's activities, but on the general policy required to achieve the goals for which this Institution was established.

The Bank approved its first loan on February 3, 1961. On that date it transacted the first of the financing operations that are unquestionably the principal function entrusted to it by the Bank's Charter. Its progress to date and the rapid expansion of its credit activities in only three years is truly astonishing, exalting the capacity, ability and wisdom demonstrated by the staff who have, under the worthy and expert direction of Dr. Herrera, shouldered the responsibility of organizing and channeling the Bank's operations, and who merit the sincere appreciation of all the member countries.

It is indeed singularly satisfying to note that in this brief period the Bank has committed through 197 authorized loans the enormous sum of \$880 million, if we have understood rightly the data contained in the Annual Reports for 1961, 1962 and 1963.

It is interesting to review the origin of this \$880 million.

Of the \$813 million accumulated in its ordinary capital resources, the Bank committed \$392 million, leaving an outstanding balance available of \$421 million.

Of the \$146 million in the Fund for Special Operations, the Bank obligated \$121 million, leaving a remainder of \$25 million.

And of the \$394 million in funds, available from the Social Progress Trust Fund, the Bank obligated \$267 million, leaving a margin of only \$27 million.

Reducing these figures to percentages, we find that the Bank was able to commit only 48 per cent of the amounts available for ordinary loans. In contrast, the Bank obligated 83 per cent from the Fund for Special Operations and 93 per cent from the Trust Fund.

This would appear to indicate that the drain of resources from the Fund for Special Operations and the Trust Fund prevented greater expansion of the operations covered by these channels. Logically, therefore, a larger money supply in these

two Funds would probably have led to a greater number of loan operations eligible for their financing.

The same cannot be said for the ordinary capital resources, of which the Bank succeeded in authorizing only less than half the amount available for loans covered by this source. For greater clarity, it may be added that the Bank was able to commit only \$392 million from its ordinary resources, while it effected operations totaling \$488 million from the resources of the other two Funds.

We have sought to emphasize the comparative ratio among the several origins of the monies obligated by the Bank as of December 31, 1963, in compliance with its functions, since this ratio reveals the area of greatest financing need for the adequate and efficient economic and social development of our sister Republics.

Furthermore, an analysis of these trends is also an effective aid in evaluating the exact degree of impact or effect that can reasonably be expected from the Bank's activities within its currently authorized faculties and its supply of funds for overall programming of such regional, economic, and social development. It also serves to indicate the increased benefits that could be provided by the Bank if the Fund for Special Operations and the Trust Fund were expanded. These Funds have to date been insufficient to cover the most urgent operations requiring investments that can only be undertaken with long-term financing and on non-traditional banking conditions.

A study of all these circumstances would avoid any error or illusion regarding what the Bank is at present unable to undertake or achieve. At the same time, it obligates us to seek and find new instruments or new methods to fill the gaps and overcome the shortcomings that prevent or retard the prompt and effective socio-economic development so sorely needed by our countries. All of these countries can be included under the crowded and increasingly critical classification of underdeveloped nations, or developing nations as they have recently been designated in a euphemism which, although it may please those who do not care to call things by their proper names, appears, on the other hand, to de-emphasize the undeniable gravity of the present crisis.

This Bank was established for a single purpose expressly stated in its Charter: "to contribute to the acceleration of the process of economic development of the member countries, individually and collectively."

The Charter assigned to the Bank five specific functions designed to bring about "development of the member countries" by providing the necessary financing.



This concept and this goal of economic and social development did not originate with the establishment of the Bank. The same concept and the same goal had already been set forth in other international instruments, for example, the United Nations Charter and the Charter of the Organization of American States.

The new element involved in formation of the Bank in April 1959 was its role as a regional financing instrument to deal, although in a restricted fashion, with certain aspects of economic and social advancement in the Americas, but without setting up at the same time duly planned programs of action for progressive implementation in order to achieve stated goals.

It was not until the adoption of the Charter of Punta del Este, launching the Alliance for Progress conceived by President Kennedy on the basis of President Kubitshchek's Operation Pan America, that, for the first time, by adopting "a program of action" to "achieve more rapid economic progress and broader social justice for their peoples," a systematic and dynamic focus was given to the previously vague notion of "economic and social development." This has now been specifically embodied in detailed proposals of action, pre-established goals compulsory in scope and instruments and procedures ensuring full success of the ambitious plans so fortunately conceived and organized.

The Alliance for Progress, which was born amid euphoric enthusiasm from the entire Hemisphere and which was prematurely weakened by disillusioning delays and fleeting hopes of early benefits for the great masses who aspire to some degree of economic and social improvement, found in the Inter-American Development Bank the instrument that was to ensure and confirm the kindly designs of the Charter of Punta del Este and to vindicate, with the convincing power of practical achievement, those who laid the economic and social renovation of Latin America in the proposals and commitments of that Charter.

It would be no exaggeration to state that the definitive and outstanding success of the Alliance for Progress might be fully assured if the Inter-American Development Bank should become the Bank of the Alliance and if all the funds from every source designed to finance the programs envisaged in the Charter of Punta del Este should be placed in its trust for administration.

One lesson taught by the Bank's experience during its three years of productive activity is that financing through loans at very long terms, low interest and flexible service conditions designed to promote social development has a more rapid effect on the living standards of the vast public sector for whom the Alliance for Progress was created than financing at short or intermediate terms, higher interest and less flexible conditions designed to promote economic development.

This does not mean that proper attention should not be given to loans for economic development investments, but rather that such loans cannot provide the expected benefits unless they are accompanied by social development investments, which will create the essential climate for development of the collective economic processes within a normal framework that cannot exist without some degree of mass social tranquillity.

Enlightened coordination between economic and social development investments will determine the success of what the Colombian representative to the Board of Governors Meeting in Caracas in 1963 defined felicitously as "the impact on poverty and ignorance."

The orthodox doctrines of banking policy that assume self-amortization of investments from their returns are frequently negated in loans for investment in social development, since such loans are granted with the knowledge that they are not productive and the conviction that their very long-term reimbursement will be achieved through their absorption by the national economy, as a tolerable net loss within the growth that economy will undergo in the course of the same long term by reason of the economic development investments that should be undertaken in combination and coordination with the social development investments.

Therefore, to place in the hands of a single institution such as the Inter-American Development Bank the simultaneous management and administration of economic and social development loans would assure the ultimate triumph of the vast crusade of political, social and economic redemption that the Alliance for Progress represents to the Latin American peoples.

The Bank has not yet initiated the system of financial assistance through the guarantees provided for in its Charter. It would perhaps be advisable to explore this field by means of suitable experiments, for in this aspect the financial productivity of credit has the virtue of creating circulating assets without initial capital outlay, thus providing broader financial aid without affecting the supply of funds for other purposes.

The Alliance for Progress is based on the concept of collective development of isolated countries. The premise is an essential one, for in this world where the speed of communications and transportation has eliminated distance and is fast multiplying economic, political, social and cultural exchange in every imaginable direction, only the cooperativism of common interests can provide mankind with an organization capable of avoiding the chaotic labyrinth that would result from the free and unrestricted play of incompatible, contradictory or obstructive trends and forces.

This is the reason for the evident movement of world economy towards an organization that will seemingly end in some sort of federation of regional economies. Groups of similarly structured countries will coordinate their economies within regional organizations which will eventually federate within a universal economy.

The course of these circumstances is impelling Latin America towards the regional integration of all national economies. The Central American Common Market and the LAFTA are nothing more than sub-regional experiments that are gradually opening up the road to total integration.

Perhaps the slowness with which the integration processes are developing despite successful experiments, is the consequence of the apparent desire or goal of achieving such integration in a single step by ensuring the existence at an integral regional system previously organized in every detail.

Regional economic integration efforts usually take the form of common markets in their various different guises and are based on a fundamental principle that can be stated here: no purchases and no sales outside the integrated area that can be effected within it.

If it were possible to sign multilateral pacts at the regional level to make this basic principle obligatory, and if it were possible to establish a central agency to coordinate supply and demand and to facilitate the diversification of domestic output in each country for greater regional exchange of certain products, it would probably be possible to initiate an integration movement that would develop by itself under the incentive of practical experience and achievement.

Latin American economic integration must advance, as slowly or as rapidly as possible, for it is our sole means of strengthening and defending the economy of the group on the world markets vis-a-vis the economic integration now under way in other parts of the world.

Without maximum comprehensive integration, Latin America will lack the economic power it needs to meet the serious problem of basic commodity prices, which leads, in practice, to the tragic and steady depression of workers' wages in our countries in order to enable the workers in the countries purchasing basic products to receive increasingly higher wages.

In this conflict between the industrialized countries and the countries that do no more than sell raw materials and natural products, the operational advantage belongs to the first group since their import and export operations are organized and structured and they have as well the financial power to impose prices. The exporters of basic products, on the other hand, lack all collective organization, the

financial capacity to restrict supply in an effort to secure better prices, and the financial and technical ability to industrialize their own basic products totally or partially before presenting them on the foreign market.

Adequate regional integration would make it possible to coordinate elements and endeavors to force a rise in export prices and a drop in import prices, by invoking the universal law of supply and demand and promoting the development of industries that would raise the salary of our workers and incorporate this increase in the cost of the finished or semi-finished export product.

The intraregional exportation of capital goods, a problem that is already a concern of the Inter-American Development Bank, is another possible alternative by which Latin America can counteract, very appreciably, the tyranny of low prices to which it is subjected by the industrialized nations.

But in these problems of Latin American economic and social development, not all can be measured or weighed in dollars and cents.

We cannot eliminate the spiritual and psychological factors, which will, in the last analysis, determine individual or collective decisions, for every decision is an act of will.

We cannot tear from the soul of our countries the aggressive, impetuous and romantic temperament of our Latin heritage, nor the rebellious, mistrustful and astute temperament of the Indian races, nor can we efface the peculiar character of our peoples originating in the merger of these two traditional streams, which is providing us with an increasingly better-defined and more uniform collective personality.

No economic and social development program can prosper if it fails to cultivate the innately individualistic nature and the social sensitivity of our great masses, for this is the substratum on which we build our countries and its exaltation is our best protection against imported doctrines and theories that destroy freedom and violate human dignity.

Let us strengthen the Indo-Latin spirit of our peoples; and on this foundation let us construct our economic and social development. Then will our poverty-stricken and desperate masses acquire the full and certain conviction that the road to their happiness can be no other than that of the democratic doctrines and practices that are and will always be the incontrovertible basis of the inter-American system.

Statement by Mr. Hector Hurtado,  
Alternate Governor for Venezuela,  
at the Fourth Plenary Session

The deterioration in the prices of export products and the restrictions imposed by the industrialized countries limiting access to their markets has led to a substantial reduction in Latin America's capacity to finance its development, a problem shared by countries in a similar position in other parts of the world. Consequently, the fundamental theme of the statements made by our Governors, development financing with foreign resources, has necessarily been accompanied by a constant preoccupation with the problem of international trade as a source of funds for the self-financing of development in our region.

For this reason, just as the world forum in Geneva aspires to promote the conversion of international trade into an effective development instrument, so we are meeting here to improve the mechanisms of inter-American financial cooperation. These mechanisms will supplement such trade in the attainment of economic development and social progress, responding to the demands and firm purpose of our peoples.

We have heard with great interest the address at the first session of this Meeting of our President, Felipe Herrera, who has been reelected for a new term in unanimous acknowledgement of his intellectual gifts, his dedicated service to the hemispheric cause and his capacity for creative work.

We have also given close attention to the perceptive observations of the Governors in their general statements. Little can be added to what has been said here regarding the process of our Bank and the problems affecting the development process of our countries. Therefore, I will confine my remarks to the subject of availability of Bank resources for expansion of its activities.

At the close of its third period of operations, the Bank has helped to finance our national development programs by loans totaling \$875 million. Nevertheless, it is regrettable that, precisely in the past year, the rate of credit authorizations should have declined. In fact, if we consider that 1961 was the Bank's initial year of operations, it will be seen that the average of credits granted by the Institution in its first two years amounted to \$308 million, while loans during 1963 aggregated only \$259 million.

The decreasing pace of credit operations results from the reduction in loans financed by the Social Progress Trust Fund, which dropped from \$205 million in 1962 to \$47 million in 1963. This loss cannot be offset by the increase in operations in the ordinary resources of the Bank, which exceeded the average for the two preceding years by \$75 million.

The increase in loans financed by ordinary resources, accurately predicted by the Bank authorities, led to the increase in capital recommended by last year's Meeting. Thus, the Bank is now able to finance a larger volume of credits with these resources, as well as to mobilize additional funds by applying to the capital markets.

The same cannot be said of resources for soft loans. We had an opportunity of learning in the speech of our President, Felipe Herrera, of his concern for securing a substantial increase in these resources. He also pointed out the progress made by our peoples in the field of social development, the combined result of self-help and foreign financing cooperation, especially that received under the Social Progress Trust Fund. The loans from this Fund, amounting to \$368 million, are helping to finance projects costing \$840 million, which signifies that the local contribution of the Latin American countries amounts to 56 per cent of project costs and gives proof of our countries' interest in conforming to the spirit and letter of the Charter of Punta del Este.

My country is executing such projects, in the amount of \$132 million, in the fields of housing, water supply and agrarian reform, for which financing of \$53 million has been received from the Social Progress Trust Fund. Furthermore, with our own resources we are executing broad programs in these and other sectors in order to speed up our economic development and improve the social welfare of the less favored sectors of our population.

The preceding figures referring to Latin America and to my country in particular indicate that continuation of the foreign aid committed under the Alliance for Progress program--a "lasting monument to the memory of President Kennedy"--is vital, especially in the social field. As the Governor for the United States, Mr. Douglas Dillon, stated so well, it is, unfortunately, necessary to acknowledge that social advancement in the Hemisphere had been sadly neglected; the Act of Bogota alerted us to the need for embarking upon a solution to the social aspects of development.

For this reason, we note with satisfaction the effort made to maintain, through formulas ingeniously devised and frankly presented, a regular flow of resources for soft loans, since the availabilities of the Bank for such operations, even considering the additional resources supplied to the Fund for Special Operations and the Trust Fund during the last fiscal year, are only 50 per cent more than the total volume of loans already financed by these sources over two years. Otherwise, these funds would be exhausted in the course of the present year if, as is desirable, the same rate of loans should be continued.

In supporting, on behalf of my government, and expressing our satisfaction with

the proposal formulated by the United States delegation to increase the resources of the Fund for Special Operations, I would like to refer to the need for encountering suitable mechanisms for the utilization of these new resources on terms similar to those governing the operations of the Trust Fund.

The exercise of any member country of the right conferred in Section 1 (c) of Article 5 of the Agreement Establishing the Bank to restrict its local currency contributions exclusively to payments of goods and services produced in its own territory would limit the utilization of new contributions for social development projects, it would be desirable for the Bank to encounter some compromise formula to dispel concern on this point. Such a formula would be most valuable in facilitating approval by our Governments and legislatures of the resolution adopted, especially in those countries most drastically affected, as are the majority of our Latin American nations, by the deterioration in the terms of trade and the resulting loss of fiscal and exchange receipts.

In the search for this formula to ensure the supply of resources for local costs, it would also be advisable to avoid establishing systems which in practice lead to the same undesirable result and which might, on the contrary, aggravate the situation or entail requisites difficult to fulfill. I refer specifically to the mechanism of segregated accounts mobilized by special letters of credit.

In countries such as Venezuela, where free convertibility exists, this would imply a series of controls on imported merchandise and its transportation to the ports of the borrowing country that would be very difficult and in some cases impossible to implement. Or it might oblige countries with free convertibility to renounce their use of the additional resources or, alternatively, force them to establish monetary and foreign trade controls that run counter to the policies pursued by the International Monetary Fund, the International Bank for Reconstruction and Development and the Inter-American Development Bank itself.

It is only fair to acknowledge that the final section of the approved resolutions on the increase in resources of the Fund for Special Operations opens the door to an understanding on the two questions noted.

Mr. Chairman, the success of the Bank to date indicates that its course has been a true one and that its achievements can be expanded to benefit all our countries. The resolutions we adopt at this Meeting will strengthen its achievements and affirm its true course.

May it be an omen of good fortune that we are holding our Meeting here in this proud city of Panama, capital of the isthmus that Simon Bolivar, a devoted student of Plutarch, hoped would serve our nations as the Isthmus of Corinth served the

Greek cities, to reaffirm our faith in both the objectives we proposed in establishing the Bank and the noble purposes that inspired our Governments when, at a time of illumination and perhaps anxiety, they signed the commitments consecrated in the Charter of Punta del Este.



Address by Mr. Guillermo Hidalgo Quehl,  
Alternate Governor for El Salvador,  
at the Fourth Plenary Session

El Salvador has been honored by my appointment to address the Fifth Meeting of the Board of Governors of the Inter-American Development Bank, on behalf of the Central American countries.

It is very gratifying to me to fulfill this request, since, as several of the Governors have already mentioned, El Salvador and, therefore, Central America, had the honor four years ago of being the site of the First Meeting of the Board of Governors of the Bank. The resolutions adopted on the organization of the Board of Executive Directors, the election of the first President, the rulings on future credit policy, etc., have given the public the impression that the Inter-American Development Bank was born in Central America.

The ideals that inspired the founding of the Bank and the hopes that at that time motivated the Latin American countries are being satisfactorily fulfilled under the able management of the IDB President, Dr. Felipe Herrera. Recognition of his ability is evident in his reelection by acclamation for another term, wherefore, on behalf of the delegations of Costa Rica, Guatemala, Honduras, Nicaragua, and El Salvador, I am pleased to extend to Dr. Herrera our hearty congratulations and to assure him once more of the support of our respective governments.

In 1960, the Central American countries, pooling their efforts to make the best possible use of their few resources, signed the General Treaty for Central American Economic Integration, which has since been complemented by a number of additional protocols. Together, these represent a solid basis for future political integration.

The Central American countries are constantly striving to strengthen their economies and to make the most of their resources.

Among others, we can mention the following significant achievements: the agreement to pass the Uniform Law of Tax Incentives to complement the industrial development laws passed in each of the countries; the Agreement Establishing the Central American Compensatory System, which served as a basis for the agreement recently signed by the Central Banks of the five countries in San Salvador on February 25, 1964. This agreement provides for a working program for the establishment of a future Central American monetary union. The Monetary Council, composed of representatives of our Central Banks, will hold its first working meeting next week in San Salvador. At the same time, negotiations have started for signing an agreement to permit free mobility of production factors in the area, indicating our decision to freely combine our efforts and resources to consolidate

the economic development of the member countries.

The IDB, as a regional financial institution fully aware of its lofty role, has contributed effectively towards this integration process, lending funds both for social welfare works as well as for economic development activities in our area. The countries of the Central American integration area have contracted 36 loans totaling \$73.1 million, of which \$24.5 million had been used as of December 31, 1963. These credits were the more beneficial, having been received at a time when the decline in international prices of our principal export products was so great as to seriously jeopardize our balance of payments. The decided effort made by our countries and the timely financial assistance of the IDB and of other international institutions made it possible to reduce the alarming drop in our rates of growth, but the income derived from our exports and from external loans will have real significance for the Central American economies only when our export products are equitably remunerated and the markets are sound and stable.

Among the loans granted by the IDB, those for social development, which go for improving the living conditions of the Latin American peoples, have been and will continue to be essential in our area, since its productive potential is thereby increased and the foundations are established for a better exploitation and use of our limited resources than would otherwise be the case.

We are aware that the measures and efforts carried out internally are not enough to meet our needs, and we shall therefore be grateful to continue receiving external resources, whether in the form of direct investments, or as loans. In the last few years, we have enjoyed the confidence of foreign countries, manifested through a number of investments or co-investments in Central America by United States, European, and Japanese firms. Moreover, we have received other foreign credits for economic development projects from public and private institutions. Nevertheless, all that has been achieved is just a beginning, because, in line with our programming, we need far more. This is why we are making new requests of the IDB, which we hope will be as well received as the previous ones.

It is a matter of great concern to the Central American countries that the IDB has only limited resources to finance social development projects in Latin America. Other sources can be found to finance economic development programs to a greater or lesser degree, but despite their beneficial effects, the IDB, in years past, has been our only easy and effective source of funds for social welfare works.

The IDB is Central America's hope in this aspect of its development. Therefore, we think that it should spare no effort to find practical ways to obtain soft funds, without asking the Latin American countries to make further sacrifices. This deep concern has led the governments of our countries to draft an amendment to

the Agreement Establishing the Central American Bank for Economic Integration, which having been established prior to the Charter of Punta del Este, did not take social development objectives into account. Under new conditions, the Central American Bank would be the most adequate financial instrument to receive credit from the member and non-member countries to enlarge its scope of action in the Isthmus.

Central America, whose level of development is relatively low, wants to preserve the principles of the Alliance for Progress, and especially, that part of the program that has been carried out through the Social Progress Trust Fund. It is essential that we preserve the spirit of the Alliance, propounded by former President Kennedy, and that the eligibility rating of the social development projects so urgently needed by our countries be maintained at the same high level.

The governments of our countries, engaged as they are in a technical process of economic planning, find that they have little possibility of carrying out their highest priority projects, owing to the fact that they have to complement external loans with additional funds. It would therefore be desirable for the IDB to find the necessary mechanisms or formulas for using other sources of domestic financing, as for example, by guaranteeing certain carefully selected bond issues, for the purpose of mobilizing funds to supplement external financing for projects that have been fully studied and defined.

To better utilize our internal resources, as well as those from abroad, our countries need even more technical assistance. We can never take full advantage of capital and other available funds if we do not also have the personnel trained in the various fields of technology and science to enable us to obtain the maximum degree of yield from these resources. We are aware that the administrative and executive body of this institution has worked with zeal and determination in this matter, establishing internal training programs and national courses for employees of development institutions, such as the ones undertaken last year in Honduras and Nicaragua. But we believe it necessary and make an urgent plea to the directors of the Bank that they redouble their efforts towards training more individuals who can contribute effectively toward obtaining greater yields.

In accordance with their integration principles, the Central American countries have chosen to maintain a united and rotating representation in international organizations such as the IDB, since this allows them to have closer contact with their administrators and also to state their needs more effectively. Therefore, since the formation of the first Board of Executive Directors of this Bank, we have elected a Director and an Alternate for Central America. This was done once again, after agreement between ourselves, at the Fourth Meeting of the Board of Governors, held in Caracas last year. Under the present election system, however, our

representation is divided; therefore, in order to meet our aspirations and on the basis of the experience of the second election of the Board of Executive Directors, we have submitted to the Governing Board for its consideration a draft resolution that reflects Central America's wishes regarding the representation on the Board of Executive Directors to which it believes it is entitled. The preamble of the draft resolution clearly explains the reasons for our position, since the Central American countries have a similarity with each other that, in the matter of integration, gives them an advantage over other regions of the Hemisphere. We believe that the revision of the election procedure will help to remove any obstacles that might arise should the Central American countries fail to give their votes to other countries.

On behalf of the Central American countries, I should like in closing to express our sincere best wishes for the success of the Bank's work in the cause of Latin America's economic development, and to thank the people and the Government of Panama for the many courtesies that they are extending to us, which are making our stay in this city so pleasant.

Address by Mr. Jaime Porras, Alternate Governor for Ecuador,  
at the Fourth Plenary Session

Allow me to take the floor to discuss my country's relations with the Inter-American Development Bank, and briefly analyze the progress of its development. But first I would like to offer my sincere congratulations to the Minister of the Treasury of Panama on his well-earned election as Chairman of the Fifth Annual Meeting of the Board of Governors of the IDB. May I also express the pleasure of my Government at Dr. Felipe Herrera's deserved re-election to another term as President of the Bank in recognition of his outstanding performance in defense of the interests of Latin America. I am firmly convinced that he will continue to bring his skill, his profound knowledge of the problems confronting our peoples and his philosophy of service to the common interest of America to bear in his conduct of the Bank's affairs.

July 11th, 1963, witnessed the beginning in Ecuador of a government dedicated to action and achievement for the benefit of the popular masses, respectful of human rights, desirous of creating a propitious climate and taking the necessary steps to spur the balanced growth of the country's economy. The Government almost immediately instituted the General Economic and Social Development Plan, which was submitted for evaluation to the Ad Hoc Committee appointed by the Panel of Nine, while, at the same time, the IDB was appointed financial agent for the Plan.

Although the Ad Hoc Committee has not yet issued its report, implementation of the plan has already begun, as the Government desires to bring about as soon as possible these changes in the socio-economic structure of the country indispensable for its accelerated growth. The aim of the plan is to achieve a steady increase of more than 3 per cent per annum in per capita income, a goal that was attained as early as last year and will be exceeded this year in spite of droughts and floods. The strategy of the plan will continuously be subject to change, as circumstances dictate, to adapt it to the political and social conditions of the moment. We must use the plan like a flexible tool and avoid jeopardizing its purposes by over-rigid application.

Until 1960, Ecuador managed to sustain a climate of financial stability and sound monetary and fiscal policies. We have succeeded in reinstating those policies, and the Government is now bent on enhancing the confident frame of mind brought about by the change of Government and making its stabilization programs dynamic enough to keep pace with the requirements of the Plan as it is executed. This attitude has already shown results, since flight capital has returned, the private sector has regained its incentive to invest and substantial amounts of foreign private capital have come into the country. Consequently, private investment has been relatively high during the nine months that the current Government has been in

power, and the signs are that it will continue to rise. It is interesting to note the emergence of a good number of mixed enterprises, with the participation of foreign capital and know-how, and the joining of domestic capital with funds from other Latin American countries is particularly notable.

The Government is endeavoring to infuse stability into our policy of industrial development in order to find the necessary common ground among the interests of the State, consumers and entrepreneurs. This is why the new income tax law has exempted from taxation up to 12 per cent of the profit of enterprises that are covered by the Industrial development Law and that have been declared essential to national development.

An organic program for home-craft development has been worked out for the first time to bridge the current gap between industrial development and the traditional home crafts. The intention is to increase home craft productivity and gradually change the craftsman into a small-scale industrialist.

In the fields of agricultural and livestock development, we are progressing toward the realization of a program under which we will supply our domestic requirements for raw materials, and systematic efforts are under way to diversify the composition of our exports. At the same time, bananas have continued to lead Ecuadorian exports, and the tapping of the Japanese market has exposed a level of demand so high as to exceed all expectations.

The Government has embarked on a program of fishery development, not only to increase exports, which are continuing their upward trend, but also to improve nutritional standards. For the latter purpose, cold storage and distribution warehouses have been established through which to market catches at reasonable consumer prices.

There is no doubt that livestock raising has a bright future in Ecuador, and there is lively interest in the development of beef and sheep herds. These programs are now under way, thanks to credits granted by the IDB and the Export-Import Bank.

Under the agricultural development plan, the Government has assigned high priority to the construction and completion of irrigation systems both in the mountains and on the coast. This program is considered of prime importance to the country, as the variable rainfall is largely to blame for the low productivity of agriculture and livestock raising.

The construction of small reservoirs has been accelerated and we are embarked on a vast irrigation program, intimately linked to another for the conservation of

natural resources and for reforestation.

We are stepping up our execution of housing programs to make up for lost time. It is expected that more than 6,000 low-cost housing units will be completed this year with the aid of credits extended by the IDB and AID. We are resolutely determined to solve this social problem, for which no effort has been spared to secure local financing.

The country's inadequate power supply has been one factor heavily limiting our industrial development. Hence our strenuous efforts to expand our installed capacity through the construction of larger power stations, and our proposal to lay the foundations for attainment within the prescribed time for the Plan's goals to triple the installed capacity by 1973.

The Government desires to improve public education at all levels by every means. It is gratifying to note here that the largest allocation in the State budget for the current year has gone to education. The teaching staff has been enlarged and a school construction program is in full swing. A drive to eliminate illiteracy is under way throughout the country. The Government wishes to ensure that the universities will play their part in achieving the goals of growth, and instruction in the technical fields is being developed to remedy the shortage of experts in the various fields of science. I am happy to express my thanks to the IDB for having extended two credits from the Social Progress Trust Fund to finance improvement plans at two Ecuadorian universities.

Highway construction has received the greatest volume of investment in the State budget, and still enjoys very high priority. With the aid of a financial consortium headed by the World Bank and including AID, IDA and the IDB, we are concluding the negotiation of foreign credits aggregating close to \$40 million for our national highway plan. During the period covered by the Development Plan, Ecuador proposes to lay 1,048 kilometers and to improve 1,295 kilometers of main roads. Thus, by 1973 Ecuador would be provided with a basic network of 4,950 kilometers of first-class highways, plus 7,500 kilometers of secondary roads. The loan will finance a substantial part of this plan. Since the financing of the domestic contribution necessitated the creation of new income sources, the Government, under the tax reform plan, has simplified the system for levies on bananas by merging all taxes levied on this product in one way or another, and has thus obtained the amount required for the domestic financial contribution without having to impose new taxes on gasoline.

It may be pointed out that, among the reforms programmed, the final bill for an Agrarian Reform Law is almost ready; its purpose is to harmonize private interests with those of the public at large. The Government hopes that, in addition

to solving a very profound social problem, this law will also, and at the same time, provide incentives for increasing agricultural production.

Along parallel lines, the Government will enact a Law for Agricultural Development, the bill for which provides basic incentives to improve the productivity of agriculture and livestock raising by stimulating private investment in this sector.

The execution of land settlement programs is also being stepped up, for which purpose the IDB has granted Ecuador a loan of \$2.6 million, the utilization of which is about to begin.

The administrative reform is under way. The Civil Service Law, a cardinal step to improve the technical caliber of public employees and enhance their personal status, has already been enacted. The necessary measures are being drafted to improve the organization and efficiency of the administrative machinery.

In the field of tax reform, changes are being made in the tax structure. The new Tax Law levies a progressive tax on over-all personal income pursuant to the recommendations of the Conference on Tax Policy held in Santiago, Chile, in December 1962, rounded out with proportional taxes on capital income to replace the recommended tax on net assets. This law seeks to extend the tax to the largest number of taxpayers, aiming at a more equitable apportionment of the burden as well as more orderly and simplified administrative procedures. As I said before, a law was enacted unifying taxes on bananas; the highly regressive encumbrances on salt consumption were eliminated, and reforms in the tax system in general are being processed, guided by the principle that taxes should not merely be a means of obtaining income for the fiscal coffers, but should also be a tool of fiscal policy in the attainment of development goals.

To assure successful reform, the Government is striving to improve the standards of administrative techniques in the belief that the reforms will be unworkable without a sound corps of civil servants. This is why it has taken the trouble to launch programs for the improvement of administrative skills with emphasis on the administration of the various programs instituted under the Development Plan and on financial administration.

A new law on stock companies has been enacted, and an implementing agency has been set up for the chief purpose of controlling the establishment and operation of stock companies and to protect minority investors.

The Government is taking firm steps to channel private savings into public investment, for use in absorbing government bond issues. For the first time in the country's history, a capital market is being organized that will make it possible



to float public bond issues in the private sector; this would be completed by the work that could be done by the National Securities Commission; which will shortly be transformed into a financing agency that will also spur industrial development.

Private banks too are cooperating in the development of industry and agriculture by extending credit at medium term, which has helped create a favorable climate for private investment.

Foreign trade has gone forward in a more propitious atmosphere than in 1963, and the outlook for this year is good. International monetary reserves have been higher than ever before, and the sucre has risen slightly more than 10 per cent in relation to the dollar.

Finally, to assure successful execution of the Economic and Social Development Plan on the regional level, the Government has deemed it necessary to set up regional development agencies to execute the Plan on that level and thereby secure proper decentralization of its execution.

We are thus preparing the country for more dynamic economic growth and enabling it to absorb foreign credits more rapidly; to do this requires not only plans and programs, but also administrative and technical agencies capable of executing them. Raising these agencies to an efficient level of operation is the best contribution our countries can make to the attainment of the goals of international co-operation.

In closing, may I offer the congratulations of the Ecuadorian Delegation to the President of the Bank, the Executive Vice President, the Directors, Managers and officers of the IDB for the work they have accomplished, and our thanks to Panama for the generous hospitality of this land and this brotherly and friendly people.

Address by Mr. Diego Calle Restrepo,  
Minister of Finance and Governor for Colombia,  
at the Fourth Plenary Session

I have been chosen to come to Panama as head of the Colombian Delegation to this important meeting, something that is very gratifying because it gives us a singular opportunity to exchange ideas on the achievements and programs of the Bank and on common problems of development confronting the American countries.

Upon the completion of another year of work, marked by the holding of this meeting, the Inter-American Development Bank presents an aggregate of singular services and achievements in behalf of the economic and social development of the peoples of the Americas. The work that the Bank has already done is so important and the field offered to it for immediate action is so vast that our countries are justified in looking upon it as an essential instrument for fully achieving their aims. For this reason, I am sure that all of us will redouble our efforts to strengthen and support it.

What the Inter-American Bank has done and what it represents is undoubtedly due to the joint work of the directors and staff members, who have put their abilities at the service of the institution. But standing out above all others is the Bank's distinguished President, Dr. Felipe Herrera, whose dedication, intelligence, and exceptional executive ability have given the Bank a quality of its own and have enabled him to discover new routes, new lines of action, and a philosophy (if we can call it that) regarding the manner of applying international financing to the problems of underdevelopment. Dr. Herrera has become our spokesman, to demonstrate to our own peoples and to foreigners alike that the countries of the Americas are indeed willing to unite in carrying out vigorous works, and my country, therefore, feels secure in knowing that he will continue to serve our cause with the same aptness and tenacity he has shown up to now.

We are living in a difficult age. At the same time that the United States and the countries of Western Europe are enjoying a period of extraordinary prosperity, the problems of the Latin American countries are becoming increasingly critical, without our yet being able to find a definite solution to them. The document recently signed in Santiago, Chile by the group of experts appointed by the ECLA to study the situation of Latin America's foreign trade eloquently reveals the deep and growing inequality of our position with reference to this game of foreign trade, and the unjust way in which we are losing the greater part of the fruits of our labor. The conference in Geneva is now concerning itself with trade problems that counteract the benefits of external aid. The situation now confronting us, however, indicates that, in the meantime, it will be necessary to intensify technical and financial cooperation between the developed countries and the ones just beginning the development process, if we do not want to aggravate the already exist-

ing differences, which are leading us to irreversible extremes.

The general deterioration in Latin America's balance of payments, caused by long years of depression in the markets of the products we export, is notable. The consequences of this has been an exaggerated increase in the size of the short-term debt, which, insofar as possible, we shall have to amortize with the additional income that we receive as a result of some favorable changes, such as the present improvement in coffee prices. With a part of our normal income thus obligated, there is no doubt that we shall have to count on external aid for a much longer time and that this aid must be granted under favorable conditions and in an amount proportionate to the development we must promote. Only after a period of basic investments during which old structures are broken will the Latin American countries generate sufficient savings to meet a large part of their own development needs. And the industrialized countries would make a serious mistake to interrupt plans for providing the technical and financial aid that we request.

To alleviate the pressure created by the rapid population growth, we not only must promote a general increase in exports and open up new opportunities for employment, but also study the possibility of hastening the consideration and approval of loans, expediting spending and construction programs to the maximum. Also, technical assistance must be coordinated with feasibility studies and with the preparation of specific projects, fields in which the Inter-American Development Bank could do an extensive job, to continue the promising experiments conducted up to now. In addition, it would be advisable to investigate new fields for investment, aside from traditional ones, with a view to finding greater harmony between social, cultural and economic development. This coordination is essential, if increase in production is, at the same time, to result in a mitigation of existing economic disparities.

There is much to be done regarding multinational regional integration. The expansion of markets is essential to the definitive industrialization of Latin America, and the Latin American Free Trade Association is firmly advancing toward this objective. But the process is slow, and it must be expedited and hastened through regional integration agreements, which have the same aim and are more attainable, especially if they have firm cooperation from the international financing institutions.

Fortunately, the Bank has already begun some work in this respect. I want to mention particularly, its decisive participation in the preliminary studies for economic integration on the Colombian-Venezuelan border. Delegations from the two countries started work in November of last year, together with a mission sent by the Bank, and having made a detailed analysis, they are now about to deliver a final report. This report contains a study of the socio-economic situation found

along the national borders, an identification of the problems, an estimate of the possibility for over-all development, a list of projects classified in order of their feasibility and recommended priority, and also a list of studies considered advisable for the future. The report will be completed with several policy recommendations, one of which is to permanently institutionalize present efforts to maintain regular contact between national and regional, public and private agencies interested in border integration.

The work of this commission is just one part of a series already planned, whose aim is to attain integration of the economies of Colombia and Venezuela. If, as we hope, its results are positive, they will serve as a guideline for similar experiments in other areas.

In Colombia, we have made satisfactory progress in planning, and generally speaking we are fulfilling our ten-year development plan, as well as the four-year plan for investments for the public sector. But our progress with reference to national plans has indicated the urgency of attending to regional internal and municipal planning and programming, and of undertaking projects in this regard. Certainly, we cannot limit our action to the national plan, and I, therefore, believe that there should be more interest in offering us aid for the type of investments that I have just mentioned.

I wish to point out, Mr. President, that we live in countries of free economies, where the system of free enterprise predominates and should continue to predominate. In this type of economic organization, a large part of the responsibility for fulfilling the aims of development belongs to the private sector. Industrial development, the technological advance of agriculture and increase of agricultural production, the exploitation of new natural resources, the diversification and increase of exports, etc., could not be undertaken by the governments without the principal participation of businessmen, to whom we should offer every support. Having gone beyond the initial stages, when special reference was given to works of infrastructure and investments of the public sector, it is now imperative to increase the emphasis on private investments, offering sufficient resources through rapid channels, so that the private sector can fulfill its mission as quickly as possible. In this connection, a highly important experiment is being undertaken in Colombia through the Fund for Private Investments, whose establishment was sponsored by the Agency for International Development, and through the International Bank for Reconstruction and Development. The types of credit offered by the Fund for Private Investments are entirely new and have made it possible to encourage a powerful industrial development movement in our country, designed principally to increase the production of export goods, to eliminate the bottleneck in the structure of production for internal consumption, and to substitute imports in such a way as to alleviate the pressure on the balance of payments. This ex-

perience should encourage the Inter-American Bank to take the lead in granting long-term credits for financing development in the private sector.

In closing, Mr. President, I wish to say that, in spite of its serious difficulties, Colombia is frankly optimistic about the future. We have made major internal efforts, the success of which are largely due to the generous and timely aid we have received from the international organizations, among them the Inter-American Development Bank. To reciprocate, we reaffirm our confidence in these organizations and also our willingness to cooperate with all the sister republics in meeting insofar as possible, our peoples' desires and needs for better living conditions, within the principles set forth in the Charter of Punta del Este.

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

On an earlier occasion I expressed my admiration for the undertakings and dynamic activities of the Inter-American Development Bank. Despite the short time that has elapsed since it was created, the Bank has reached the position of leadership which characterizes it in international contributions to economic development programs in Latin America.

On the occasion of the Fifth Meeting of the Board of Governors of the Bank, I am highly pleased to reiterate my admiration in view of its new, even more ambitious and promising accomplishments, considering programs designed to foster with increasing effectiveness the expansion of production, the securing of markets and the improvement of marketing conditions, through which we will draw near to the common goal of our governments and peoples, based on the rich potential with which Providence has blessed the Latin American countries, and of the aims of improving and raising the living standards of our peoples.

The vast labor of this credit institution is translated on the continental scale into a harmonious action which acquires full significance for promotion of our common enterprises, and into the overcoming of the economic stagnation of many of our countries so that, in the economic field, our countries may aspire to the ideal of fruitful labor and well-earned rest without fear of anxiety.

As regards the work of the institution in Paraguay, on behalf of the Paraguayan government and people, I may say that our sympathies and thanks go with the Bank in its enterprises, and our thanks apply both to the highly appreciated technical assistance and to the financial support which, within modest limits for the present, have come to fill needs in our economy.

With the collaboration of the Inter-American Bank, we have brought into being the Banco Nacional de Fomento, which, in scarcely two years of operation, has become a firm base for the internal financing of many operations in Paraguayan production.

While it is true that the capital and assets of the Banco Nacional de Fomento originated in contributions from the Paraguayan government, including a permanent fiscal allocation of approximately \$1 million per year, the operating funds of this agency are complemented with credits, some of them obtained from the Inter-American Bank.

Thus, a first credit of \$3 million granted us by the IDB was administered by the Banco Nacional de Fomento which, after careful study, re-lent the funds for 218

production projects in the agricultural, industrial, forestry and livestock sectors. These projects are now in process of execution.

We are optimistic that the granting of these credits to foster production will bring us days of lively satisfactions.

A second credit operation for \$2.9 million from the Alliance for Progress funds is being utilized particularly to aid small farmers. This operation involves a pilot plan of eminently social content, to benefit approximately 7,000 farm families through the granting of supervised credits for the execution of work plans that will serve as models in their respective rural areas.

These two operations, totaling \$5.9 million have been carried out by the Inter-American Development Bank through the Banco Nacional de Fomento for the granting of production credits. In another sphere of activity, after complex and exhaustive studies, a new \$14.3 million credit line was recently approved for the power program being undertaken by the Paraguayan government. This credit is intended to finance the exploitation of the hydroelectric potential of the Acaray Falls, on the Alto Parana River, an enterprise which will call for yet further resources, and which will transform the economic and social face of vast areas, not only in Paraguay, but of extensive districts in neighboring countries as well, as the culmination of a typical undertaking of Latin American integration.

These Paraguayan operations, either under way or ready for immediate launching, which tie in with the sphere of action of the Inter-American Development Bank, are linked and coordinated with other great national works which in a few years have wrought an astounding transformation in my country through the construction of highways and roads from one end of the republic to the other, the addition of many new vessels for river shipping, the expansion of domestic and foreign air transport services, with construction of new airfields, the acquisition and modernization of the main railway line in the country, the broad agrarian reform, which is without precedent in the country, and the vigorous social programs of public health and primary, secondary and university education, all of which amounts to the accomplishment of more in less than a decade than had previously been achieved in half a century.

This Paraguayan program of development and dissemination of culture and attention to public health, in its global aspect, undertaken with the support of the Inter-American Development Bank and of other international financing institutions, and chiefly through the constructive and dynamic action of the national government presided over by General of the Army Alfredo Stroessner, constitutes an approach which lends new significance and status to the national effort and which is infusing vitality in what had formerly been merely a subsistence economy.

The Paraguayan delegation attaches great importance to our continent's efforts to progress. It also desires that formulas may be found whereby to extend financing, in a certain proportion, to extra-regional exports.

We tender our sincere thanks to the government and people of Panama for having permitted this Meeting of the Board of Governors to be held in historic and hospitable Panama City.

We find it encouragingly symbolic that this transcendental Meeting is being held in a country of great achievements and which Providence has made the link joining the Americas, and also the two great oceans with their heavily plied shipping lanes that are so important for the unity of the continent and its fruitful communications.

In the capital of my country there are schools, two beautiful streets and sport clubs which bear the names of such illustrious Panamanians as Jose de Antequera y Castro and Fernando de Monpox, whose names are inscribed in places of honor in the history of my country.

We are most delighted to congratulate Dr. Felipe Herrera for his excellent direction of the affairs of our Bank and for his richly deserved reelection to its Presidency. We also extend our congratulations to the Executive Directors and to the management of the organization.

It is my deeply felt hope that the deliberations of this Meeting may culminate in success and that the Inter-American Development Bank may gain increasing capacity in all its divisions to take up the historic legacy of the unforgettable President Kennedy, who inspired the brilliant concept of the Alliance for Progress and singled out the Inter-American Bank as one of the main executive agencies for that program of the continental alliance.



Address by Mr. Ruy Barbosa, Minister of Agriculture  
and Alternate Governor for Chile, at the Fourth Plenary Session

The Government of the Republic of Chile, which participated with special interest in the establishment of the Inter-American Development Bank, takes great pleasure in the deep roots this agency has cast down, in the well-defined shape it is already acquiring, in the eminently realistic aid policy it has enshrined in its efficient leadership, and above all, in its expression of the aspirations shared by the Latin American countries which yesterday encouraged it and which today provide its firmest support. If we were optimistic when we sponsored it, we are even more so today since the words of its President and Governors indicate the degree of maturity to which it has evolved, and how, despite this, it does not despise ideas and, with all the vitality of a young institution, it understands that all approaches are valid and worth trying. Constructive criticism, the candid presentation of ideas and concepts by the Governors, also betoken the interest of all Latin America in its progress and improvement.

In his welcoming statement, his Excellency the President of Panama also spoke as a statesman who is aware of the concerns and needs of his people, concerns which we share, for the traditional friendship between Chile and Panama has once again been expressed on this soil where our Delegation, like those of other countries, has enjoyed the warm kindness and affection of the people and Government of Panama which, as always, have given their hospitality to all who pursue their old ideal of Pan American unity. Allow me, gentlemen, on this occasion to offer my thanks for this fraternal welcome.

We deem it necessary to refer to the imposing material accomplishment of the Bank, which is giving to the American ideals of solidarity a concrete expression than even transcends the frontiers of our system by inviting other areas, with the firm support of the Argentine proposal, to help in the task of increasing production.

All these initiatives have spread an awareness that we all share equally: the restlessness and yearning of our peoples to know each other better, to complement each other better, and to live better together in the American homeland which will open frontiers to arrive at the Brotherhood of Man.

The President of the Bank has set forth its objectives and aspirations, and among them we would like especially to refer to the hope that the Bank may become the Bank of the Universities of Latin America. The contributions it has been making to modern culture have brought about the shattering of the vicious circles of argument in which our economies have been caught. Solving problems by strictly financial means is neither a sound nor an exhaustive approach. It is not enough to build roads, railroads, dams or factories, to improve effectively the living standards of

our peoples. There is also a parallel and commensurate need to rear an energetic younger generation, educated and technically skilled, but which, most important of all, understands the transcendent historical role that awaits them as the future leaders of their countries. And this is the task of the centers of culture and learning, of, in a word, the universities, in the highest sense of the term. Moreover, Mr. President, we would be reviving the tortures of Tantalus if we had a dam such as so many of us dream of, but only men who, for lack of knowledge and technical training, could derive no benefit from it because they knew nothing of irrigation, soil and its treatment, nor of pasturage and cattle. In short, production cannot be increased without technical innovations. In a world where the sciences are diversifying at breath-taking speed behind the areas of specialization, technification will remain a mirage unless all the levels of education are brought into play. This is why the educational plans that the IDB is advancing in each of our countries offer the strongest assurance that the seed will prove viable and that the tree will grow and flourish not today, but tomorrow and forever, improving the quality of human beings laying solid technical foundations for an integral exploitation of our resources. Distinguished Governors, it is man who is our true and final concern, to whom we would bring prosperity and dignity, for whom we are evolving the sciences and building industry, which by raising his condition, will bring to flower the loftiest instincts of mankind and lead to a better understanding between peoples and to the social tranquility associated with breadth of mind. We in our country are proud of our University, for the ability of its men who are doing outstanding work for this America of ours, but that same high development generates an imbalance between these material attainments and the number of men capable of bringing the benefits of the age and of these attainments to all the population. Our great concern is to increase the capacity of our schools, improve the qualifications of our teachers and to take appropriate action at all levels.

The activities of the IDB and of other international institutions are awakening peoples to an awareness that it is up to us to improve our situation and that we are largely responsible for it. We are also aware that conditions are propitious for the taking of energetic steps to overcome obstacles, effect changes and bring prosperity for which the majority justly clamors. Herein also resides a powerful force for Latin American unity because from contacts between technicians and leaders comes knowledge; and knowledge is understanding; how small are the differences which separate us, and how great the problems and the enterprise to solve them that unite us!

From the presentation of the President of the Bank, and despite the increase in financial resources, it is obvious that more will be needed if we consider the successes achieved so far, and that more and more programs for complementary development are called for. We must make full use of these resources to augment our capital and not fall in debt.

In its basic products Latin America has the source, the inspiration for its economic integration to coalesce it into a bloc that can confront others that have been formed on equal terms.

We should congratulate ourselves for what we have achieved in LAFTA, and especially in the Central American Union, in the Charter of Punta del Este, and in the Geneva Meeting, but these are merely sketches that arouse awareness. We are yet short of action. It is true that the Declaration of Alta Gracia formulates concrete points for the coordination of monetary policy, on the basis of a common system and regional financing which we must firmly support; but we must still come to understand that the solution to our problems lies in our own continent itself, that we have immense natural resources and a population of more than 220 million persons who once integrated, will provide our most reliable market.

I would like to refer briefly to our experience in one aspect of our Agrarian Reform which we have been able to accomplish thanks to the aid of IDB. I refer specifically to the Program of Aid to the Low-Income Agricultural Sector which is enabling us to bring the beneficiaries of the Agrarian Reform and small farmers into full production. We have been able to provide credit assistance to more than 35,000 small-scale farmers during the last year, supplying them with quality seed, fertilizer, livestock and equipment, but, above all, technical assistance, which is fundamental to the success of the plan at the farm level. Our experience, and this is why I venture to trouble you with it, is that there should be no rigid rules, that programming should be flexible and adapted to circumstances rather than to predetermined patterns. The Bank's Board of Directors has fortunately understood this when we have brought our problems to it, and has welcomed changes in a cooperative spirit for which we are thankful.

Inspired by President Jorge Alessandri, Chile recently promulgated the Tax Reform law which improves the tax collection system, prescribes a more equitable distribution of the burden and assigns to each tax payer a greater contribution, according to his means, to national development. This accomplishment, together with the Agrarian Reform, were among the objectives which Mr. Alessandri supported even prior to the Conference of Punta del Este. These goals are part of the Ten-Year Development Plan, whose objectives are being attained and which provides for action in each of the fields in which the IDB is active. We concur with President Herrera that the Bank must wed its operations as we are doing, to these national development programs, and that these strengthen and consolidate the process of Latin American integration, because we are none of us islands but an integral part of a Continent whose destiny at the same time is our private and shared estate.

My government also supports the Board of Directors in its policy for obtaining resources from other continents; that it stress its technical cooperation aspects

and that it work with the Committee on the Alliance for Progress and other agencies of the regional system, because this promotes integration and a policy of solid socio-economic content.

This Fifth Meeting of the Board of Directors reveals the Bank in its fundamental aspect, affords it an opportunity to demonstrate its varied and fundamental accomplishments, indicates the many aspirations that it will fulfill. President Felipe Herrera has stated that this is made possible by the understanding and help of the governments and peoples, but it is also made possible largely by the intelligent performance of its President, Executive Vice President, Board of Executive Directors and its personnel, to whom we express our congratulations and the gratitude of our government, thus joining the other countries which have supported the re-election of their President. Chile congratulates itself on this reelection because it assures continuity in the task being performed by a citizen of Chile who has become a citizen of America, Mr. Herrera, a man reared in our schools and tested and experienced in the struggles for Americanism. We, as Chileans, would like to thank you for the honor vested in one of our most illustrious countrymen, whose ability and impartiality have enabled him to help Chile, too.

**CLOSING SESSION**  
**APRIL 17, 1964**

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

It is with great pleasure that I once again carry out the task, now customary at these meetings, of outlining the fundamental aspects of this Fifth Meeting of the Board of Governors. I shall briefly try to summarize its significance for the Bank's future activity and to point out the principal observations made by the Governors, since these must be borne in mind in the future course of our institution, at the level of both the Board of Executive Directors and the Bank's Administration.

As I indicated in my opening speech, one of the most important aspects of the annual meeting is the opportunity it affords of getting to know the thinking of our member countries through exchanges of views. Here once more, along with our formal work, we have established contacts among the Governors, the Executive Directors and the representatives of the Bank's Administration, which are of great importance and which, although not yet crystallized in resolutions or general principles, lay down guidelines for our future operations.

I also believe that this Fifth Meeting has clearly demonstrated what the Governor for Bolivia defined as the Bank's coming of age: Coming of age, I would venture to say, not only in operations, but also in the technical and intellectual concepts that have guided our meetings, which have evolved into the most important forum for the discussion of inter-American financial problems. The fact that the governments have sent their highest-ranking representatives to this meeting and that representatives of all the regional and international agencies with which we maintain relations have come here, as have special guests from all over the world, is likewise a splendid token of this maturity.

To illustrate, I might say that our meeting this year has had an attendance of more than 400 persons, 337 of whom have come from outside Panama. Official delegations of member countries numbered 140. Present also were 40 observers from various organizations; 230 special guests, including 50 from countries not members of our institution, and 64 journalists, including 17 foreign correspondents. To all of these, I reiterate my thanks for the keen interest they have evinced in our activities.

We are bringing to a close today a meeting of great importance. The Bank's meeting in Caracas represented a landmark and set goals which were fulfilled during 1963 and 1964. I believe this meeting has given us new tasks which involve additional responsibilities for the upper echelons of the Bank's administration comparable to those of the period now drawing to a close. I ask you therefore, once more for the unstinted cooperation that you have always given the Bank. I say this not merely from a theoretical or emotional standpoint, for we will certainly also

need this sort of support which you have always given us; I refer also to the practical measures that must be taken by our member countries if we are to attain the objectives set forth in the resolutions we have adopted today.

There is one characteristic of the Inter-American Bank, Mr. Chairman, which should be stressed: namely, the fact that the resolutions approved by its Board of Governors are carried out. Therein we differ from other institutions which, by their very nature, adopt resolutions containing mere recommendations. As an institution guided by pragmatic principles in the service of economic development we know that if we do not put into effect in a comparatively short time what is here discussed and agreed to, the Bank will be unable to fulfill the purposes for which it was established.

With respect to these resolutions, I should like to refer first to those which approve the Bank's financial statements. They represent new expressions of confidence in the institution's administration, for which I express my appreciation. The resolution calling for an increase in the Bank's "soft" resources and establishing machinery for merging these resources and channeling them through the Fund for Special Operations is of paramount importance. On behalf of the Board of Executive Directors of the Bank, and I believe that in so doing I speak also for Latin America, I should like to express our gratitude to the United States Government for its proposal to expand our Bank's more flexible operations. It is obvious that if we implement the proposal submitted by the Governor for the United States which calls for an increase in the resources of the Fund for Special Operations through a contribution of \$750 million from his country, supplemented by contributions of \$150 million from Latin America, it will be possible to continue our operations at a rate at least equal to and possibly 20 or 25 per cent higher than our annual average heretofore. In this connection, we must also be mindful that the Bank has now entered a phase in which it is beginning to recover the resources it has invested as loans. As is only natural in the operations of a development organization, this recovery takes a certain length of time because of the grace terms granted during the period when the projects are being implemented and because of the authorization of longer amortization terms than are usual in other types of operations. I am convinced that, if we continue to count on this vigorous support from the Inter-American system, we will be able, at the beginning of next year, when we meet in Asuncion, site of our next meeting, to announce that the financing of our institution, on this basis, is assured until 1967.

With regard to the resolution on increasing the Bank's resources, I would like to emphasize that it is highly important for our member countries (in cooperation with the Board of Executive Directors and the Administration of the Bank) to submit the documents necessary for securing enactment of the pertinent legislative and administrative measures within a comparatively brief time. Let us not forget that this resolution, which you have approved, indicates our decision to merge the Fund

for Special Operations and the Trust Fund, with the requisite increase in the resources, no later than December 31 of this year. In other words, the time remaining is short.

I should also like to stress how helpful it was that in both the comments of some of the Governors and in those of the working group appointed to discuss this proposed resolution--a working group which, in my judgment, constituted one of the focal points in this meeting--certain aspects of future policy regarding these merged funds were clarified.

I understand that some of the Governors were unable, from a mere reading of the resolution, to get a clear idea of how our "soft" resources would be employed in the future. I believe that the report of the working group has clarified that matter. In the first place, the possibility of using these funds not only in the United States but also in the member countries was established; this means that, aside from financing imports from the regional area, it will also be possible to provide ample financing for local costs. This latter point is fundamental, since we cannot speak of the "soft" operations of the Inter-American Bank without having complete discretion in financing local costs. This is proven by the statistics: 70 per cent of the Trust Fund resources have been used to finance costs generated in the borrowing countries themselves. I believe that in this respect there was a consensus as to the policy we should follow.

I am delighted that certain delegations, particularly those of Panama, Mexico and Venezuela, have so forcibly expressed the need of considering, within the context of the future merged fund, the entire gamut of objectives set forth in the Act of Bogota. Gentlemen, we will not bury the Act of Bogota; that Act is part of the inter-American system, its principles are embodied in the Charter of Punta del Este, and we shall proceed unswervingly to carry out its mandate to allot an important share of our resources for social investment purposes. The virtually unanimous comments expressed by all delegations as to the need of maintaining a balance between investments of economic development and those for social purposes are a clear reaffirmation of that objective. The Governor for Nicaragua, the participants in the working group, and other Governors also have lent their full support to the concept I have just referred to. To conclude the analysis of this point, I should like to mention a preoccupation which, although not expressed in the statements of the Governors, is inherent in the procedure for increasing the resources. I refer to the desirability, from the standpoint of the Bank's financial structure, of the member countries making a portion of their respective contributions to the institution in cash. I am aware that, particularly where the United States is concerned there may be some difficulties. Nevertheless, I appeal to the spirit of cooperation shown particularly by our Governor, Secretary of the Treasury Douglas Dillon, to the end that a substantial percentage of the United States



contribution to the Fund may be made, not in promissory notes, but in cash resources. Gentlemen, the reason for this is plain: on receipt of promissory notes, these resources are available to us, but we can actually tap them only when disbursement of our loans begins. Heretofore, long periods have elapsed in which the Bank was powerless to utilize such funds; long periods of technical assistance, negotiation, contact with the countries, dedication to the preparation of the loans in our headquarters and in the field. All this results in expenses to the Bank, expenses which are very high, since, as I had occasion to remark earlier, if there is one characteristic of the Inter-American Bank which sets it apart from other financing organizations, it is the complexity of its operations. The fact that we are financing from 60 to 70 loan operations a year, which means the preparation of a like number of projects, plus more than 90 technical assistance operations, is an accurate illustration of this complexity, which obviously entails expenses. If, therefore, we wish to maintain this pace of activities and comply at the same time with the objective of obtaining surpluses, however modest, in the Bank's financial statements, we should try to assure that a certain percentage of the new contribution is made in cash.

Another highlight of this meeting in Panama is undoubtedly the proposal made by the Governor for Argentina. I should like to convey to him and his Government my congratulations on this proposal. It embodies an aspiration, and preliminary work that has been going forward since the establishment of the Bank. In this connection, I should like to express to the Governors my conviction that the previous work of the Bank, which has consisted basically of the issue of bonds in Europe, the sale of participations to banks in that Hemisphere and Canada, the establishment of formulas for parallel financing and the receipt of European funds for administration, represent extremely valuable precedents and background material for preparation of the report referred to in the resolution approved on this subject. It is also my belief that the time is opportune: the Bank's experience, both in its financial relations with businessmen and in its political contacts, indicates to us that there are countries or groups of countries in Europe desirous of establishing a policy toward Latin America. I therefore believe that this report, to be prepared by the Board of Executive Directors with the assistance of the Bank's Administration, should be the subject of lengthy discussion on the governmental level. I therefore appeal to the Governors to hold consultations soon with their respective cabinets concerning these formulas. I consider this imperative, since it is my belief that, once adopted, this report should be an expression of Latin American foreign financial policy vis-a-vis Europe.

The time has come, I believe, for Latin America to become active on this matter. Our Hemisphere cannot continue to wait for the arrival of financing formulas from abroad, with the sole alternative of accepting or refusing them. Latin America should formulate its own policy toward the more advanced countries: in this case,

as was done in the Meeting of Alta Gracia with respect to primary products, the Latin American countries, in cooperation with the United States and through the intermediary of the Bank, should study a formula which embodies the Latin American position on this problem for presentation to the European cabinets and respective regional bodies. I think it superfluous, gentlemen, to stress the impact of such a presentation. I am firmly convinced, as a result of our experience in Europe, that one of the reasons for the slow rate of activity in European economic cooperation has been precisely this lack of a definite, firm policy. While it is true that the Inter-American Bank has held financial negotiations, it is equally true that there have also been other kinds of approaches to Europe and that each country, for perfectly sound reasons, has operated in the light of its own policy toward Europe. I cite the example of the larger countries with long-standing ties to that continent, particularly Mexico's recent experiences with France. But the problem arises more particularly with regard to the smaller countries and certain of our medium-sized countries which, for a number of reasons, have not consolidated their financial ties with Europe.

I believe we must be very realistic in the preparation of this report and must submit acceptable formulas. In this connection, however strong might be our inclination for a type of assistance in which loans and resources are not tied to exports from the European countries, I think we must acknowledge that in the present stage of evolution in international economic cooperation, the more advanced countries have again turned, for various reasons, to an intensified policy of tied loans. It is not within our power to change that rule, and I think we must accept the fact that a certain share of the resources that may possibly be received will be tied to exports. We shall strive, of course, to secure arrangements allowing maximum flexibility.

My preceding remarks also concerns the employment of European experts in Latin America. In our relations with Europe during the past four years, the officials of those countries have said, and continue to say, that while they have faith in our institution and are willing to collaborate with it, for the reason that the Bank is an established organization supported by the guarantee of all its member countries, they believe that our countries should, in turn, help to promote European interests in Latin America.

When we are asked what the Bank can do for Europe, my reply is very easy: 50 per cent of the financing of imports effected with the Bank's resources up to the present has been allocated to that continent. If we express in quantitative terms the amount of Europe's contribution to Latin American development up to the present time through the Bank, whether in the form of bond issues, participations

or other devices, and the volume of resources our institution has channeled into that continent, we shall see that the latter volume is considerably higher and that this trend tends to become even more accentuated. This should, therefore, be a very important factor in our relations with Europe, since it would be highly inadvisable for the Bank to be subject in the future to restrictions in the present measures allowing flexibility in its purchasing policy, in view of the actual state of affairs referred to.

Another resolution which calls not for specific action but for implementation of a general policy, is the one referring to the situation in the financing of basic commodity exports and the Governor's recommendations that the Bank not remain aloof from the problem of Latin American raw materials. It is apropos to recall, in this connection, that in virtually all the speeches there have been comments on this problem and on what is expected from the United Nations Conference on Trade and Development now taking place in Geneva.

With regard to the resolution calling for a review of the present system of electing Executive Directors, we shall spare no effort--at the level of our Board of Executive Directors and our Legal Department--to arrive at a formula capable of satisfying the desires of those concerned, without modifying the Agreement Establishing the Bank. Should such a modification be necessary, we shall propose the revision of the pertinent measures. It is my personal opinion that my colleagues on the Board of Executive Directors are agreed on the merits of the Central American petition to have its representation on this Board be of a regional and rotational nature. I am pleased to remind the Governors that the election in Caracas, though difficult in many respects, made it possible to establish interesting subregional groups in Latin America. Such is the case, for example, of the group of Bolivia, Paraguay and Uruguay, which is now doing splendid work and is achieving, through our institution, desirable coordination in a number of efforts of the above three countries. It should also be noted, in this connection, that, when the Inter-American Committee on the Alliance for Progress (CIAP) was established, it was decided to adopt the same distribution of countries, except for Central America, as we adopted in Caracas for the election of our Board of Executive Directors.

In concluding my comments on the decisions taken here in Panama, I should like to refer to the resolution, unanimously approved, whereby the city of Asuncion was chosen as the site of our Sixth Annual Meeting. Mr. Governor for Paraguay, may I add my congratulations on this selection to those already expressed to you and your Government. I am happy that the Bank may in this indirect way continue to cooperate in the efforts of your people. You were right, my dear Governor, in saying that Paraguay, particularly because of its landlocked location, is but little known in many of our countries and even less known in a number of countries in other continents. This group of men now present in Panama will thus have an

opportunity, to acquire first-hand knowledge of your noble and hardworking people, with whom we have already cooperated in important financing operations.

I would now like to refer to some of the principal points which you have made during the course of your several speeches and which constitute such valuable guidelines for the operating policies and activities of our Bank.

I believe that considerable light has been cast on the idea that the Bank's activities exert a powerful influence on the status of the balance of payments of its member countries. The Governor for El Salvador, representing Central America, gave a very thoroughgoing account--I have never heard this subject analyzed with so much technical clarity--of how a region in our Hemisphere, at a time of weakness in its foreign economy, was enabled to maintain its internal rate of development, particularly on the basis of foreign public financing. In other words, we have been given a concrete example of how efforts may be coordinated to ensure that the Bank's credit activities also have a compensatory impact during periods of difficulty in the foreign sector of our countries' economy. In this connection, we have also given close attention to the Alternate Governor for Venezuela, who expressed the hope that the Geneva Conference would serve to convert international trade into an effective instrument for development, a hope fully shared by the Bank.

Next, I should like to draw attention to the backing given by all the member countries to the Bank's activities in the process of Latin American integration. This ratifies once more our institution's objective of continuing to be the "Bank of Integration." In this regard, I should like to convey particular thanks for the statements of the Governors for Brazil and the United States who referred in such comprehensive, forthright and encouraging terms to the activities of our Administration.

We concur in the proposal of the Governor for Mexico to the effect that we should consider supplementing our system of medium-term financing of exports with a parallel insurance system. The experience of the more industrialized countries applying such systems indicates that both systems, that is, both financing and insurance, generally exist simultaneously. We shall study these proposals and try to supplement the corresponding reports with considerations of how to implement the more practical recommendations for strengthening such mechanisms, which are so essential for promoting exports on the regional level.

The remarks of the Governor for Peru on the need of ensuring, among the objectives of integration, geographic infrastructure, chiefly through the transportation and communications systems, likewise express a concern shared by the Board of

Executive Directors and the Bank's administration.

Finally, while we are on this subject, I should like to thank the Governors for Argentina and Chile for their expressions of vigorous support for the project of establishing a school of advanced study on integration.

In the third place, I should like to mention the full, frank and direct discussion of the Bank's role in the policy of the Alliance for Progress. I consider that the opinions expressed are indicative of the stage of maturity attained by our statesmen in determining the actual scope of the Alliance for Progress. I am deeply grateful for the presence and participation of Carlos Sanz de Santamaria, President of the Inter-American Committee on the Alliance for Progress, and congratulate him on his brilliant speech, which served to clarify this subject for both the participants in our Meeting from this Hemisphere and those from other parts of the world. I should also like to convey, on behalf of the entire Assembly, our appreciation for the presence at this Meeting of the highest representative of the inter-American system, Dr. Jose Antonio Mora, Secretary General of the Organization of American States.

The observations on the policy of the Alliance for Progress made by the Governors for the United States and Panama were of exceptional interest. We concur particularly in the statements of Mr. Galileo Solis, Minister of Foreign Relations of Panama and Alternate Governor for his country in the Bank, with regard to the necessity of placing the Alliance on a multilateral basis, in both its political and financial aspects. I am deeply grateful for the sentiments expressed in this connection regarding the extreme importance of our functions as the Bank of the Alliance.

Speaking of the Alliance program, there were also very interesting references from a number of countries to the progress being made in the field of programming. In this connection, in order to give a complete picture, including the negative aspects as well, it seems to be apropos to recall certain doubts expressed by some governments in the course of this Meeting. Among them were the following: What happens after a program is evaluated? What resources are actually committed? To what extent can our member countries rely, theoretically, on some assurance of the availability of foreign financing? I may say to you, with the utter frankness that always characterizes our exchanges, that unfortunately, with regard to this aspect of foreign aid, I consider no one in a position to give security or undertake long-term commitments. This is a defect in the international financing system of which you, who have experienced it, are well aware. The developing countries are asked to plan on medium and long terms; these countries train their personnel, organize institutions and prepare programs, but the machinery of international public financing, whether multilateral or bilateral, is

in no position to undertake long-term commitments, or if it is, such commitments are only of limited nature. Efforts have been made to solve this problem in part, through "financing groups," but--and we are already familiar with the experience of several countries--such groups are not a cure-all. On the one hand, there have been difficulties in establishing them; furthermore, the financing sources that were supposed to participate therein and the others that it was desired to attract have, for the most part, shown reluctance to participate in such operations. In short, the same problem we mentioned in referring to the limitations of extra-continental financing is also cropping up in the activities of these financing groups.

While we are on this topic, we must not fail to recognize that the principal capital-exporting partner in the Alliance has itself had difficulties in its balance of payments and that there is a large sector of public opinion in that country which is opposed to foreign aid. All this obviously affects the task of foreign financing of Latin American development. Accordingly, I am deeply grateful for the understanding evinced by all our member countries in their negotiations with the Bank. The notion that seemed to prevail at the inception of our activities, to the effect that the Bank has illimitable resources at its disposal, has been gradually disappearing. There is a growing realization that our funds have definite limitations and that we have had to overcome many difficulties to achieve them. From the political standpoint, it was very difficult to secure public resources and, from the financial standpoint, private funds also have cost us, and will continue to cost, great efforts.

The Bank's operations in the capital markets require painstaking care. Fortunately, the United States capital market has been extremely propitious to our activities; nevertheless, as I noted earlier, the European markets represent a limited and costly source, within which the Bank must cope with a number of legal and administrative restrictions; this naturally poses a rather serious problem, shared, of course, by other regions. In the Geneva Conference, a number of developing countries mentioned that difficulty, particularly with regard to the desirability of receiving "soft" resources; obviously, however, we cannot ask private investment particularly the capital markets, to furnish us "soft" resources at low interest rates or on exceptionally long terms. A number of delegations in Geneva recommended a formula seemingly worthy of more study in the future. It is a question of the international financing agencies turning to the capital markets to secure private funds on the same conditions and terms as are usual in those markets, since it is out of the question to alter them; however, the more advanced countries might establish compensatory machinery, for example, in regard to interest, which, for an institution like ours, would mean the possibility of receiving funds at more than 7 per cent interest and lending them to our member countries at 6 per cent. All of this is dependent on some mechanism, either public, national or international, to compensate for these differences, so that the money could be

provided at more reasonable cost to the developing countries.

We have heard observations from many delegations on how the pathway of the Charter of Punta del Este is becoming more propitious, how Latin America is going forward in executing its reform, and how in several countries, particularly in those that have perhaps received less foreign aid, vigorous measures are being taken to mobilize domestic resources. As an example, I may cite the speeches of the Governors for Haiti and for such other countries as Ecuador and Paraguay.

Other topics discussed by several Governors are the Bank's resources and the volume of its operations. I am particularly indebted to the Venezuelan delegation for its valuable comments on the need of maintaining the Bank's rate of activity and proceeding with formulas to assure an equitable balance between economic and social development. I should also like particularly to acknowledge my thanks for the remarks of the Governor for Mexico stressing the flexibility of our operations, and those of the Governor for Chile regarding the Bank's desire to adjust its financing procedures to the exigencies of the complex process of Latin American development.

In discussing our operations, the Governors for Panama and El Salvador mentioned the problem of the guarantees provided by the Bank. This has been the subject of close scrutiny by the Administration and Board of Executive Directors of the Bank since the inception of our operations. Since then we have been faced with the alternative of utilizing our guarantee capital exclusively for selling bonds in the capital markets or of committing part of such capital to provide security, endorsements or guarantees in the operations of our member countries or of private Latin American concerns with third parties. In this connection, gentlemen, I should like to stress, not because this is a subject new to you, but because it is new to many persons negotiating with the Bank, that all guarantees granted by the institution would be charged to our callable capital; in other words, if the Bank provided guarantees, it would reduce, by that same amount, its capacity for issuing bonds. I consider this policy inadvisable, for we would restrict the possibility of attracting additional private resources to our Hemisphere and thus reduce the possibility of promoting new projects.

Furthermore, if certain lenders operating in Latin America--particularly the suppliers of capital goods--should establish as a prerequisite for their credits, the procurement of guarantees from the Bank, and if we should grant them, we would be establishing a precedent dangerous to our member countries. A large number of our countries now have their own sources of credit and are entering into agreements with foreign countries through their public or private agencies. It therefore seems to me that this is one of the courses of action which, unfortunately, we should not follow since our possibilities of securing resources abroad constitute a valuable instrument which we must keep available to the Bank for the use

of the member countries.

The Governors for Colombia and Peru offered extremely interesting comments on private sector development agencies. The Colombian delegation referred to the experience of its development plan with the Fund for Private Investment, which has managed to attract funds from a number of sources. This Fund has contributed greatly to stimulating the development of small and medium industry, and I believe that it offers a course of action that we could utilize in many countries for more effective action on behalf of the Latin American businessman. I should also like to thank the Governor for Peru for his ideas on the utilization of national development agencies for channeling our resources, since he realizes the Bank's desire to strengthen such agencies. We hope at the close of this very year to convoke the First Latin American Meeting of Development Financing Institutions; to compare experiences and study means of attaining greater effectiveness in the Bank's activities in this field.

Another topic discussed by a number of Governors is the Bank's efforts to strengthen the university systems of Latin America. We cannot shoulder all the educational problems of the region, but the terms of reference of the Trust Fund have indicated to us a field--that of higher education--in great need of assistance and promotion. You may rest assured, gentlemen, that we will do all in our power to merit the title of "Bank of the Latin American University."

As I said at the beginning of my remarks, in a manner paralleling the official acts of this meeting of the Board of Governors, the Bank, taking advantage of the presence in this city of outstanding representatives of our member countries, has been able to go ahead with many and varied operational activities.

It gave me great pleasure today to sign two loan contracts with Mexico, one for a vast irrigation project and another for the expansion of education in agricultural sciences. Today we shall also conclude two operations with the Republic of Panama. I think it equally significant that three of the four operations we have concluded for the medium-term financing of exports of capital goods will be concluded here in Panama, where we signed the respective contracts with Argentina, Mexico and Chile. This city, therefore, marks the virtual inception of this new life of activity for the Bank.

This year the Round Table has once again been one of the most outstanding activities of our Meeting. I believe that the topic of advances in regionalism and the comparison of the various activities undertaken in this field have been extremely well treated and am also sure that the conclusions arrived at will help to enlighten and clarify many of our ideas on this topic. My heartiest thanks for their collaboration to the Round Table speakers from outside the Hemisphere who came to join in our efforts.



I believe, Gentlemen, that our institution will emerge from this Meeting with renewed energy. We were greatly pleased and encouraged to hear the resolutions approving the financial reports of the Bank and the rounds of applause voted to us. I am concerned, in a way, at not hearing criticisms during these Meetings, for your criticisms, gentlemen, during the past few years have been the most effective stimuli to our efforts. Several constructive criticisms have been expressed to me privately, however, and I am deeply grateful for them. I urge the Governors always to tell me how they think we can improve our administrative work. I feel that only in this way can our institution continue to advance.

Furthermore, gentlemen, I believe that we, particularly I as President of the Bank, view my re-election as a serious commitment which I am willing to fulfill with my utmost efforts and dedication. We know that we must continue to consolidate this institution and convert it into an ever more dynamic and efficient instrument. We recognize the serious difficulties that are upon us and we also know that in the foreseeable future it is unlikely that these difficulties will vanish from the horizon. Latin America is living through a revolutionary period, which fortunately most of our countries are passing through in a peaceful manner; that revolution and the greater needs in the economic and social field which it involves are affecting our activities today and undoubtedly will affect them in the future.

The first four years of the Bank's activities have served to show that many complex questions concerning the progress and social welfare of our peoples can be satisfactorily solved within the framework of international cooperation through the application of sound scientific criteria. Through the Bank, we have been able to enhance Latin America's image in the eyes of the world, showing it to be united and confident of its own destiny.

In concluding my remarks I should like to recall what Octavio Mendez Pereira, that great Panamanian and great American educator, once said in this same country: "The strongest, most genuine, most legitimate bonds are at hand for uniting the nations of America ... Now is the hour to do so, to exalt the benefits of continental union, to defend the integrity of the American soul with all its virtues and distinctive traits and to exert to the utmost the influence of this soil on the universal conscience."

Address by Mr. Tomas Calix Moncada,  
Minister of Economy and Finance and Governor for Honduras,  
on behalf of the visiting Governors, at the Closing Session

The honor of addressing you in the name of the visiting Delegations at the closing session of this Fifth Meeting of the Board of Governors of the Inter-American Development Bank has been conferred upon me. I should like to begin by thanking you for that honor, which I have accepted with pleasure on behalf of my country.

This visit spent in company with the Panamanian people and their governmental representatives has been short indeed, yet during the five days in which we have had the privilege of enjoying their traditional hospitality, we have been able to appreciate the efforts being made here to attain the goals which the American countries have set with a view to erradicating poverty and ignorance from our Hemisphere.

This desire for progress on the part of our American peoples led to the establishment of the Inter-American Development Bank, which has, during its brief existence, proved its effectiveness as an instrument in the struggle for social and economic development in which our countries are engaged.

Concern has been expressed at this Fifth Meeting for the problems common to all Latin American countries. This indicates that the distinguished members of the Board of Governors, as well as their respective national governments, are fully aware of their historic responsibilities as leaders of our destinies. Accordingly, they are making every effort to overcome the obstacles that have for so many years perpetuated the hunger of our masses for bread, education and freedom.

Within the limitations of their own resources, our governments are working intensively to offer their constituents the opportunity for a decent standard of living in this changing world. It is in this area that the Inter-American Development Bank is furnishing us with its valuable financial and technical aid. But the pace of this assistance must be accelerated. Experts must be sent to conduct the necessary studies in those places where resources cannot be developed because of the lack of technical facilities. Financial resources must frequently supplement scant local funds to establish new industries that will bring employment and hope to the men and women of the Americas.

At this Meeting, as at previous ones, the problem of the Bank's resources has been raised and a recommendation to the governments has been made calling on them to take the necessary steps required for contributing the increase in the Fund for Special Operations. These new contributions would make 900 million additional dollars available to the Bank during the next three years. Of this

amount, the United States would contribute \$750 million and the Latin American countries, \$150 million.

Obviously, the Bank needs more resources if it is to fulfill its mission; the greater the volume of its own funds, the broader the opportunities of calling upon the capital markets to increase its availabilities. The Bank has already placed three bond issues on the international market and this Fifth Meeting of the Board of Governors has authorized it to seek the participation of non-member countries in contributing additional resources.

Given the panorama examined so carefully at this Meeting, we should expect that the achievements of the Bank will be of positive benefit to our peoples. This would inject a feeling of optimism and faith in the future into each and every one of the Latin American countries. Let us hope that the great statesman of the Americas who serves as President of our Bank, together with his distinguished collaborators, will continue to work towards the materialization of the hopes for a better life that motivate our peoples. Let us hope that the Bank, in the pursuit of its assigned goals, can act, as the autonomous institution it is, without the political interference that only serves to discourage the ambitions of the masses.

In this year of 1964, the developing countries of the world, especially in Latin America, are waiting anxiously and perhaps with some despair for ratification of the goals of universal justice proclaimed by President Kennedy, which sometimes appear relegated to oblivion.

At the same time, we hope that solutions reached at the Geneva Conference will ensure a more equitable distribution of the benefits of civilization among all the nations of the earth.

The social tensions and political vacillations of the weaker countries do not stem from chance or bad faith, but are the direct consequence of the frustrations generated by insecurity.

The tone with which we have spoken at this Meeting clearly indicates that we are not imploring mercy. Rather, the weak countries are realistically pointing out to the strong a means of sharing their well-being by enabling us to increase our purchasing capacity abroad and to reduce our requests for financial assistance.

The Delegations of the Member countries of the Inter-American Development Bank have asked me to express their sincere appreciation to the generous Panamanian people and to their worthy Government for the many courtesies we have received, extending our best wishes for the continued progress of this noble country. We also hope that the cordial atmosphere of this Fifth Meeting of the Board of Governors will signify the consolidation of the hemispheric unity that was foreshadowed in this very same site by Bolivar and by the other illustrious patriots of the Americas who accompanied him on the occasion of the historic Congress of Panama.

Address by Mr. Jose A. Mora,  
Secretary General of the Organization of American States,  
at the Closing Session

It is indeed a great privilege, both for me and for the Organization I represent, to be participating in this important event which has brought together so outstanding a group of statesmen and economic and financial leaders of the Hemisphere, as well as observers and representatives of organizations in the Americas and other parts of the world, at this Fifth Annual Meeting of the Board of Governors of the Inter-American Development Bank. I believe it significant and fortunate that this assembly is meeting in Panama, a country with a passion for freedom, a country that Bolivar, with prophetic genius, envisioned more than a century ago as the bridge of solidarity and union between the northern, central and southern parts of the Hemisphere.

The character and philosophy of the Inter-American Development Bank are fittingly symbolized in the fact that its Fifth Annual Meeting is taking place during Pan American Week. Pan Americanism is no longer an exclusively cultural or political concept. In the second half of the Twentieth Century, Pan Americanism is more broadly based and draws its strength from the multilateral cooperative efforts of a group of free countries intent on promoting the economic progress and social well-being of their peoples. Lacking a vigorous concept of social solidarity, Pan Americanism would be only a lifeless idea, fragile and at the mercy of every destructive demagogic current of our times.

The close of this meeting is an appropriate time to cast a retrospective glance at the inter-American system and to examine the role it has been called upon to play in the field of economic and social development.

A profound and dynamic transformation is taking place in the inter-American system, a transformation which is often laborious and sometimes appears slow or incongruous. But our system has the capacity for constant renewal and for finding an answer to every challenge. This capacity and the complex forces behind it are reflected in spectacular and illuminating fashion in the institutions making up the inter-American system and, particularly, in the Organization of American States. Our organization is like a great melting pot where the most varied elements and conflicting currents of the political and economic spectrum of each member country are brought into contact. Each nation makes many and diverse contributions, almost always constructive, reflecting the creative powers of constantly growing societies. At certain times, a degree of youthful impatience makes itself felt, but this is attributable to a headstrong desire for improvement. We must not lose sight of the fact that the inter-American system is but a mirror reflecting the problems of all our countries, from Alaska to Patagonia. Our people are awake to the fact that they have the power to forge their own destiny. Not-

withstanding the contrasts and differences, a calm and objective evaluation of all the circumstances surrounding the American peoples makes us proud of the speed and agility with which they have used the machinery of our Hemisphere system of international relations, a system that is capable of constant adjustment to changing conditions reflecting the many-sided economic and social life of the Americas.

It is only six years since President Kubitschek conceived of Operation Pan America, the first attempt at a concerted and cooperative Hemispheric effort to provide continuing momentum to economic and social development.

And it was only five years ago that the Agreement Establishing the Inter-American Development Bank was signed. As we all know, the founding of the Bank made for a decisive advance in the process of inter-American cooperation, and I am extremely proud to recall that it was the Organization of American States that made it possible to bring this dream to reality.

Moreover, since 1959 we have witnessed a series of unprecedented events which have successively strengthened the guiding principles of the inter-American credo while, at the same time, perfecting the instruments of the system or even establishing the required machinery, where it was lacking. Foremost among these events was the signing of the Act of Bogota in September 1960, an agreement which firmly established social justice and structural reforms as the lodestar of our development efforts.

The next important event was the announcement of the Alliance for Progress and the subsequent signing of the Charter of Punta del Este which established a body of doctrines and guidelines for a bold and creative policy to foster economic progress and social reforms as a catalyst for even greater economic development.

All the free nations of the Hemisphere share the conviction that economic development has requirements far greater than those of an economic enterprise, however vast it might be. Impressed by the close inter-relationship between economic backwardness and social maladjustment, the nations arrived at a full realization of the fact that capital formation and investment in Latin America was not simply a question of installing new machinery and equipment, fighting inflation and promoting private investment, but rather of developing our human capital--potentially our most valuable resource--by offering our needy classes adequate housing, schools, medical and sanitary facilities and all the other requirements of a dignified human existence.

The emphasis laid on systematic planning was never in any way an attempt to establish an instrument for unceasing governmental control or any additional machinery for bureaucratic oppression. Such planning was, and continues to be, the

only means of clarifying the long-term development goals in each country and placing them within a broad, systematic framework of policies and programs to ensure a maximum volume of foreign aid and its optimum utilization.

Since the signing of the Charter of Punta del Este, two related events have taken place which have given greater consistency and meaning to the Alliance for Progress. In July 1962 the Organization of American States conceived the idea of presenting to the Chiefs of State of the European countries the acute problem of Latin America's export trade, and as a result of my visit to six countries of the European Economic Community the first important steps were taken to invite them to participate in the development efforts of our Hemisphere.

A year later, in Bogota, the Declaration of Cundinamarca was signed at the Meeting of Ministers of Labor of the American States, a document establishing the purposes and instruments of a hemispheric policy to strengthen the free and democratic labor movements in the Americas and afford the workers greater and fuller participation in the economic development of their countries.

I am exceedingly pleased that in 1964 we of the Organization of American States, fighting against many obstacles, were successful in organizing the historic meeting of Alta Gracia and of working with the member countries in drawing up the declaration that bears the name of that city. The Declaration of Alta Gracia has no parallel anywhere else in the world. It establishes the principles and guidelines for a Latin American trade policy and constitutes an essential complement to the Charter of Punta del Este in the field of international trade.

It is particularly gratifying to me that the Declaration of Alta Gracia now forms part of the common groundwork on which the Latin American countries in Geneva are expressing their viewpoints and presenting unified proposals.

Along with the series of efforts toward drawing up a new basic concept of the inter-American system, revisions and adaptations have been made in the institutional and structural aspects of the system. Among these are the establishment of the Panel of Experts, to evaluate development plans and to promote their financing and implementation, the complete reorganization of the Inter-American Economic and Social Council, which only since 1962 has been holding annual meetings at the expert level and at the level of Ministers of Finance or of Economy, and which is the highest ranking organ of the system in the economic and social sphere, with reference to making recommendations in these areas; the complete reorganization and enlargement of the technical secretariat of the OAS; and the undertaking, for the first time, of vast and serious programs of research, technical assistance, planning, and training outside of the Western Hemisphere. In the last two and a half years, more than \$3 million in technical assistance has been furnished to 15

Latin American countries; some 3,000 Latin American students have been trained in activities directly related to the implementation of the Alliance for Progress; and the number of professional economists, statisticians, engineers, and sociologists on the staff of the secretariat has been doubled.

The most recent, and perhaps the most important institutional change within the structure of the OAS has been the establishment of the Inter-American Committee on the Alliance for Progress (CIAP). The creation of this organ and the election of its chairman, Dr. Carlos Sanz de Santamaria, a distinguished citizen of the Americas and a statesman of great vision and brilliant achievement, converts the Alliance for Progress into a truly multilateral enterprise. As a permanent committee of the Inter-American Economic and Social Council, the CIAP will be the forceful policy making center whose dynamic quality will stimulate the Alliance for Progress, and it will also be the instrument that continually coordinates all our efforts. One of its primary functions will be to make recommendations on the allocation of external aid. To carry out this delicate and difficult responsibility, of such great importance to the member countries, the CIAP will have the technical services of the General Secretariat and of the Panel of Experts; the Inter-American Development Bank and ECLA will serve as its chief advisers. All the members of the General Secretariat and I, in particular, are ready to offer our most complete and enthusiastic cooperation to this new organization and to its chairman, since we are well aware that upon its success depends the success of us all.

Looking toward the future, I cannot feel less than optimistic with reference to the possibilities of the Alliance and the solidity and efficacy of the inter-American system. One of the fundamental reasons for my optimism is the way in which the IDB has developed during the last four years. Under the inspired and brilliant leadership of Felipe Herrera and the able and efficient administration of all its directors, and most important, possessed of a clear social consciousness, side by side with its policy of development, the Inter-American Bank has become the Bank of the Alliance and one of the principal motivating forces of the development process in the Hemisphere.

My optimism is also based on the impressive speedup of economic and social reforms in Latin America and on the serious and extensive way in which our countries have begun to plan their development. There are already 17 Latin American countries that are in the process of drawing up or implementing long-term development plans. Prior to the Charter of Punta del Este, scarcely half a dozen had concerned themselves with this matter. Actually, all the Latin American countries have established planning offices or boards of one type or another, and almost half of them have consolidated their planning efforts with tax reforms of great scope.

Although I acknowledge that the agrarian reform program should be encouraged and accelerated, we must admit that, to be effective and lasting, changes in the system of land tenure require massive financing and an especially dynamic economic basis. Even a moderately ambitious agrarian reform program might cost up to \$6,000 per family, or \$900 million for only 150,000 families. This would equal almost half of all the external public funds offered for the over-all development of Latin America in the year following the establishment of the Alliance for Progress.

The outlook for international trade does not call for pessimism. In this respect, I have no reluctance in saying that the United Nations Conference on Trade and Development, being held in Geneva, has in itself already proved a success. Aside from the resolutions or specialized agencies that may be born of this conference, it is significant that problems and topics of trade policy of the developing countries, which until a few years ago had no access to the higher spheres of the world's economy, are today being openly discussed in the nations' most resounding forum. I am also encouraged by statements recently made in responsible circles in the United States regarding a system of regional trade preferences within our Hemisphere, which might be tied in with hastening Latin American economic integration. In this respect, I think the time has come when the Central American Common Market, which in form and structure represents a highly advanced regional group, can gradually begin to ally itself with the efforts of the Latin American Free Trade Area, just as the Benelux group in Europe became an integral part of the European Economic Community.

In closing, I wish to pay special tribute to Dr. Felipe Herrera for his truly monumental work and to cordially congratulate him on his re-election as President of this great regional banking institution, which we support and admire.

What the Bank has done, what the Organization of American States is now doing and will continue to do, in line with the aspirations of the peoples of the Americas, brings to mind the noble thought of John F. Kennedy, when, in his memorable address of March 13, 1961, he said that we shall once more make of this American Hemisphere an immense crucible of revolutionary ideas and deeds, as a tribute to the power of the creative energies of free men and as an example to the entire world that progress keeps in step with freedom.



Address by the Chairman of the Board of Governors,  
Mr. Julio E. Linares,  
Minister of Finance and Governor for Panama  
at the Closing Session

Exactly five days ago I received the very great honor of presiding over this forum, which has been transformed into a seminar on American thought, to extend most cordial greetings on behalf of my Government to the distinguished Governors, Alternate Governors, Observers and Special Guests, who have come to our shores to attend this outstanding meeting where the most eminent leaders in the economic and financial fields are gathered.

Today, following a brief span of productive activity, it is my duty as Chairman of the Fifth Meeting of the Board of Governors to bring to a close deliberations, which have been indelibly imprinted on the hearts of all Panamanians, particularly those of us who have been fortunate enough to know you.

It has been a great source of satisfaction to my Government to have the opportunity of offering you our hospitality, and I would like to take this occasion to thank all of the Governors most sincerely for their praise and expressions of fraternal solidarity in reference to the Republic of Panama, its people and its Government.

Dr. Herrera, President of the Inter-American Development Bank, has, with his characteristic eloquence, presented here an analysis of our activities and of the various topics of discussion during these sessions. This analysis makes it unnecessary for me to consider these points in any greater detail. However, I would like to note that all of us on the Board of Governors should feel completely satisfied and highly pleased with the results, since not only will the resolutions approved give the Inter-American Development Bank a new revitalizing incentive, but all of your statements have given us an up-to-date picture of the problems and concerns of almost this entire Hemisphere, which is bending every effort to overcome its underdevelopment and sparing no endeavor to implement economic and social development programs that will benefit primarily the most needy sectors of our people.

I would like to thank the Paraguayan delegation sincerely for its generous invitation to act as host for the next meeting. The site of that meeting in the noble capital of the Paraguayan nation will, as its representative has pointed out, not only help us to achieve a better understanding of that country, but undoubtedly strengthen the ties of unity and friendship that bind all of us to that most worthy Republic.

Finally, on behalf of my Government, I would like to congratulate Mr. Felipe Herrera. His reelection to the high post of President of the Inter-American Development Bank is eloquent proof of our confidence in his management and our sure conviction that his future activities will provide increasingly broader benefits for both the

the Bank and the member countries. For I am convinced that if President Herrera has shown himself to be a great president, a magnificent president, during our Institution's most difficult period, that is, during its initial organization, there is not the slightest doubt that, now that this stage has been successfully passed, his capacity for work, his broad cultural background and his devotion to all the noble causes of the Hemisphere will raise the Inter-American Development Bank to undreamed-of heights.

Gentlemen, in closing this Fifth Meeting, I hope that you will convey to your people and to your illustrious governments the sincere and affectionate esteem of the Panamanian nation and of the Government presided over by His Excellency Mr. Roberto F. Chiari.

# RESOLUTIONS

Resolutions Approved by the Board of Governors  
Between its Fourth and Fifth Meetings

INCREASE OF ONE BILLION DOLLARS IN AUTHORIZED  
CALLABLE CAPITAL STOCK AND SUBSCRIPTIONS THERETO

WHEREAS at the Third Annual Meeting of the Board of Governors it was resolved that:

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

WHEREAS the Board of Executive Directors of the Bank, having considered the said question, has concluded that action to increase the authorized callable capital stock of the Bank would be desirable;

WHEREAS Article II, Section 2, paragraphs (c), (d) and (e), of the Agreement Establishing the Bank, provides for increases in the capital stock of the Bank, and

WHEREAS the Board of Executive Directors has submitted an appropriate proposal therefor to the Board of Governors,

The Board of Governors

RESOLVES that:

SECTION 1. Increase in Authorized Capital

- (a) Subject to the provisions of paragraph (b) hereof, the authorized callable capital stock of the Bank shall be increased by \$1 billion, in terms of United States dollars of the weight and fineness in effect on January 1, 1959, divided into 100,000 shares having a par value of \$10,000 each.

- (b) Such increase shall become effective only if, on or before December 31, 1963, 1/ or such later date as the Board of Executive Directors may determine, members shall have agreed, through the deposit of an appropriate instrument with the Bank, to subscribe at least \$750 million in accordance with Section 2 of this resolution.

## SECTION 2. Subscriptions

In accordance with Article II, Section 3(b), of the Agreement Establishing the Bank, each member may subscribe to a number of the shares of the callable capital stock authorized by this resolution equal to the proportion which all its stock heretofore subscribed bears to the total initial authorized capital stock. The subscription of each member shall be on the following terms and conditions:

- (a) The subscription price per share shall be \$10,000 in terms of the United States dollars aforesaid.
- (b) One half of the increase with respect to each member shall be subscribed on or before December 31, 1964, and the other half shall be subscribed on or before December 31, 1965.
- (c) Each member shall represent to the Bank that it has taken all necessary action to authorize such subscription and shall furnish to the Bank such information thereon as the latter may request.
- (d) Each installment of the subscription of each member shall become effective as of the date when all the terms and conditions specified in the preceding paragraphs of this section have been fulfilled with regard to at least 75 per cent of the total of the respective installments of all the members.

(Approved January 28, 1964)

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1/ The Board of Executive Directors extended this date until January 31, 1964, by Resolution DE-82/63 of December 17, 1963.

INCREASE IN THE RESOURCES OF THE FUND  
FOR SPECIAL OPERATIONS

WHEREAS at the Third Annual Meeting of the Board of Governors it was resolved that:

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

WHEREAS the Board of Executive Directors, having considered the said question, has concluded that action to increase the resources of the Fund for Special Operations would be desirable;

WHEREAS Article IV, Section 3(g), of the Agreement Establishing the Bank, provides for increases in the resources of the Fund through additional contributions by the members, and

WHEREAS the Board of Executive Directors has submitted an appropriate proposal therefor to the Board of Governors,

The Board of Governors

RESOLVES that:

SECTION 1. Increase in Quotas

- (a) Subject to the provisions of this resolution, the existing quotas of members of the Inter-American Development Bank in the Fund for Special Operations shall be increased by 50 per cent. Payment of the increase in each quota shall be made in accordance with Section 2 hereof.
- (b) None of the increases in quotas provided for in this resolution shall become effective unless:

- (i) The member concerned has notified the Bank in writing that it consents to the increase in its quota and is prepared to make payment in accordance with Section 2 of this resolution. The notice prescribed herein shall be received by the Bank not later than December 31, 1963, 1/ provided that the Board of Executive Directors may extend this period as it may determine.
- (ii) The Bank determines that members having not less than 75 per cent of the quotas initially subscribed and paid to the Bank have agreed to contribute their increased quotas in accordance with the preceding paragraph.

## SECTION 2. Payment of Quotas

- (a) Each member shall make payment of the increase in its quota to the Bank within 90 days after all the requisites stipulated in Section 1(b)(i) and (ii) of this resolution have been fulfilled.
- (b) Payment of each quota shall be made one half in gold and/or United States dollars of the weight and fineness in effect on January 1, 1959, and one half in the currency of the contributing member. The provisions of Article IV, Section 3 (e), and Article V, Section 4, of the Agreement Establishing the Bank, shall be applicable to payments in the member's currency.

(Approved January 28, 1964)

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1/ The Board of Executive Directors extended this date until January 31, 1964, by Resolution DE-83/63 of December 17, 1963.

ADDITIONAL INCREASE OF \$300 MILLION IN AUTHORIZED  
CAPITAL STOCK AND AUTHORIZATION OF THE ELECTION  
OF AN ADDITIONAL EXECUTIVE DIRECTOR

WHEREAS the Board of Governors has approved a resolution providing for an increase of one billion dollars in the authorized callable capital stock of the Bank;

WHEREAS it is desirable further to increase the authorized capital stock of the Bank by 300 million dollars in order to provide for the admission of new members;

WHEREAS in view of the circumstances it may be expected that the members will not wish to avail themselves of their right to subscribe to a proportionate share of such increase pursuant to Article II, Section 3(b), of the Agreement Establishing the Bank;

WHEREAS under the Agreement the Board of Governors, in the light of appropriate consultation with the applicant, is to determine, in each case, the specific conditions for the admission of new members, including the number of shares of capital stock and the quota of contribution to the Fund for Special Operations to be subscribed, and

WHEREAS it would be appropriate that, if new members subscribe a significant amount of capital stock of the Bank, provision be made to enlarge the number of Executive Directors,

The Board of Governors

RESOLVES that:

SECTION 1. Increase in Authorized Capital Stock

- (a) Subject to the provisions of sub-paragraph (b) hereof, in order to provide for the admission of new members, the authorized capital stock of the Bank shall be increased by \$300 million in terms of United States dollars of the weight and fineness in effect on January 1, 1959, divided into 30,000 shares having a par value of \$10,000 each, of which 7,500 shares shall be paid in and 22,500 shares shall be callable.



- (b) Such increase shall not become effective unless the increase in the authorized capital stock provided for in the resolution entitled "INCREASE OF ONE BILLION DOLLARS IN AUTHORIZED CALLABLE CAPITAL STOCK AND SUBSCRIPTIONS THERETO" shall have come into effect.
- (c) In the absence of notice to the contrary on or before December 31, 1963, 1/ the Bank will understand that the member countries do not wish to subscribe their proportionate shares of this increase.

## SECTION 2. Additional Executive Director

- (a) Section 3 of Article VIII of the Agreement Establishing the Bank is amended by the addition of the following:
- "(j) Upon the admission to the Bank of new members, having votes totaling not less than 22,000, the Board of Governors may, by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries, increase by one the number of Executive Directors to be elected."
- (b) Annex C of the Agreement Establishing the Bank is amended by the addition of the following:
- "(e) Whenever the Board of Governors increases the number of Executive Directors in accordance with Article VIII, Section 3(j), the additional Executive Director shall be elected at the next regular election of Executive Directors in accordance with sub-paragraph (c) of this Annex."

(Approved January 28, 1964)

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1/ The Board of Executive Directors extended this date until January 31, 1964, by Resolution DE-82/63 of December 17, 1963.

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 1964, 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 6, 1964)

Resolutions Approved by the Board of Governors  
at its Fifth Meeting

RESOLUTION AG-5/64

FINANCIAL STATEMENT OF THE ORDINARY CAPITAL RESOURCES  
OF THE BANK (1963)

The Board of Governors

RESOLVES:

That 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, 1963, containing the general balance sheet and the statement of profit and loss, is approved.

(Approved April 14, 1964)

RESOLUTION AG-6/64

FINANCIAL STATEMENT OF THE FUND FOR SPECIAL OPERATIONS  
(1963)

The Board of Governors

RESOLVES:

That upon review of the report of the outside auditors, the financial statement of the Fund for Special Operations for the fiscal year ending December 31, 1963, containing the general balance sheet and the statement of profit and loss thereof, is approved.

(Approved April 14, 1964)

ELECTION OF THE PRESIDENT OF THE BANK

WHEREAS:

The term of office of the President of the Inter-American Development Bank, Mr. Felipe Herrera, will expire on February 16, 1965;

The Sixth Annual Meeting of the Board of Governors will take place in April 1965 and the meetings in subsequent years will also be held in April;

It would be desirable to bring the commencement and expiration of the term of the President into a more appropriate relationship with the probable schedule of annual meetings of the Board of Governors, and Mr. Herrera has indicated his willingness to facilitate this objective by accepting a shortening of his present term; and

Mr. Herrera, during his term as President of the Bank, has demonstrated the ability and experience required to discharge such an important function and at the same time has amply proved his complete dedication to the activities and responsibilities which were entrusted to him and his devotion to the objectives and ideals that inspired the creation of the Inter-American Development Bank,

The Board of Governors

RESOLVES THAT:

1. In accordance with the provisions of Article VIII, Section 2(b)(iii) and Section 5(a), of the Agreement, Mr. Felipe Herrera is re-elected President of the Bank for a five-year term to begin July 1, 1964.
2. The Chairman of the Board of Governors is authorized to execute a contract of employment between the Bank and Mr. Herrera in accordance with the provisions approved by the Board.

(Approved April 14, 1964)

FINANCING THE EXPORT OF BASIC PRODUCTS

WHEREAS:

In the last annual meeting, held in Caracas in April 1963, the Board of Governors requested the Board of Executive Directors to prepare a report on the financing of Latin American exports of basic products; and

In compliance with that request, the Board of Executive Directors transmitted to the Board of Governors the document entitled "Financing of Latin American Exports of Basic Products" (Document DED/64/6, Revision 2), which includes the report of the group of experts which advised the Bank in the study of the subject,

The Board of Governors

RESOLVES:

1. To express its gratification with the efforts made by the Bank in the study of the financing of exports of basic products.
2. To support the recommendations made by the Board of Executive Directors on February 27, 1964, to the Management of the Bank that it:
  - (a) carefully observe the work being carried out by international agencies toward a solution of the short- and long-term problems of international trade in basic commodities and, when it deems appropriate, foster the collaboration of the Bank therein, and
  - (b) study means for achieving an improvement in the mechanisms presently employed for the financing of intra-Latin American trade, and of promoting closer cooperation among the banks and other institutions which now engage in such financing.
3. To recommend to the Management of the Bank that it maintain as a permanent activity the study, on a current basis, of the aspects of the financing of Latin American foreign trade, and that the member countries send the Bank information, statistics and such suggestions as they may consider useful for keeping that study up to date.

4. To instruct the Bank to transmit the document entitled "Financing of Latin American Exports of Basic Products," through regular channels, to the General Secretariat of the United Nations' Conference on Trade and Development for distribution and for the information of the Delegations attending that Conference.

(Approved April 16, 1964)

## INCREASE IN RESOURCES OF THE FUND FOR SPECIAL OPERATIONS

CONSIDERING that an increase in the resources of the Fund for Special Operations is urgently needed for the reasons set forth in the Annex of this Resolution,

The Board of Governors

## RECOMMENDS:

That the members take such action as may be necessary and appropriate to give effect to the following proposal:

## PROPOSED RESOLUTION

The Board of Governors

## RESOLVES THAT:

- (a) Subject to the provisions of this resolution, the resources of the Fund for Special Operations shall be increased in the equivalent of U.S. \$900 million through additional contributions by the members, as follows:

<u>Country</u>	<u>In thousands of dollars or the equivalent</u>
Argentina	\$ 33,402
Bolivia	2,682
Brazil	33,402
Chile	9,171
Colombia	9,165
Costa Rica	1,341
Dominican Republic	1,788
Ecuador	1,788
El Salvador	1,341
Guatemala	1,788
Haiti	1,341
Honduras	1,341
Mexico	21,474



<u>Country</u>	<u>In thousands of dollars or the equivalent</u>
Nicaragua	1, 341
Panama	1, 341
Paraguay	1, 341
Peru	4, 473
United States	750, 000
Uruguay	3, 582
Venezuela	17, 898
	<u>\$900, 000</u>

- (b) Each member shall make its additional contribution in its own currency, and the entire amount of each contribution shall constitute national currency to which the provisions of Article V, Sections 1(c) and 4, of the Agreement Establishing the Bank, shall be applicable.
- (c) The additional contributions shall be made in three equal installments payable, respectively, on or before December 31, 1964, December 31, 1965, and December 31, 1966, or such later dates as the Board of Executive Directors may determine.
- (d) None of the additional contributions shall become payable unless at least 14 members whose increased contributions total not less than U. S. \$860 million shall each have deposited with the Bank, on or before December 31, 1964, or such later date as the Board of Executive Directors may determine, an appropriate instrument setting forth their agreement to their making the contribution to the increase in the Fund for Special Operations in accordance with terms of this Resolution.
- (e) In the future, the Bank shall include in the operations of the Fund financing for social development purposes, including those heretofore financed through the Social Progress Trust Fund. Similarly, the Board of Executive Directors in establishing financing policies for the Fund shall take into consideration the policies which have guided the operations of the Social Progress Trust Fund.

(Approved April 16, 1964)

## INCREASE IN RESOURCES OF THE FUND FOR SPECIAL OPERATIONS

(Memorandum of information on the need  
for additional resources of the Bank)

1. Background:

- 1.1 At its Fourth Annual Meeting held in Caracas in April 1963, the Board of Governors of the Bank approved the following resolution (AG-6/63):

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.

- 1.2 The need for considering the future relationship of the Fund for Special Operations to the other activities of the Bank and the sufficiency of the

Fund's resources arises from the existence of three separate and distinct sources of funds under which the Bank, either in its own capacity or in the capacity of trustee, finances programs and projects dedicated to the economic and social development of its member countries. These sources of funds are the ordinary capital resources of the Bank, the Fund for Special Operations and the Social Progress Trust Fund. The ordinary capital resources and the Fund for Special Operations constitute the Bank's own resources subscribed by its member countries, while the Social Progress Trust Fund has been entrusted to the Bank by the United States for administration.

2. Ordinary Capital Resources:

Initially, the Bank's authorized ordinary capital was \$850,000,000, of which the equivalent of \$400,000,000 constituted paid-in capital and the equivalent of \$450,000,000 was callable when required to meet the Bank's obligations as provided in the Agreement Establishing the Bank. The ordinary capital is used to make loans repayable in the currency loaned on normal banking terms comparable to those of other international lending institutions of a similar nature. Because Cuba did not become a member of the Bank, total capital subscriptions amounted to \$813,160,000, of which the equivalent of \$381,580,000 was paid-in capital and the equivalent of \$431,580,000 constituted callable capital. On January 28, 1964, the Board of Governors approved an increase of \$1,000,000,000 in the callable capital stock to strengthen the Bank's guarantee resources for the purpose of enhancing its borrowing capacity. The actual subscriptions are to be effected over a two-year period. The increase is expected to enable the Bank to raise sufficient funds in the world's capital markets to cover its needs for normal banking type loans until 1967. A more detailed description covering this aspect of the Bank's needs and operations is contained in the Report of the Board of Executive Directors to the Board of Governors of April 1963 entitled: "Proposal for an Increase in the Resources of the Inter-American Development Bank."

3. Fund for Special Operations:

- 3.1 The Agreement Establishing the Bank was drafted during the first three months of 1959 and the record of the Proceedings reveals that the Fund for Special Operations was incorporated in the Agreement in recognition of the need to make loans on terms and conditions adapted to meet special circumstances arising in specific countries or with respect to specific projects. The inclusion of the Fund for Special Operations reflected the desire of the member countries to create a mechanism for financing not only projects in

those countries whose foreign exchange debt capacity was in question but also certain so-called "overhead" projects without which the process of economic development is not possible. The deliberations of the drafting committee indicate that it was expected that the Fund would finance both "economic overhead" projects, such as roads, ports, and power facilities, and so-called "social overhead" projects, such as public health, housing, and educational facilities. It was recognized that the latter type of investments, despite their enormous impact on development, had been previously relegated to a secondary priority in international financing of the needs of less developed countries. Indeed, the language establishing the Fund (Article IV, Section 1) "for the making of loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects," was designed to give broad scope of eligibility for projects or programs to be financed with the resources of the Fund.

- 3.2 The Fund for Special Operations was established with initial resources in the amount of \$146,316,000, of which \$100 million was contributed by the United States and \$46,316,000 by the Latin American members of the Bank. Each member was required to pay its contribution one half in gold or dollars and one half in its national currency. As of March 31, 1964, the Board of Executive Directors had approved 38 loans for a total equivalent to \$124.1 million, including one loan for \$640,000 for a private enterprise; 10 loans for \$50.8 million to development institutions; 4 loans for \$19.5 million for water supply and sewerage; and 23 loans for \$53.1 million to government or government enterprises, including loans for highway projects, farm settlement and colonization, mining, technical assistance, irrigation, electric power, and industrial projects. The "Proposal for an Increase of the Resources of the Inter-American Development Bank" submitted by the Board of Executive Directors to the Board of Governors in April 1963, referred to in paragraph 2 above, gives a detailed exposition of the activities carried out under the Fund and concludes that the activities of the Fund require additional dollar resources at the rate, at the minimum, of \$50 million per year. On the basis of this report, as a one-year measure, the Board of Governors, on January 28, 1964, approved a proposal to increase the resources of the Fund by \$73,158,000.

#### 4. Social Progress Trust Fund:

- 4.1 The Social Progress Trust Fund was created pursuant to an agreement entered into between the United States and the Bank on June 19, 1961. Its genesis lay in the initiative of Dr. Juscelino Kubitschek, then President of Brazil, as expressed in his proposal for Operation Pan America. In July

1960, the "Declaration of Newport" of then President Eisenhower stated it to be the policy of the United States to cooperate with the countries of Latin America in enlarged programs of economic and social development. In September of the same year, the United States Congress authorized \$500 million to carry out the principles of the "Declaration of Newport." Armed with this authority, the United States delegation to the third meeting of the Committee of 21 at Bogota, Colombia, in the same month, proposed a new program for hemispheric social development.

- 4.2 The resulting agreement, the "Act of Bogota," was an intermediate step between the proposed Operation Pan America and the Alliance for Progress. The Act outlined a broad program for social development, and proposed the Special Inter-American Fund for Social Development, with the Inter-American Development Bank designated as the principal administering institution. It made recommendations for the economic development of the hemisphere and called for a special meeting to draw up plans and coordinate them with the activities of other international organizations.
- 4.3 The Act of Bogota was a great step forward in the strengthening of inter-American unity, but it was not as far-reaching as the principal objective of Operation Pan America - a broad cooperative program of economic and social development. On March 13, 1961, President John F. Kennedy proposed a new policy with these words:

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

Five months later, representatives of the OAS assembled in Uruguay for the signing of the "Charter of Punta del Este" which established the Alliance for Progress as an endeavor of all the member countries.

- 4.4 In May 1961, the Congress of the United States appropriated \$500 million to implement the Act of Bogota. Of this amount, \$394 million were assigned to a Social Progress Trust Fund to be administered by the Bank under a trust fund agreement. This agreement authorized the Bank to make loans in the fields of land settlement and improved land use, housing for low-income groups, community water supply and sanitation facilities, and

supplementary financing of facilities for advanced education and training related to economic and social development and to provide technical assistance related to these fields and to the mobilization of domestic resources. The Bank accepted the administration of the Fund for these purposes, deeming it to be consistent with the provisions of the Agreement Establishing the Bank, and deeming that it strengthened its own efforts to foster balanced economic growth and greater social progress.

- 4.5 In February 1964, the United States and the Bank signed a protocol whereby \$131,000,000 was made available for the Social Progress Trust Fund, in addition to the original resources of \$394,000,000.
- 4.6 As of October 1, 1963, the approximate second anniversary of actual operations under the Social Progress Trust Fund, the Bank in its capacity as trustee had authorized 65 loans in the amount of \$357.9 million from the Fund, or a rate of commitment approaching \$200,000,000 per year, a figure which the Board considers would be a reasonable measure of minimum effective operation in the future. In the last part of 1963 and the first months of the current year, the lack of resources definitely available for the future caused a reduction in the level of commitments. It may be expected that with the new resources now available the rate of authorization will rise and that the funds will be entirely exhausted before the end of the current calendar year. The loans committed as of March 31, 1964, fall in the following categories:

#### SOCIAL PROGRESS TRUST FUND

<u>Loans for:</u>	<u>Number</u>	<u>Amount</u> (in millions of dollars)
Improved land use, land settlement, agriculture credits, etc.	21	68.6
Housing for low-income groups	21	168.7
Community water supply and sanitation	24	118.3
Facilities for advanced education	<u>9</u>	<u>16.2</u>
	<u>75</u>	<u>371.8</u>

## 5. Possibility of Combining Operations

5.1 The Act of Bogota dealt separately with "Measures for Social Improvement" (Chapter I) and "Measures for Economic Development", (Chapter III). Given the fact that existing international lending institutions in general had not financed social development projects, that the Inter-American Development Bank, the primary mechanism for the administration of the Fund, was in the earliest stages of its existence, and that the concept of making funds available for this purpose represented a major change of policy on the part of the donor of the Fund as well as the beneficiaries, it can easily be understood why the Social Progress Trust Fund was created as an entity separate from the Bank's own resources. The provisions of the Trust Fund Agreement reflect the provisions of the Act of Bogota, not only in terms of the fields to which the activities of the Fund apply but also with respect to the separate nature of its existence.

5.2 Subsequent to the creation of the Social Progress Trust Fund, the Charter of Punta del Este, establishing the Alliance for Progress, stated that:

"It is the purpose of the Alliance for Progress to enlist the full energies of the peoples and governments of the American republics in a great cooperative effort to accelerate the economic and social development of the participating countries of Latin America, so that they may achieve maximum levels of well-being, with equal opportunities for all, in democratic societies adapted to their own needs and desires."

The Charter declares the inter-relationship of economic and social development and incorporates in Title II the measures whereby development of both kinds might be achieved, including the role of the Bank in the financing thereof. It was recognized that economic development and social development are but two sides of the same coin. Ill-housed, poorly educated and disease-ridden farmers and workers have neither the capacity nor the incentive to participate responsibly in organized political and economic life. Therefore, the Charter of Punta del Este emphasizes the need for fostering both social and economic improvements.

5.3 From the Bank's experience in the operations of the two funds it can be seen that the activities carried on under the Fund for Special Operations and the Social Progress Trust Fund have much in common. Loans from both Funds are made on liberal long terms with low interest rates; usually are repayable in the currency of the borrower, and are for projects for which financing from the Bank's ordinary resources is not feasible. The primary difference, if any, relates to the designation of the Trust Fund for "social

development, although it carries out operations, such as in agriculture and water supply, which have a direct economic impact, while the loans of the Fund for Special Operations have been directed chiefly to economic development, but with operations like water supply and sewerage which have important social effects. The inter-dependence of both concepts is well illustrated by the fact that parallel loans have been made from the resources of the Fund for Special Operations in the area of land use and land settlement and potable water and sewerage. Since the Trust Fund came into effect very early in the Bank's existence, it was never necessary to consider whether housing projects would be eligible for financing from the resources of the Fund for Special Operations, although the Bank's Board of Executive Directors in discussions setting forth the operating policies of the Bank in early 1960 included projects for low-cost housing among those eligible for financing from the Fund for Special Operations. In short, sufficient flexibility exists in the Bank's Charter to permit the financing with the resources of the Fund for Special Operations of the types of projects now assisted through the Social Progress Trust Fund.

- 5.4 As confirmed by the Charter of Punta del Este, it has been the absence of credit for agriculture, low-cost housing, potable water, adequate sewerage systems and educational facilities which is one of the elements creating, in the terms of the Bank's constituent agreement, "special circumstances" requiring financing from the Fund for Special Operations on terms and conditions appropriately flexible. A single fund for the financing of such special operations would obviously substantially simplify operations and make them more effective. Administratively, it could be expected to lessen the cost of operation, particularly in the area of reports and separate accounting systems. As a matter of policy, a single fund to which all members contribute and which is multilateral in character will accurately reflect the cooperative nature and spirit of the Bank and the Alliance for Progress.
- 5.5 In considering the need for an increase in the resources available to the Bank, the Board of Executive Directors has taken into consideration the minimum target figures of \$2 billion per year of external funds established in the Charter of Punta del Este, the country programs submitted to the Committee of Nine Experts, the magnitude of applications and inquiries pending before the Bank and the needs of the member countries as expressed at the meetings of the Inter-American Economic and Social Council at Mexico City in 1962 and in Sao Paulo in 1963.

With the population growth and the development of a better institutional framework, not only are the needs for external credits consistently increasing, but also there is an increasing absorptive capacity for effective utilization of external financing. In view of the increased emphasis placed by the



Bank on preparatory work designed to assist members to identify projects and to bring them to the point of financing, as well as the other technical assistance work of the Bank and other development institutions, it can be expected that the Bank will continue to receive a growing volume of meritorious application in both the economic and social fields.

In addition to the general need for an increase in external financing on conventional terms, the need for credit on the kind of terms offered by the Fund for Special Operations and the Social Progress Trust Fund is also expected to expand. The experience not only of the Bank but also of other agencies such as the International Development Association and the Agency for International Development is that such needs have been growing, and the evident balance-of-payments pressures in Latin America point to the probability that in coming years they will continue to do so. At the same time, the increasing awareness of indispensable social requirements also calls for an expansion of lending on special terms, and the progress of institutional reforms in Latin America will logically produce both a greater number of well-conceived social projects and more efficient organizational structures for executing and operating programs in these fields.

- 5.6 In its report to the Board of Governors on the "Proposal for an Increase in the Resources of the Inter-American Development Bank," the Board of Executive Directors pointed out that it is essential to assure the orderly development and continuity of the Bank's lending operations over a reasonable period by providing an adequate degree of certainty that the needed resources will be available. These same factors, which motivated the approval of an increase in ordinary capital sufficient for a 4 to 5-year period are also valid in respect to an increase in the other resources of the Bank. The increase in the Fund for Special Operations in January 1964 was a transitory measure designed to cover the requirements of one year. The Bank, as a financial institution desiring to cooperate with the member countries in carrying out well-conceived programs of development, must have reasonable assurance of adequate resources over a minimum 3-year period. It would therefore follow that any increase in the Fund for Special Operations should provide sufficient funds until at least 1967.

# INCREASE IN RESOURCES OF THE FUND FOR SPECIAL OPERATIONS

## Report of the Working Group

(Submitted to the Fourth Plenary Session,  
held on April 16, 1964)

As agreed upon by the Board of Governors at the Preliminary Session, the Working Group, composed of Argentina, Brazil, Colombia, Mexico, Nicaragua, the United States and Venezuela, is pleased to report that it has studied Document DED/64/33 Rev., on the increase in the resources of the Fund for Special Operations and the future relationship of the Fund with other activities of the Bank, and has unanimously recommended that the Board of Governors adopt the attached resolution.

The Working Group met at 4:30 p.m. on Monday, April 13, and at 3:00 p.m. on Tuesday, April 14, with the Alternate Governor for Venezuela, Mr. Hector Hurtado, presiding.

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In addition to the memorandum of the President of the Bank, the Working Group took cognizance of a proposed resolution submitted by the Governor for the United States.

The Alternate Governor for Brazil, Mr. Luiz de Paula Figueira, stated that, having taken note of the proposed resolution presented by the United States Delegation and having accepted it as a satisfactory basis for study, the Brazilian Delegation did not intend to present a formal proposal on this matter. He added that in this way the Brazilian Delegation hopes to expedite a solution to this matter of such great importance to the progress of the hemisphere and to the continued expansion of the Bank's operations.

The Alternate Governor for the United States, Mr. John C. Bullitt, stated that, as recommended in the aforementioned memorandum, payment of the increased contribution to the Fund for Special Operations may be effected by means of non-negotiable, non-interest-bearing notes, and that he considered it unnecessary for the Board of Governors to determine at this Meeting what proportion of the contributions should be paid in this manner, a question that it appeared more advisable to leave for discussion by the Board of Directors.

He added that the same document also indicated that the United States contribution to the Fund for Special Operations would be available for use in the United States and the other member countries in the same way as the resources of the Social Progress Trust Fund have been available.

Finally, he proposed that the provisions of the Social Progress Trust Fund Agreement relating to participation by the borrowing country in financing the local costs of projects be applied to loans from the Fund for Special Operations.

Following the clarification requested by various delegations regarding future utilization of the Fund for Special Operations, the Alternate Governor for the United States proposed that a new paragraph be added to the proposed resolution specifying that the Fund for Special Operations would be used to finance social projects including those in the four areas specified in the Social Progress Trust Fund Agreement, as well as other projects of an economic nature, which would continue to receive financing. He also proposed that the Board of Executive Directors, in establishing loan policies for the Fund for Special Operations, shall take into consideration the policies thus far applied to the operations of the Social Progress Trust Fund.

The Alternate Governor for Nicaragua, Mr. Francisco J. Lainez, expressed the concern of the Central American countries regarding the possibility that the modification of the Fund for Special Operations proposed by the United States would signify a reduction in that country's contribution through the Bank for social development projects. He also observed that this modification would appear to restrict all United States aid for the Alliance for Progress to its contribution to this Fund, which would represent a substantial reduction in total volume.

Mr. Bullitt made it clear, in reference to the first point, that, instead of a decrease, his country's proposal represented a greater contribution of United States funds for social development projects than that which was made this year, although the proposed level would be the same as in previous years. He recalled that the amount appropriated this year for the Social Progress Trust Fund was \$131 million, while the proposal suggested the utilization of \$250 million for the purposes presently carried out by both the Fund for Special Operations and the Social Progress Trust Fund.

With respect to the second point mentioned by Mr. Lainez, Mr. Bullitt stated that, as indicated by the Governor for the United States at the Second Plenary Session in his remarks on foreign aid, his country is still prepared to provide financial assistance in the order of magnitude suggested by the Charter of Punta del Este, with the understanding that the Latin American countries, for their part, will continue to implement self-help measures envisaged in that document.

He referred specifically to the foreign aid message sent by President Johnson to the United States Congress early this year requesting \$2.4 billion for economic assistance. Within this contribution, the United States will allocate approximately one-fourth to bilateral assistance programs under the Alliance for Progress. He also emphasized that this amount does not include the annual contribution of \$250 million to be made available by the United States to the Alliance for Progress through the Inter-American Development Bank as recommended in the proposed resolution.

Finally, the Working Group took note of the statement by the General Counsel that the proposed resolution would not have the effect of terminating the existence of the Social Progress Trust Fund, which, in the absence of some other determination in the future, would continue to operate with its existing resources.

In this manner the Working Group has fulfilled the mandate received from the Board of Governors.

April 14, 1964

CONTRIBUTION BY NON-MEMBER COUNTRIES  
OF ADDITIONAL RESOURCES TO THE BANK

WHEREAS

The Bank is the multilateral institution which represents Latin America in the financial field;

Until the present, the resources which have made possible the financial activities of the Bank have originated chiefly in its member countries;

The financial and technical needs of the area for well-ordered and efficient development are of such a size as to make it necessary to seek access to additional sources of funds; and

In accordance with the foregoing, it is necessary to give concrete form to one or more alternatives which will facilitate effective participation in providing resources for the Bank by countries which presently are not members,

The Board of Governors

RESOLVES:

1. To request that the Board of Executive Directors, taking into account the foregoing considerations, study the adoption of the measures necessary to make possible and facilitate the participation of countries which presently are not members in the provision of additional resources to the Bank, with the objective of stimulating the association of external and national capital with the development of the Latin American economies.
2. To provide that the Board of Executive Directors, in carrying out the study provided for in Section 1, shall take into account among the possible alternatives:
  - (a) The administration by the Bank of resources provided by non-member countries, through the celebration of appropriate agreements.
  - (b) The creation of any other type of operative mechanism which will permit the participation of non-member countries in the analysis and

financing of projects and in the selection of priority sectors and geographical areas, in accordance with the programs and policies proposed by the Latin American and the non-member countries.

(Approved on April 16, 1964)

REVISION OF THE SYSTEM FOR THE ELECTION  
OF EXECUTIVE DIRECTORS

WHEREAS:

The Central American countries have chosen to be represented in international organizations such as the Bank on a unified basis, with rotation among the countries;

The Governors for the Central American countries have expressed their concern that the present system of election does not assure Central America regional representation on the Board of Executive Directors; and

The President of the Bank, in his remarks at the closing session of the Fourth Meeting of the Board of Governors, held in Caracas last year, taking into account the experience of the second election of Executive Directors and interpreting the consensus of the Governors, emphasized the need to improve the electoral procedure; and that it is advisable to take such action prior to the election of Executive Directors, which is to be held in 1966 at the Seventh Annual Meeting of the Board of Governors,

The Board of Governors

RESOLVES:

That the Board of Executive Directors is instructed to review the existing provisions relative to the election of Executive Directors and to submit its conclusions to the consideration of the Board of Governors before the Sixth Annual Meeting.

(Approved April 17, 1964)

PLACE AND DATE OF THE SIXTH MEETING  
OF THE BOARD OF GOVERNORS

The Board of Governors

RESOLVES THAT:

The President of the Bank shall convene the sixth regular meeting of the Board of Governors, to be held in Asuncion, during the month of April 1965.

(Approved April 17, 1964)



## ROUND TABLE

During the Fifth Annual Meeting of the Board of Governors, two round table discussions were held on the topic "Regional Organizations and Financial and Technical Cooperation for Development."

At the first, held on Tuesday, April 14, in the afternoon, Mr. Raul Hess, an Executive Director of the Bank, served as Moderator, and the following persons presented papers:

Introduction	Julio Gonzalez del Solar, Representative in Europe of the Inter-American Development Bank
The European Investment Bank and the Economic Integration of Europe	Guy Trancart, Director, Department of Operations in the Associated Countries, European Investment Bank
The Colombo Plan: An Asian Experience	Braj Kumar Nehru, Ambassador of India to the United States

At the second session, on Wednesday, April 15, in the afternoon, Mr. Federico Intriago, an Alternate Executive Director of the Bank, served as Moderator, and papers prepared by the following persons were presented:

An African Experience: The Economic Commission for Africa	Robert K. A. Gardiner*, Executive Secretary, United Nations Economic Commission for Africa
Latin America	Romulo Almeida, Committee of Nine, Alliance for Progress, Organization of American States

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\* Mr. Gardiner was unable to attend the Meeting. His paper was presented by Mr. Ibrahim H. Abdel-Rahman, Under Secretary of the United Nations and Commissioner for Industrial Development.

## Conclusion

Cleantho de Paiva Leite, Executive  
Director, Inter-American Development  
Bank

At both sessions the statements were followed by a discussion in which delegation members, observers, special guests and officials of the Bank participated. The Round Table documents appear in a separate publication of the Bank.

# **PARTICIPANTS**

## DELEGATIONS

### ARGENTINA

#### Governor

Felix Gilberto Elizalde, President  
Banco Central de la Republica Argentina

#### Alternate Governors

Enrique Garcia Vazquez, Vice President  
Banco Central de la Republica Argentina

Ricardo Estanislao Araoz, Second Vice President  
Banco Central de la Republica Argentina

#### Advisors

Oswaldo Sebastian Rosello, Deputy Department Chief  
Banco Central de la Republica Argentina

Juan M. Fauvety, Counselor  
Argentine Embassy in Panama

### BOLIVIA

#### Alternate Governors

Jaime Otero Calderon 1 /  
Secretary General of the Presidency of the Republic and Acting Minister  
of Planning

Adolfo Linares Arraya, President  
Corporacion Boliviana de Fomento

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1/ Temporary

### Advisors

Carlos Arce Zavaleta, Advisor  
Ministry of Economy

Guillermo Bedregal, President  
Corporacion Minera de Bolivia  
Executive Director, Inter-American Development Bank

Roberto Capriles, Director  
Empresa Nacional de Electricidad

### BRAZIL

### Alternate Governor

Luiz de Paula Figueira 1/  
Acting Executive Director  
Superintendencia da Moeda e do Credito

### Advisors

Eduardo Portela, Secretary of Embassy  
Ministry of Foreign Affairs

Annibal Redinha, Representative  
Superintendencia da Moeda e do Credito

Ronald Moraes-Small, Secretary  
Brazilian Embassy in Panama

### CHILE

### Alternate Governor

Ruy Barbosa P.  
Minister of Agriculture

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1/ Temporary

## Advisors

Guillermo Ginesta Boudat, Director  
Banco Central de Chile

Francisco Ibanez Barcelo, General Manager  
Banco Central de Chile

Ignacio Barraza Quiroga, Advisor  
Ministry of Agriculture

Humberto Diaz, General Manager  
Corporacion de Fomento

## COLOMBIA

### Governor

Diego Calle Restrepo  
Minister of Finance and Public Credit

### Alternate Governor

Eduardo Arias Robledo, Manager  
Banco de la Republica

## COSTA RICA

### Alternate Governors

Rodrigo Carazo 1/  
Director  
Banco Central de Costa Rica

Guillermo Gonzalez 1/  
Director  
Department of Economic Studies  
Banco Central de Costa Rica

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1/ Temporary

## DOMINICAN REPUBLIC

### Governor

Diogenes H. Fernandez, Governor  
Banco Central de la Republica Dominicana

### Alternate Governor

Luis Maria Guerrero 1/  
Manager  
Banco Central de la Republica Dominicana

## ECUADOR

### Governor

Jose C. Cardenas  
Minister of Development

### Alternate Governor

Jaime Porras 1/  
Secretary General of Finance

### Advisors

Gonzalo Perez Bustamante, President  
Municipal Council of Quito

Carlos Luis Plaza Danin, President  
Municipal Council of Guayaquil

Jorge Naranjo Fiallo, Manager  
Banco Ecuatoriano de la Vivienda

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1/ Temporary

## EL SALVADOR

### Alternate Governor

Guillermo Hidalgo Quehl, Vice President  
Banco Central de Reserva de El Salvador

### Advisor

Mauricio Ernesto Martinez  
Banco Central de Reserva de El Salvador

## GUATEMALA

### Alternate Governors

Victor Salomon Pinto Juarez 1/  
Counselor  
Ministry of Economy

Jose Antonio Perez Calderon 1/  
President  
Instituto de Fomento de la Produccion

### Advisors

Augusto Contreras Godoy, Manager  
Banco del Agro

Valentin Solorzano, Chief  
International Financial Organizations Section  
Banco de Guatemala

Alfonso Branas, Assistant Manager  
Instituto de Fomento Municipal

Jesus Maria Ordonez, Vice Chairman of the Board of Directors  
Instituto de Fomento Municipal

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1/ Temporary



## HAITI

### Governor

Marcel Daumec  
Port-au-Prince

## HONDURAS

### Governor

Tomas Calix Moncada  
Minister of Economy and Finance

### Alternate Governor

Roberto Ramirez, Governor  
Banco Central de Honduras

## MEXICO

### Governor

Antonio Ortiz Mena  
Secretary of Finance and Public Credit

### Alternate Governors

Jose Saenz Arroyo 1/  
Director of Credit  
Department of Finance and Public Credit

Alfredo Navarrete 1/  
Assistant Director  
Nacional Financiera, S. A.

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1/ Temporary

## Advisors

Manuel Barros Sierra, Executive Director  
Inter-American Development Bank

Miguel Mancera, Administrator  
Fondo para el Fomento de las Exportaciones de Productos Manufacturados

Enrique Sosa  
Secretary to the Secretary of Finance and Public Credit

## NICARAGUA

### Alternate Governors

Francisco J. Lainez, President  
Banco Central de Nicaragua

Jorge Armijo Mejia 1/  
Deputy Minister of Economy

### Advisors

Federico E. Lang, President  
Banco Nacional de Nicaragua

Alfredo Cole, General Manager  
Banco Nacional de Nicaragua

Pilar Altamirano, General Manager  
Instituto Nicaraguense de la Vivienda

Jose Maria Castillo, Minister Counselor  
Nicaraguan Embassy in the United States

Hector Wilkinson, Chief  
Technical Department  
Instituto de Fomento Nacional

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1/ Temporary

PANAMA

Governor

Julio E. Linares  
Minister of Finance

Alternate Governors

Miguel A. Corro  
Consul General of Panama in Washington

Ricardo Arango A. 1 /  
President  
National Assembly

Max Arosemena 1 /  
Minister of Government and Justice

Galileo Solis 1 /  
Minister of Foreign Affairs

Manuel Solis Palma 1 /  
Minister of Education

Azael Vargas 1 /  
Minister of Agriculture, Commerce and Industry

Jose Bernardo Cardenas 1 /  
Minister of Public Works

Bernardino Gonzalez Ruiz 1 /  
Minister of Labor, Social Welfare and Public Health

Gonzalo Tapia Collante 1 /  
Minister of the Presidency

Alejandro Remon Cantera 1 /  
Comptroller General of the Republic

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1 / Temporary

## Advisors

David Samudio, Director General of Planning  
Presidency of the Republic

Rene Orillac, General Manager  
Banco Nacional de Panama

Guillermo de Roux, General Manager  
Caja de Ahorros

Justo Rufino Barrios, Manager  
Banco de Credito Popular

Bernardo Lombardo, Dean and Acting Rector  
Universidad Nacional

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Director General of the Agrarian Reform

Norberto Navarro, Director General  
Instituto de Vivienda y Urbanismo

Jose Maria Sanchez, General Manager  
Instituto de Fomento Economico

Juan A. Morales, Director General  
Instituto de Recursos Hidraulicos y Electrificacion

Raul Gasteazoro, Director General  
Instituto de Fomento de Hipotecas Aseguradas

Federico Guardia, Director General  
Instituto de Acueductos y Alcantarillados Nacionales

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Caja del Seguro Social

Jose Dominador Bazan, General Manager  
Colon Free Trade Area

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Instituto de Turismo

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Ministry of Finance

Carlos A. Velarde  
General Administrator of Internal Revenue

Gilberto Arias G.

Fernando Eleta A.

Dulcidio Gonzalez Neira  
Consejo de Economia Nacional

Alvaro Palacios, Executive Director  
Comision de Caminos, Aeropuertos y Muelles

Alberto Calvo, Director  
Department of Public Health  
Ministry of Labor, Social Welfare and Public Health

Jose Jorge Bonamico, Economic Advisor  
Sindicato de Industriales de Panama

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Francisco R. Young  
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Joaquin J. Vallarino, Jr.  
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Erasmus Mendez  
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Hernan Porras

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Presidency of the Republic

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Ministry of Foreign Affairs

Gilberto Guardia  
Consejo Nacional de Economia

## PARAGUAY

### Governor

Cesar Barrientos  
Minister of Finance

### Alternate Governor

German Jara LaFuente 1/  
President  
Banco Nacional de Fomento

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1/ Temporary

Advisors

Juan Felix Morales  
Member of the Board of Directors  
Banco Central del Paraguay

Juan Alberto Llanes  
Paraguayan Charge d'Affaires in Central America and Panama

PERU

Governor

Hipolito Larrabure Price  
Consultant  
Banco Central de Reserva del Peru

Alternate Governor

Ramon Remolina Serrano  
Manager  
Banco de Fomento Agropecuario

Advisor

Luis Alayza Escardo, Vice President  
Office of the Agrarian Reform

UNITED STATES OF AMERICA

Governor

Douglas Dillon  
Secretary of the Treasury

Alternate Governor

John C. Bullitt 1/  
Assistant Secretary of the Treasury for International Affairs

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1/ Temporary

## Advisors

Henry B. Gonzalez, Member  
House of Representatives

Seymour Halpern, Member  
House of Representatives

Richard T. Hanna, Member  
House of Representatives

Burt L. Talcott, Member  
House of Representatives

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Agency for International Development

## URUGUAY

### Governor

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Banco de la Republica

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Uruguayan Ambassador to Panama

Julio Solsona Flores, Executive Director  
Inter-American Development Bank

Jorge Manuel Haedo, Chairman of the Board of Directors  
Administracion de las Obras Sanitarias del Estado

Alberto Souto Cebro, General Manager  
CONAPROLE

## VENEZUELA

### Governor

Andres German Otero  
Minister of Finance

### Alternate Governor

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CORDIPLAN

### Advisors

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Corporacion Venezolana de Fomento

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Alfredo Alvaroz Gallardo  
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Ministry of Finance

## OBSERVERS

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### COMMITTEE OF NINE

Romulo Almeida

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Confederation of Workers of the Republic of Panama

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INTERNATIONAL LABOR ORGANIZATION (ILO)

Luis Alvarado  
Liaison Officer for Latin American Activities

INTERNATIONAL MONETARY FUND (IMF)

Jorge del Canto, Director  
Western Hemisphere Department

Luis Ruben Azocar  
Information Officer

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1/ Also represented the International Development Association.

## LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

Alberto Sola  
Executive Secretary

## LATIN AMERICAN INSTITUTE FOR ECONOMIC AND SOCIAL PLANNING (ILPES)

Cristobal Lara Beautell  
Director General

## ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Raymond Bertrand  
Director of Payments

Louis Louvet  
Financial Policies Division

## ORGANIZATION OF AMERICAN STATES (OAS)

Jose A. Mora  
Secretary General

Walter J. Sedwitz  
Assistant Secretary for Economic and Social Affairs

Cesar G. Atala  
Department of Economic Affairs

Carlos Arosemena Arias, Director  
Pan American Union Office in Panama

## ORGANIZATION OF CENTRAL AMERICAN STATES (ODECA)

Mario Arana Roman  
Ambassador of Nicaragua in Panama

PAN AMERICAN HEALTH ORGANIZATION (PAHO)

E. Ross Jenney, Chief  
Zone III

Carlos Ferrufino B.  
Representative in Panama

PERMANENT SECRETARIAT OF THE GENERAL TREATY OF CENTRAL  
AMERICAN ECONOMIC INTEGRATION (SIECA)

J. Vicente Diaz Reyes  
Common Market Section

UNITED NATIONS

Jose Antonio Mayobre 1 /  
Under Secretary

UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION  
(UNESCO)

Alfonso de Silva  
Personal Representative of the Director-General

UNITED NATIONS FOOD AND AGRICULTURE ORGANIZATION (FAO)

Alfredo M. Saco  
Assistant to the Assistant Director-General for Latin American Affairs

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1/ Also represented the Economic Commission for Latin America.

## SPECIAL GUESTS

A total of 230 special guests from 30 countries also attended the Fifth Annual Meeting of the Board of Governors at the Bank.



Copies of these proceedings as well as other  
publications of the Inter-American Develop-  
ment Bank may be obtained from:

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Inter-American Development Bank  
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