



Annual Proceedings

Meeting Board 1980-1980

rio, Brazil, 1980

# PROCEEDINGS

---

## Twenty-First Annual Meeting of the Board of Governors

---

**Rio de Janeiro, Brazil, April 1980**

---

**INTER-AMERICAN DEVELOPMENT BANK**

---

**PROCEEDINGS**

**Twenty-First Annual Meeting of the Board of Governors**

**Rio de Janeiro, Brazil, April 1980**

## FOREWORD

---

The Twenty-first Annual Meeting of the Board of Governors of the Inter-American Development was held in Rio de Janeiro, Brazil, from April 14 to 16, 1980. The Inaugural session took place in the RIOCENTRO Congress Hall and the plenary working sessions in the George Washington Room of the Nacional-Rio Hotel Convention Center. Meetings of the Committee of the Board of Governors and of the Working Groups on Bank Functions and Policies and on Mobilization of External Resources for the Energy and Mineral Sectors were held in the San Martín and Bolívar Rooms of the Convention Center.

The Inaugural session was attended by The Honorable João Baptista de Oliveira Figueiredo, President of the Federal Republic of Brazil; Mr. Antonio Pádua Chagas Freitas, Governor of the State of Rio de Janeiro; Ambassador Ramiro Elysio Saraiva Guerreiro, Minister of Foreign Affairs; Mr. Antonio Delfim Netto, Minister in Chief of the Planning Secretariat of the Office of the President of the Republic; Mr. Eliseu Resende, Minister of Transportation; Mr. Angelo Amaury Stabile, Minister of Agriculture; Brigadier General Danilo Venturini, Minister in Chief of the Joint Chiefs of Staff; Brigadier General Octávio Aguiar de Medeiros, Minister in Chief of the National Information Service; Mr. Said Ibrahim Farhat, Minister in Chief of the Social Communications Secretariat of the Office of the President of the Republic; Mr. Hélio Marcos Penna Beltrão, Special Minister for Debureaucratization; Senator Ernani do Amaral Peixoto, and Federal Deputies Alair Ferreira, Ewaldo Saramago Pinheiro, Leo Simões and Lygia Lussa Bastos. At that session the agenda of the Meeting was approved, and Mr. Ernane Galvão, Governor for Brazil and Minister of Finance, was elected Chairman of the Board of Governors to preside over the work of the Meeting. Following adjournment of the Inaugural session the first postage stamp of the issue commemorating the Twenty-first Annual Meeting of the Board of Governors was canceled.

This publication contains the addresses delivered at the Meeting and the resolutions approved between the Twentieth and Twenty-first Annual Meetings, as well as those approved in the course of the latter. It also includes the decisions adopted during the Meeting, the report by the Chairman of the Committee of the Board of Governors and the list of delegations of member countries, of Executive Directors of the Inter-American Development Bank and of observers from countries and international agencies attending the Meeting.

Enrique Pérez-Cisneros  
Secretary

## CONTENTS

---

Agenda .....	vii
--------------	-----

Schedule of Sessions .....	viii
----------------------------	------

### ADDRESSES

#### *Inaugural Session (First Plenary Session)*

The Honorable João Baptista de Oliveira Figueiredo, President of the Federal Republic of Brazil .....	3
Mr. Antonio Ortiz Mena, President of the Inter-American Development Bank .....	6

#### *Second Plenary Session*

Mr. Ulf Dinkelspiel, Governor for Sweden .....	35
Mr. José Ramón Álvarez Rendueles, Alternate Governor for Spain ..	39
Mr. Michiya Matsukawa, Temporary Alternate Governor for Japan ..	43
Mr. Gustavo A. González, Governor for Panama .....	46
Mr. Jean-Yves Haberer, Alternate Governor for France .....	49
Mr. Rodolfo Abrám Cavalerino, Temporary Alternate Governor for Peru .....	52
Mr. Klaus Jacobi, Governor for Switzerland .....	56
Mr. Leopoldo Díaz Bruzual, Governor for Venezuela .....	59
Mr. Arnon Gafny, Governor for Israel .....	64
Mr. Ronald Hugh Packer Small, Governor for Jamaica, on behalf of the Caribbean Group .....	66
Mr. Kaj Repsdorph, Governor for Denmark .....	71
Mr. Hugo Tulio Búcaro García, Governor for Guatemala .....	74

#### *Third Plenary Session*

Mr. Emiel Kestens, Temporary Alternate Governor for Belgium .....	79
Mr. José Alfredo Martínez de Hoz, Governor for Argentina .....	82
Mr. David Ibarra Muñoz, Governor for Mexico .....	92
Mr. Carlos Geraldo Langoni, Alternate Governor for Brazil .....	96
Mr. Robert Carswell, Temporary Alternate Governor for the United States .....	100
Mr. Fons van der Stee, Governor for The Netherlands .....	105
Mr. César Barrientos, Governor for Paraguay .....	108



---

Mr. John Evans, Temporary Alternate Governor for Canada .....	112
Mr. Eduardo Fernández Pichardo, Governor for the Dominican Republic .....	115
Mr. Adolfo Aramayo Anze, Governor for Bolivia .....	119
Mr. Jaime García Parra, Governor for Colombia .....	121
Mr. Mauricio Dávalos Guevara, Alternate Governor for Ecuador ...	125
Mr. Alfredo César Aguirre, Governor for Nicaragua, on behalf of the Central American countries .....	128
Mr. Klaus Dieter Leister, Temporary Alternate Governor for the Federal Republic of Germany .....	130

*Fourth Plenary Session*

Mr. Giuliano Monterastelli, Alternate Governor for Italy .....	137
Mr. Petar Kostić, Governor for Yugoslavia .....	140
Mrs. Annikki Saarela, Governor for Finland .....	143
Mr. José Luis Federici Rojas, Governor for Chile .....	145
Mr. E. C. Burr, Alternate Governor for the United Kingdom .....	147
Mrs. Maria Pilz, Temporary Alternate Governor for Austria .....	149
Mr. José António da Silveira Godinho, Alternate Governor for Portugal .....	153
Mr. Jean Robert Estimé, Temporary Alternate Governor for Haiti ..	156

*Fifth Plenary Session (Closing Session)*

Mr. Antonio Ortiz Mena, President of the Inter-American Development Bank .....	161
Mr. Ernane Galvêas, Chairman of the Board of Governors and Governor for Brazil .....	166

---

Resolutions approved between the Twentieth and the Twenty-first Annual Meetings .....	169
Resolutions approved at the Twenty-first Annual Meeting .....	175
Decisions adopted by the Board of Governors .....	181
Report of the Chairman of the Committee of the Board of Governors on its activities since the Twentieth Annual Meeting of the Board ....	189
Participants .....	195

## **AGENDA**

---

1. Election of the Chairman of the Board of Governors
2. Annual Report of the Bank — Financial statements for 1979:
  - Ordinary capital resources
  - Inter-regional capital resources
  - Fund for Special Operations
3. Agenda of the Board of Governors. Proposed amendment of Section 2(e) of the Regulations of the Board of Governors
4. Report by the Committee of the Board of Governors on action taken since the last Annual Meeting
5. Mobilization of external resources for the energy and mineral sectors

## SCHEDULE OF SESSIONS

---

### *Saturday, April 12*

- 10:00 a.m. Seventh Meeting of the Working Group on Bank Functions and Policies
- 4:00 p.m. Twenty-fourth Meeting of the Committee of the Board of Governors

### *Sunday, April 13*

- 4:00 p.m. Preliminary Session (Chiefs of Delegation)

### *Monday, April 14*

- 10:00 a.m. Inaugural Session (First Plenary Session)
1. Opening of the Twenty-first Annual Meeting
  2. Consideration of the Draft Agenda
  3. Election of the Chairman of the Board of Governors
  4. Recess
  5. Formal installation of the Twenty-first Annual Meeting of the Board of Governors by the President of Brazil
  6. Remarks by the Chairman of the Board of Governors
  7. Remarks by the President of the Inter-American Development Bank
  8. Address by the President of Brazil
  9. Recess
  10. Statement by the President of the Inter-American Development Bank
  11. Cancellation of the first postage stamp commemorating the Twenty-first Annual Meeting of the Board of Governors
  12. Adjournment of the session
- 3:00 p.m. Second Plenary Session
1. Annual Report of the Bank — financial statements for 1979:
    - a. Ordinary capital resources
    - b. Inter-regional capital resources
    - c. Fund for Special Operations
  2. Agenda of the Meeting—proposed amendment of Section 2 (e) of the Regulations of the Board of Governors
  3. Report by the Chairman of the Committee of the Board of Governors
  4. Address by the Governor for Sweden
  5. Address by the Alternate Governor for Spain
  6. Address by the Temporary Alternate Governor for Japan
  7. Address by the Governor for Panama

---

*Monday, April 14 (cont.)*

8. Address by the Alternate Governor for France
9. Address by the Temporary Alternate Governor for Peru
10. Address by the Governor for Switzerland
11. Address by the Governor for Venezuela
12. Address by the Governor for Israel
13. Address by the Governor for Jamaica, on behalf of the Caribbean Group
14. Address by the Governor for Denmark
15. Address by the Governor for Guatemala

*Tuesday, April 15*

9:00 a.m. Third Plenary Session

1. Address by the Temporary Alternate Governor for Belgium
2. Address by the Governor for Argentina
3. Address by the Governor for Mexico
4. Address by the Alternate Governor for Brazil
5. Address by the Temporary Alternate Governor for the United States
6. Address by the Alternate Governor for the Netherlands
7. Address by the Governor for Paraguay
8. Address by the Temporary Alternate Governor for Canada
9. Address by the Governor for the Dominican Republic
10. Address by the Governor for Bolivia
11. Address by the Governor for Colombia
12. Address by the Alternate Governor for Ecuador
13. Address by the Governor for Nicaragua, on behalf of the Central American countries
14. Address by the Temporary Alternate Governor for the Federal Republic of Germany

5:30 p.m. Meeting of the Working Group on Mobilization of External Resources for the Energy and Mineral Sectors

*Wednesday, April 16*

9:00 a.m. Fourth Plenary Session

1. Report of the Working Group on Mobilization of External Resources for the Energy and Mineral Sectors
2. Site of the Annual Meetings of the Board of Governors in 1981, 1982 and 1983
3. Address by the Alternate Governor for Italy
4. Address by the Governor for Yugoslavia

---

*Wednesday, April 16 (cont.)*

5. Address by the Governor for Finland
6. Address by the Governor for Chile
7. Address by the Alternate Governor for the United Kingdom
8. Address by the Temporary Alternate Governor for Austria
9. Address by the Alternate Governor for Portugal
10. Address by the Temporary Alternate Governor for Haiti

5:00 p.m. Closing Session (Fifth Plenary Session)

1. Observations by the President of the Inter-American Development Bank
2. Remarks by the Chairman of the Board of Governors and Governor for Brazil

## **ADDRESSES**

---

### **FIRST PLENARY SESSION**

**April 14, 1980**

**Inaugural Session**

**Address by His Excellency João Baptista de Oliveira Figueiredo,  
President of the Federal Republic of Brazil**

---

It gives me great pleasure to welcome President Ortiz Mena and the Governors of the Inter-American Development Bank. I wish you all the greatest success in the tasks on the agenda of this Meeting.

The Inter-American Development Bank is an outstanding illustration of the possibilities offered by fraternal cooperation among the peoples of this hemisphere. Even more, it exemplifies the vast field of potential collaboration between the developed countries and the developing world.

My perception of the IDB is always that of an effective instrument for the promotion of mutual well-being. The action of the Bank, present in the most widely differing corners of the hemisphere, is indispensable — and virtually irreplaceable — in those communities where technical, human and financial resources are most sorely lacking, and where only institutions like the IDB can provide them.

Consistent with its stand, Brazil has extended wholehearted support to the efforts to further the social and economic progress of the peoples of our hemisphere.

We Brazilians believe in the efficacy of concerted efforts to solve common problems. Accordingly, we seek to participate, within the bounds of our possibilities, in institutions and programs, both bilateral and multilateral, whose purpose is to impart greater speed and reality to the task of improving the quality of life for the peoples of our continent.

This concept, needless to say, is inseparable from the need to achieve a more equitable distribution of the wealth produced by the work of man.

To Brazilians, the idea that man is both the *raison d'être* and the goal of development is always clear and present. The promotion of well-being, the creation and constant improvement of decent living conditions, the provision of health and education services and healthful housing, and the creation of opportunities for work — or for well-earned rest in old age, or assistance in the event of disease — all these are essential prerequisites to the organization of a stable society that is fair, orderly, free and peaceful in the use and enjoyment of its rights.

In other words, it is in social peace — and only within a scheme of social peace — that nations can attain the spiritual and material progress to which they aspire.

But the obstacles to the achievement of these ideals are not only domestic factors or the insufficiencies of each developing nation. The high cost of imported energy and the transfer of inflation from the developed countries create new and surprisingly stubborn obstacles to the achievement of even the most legitimate expectations of the Third World.

In common with many other countries, Brazil faces the combined effects of high inflation, the high cost of imported energy and, consequently, imbalances in its external accounts. The world is witness to our efforts to find appropriate solutions to these three problems.

In our own case, the mere need to keep the supply of jobs at a level commensurate with the growth of the population precludes recessive solutions.

Quite to the contrary, Brazil believes that it should not, and indeed cannot, discard the option of using all our available production factors to increase the supply of goods, both in the domestic and foreign markets.

Thus it is that in the energy sector we are implementing a vast program to replace imported fuels with domestic alternatives, especially renewable ones.

In the fight against inflation we have chosen the longer road of bringing it under control more gradually, and less traumatically. Our program is based on a firm, but not regressive, monetary policy.

The government's action in this area begins with rigid discipline over public expenditure and the investment plans of public enterprises. At the same time, we have instituted a consistent program of control of critical prices and especially stringent controls have been placed on the prices of goods and services produced by the government enterprises.

We have a program of gradual but firm reduction of direct and indirect credit subsidies. At the same time we have adopted a bold program of farm credit and guaranteed minimum prices. These measures have made it possible to tackle the twin problems of insufficient food production and a shortage of capital in the agricultural sector. The results are clearly apparent. A record crop of 52 million tons of grains is being harvested throughout Brazil.

We have also attacked the deepest roots of the problems affecting our external accounts.

As all of you know, oil imports, which we still need and will continue to need, are placing a heavy strain on our balance of trade. The need was clear for Brazil to adopt, as indeed it did, a national energy policy characterized by both boldness and realism. Its faithful and firm implementation is the decisive factor in our assurance that we will be able to achieve satisfactory results in our international accounts.

In the medium term, but with important immediate effects, we are seeking to promote the production of alcohol and other fuels based on renewable sources. We are also devoting substantial sums to the development and transportation of our coal reserves, and we are continuously investigating other domestic sources of energy.

In the short run we have taken courageous steps to bring the domestic prices of oil derivatives up to date with the twofold purpose of having them reflect the external costs and, internally, creating more competitive conditions for substitutes based on resources available in our own territory.

But the strategy for diversification of energy sources has even broader aims. Its immediate benefits include the expansion and modernization of the primary sector of our economy. Expanding the capacity of agriculture to absorb available labor, through these programs, has highly positive effects on the migratory flows from the countryside to the cities.

At the same time, the substitution of domestic fuel for imports gives the private sector its first real opportunity for large-scale inclusion in the production of energy in Brazil. It is needless to emphasize how much this means in terms of strengthening the free enterprise system and the market economy on which the development of our country is based.

These measures and objectives are closely interwoven with the adoption of cohesive and coordinated policies in the fiscal, monetary and foreign trade areas.



An example of this strategy was the realistic realignment of the external value of our currency. The devaluation of the cruzeiro was accompanied by elimination of tax subsidies for exports and of the widespread exemptions from import duties.

Stripped of artificial features and supported by abundant harvests of export crops, Brazil's international trade once again faces encouraging prospects of equilibrium.

In the social field, special attention has been given to the elimination of substandard housing, mainly around the major cities and metropolitan areas. We are also endeavoring to improve the quality of education. And at the same time we are trying to adjust the supply of study opportunities to the demand for qualified professionals at the various levels.

Concurrently, we are attempting to provide the country with a wage policy based on rational discussion and the finding of equitable ways of reconciling the interests of companies and their employees.

The results of interaction among the various sectors of government concerned with social problems are illustrated by numbers that speak eloquently for themselves.

In the past 16 years Brazil's urban population more than doubled, going from 37 to 75 million inhabitants. At the same time, public health and social welfare services were expanded. The social security systems now provide coverage to more than 21 million workers, who with their dependents account for 90 per cent of Brazil's urban population.

Another noteworthy indicator is the increase in life expectancy, from 55 to 63 years, achieved between 1963 and 1979.

Throughout all of these years, the government was consistently mindful of the need to maintain high rates of employment.

Thus, in a period when the population was growing by 57 per cent, the work force increased by 85 per cent. During the same span, the per-capita product rose by 133 in real terms.

Finally, in the political field my administration has continued the opening initiated by my predecessor. The amnesty law has enabled a number of politicians to reenter the stream of national life. In addition, conditions have been created for the free organization of political parties so that the various currents of opinion in the country may be better represented and expressed.

This is the climate of work, social concern and search for political conciliation that prevails here as you inaugurate this meeting of Governors of the IDB. These conditions, I feel certain, are the best contributions that we Brazilians offer today's world.

**Address by Mr. Antonio Ortiz Mena,  
President of the Inter-American Development Bank**

---

As we gather for the Twenty-First Annual Meeting of our Board of Governors, no more suitable backdrop than Rio de Janeiro could have been selected to highlight the tasks which face the Inter-American Development Bank at the threshold of the Decade of the 1980s.

This dazzling city mirrors the distinctive, dynamic, complex and contradictory conditions of our host country and of Latin America as a whole. Like a vast fresco, it displays to us in all of its dimensions a national society fully engaged in a process of transformation in which the rich endowment of nature and the daring creativity of man join to produce a blend of traditional forms and of the most modern advances of science and technology.

**Special Significance of the Meeting**

The fact that this meeting is being held again in Rio, this time on the Bank's Twentieth Anniversary, is of special significance. In coming here, we have returned to the source which, at a crucial moment, breathed new life into Latin America's long-standing dream of a regional financing agency. For it was near here, that the concept of this Bank was overwhelmingly endorsed by the Ministers of Finance and Economy of Latin America meeting in 1954 in Quitandinha. Subsequently, President Juscelino Kubitschek's call for Operation Pan America gave impetus to that concept. It was also here in Rio that the IDB in 1961 presented the first account of its initial operational achievements.

I am, therefore, delighted to have this opportunity to express, in the presence of His Excellency, President Figueiredo, the deep appreciation of our Bank for Brazil's decisive role in the formation and development of our institution. I would also like to pay tribute to those outstanding Brazilians who, over the past 20 years, as members of our Board of Governors, of the Board of Executive Directors, and of the Management, have rendered invaluable service to the Bank.

Governor Galvêas, who is now presiding over our deliberations, provides an excellent example of such service and support, for throughout his distinguished public career he has been one of our closest collaborators.

**Brazil's Development Experience**

Brazil's extraordinarily rich experience and growth during the 20 years of the IDB's existence have been a part of the development process which has been taking place with varied results, throughout Latin America.

Here, that process has transformed Brazil into the leading industrial country of the Third World and the eighth-ranking producer of manufactures among countries with market economies. Brazil's industry has expanded at an annual rate of over 10 per cent and its exports of manufactures have risen to \$7 billion yearly. We need not dwell on the country's impressive entrepreneurial and technological development except to recall that up to 1960 manufactures represented only 6 per cent of total exports—while today they account for 35 per cent. Brazil's success in converting biomass into alcohol as part of a vast effort to

diminish this nation's dependence on imported oil, serves as another example of this great nation's achievements.

Brazil's entry into the international economy, on terms significantly different from its previous status as an exporter of coffee and of other raw materials, has been made possible by a massive mobilization of resources, primarily domestic. This conclusion is underlined by Brazil's high level of gross investment which rose from 19 per cent in 1960 to an expected 26 per cent in 1980.

The consequences of that investment effort can be seen on every hand: in modern industrial plants comparable to the most efficient in the world; in large-scale hydroelectric facilities that have substantially contributed to a sixfold expansion of installed generating capacity; in the incorporation of over 10 million hectares of land into agricultural production, extending the farm frontier to the Amazon and increasing cultivated land by 25 per cent; in the lengthening of the road network by 110,000 kilometers; in the modernization and expansion of Brazil's ports and airports; and in the fact that the country has more than doubled its per capita product during a period when the average growth was less than 75 per cent for Latin America as a whole.

Nevertheless, the development process in Brazil exhibits the same limitations that, in varying degrees, characterize the ongoing social and economic transformation of the region:

- Despite the great expansion and diversification of agricultural production (soy bean production, for example, increased in 20 years from virtually nothing to a crop contributing \$1.7 billion in export earnings), the average annual growth in that sector was only half of the industrial growth. As is true for the rest of Latin America, this reflects the dichotomy between the productivity of commercial agriculture and that of traditional agriculture.

- The effect of the energy crisis on a country that depends primarily on oil to meet its production and electric service requirements and produces only 15 per cent of the oil it consumes.

- A foreign trade which, despite great growth and mainly structural change in exports, faces increasing import costs resulting in greater indebtedness, mainly aggravated by the impact of imported oil.

- And, as a result of all that, a persistent gap between the income levels of the population, between the industrial worker and the campesino, and among the different strata in urban areas unable to satisfy the demand for jobs and services generated by the mass rural-urban migration.

Later in my address, I shall refer in greater detail to those topics as they affect the entire region. Now I wish merely to point out that we often forget that the development of today's industrialized nations took place under social conditions that cannot be reproduced today. Consequently, when we assess the effort required today to overcome underdevelopment, we must realize that it no longer depends on a simple process of gradual capitalization.

Brazil has the capacity and the will to carry out its development in this new era. But this cannot be achieved without sacrifice. The budget rationalization program approved two months ago by the Economic Development Council on the proposal of Minister Delfim Netto attests to this reality.

This brings up another problem common to many countries of the region, but accentuated in Brazil by the vast scale of its public enterprises: the need for a

consolidated budget in the public sector that allocates domestic resources and places limits on inorganic transfers and the indebtedness of autonomous agencies.

That effort, I am convinced, would benefit from international financial cooperation.

### **IDB Role in Brazil's Development**

To the extent of its possibilities, the Inter-American Development Bank has contributed to the development of Brazil's basic sectors. Almost 35 per cent of our lending to Brazil, which has surpassed \$3,230 million, has been directed to the development of hydroelectric power. A large part of the Bank's loans — 25 per cent — has been channeled to the Northeast for energy and agricultural development.

The Bank has also provided nearly \$63 million for integrated rural projects, including the one we have just approved for the State of Paraiba. Our program with EMBRAPA can serve as a model for coordinating efforts in the field of research and for defining technologies designed to improve farm productivity. We have also extended support for the steel industry, the petrochemical industry, urban development and education.

I would like to stress that this significant level of lending by the IDB was made possible by the high institutional and technical development of Brazil, its development banking system, its public enterprises, its national and state planning agencies and its research institutes. I would like to emphasize that these are making an enormous technical contribution through experiences transmitted by the Bank to the development efforts of the other Latin American countries.

### **Twenty Years of the IDB**

During the past 20 years of its existence, the Inter-American Bank has been closely associated with the process of regional development carried out under socio-political conditions very different from those that characterized the industrialization of today's developed countries.

In reflecting on our experience, and the lessons to be learned from it for handling the serious problems confronting the region, I would like to begin with some statistics, including our operational data for the past fiscal year. The latter are outlined in the Annual Report submitted to the Governors by the Board of Executive Directors.

#### *Growth in Bank Lending*

Since 1961, the Bank has lent a total of nearly \$16 billion to finance economic and social development projects in the region. These projects have entailed an investment of more than \$61 billion. In 1979, the Bank's annual lending volume for the first time surpassed the \$2 billion mark. The loan volume authorized during the 1970s amounted to more than four times the total lent in the preceding decade.

In those 20 years, the IDB has been the major source of public external financial assistance for the region's development. The original skepticism that the Bank would serve only as an additional channel for the same flow of resources going to the area anyway has proved unfounded. Thus, our lending, along with that of the World Bank Group — over \$30 billion in the last 20 years — represents

an annual average more than 15 times higher than what the World Bank alone had been earmarking for Latin America before the establishment of the IDB. Furthermore, 45 per cent of IDB financing has been extended on soft terms. It is also noteworthy that, despite the growing cost of money, the Bank was able to maintain optimum credit conditions for the region. In effect, a combination of our ordinary and concessional lending over the past decade would produce an average loan with a 25-year maturity, a grace period of more than six years and an average interest rate of 5.3 per cent per annum.

### *Growth of Disbursements*

Our disbursements have reached more than \$9.5 billion, or almost 60 per cent of loan authorizations. The income generated, after covering nonreimbursable technical cooperation, service on borrowings and administrative costs, has been added to the Bank's reserves, which now exceed \$1.2 billion. Some 50 per cent of all disbursements have been made from the concessional resources. Amounts disbursed in 1979 reached an unprecedented annual level of more than \$1.15 billion. The volume disbursed over the 1970s amounted to more than three-fourths of all disbursements made in the Bank's history.

The net financial flow received by borrowers — the difference between disbursements and amortizations — amounted to \$5 billion during the 1970s compared with \$1.5 billion during the first decade of our operations.

### *Preferential Treatment to Less Developed Countries*

The preferential treatment given to the less developed countries and those of limited market has been expanding. During the past decade, these 17 countries received 76 per cent of the foreign exchange component of loans approved from the Fund for Special Operations, a ratio that rose to more than 85 per cent beginning in 1976. At the same time, the more developed member countries of Latin America — now also being followed by those of intermediate development — have been denying themselves access to such resources. Under the Fifth Replenishment, 50 per cent of the new contributions to the FSO by the four Latin American countries with the highest capital quotas will be made up of foreign exchange in order to benefit the lower income countries.

### *Main Objectives of IDB Lending*

The sectoral distribution of the Bank's total lending shows an almost identical distribution of resources (\$6.4 and \$6.2 billion, respectively) between the productive sectors of agriculture, fisheries, industry and mining and tourism on the one hand, and the economic infrastructure sectors of energy, transportation and communications, on the other hand. The social sectors, which include public and environmental health, education, science and technology, and urban development, accounted for \$2.7 billion. Financing of exports, preinvestment and the remaining operations received \$545 million.

This sectoral breakdown of Bank lending, however, does not adequately convey the extent of the Bank's efforts to accelerate economic development and to promote a more equitable distribution of its benefits among the lowest-income groups. This is so because in addition to loans for social development projects, a large part of the remainder of Bank lending benefits low-income groups. The

largest part of the resources allocated to agricultural and rural development (85 per cent of \$3.6 billion) benefit low-income farmers. Similarly, much of the financing included in the energy, transportation and communications sectors improves the condition of life of the poor through such projects as rural roads, rural electricity and rural telephone systems. When these types of financing are added together, fully 40 per cent of the Bank's total lending directly benefits the low-income groups.

The same can and should be said about the Program for Financing Small Productive and Social Projects, launched by the Bank in 1978. The program aims to extend credit to low-income rural and urban groups which have no access to conventional sources of financing because of lack of prior credit experience and inability to offer sufficient security or guarantees to back up their borrowings. To date, the Bank has approved 20 operations, totaling more than \$10 million, under this program. Intermediary institutions in both the private and the public sectors, including cooperatives, foundations, etc., obtain financing from the Bank under this program for relending to marginal groups. They also provide them with technical assistance so that, in time, these groups can gain access to regular development credit institutions and commercial banks.

The Bank is also the principal source of international public financing in the field of public and environmental health. In that lending area, Bank financing has helped to improve or expand more than 5,600 water systems and 340 sewage systems benefiting 6,000 communities with nearly 70 million inhabitants. In addition, 1,500 public health facilities — ranging from small rural health posts to hospitals — have been built or equipped with Bank financing.

Another innovation in international public credit introduced by the IDB was the financing of education and of science and technology. At the start, the Bank had to create evaluation criteria in order to establish priorities in that vast and complex field. First applied to higher education, then to vocational and technical training, and finally to primary and rural education, IDB loans and technical cooperation have benefited 2,400 education centers, including 73 universities, 206 faculties or schools of higher education, 57 centers of scientific and technological research, 640 vocational and technical schools, 6 educational credit institutes, and 1,420 primary or secondary schools with a total enrollment of 1.7 million students.

### *Contribution to Development Banking*

Our decisive support for the expansion and strengthening of development banking in Latin America has been one of the outstanding features of Bank operations relating to the financing of productive endeavors. A number of institutions of that type — for example, the *Banco de Obras y Servicios Públicos* and *Nacional Financiera* of Mexico, and the *Corporación de Fomento de la Producción* in Chile — existed before the formation of the World Bank (which was the first international expression of that function). And since the end of the 1940s (as in the case of the *Banco de Desenvolvimento* of Brazil), the concept had been spreading in a number of countries. Nonetheless, it can be asserted that the rapid expansion of the region's development financing system has been closely connected with our technical and credit assistance. Over these 20 years we have worked with almost 100 development banks helping to establish some of them while providing others

with successive "global" loans for relending to agricultural and industrial enterprises.

Such "global" loans account for \$3 billion of the Bank's lending. Nearly 60 per cent of that amount has been channeled to the agricultural sector. This amount exceeds that of any other international organization, and more than 50 per cent was made on concessional terms, thereby providing direct support for low-income rural producers. Development banks have served as financial intermediaries for 43 per cent of IDB lending extended to the agricultural sector, and 40 per cent of our credits for industry and mining.

### *The Role of Technical Cooperation*

Although the figures which I have cited are impressive, the Bank's most important contribution to Latin America's progress over the past 20 years might well have consisted of our participation in the creation of the institutions necessary to make the region's development possible. Such institutions were virtually non-existent at the time the Bank was founded. The Bank's technical cooperation, totaling \$650 million, of which almost \$270 million was extended on a nonreimbursable basis, has played a vital part in this regard. The support provided by the Bank to such institutions during the past three years has surpassed all our previous efforts.

The technical cooperation authorization figures by themselves, however, do not fully reflect the Bank's continuing involvement in the institutional development of Latin America, which forms a part of the daily routine of our staff. The Bank's supportive role is also manifested in the number and high caliber of Latin Americans who have joined our ranks in the past and who today are devoting their energies to the formulation and management of public policies and administration in their own countries. This has been the experience of many of the distinguished participants in our current Annual Meeting. Conversely, we also have on our staff today qualified officers who formerly held high posts in economics, planning, central banking and finance in their respective countries. Together, all of us are making every effort to ensure that the IDB will continue to contribute the best of its own experience and that of our member countries to Latin America's development.

### *Successful Financial Management*

The Bank's programs have been based on successful financial management. This is a source of great satisfaction considering that, from its beginning, this institution has operated under the watchful eyes of monitors who may have entertained some doubts about the capability of a Bank owned largely by its prospective debtors. Fortunately, from the start, our activities met with understanding and support in the international financial community. That support was strengthened by the subsequent decision of Canada and 16 nonregional countries to join the Bank. The latter includes Portugal which has just signed the documents of acceptance of membership in the Bank and whose Governor I should like to welcome.

The soundness of our financial management is underscored by the over \$3.5 billion which the Bank has been able to obtain through borrowings in international capital markets. Such operations totaled over \$2.6 billion during the 1970s quadrupling the figures recorded in the previous decade. Sixty per cent of the

funds borrowed by the Bank through long-term placements during the 1970s came from the nonregional countries, and 32 per cent from the United States.

Through its complementary financing mechanism, initiated in 1975, the Bank has raised an additional \$100 million in financing in 1979 from foreign commercial banks. This increased the total of such financing operations to nearly \$380 million.

Cofinancing operations in 1977 and 1978, between the Bank and the International Fund for Agricultural Development (IFAD), the European Economic Community (EEC) and the Special Fund of the Organization of Petroleum Exporting Countries, aimed largely at economic projects with a strong impact on low-income sectors, offer promise of even broader future achievements. The joint programs include \$173 million with IFAD, \$26.4 million with the EEC and \$80 million with OPEC.

A special reference is in order with regard to the Venezuelan Trust Fund of \$500 million entrusted to the Bank for administration in 1975. A total of \$471 million has been committed from those resources in 16 countries of the region. That financing is contributing mainly to a better utilization of natural resources and to the development of industry and agro-industry, to the expansion of the Bank's export financing program, and to the strengthening of Latin American industrial enterprises through investments in their equity capital, with such operations approved recently in Ecuador and in the Dominican Republic in 1979. In addition, following the recent amendment of the Fund Agreement, these resources are now being used to support national efforts at economic recovery and reconstruction in the aftermath of emergencies in the Dominican Republic, Nicaragua and Bolivia.

#### *Administration*

During 1979, the Bank had net earnings of \$233 million. This raised the Bank's capital reserves to \$847 million and those of the Fund for Special Operations to \$391 million.

The adherence by the Bank to a policy of budgetary austerity has resulted, during the past five years, in virtually a zero real growth in administrative expenditures. During the same time, the Bank's staff did not increase, even though we had to provide additional support for project planning and evaluation sectors, for decentralizing certain operations, while incorporating INTAL staff in the Bank's personnel roster since 1978. This has been made possible by the dedication of our highly qualified staff whose productivity, as shown by the Bank's operating indicators, has almost doubled, and whose close identification with the problems of Latin American development has enabled them to perform the additional tasks assigned to our institution with extraordinary effectiveness.

#### *New Answers to New Requirements*

By means of a continuing dialogue with the Working Group on Functions and Policies, set up by our Board of Governors in Vancouver in 1978, we have been fulfilling the mandate that the Bank be current on the new requirements emerging from the development process itself.

This was the case in developing new, specific criteria for determining the foreign exchange portion of our loans. One of the most important consequences



of that undertaking has been a significant increase in the financing of farm and social sector projects, which doubled in number between 1978 and 1979.

At the same time, we have been implementing the Fifth Replenishment directive to ensure that at least 50 per cent of our financing benefits low-income sectors. To that end, we have already developed criteria for defining such low-income groups, mechanisms for applying those definitions in each country and arriving at the applicable per capita levels, as well as a method for estimating the benefits to be derived by low-income sectors from each project. This is a very important methodological breakthrough which I believe cannot be matched by any other comparable international financial institution.

Along the same lines, the Bank has begun to explore innovative modes of financing that, without ignoring its specific function of project financing, can help to meet needs that have been repeatedly highlighted by the Governors. These include the possibility of using our loans to enable the countries to implement sectoral investment plans in conjunction with other sources of foreign and domestic financing, coordinated under IDB guidance. This effort would be focused primarily on sectors where isolated projects might fail for the lack of a commitment to a sectoral investment program. I hope that we will be able to present to our Board of Executive Directors specific proposals in this connection over the course of this year. To that end, we are drafting, on a preliminary basis, the respective policies derived from specific suggestions we have been receiving from our countries.

Finally, I might mention that the Governors have already received the schedule for implementing our study of the several areas of our activities in the 1980s.

## **Two Decades of Experience in Latin American Development**

### *A Changing Continent*

In all of its activities, the Bank has been dedicated to the service of a hemisphere which, in the 1950s, still exhibited the basic features of underdevelopment. At that time:

- More than one-half of the labor force was engaged in agriculture; the rural population numbered less than 60 per cent in only two countries and it exceeded 80 per cent in most.
- Ninety-five per cent of exports consisted of basic commodities, and all of the countries depended heavily on one or more such commodities for their foreign earnings. Except for a few bilateral agreements, intraregional trade was rudimentary, and only at the end of the decade was the foundation laid for the Latin American Free Trade Association and the Central American Common Market.
- Transportation infrastructure was in almost every country a function of exports, barely penetrating to the interior. Urban agglomerations were just beginning, with only three countries containing cities of over two million inhabitants.
- The number of students enrolled in higher education was 0.4 per cent of the total, while only two countries had an illiteracy rate of less than 15 per cent. In eight countries, more than 50 per cent of the adult population was illiterate.

This, broadly speaking, was the panorama when the Inter-American Development Bank began its existence in 1960, and the point of departure for the large-scale transformations experienced by the region over the past two decades.

Allow me to summarize these changes, as an introduction to the more substantial thoughts I should like to share with you later.

- The region's total population rose by 2.8 per cent per annum, adding 138 million persons to the 200 million inhabiting the region in 1960. This impressive population is predominantly young and urban. Sixty per cent, or 203 million, are under 25 years of age. Of that number 140 million are under 15. Two-thirds of the total population now live in urban areas. The labor force comes to 112 million, and although it rose over the past 20 years more slowly than the total population, it is expected to grow more rapidly in the next two decades. Life expectancy at birth, which was 58 years in 1959-65, is expected to rise to 66 years in 1980-85. Average schooling for those between 15 and 19 years of age rose 20 per cent, and illiteracy dropped to 20 per cent despite demographic growth. At the same time, a considerable improvement was recorded in the integration of population groups within the national and international communities because of improved urban communications and the development of mass communications media.

- The range of coverage of basic water supply and health services increased considerably. With the IDB's support, the total population supplied with water tripled and in rural areas it expanded sixfold.

- The Latin American population has matured politically and institutionally. Former colonial territories have become independent countries and five of these have joined the IDB. Political and social changes occurring in various countries are more significant than ever before in the region in terms of the long-range evolution of societies. The principle that social and economic rights apply to all the people and not just to privileged groups has been gaining currency among the Latin American masses.

- The governments have gained effectiveness in designing and implementing economic policies. Planning was developed at all levels, thereby improving the rational nature of public and private decision-making. Development financing institutions expanded and improved their efficiency, and private enterprise has prospered in keeping with economic progress.

- Industry has developed with such vigor that the region today produces more than half of all the manufactures of the Third World, with Brazil, Mexico and Argentina leading in production.

- Installed electric generating capacity virtually quadrupled between 1960 and 1979.

- Irrigation works and other investments have brought 43 million hectares of land under permanent cultivation.

- Vast networks of trunk highways and secondary roads, airports and telecommunications have opened up access to internal zones and linked the Latin American countries to each other. Port facilities have been expanded to handle the growth of foreign trade.

- Economic integration has made significant progress. Intraregional trade, which accounted for 9 per cent of total exports in 1960, far outstripped exports as a whole. In 1978, with a value of \$6,607 million, that ratio rose to 14 per cent.

- As perhaps the best example of the scope of this progress, I might recall that in Latin America at this time Latin American technicians and workers are building the largest hydroelectric facility in the world at Itaipú. In the same manner other major projects have been carried out under binational and even multinational agreements.

### *Growth and Industrialization*

The economic activity of the population developed, as in the rest of the world, under the incentive of accelerated production growth. The regional product almost tripled over the period, rising from \$147 billion in 1960 to \$420 billion in 1979, at constant 1978 prices. The average growth rate during this period — 5.7 per cent per annum — was higher than in the industrialized countries and in the other developing regions. However, this growth, which provided a backdrop for the major demographic, social and institutional changes I have just summarized, proceeded unevenly, responding to the ups and downs in investments. The latter increased by an average 5.6 per cent per annum over the 1961-67 period, rising to 11.5 per cent in the six years preceding the 1974 crisis. In contrast, over the past five years, investment growth dropped sharply, to 2.1 per cent per annum, largely as a result of progressive difficulties in financing imports, two-thirds of which consisted of capital goods.

Increases in the regional product followed a parallel course, although the changes were more moderate. From an annual rate of 5 per cent in 1961-67, the product rose to a rate of almost 8½ per cent in 1968-74, declining in the last five-year period to only a little over 4½ per cent.

The region's growth was generated and financed mainly by the countries' own effort and domestic savings. Gross domestic investment rose from 20 per cent in the 1960s to 24 per cent of the gross domestic product in the 1970s. For its part, total external financing, reflecting the growing indebtedness I shall comment on elsewhere, expanded from 0.3 per cent of the GDP in 1960-64 to 4½ per cent in 1974-78.

The most dynamic component of overall growth was undoubtedly industrial development. Value added by industry rose from \$34.5 billion in 1960 to \$107.3 billion in 1978, at prices of that year. Latin American industrialization during those two decades first was guided by a strategy of import substitution and, later, by emphasis on production for the external market. Industrial production for export proved more dynamic than the earlier strategy but, so far, has not been able to transcend the traditional limitations of our foreign trade, despite the incentive created by the integration progress. About 40 per cent of total manufacturing exports are now absorbed by the region itself.

The industrialization process has also contributed to development of the entrepreneurial sector in predominantly mixed economies, of a large group of professionals and specialists, and a growing pool of skilled labor. In addition, a modern infrastructure of financial and marketing services has developed, together with educational and training institutions at the university and vocational levels. All of this has enabled the most advanced countries to strengthen their capacity for absorbing, adapting and creating industrial technologies keyed to specific national characteristics and needs.

In this way, over the course of twenty years, Latin America acquired the technological capacity for self-development through an increasingly effective process of industrialization. The outstanding development of national heavy machinery industries, innovations introduced by Latin American technicians in the automobile industry and the spectacular development of plant fuel technology in Brazil, attest to the level of that technological progress.

### *The Limitations of Agricultural Development*

For its part, Latin America's agriculture has evolved less dynamically than industry. Its total output failed to double over the past 20 years, increasing from \$24 billion in 1960 to only \$44 billion in 1978, while its contribution to the gross product dropped from 16 per cent in 1960 to about 10 per cent in 1978.

The growth of farm output was essentially the result of an increase in the cultivated area, which rose from 100 million hectares in 1960 to almost 143 million in 1977. Another factor was improved productivity generated by the modernization of commercial export agriculture. Despite international market fluctuations and often erratic national agricultural policies, farming for the export market absorbed most of the capitalization of the sector.

Production for the domestic market, in which the greatest number of small and intermediate farmers participate, failed to record similar progress. Technological innovation has failed to reach this sector because of the weakness or lack of agricultural research and extension systems. Credit has been insufficient and marketing infrastructure inadequate. Often added to those factors has been government intervention to control consumer prices, which has tended to discourage producers.

Consequently, although total farm output rose by 3.4 per cent over the period, slightly outperforming population growth, this did not produce any substantive improvement in income or in the extremely low living standards of the rural population. Income per farm worker in 1950, at 1978 prices, represented only one-fifth of that in industry and the productive services. That relative position has remained unchanged over the past 30 years. In the meantime, however, the absolute difference between those income levels rose from \$2,200 in 1950 to \$4,700 in 1978.

The higher average income of urban workers, taken together with the overall increase in per capita agricultural product, undoubtedly led to a better food supply for high- and medium-income groups, but there is good reason to believe that the diet of low-income urban groups did not improve and may even have worsened. The 1960 per capita agricultural product of \$120 rose to \$130 in 1978, that is, by half a dollar a year. Compared to that minimal increase, food demand climbed much higher, with per capita national income increasing by 71 per cent during the same period. A gain of that size causes a very rapid escalation of the demand for animal protein, whose production requires a larger volume of farm resources and entails higher costs. Such production may therefore not only have absorbed all of the scant increase in the farm product but also provoked a decline in output of the cheaper food consumed by low-income sectors.

The unsatisfactory development of the agricultural sector is clearly reflected in the performance of food exports, which continue to account for the largest

share of total exports—excluding fuels—although they declined from an average of 55 per cent of the total in 1962-67 to 52 per cent in 1972-77. The deterioration implicit in this decrease seems even more serious if we recall that total exports increased at a lower rate than output during that period. Moreover, world prices for our food exports have fluctuated widely, causing instability in our foreign trade and, therefore, in the development of the region.

Imports of food, which reflect the difference between local supply of foodstuffs and total demand, remained relatively stable as a proportion of total imports, decreasing only from 13 to 12 per cent during the period. Nevertheless, because total imports grew at a substantially higher rate than the total product, this situation points to a serious reduction in the region's capacity to supply itself with food. For example, wheat and wheat flour imports doubled during the period, while maize imports increased two and one-half times.

The importance of cereals in the basic diet of the poor is well known. Thus, it is a matter of great concern that since 1972, Latin America as a whole has shown constant deficits in its trade in cereals. The gap is even greater when Argentine production is excluded, since without that country the deficit of the region tripled between 1970 and 1978, reaching nearly 2 million tons.

A deficit in the food supply is surely the worst type of economic dependence that a country can suffer. The region as a whole does not yet have a shortfall in food, but all of the trends analyzed indicate that even though some Latin American countries are major agricultural producers, the region may become a net importer of food in the near future.

This would be most unfortunate in a region that, compared to other areas of the world, has abundant natural resources for agricultural production, as well as a long history of production, with scores of food products native to America—obtained from local species or hybrids—produced and consumed today around the world. The different varieties of maize, black beans, green beans, cinchona, potatoes, sweet potatoes, cassava, squash, tomato, red pepper, cacao, pineapple, papaya, guava, mango, avocado, artichoke, vanilla, sisal, sunflower, Brazil nut, arrowroot and cashew make up a list which attests both to an age-old ability to exploit the land and to a present inability to produce the yields obtained from many of those crops in other regions where they are grown.

In the last three decades, during which Latin America's agricultural production expanded two and one-half times, Western Europe increased its agricultural output almost four times without adding a single hectare to the area planted. The main reason for this dramatic difference is probably that our countries—even though lacking adequate capital resources—have sought to raise agricultural output by making ever more costly investments to bring new lands under cultivation. The Europeans, in the meantime, have been achieving higher outputs at a comparatively lower cost, increasing the productivity of the land through better technology and more intensive application of labor.

If we view the problem optimistically, as we should, the main conclusion to be drawn from the foregoing is that perhaps the most important resource available to the region on which to base its future progress are the 40 million Latin Americans who are now working the land with productivity levels that could be doubled at the very least.

### *Progress and Limitations of the Development Process*

In short, regional economic development over these 20 years has shown mixed results—both internally and in comparison with other regions. The increase in the region's per capita income which, by 1979, averaged \$1,267—almost four times the average of 56 per cent of the low-income population in the world—confirms Latin America's intermediate development status. But in comparison with the industrial countries, Latin America's present status actually signifies a deterioration, since over the 20-year period, the absolute gap between the respective per capita incomes of the two groups of countries has widened considerably. In 1960 the gap amounted to \$3,260; in 1979 it rose to \$6,025. This is a highly significant fact often overlooked in discussions of international financial assistance.

The widening of the gap underlines the fact that the high economic growth rates registered by the region have been unable to overcome the all-too-familiar limitations of our development:

- The great majority of farms, including dwarf holdings and Indian communities, operate under primitive conditions with low levels of productivity and income. These, being inadequate to meet basic family needs, prevent the formation of a dynamic market for manufactured goods and productive services and the production of surpluses of raw materials and foodstuffs required to supply industry and feed the urban population. The gap between the income of Latin American farm workers and that of workers in industry and productive services is comparable to the disparity between the average per capita income of the region and that of the industrialized countries. The traditional agriculture of the region and the tens of millions of families that depend on it constitute the core of our underdevelopment.

- Per capita consumption of energy in Latin America is extremely low—about one-fifteenth that of the industrialized countries. Moreover, our quantitative dependence on hydrocarbons as an energy source has remained constant over the last 30 years, at about 75 per cent of the total. Still, our real dependence is a very serious matter when viewed in terms of the severe impact of a drop in oil supply on our economies. The main factors in this regard are, first, industrial development which, by becoming an engine of economic growth during a period when the energy base of technological progress was cheap and abundant oil, made that element an inherent part of our production structure. Second, rapid population growth and agricultural backwardness have combined to spur the expansion of large urban centers. These have the usual energy requirements of modern cities, even though their large size reflects not the vitality of their activities but rather the excessive number of their underemployed who have nowhere else to live.

- The two phenomena just mentioned combine to create a weak, contradictory and unstable framework for Latin America's growth. The unprecedented progress achieved during the past 20 years has brought an increase of 71 per cent in average per capita income. Yet agricultural income—i.e., that of over one-third of the labor force—rose by only 8 per cent. And the increase can have been no greater for another third of the population employed in personal services and other activities of minimal productivity in urban areas.

### *Trade and Finance*

Although the unprecedented prosperity of the world economy from the 1950s to the mid-1970s led to the rapid growth of world trade, Latin American foreign trade failed to follow suit. As a result, the participation of Latin America's exports within the world total fell from almost 11 per cent in 1950 to 5.5 per cent in 1978. From the positive standpoint, manufactured exports rose from 5 per cent of the total at the start of the 1950s to about 18 per cent at the end of the last decade. This structural change was, however, insufficient to alter the essential fact that regional exports continue to consist predominantly of basic commodities.

This explains why total exports rose at lower rates than those of the gross domestic product over a period in which, despite improved prices for certain basic commodities, especially oil, the unprecedented prosperity of the world economy favored the growth of manufacturing trade.

The need to expand imports of capital goods and other manufactures and raw materials essential to regional economic activity led to a persistent trade balance deficit that was considerably worse for the oil-importing countries and contributed to the sharp increase in their foreign debt.

Many countries of Latin America have had difficulties in reconciling the divergent trends in national economic activity — high inflation, insufficient savings and heavily protected manufacturing sectors — with the inconsistencies of a world market where continued protectionism on the part of industrial countries is accompanied by greater pressure to promote fuller liberalization of trade and financial flows in the developing countries.

Faced with this situation, several of the latter countries have devised new economic policy formulas with greater emphasis on instruments of monetary and foreign exchange policy. The ultimate results of these initiatives will be of particular importance and interest to the rest of the region.

Fuels, which represented less than 7 per cent of the total value of Latin American imports at the start of the 1960s, accounted for over 25 per cent at the end of the 1970s. For net energy-importing countries, the oil account rose from \$1.7 billion in 1973 to an estimated \$10 billion in 1979. And total public and private Latin American indebtedness is expected to exceed \$170 billion in 1979.

The full extent of this extraordinary expansion of total indebtedness is apparent when we realize that it occurred parallel to a relative decline in external aid for development. Such aid, instead of amounting to the goal of 0.7 per cent of the product of the industrialized countries, declined from one-half of one per cent in 1961-65 to only three-tenths of one per cent in 1976-78. As a result, its contribution to the global public and private net flow of foreign financing dropped from 65 to 29 per cent between those dates. For Latin America this decline was even sharper: from 60 to a little over 18 per cent. Within this framework the IDB has provided over one-third of the external public financing of the last four years.

The corresponding increase in debt with the private sector, as a share of the total, was facilitated by the rising international liquidity created by the oil crisis, which means that Latin America played an important part in recycling those resources. But this process cannot continue indefinitely.

On the one hand, the increase in private indebtedness signifies a hardening in the conditions of the financial resources being utilized for long-range develop-

ment. In 1978 external public indebtedness of the region represented nearly 19 per cent of the national product. The annual service of that debt absorbed 14 per cent of current export earnings up to 1976 and 25 per cent of such earnings in 1978.

On the other, there is no certainty that current liquidity will be maintained over the next few years, or that, even if it should be, Latin America will continue to have similar access to such liquidity.

### *The International Financial Situation*

At a Meeting such as this, where both the industrial and Latin American countries are represented, I need not stress the seriousness of the international crisis. The Bretton Woods monetary system no longer appears capable of reconciling the demands stemming from the emergence of new political, economic and social conditions.

The Interim Committee of 24 on the International Monetary System, the major group representing the concerns of the developing countries in that area, recently drafted a comprehensive proposal for monetary reform designed to increase the transfer of resources for development, facilitate a better balance of traditional world trade flows, share the larger volume of financing needed to expand such trade and expedite adjustment by the developing economies. I believe that it is most urgent for the international community to discuss the possibility of turning such proposals into practical initiatives.

Concerning international trade, the options seem clear. The growth of such trade depends, on the one hand, on a recovery of economic growth on stable conditions in the industrialized countries, particularly the United States. On the other, it is contingent upon the participation by the developing countries in this trade on equitable conditions. Attainment of those two goals is no easy task. The simultaneous recessionary and inflationary trends hindering stable growth of the industrialized economies have proved resistant to the policies designed to control them and continue to exert all or much of their negative effect. This problem is complicated by the growing capacity of the developing countries to compete with the industrialized nations in manufactured goods. If equitable trade conditions are maintained, the entry of manufactures from the developing countries into the industrial markets would make it necessary for competing firms in the latter group to change their line of business or adjust to the competition by increasing their productivity through increased investment and modernization. Either of these reactions entails sacrifices in the short run which are, however, an essential and natural part of the structural changes inherent in any long-range growth. Unfortunately, the governments of industrial countries often give in to opposition to such sacrifices and resort more and more to various forms of protectionism. Unilateral responses of this type are detrimental to world trade, from both the short- and long-range standpoints, and must be governed by equitable arrangements.

In the financial field I should like to express our serious concern over the repercussions of the measures, basically monetary, adopted to control or ease inflationary pressures. Current high interest rates on the short-term markets and existing uncertainty with regard to the future value of money are seriously



undermining long-term capital markets, the fundamental source for financing investments by means of bonds.

An important part of prevailing inflationary trends and external indebtedness derives from the financial surpluses of the oil-exporting countries. Maintenance of those surpluses reflects the incapacity of the world economy to adapt to the consequences of the cost of that energy source. This means that inflationary trends and disorderly capital markets are likely to continue, unless the necessary adjustments are made for that cost. Since the industrialized countries consume 86 per cent of exported oil, it is obvious that they must make the major adjustment. Some countries that import all of their oil have been able to make such adjustments without significantly accelerating inflation.

All of this makes it essential that a maximum effort be made toward international coordination of monetary, trade, financial and investment policies in the interests of an international economic reordering. In other words, it reinforces the need to strengthen the capacity for action of international agencies operating in the financial field, such as the International Monetary Fund and the development financing banks.

Within this context we are pleased that one conclusion of the Brandt Commission has been to recognize the fundamental role played by regional development banks in transferring external resources and mobilizing domestic funds to correct such international imbalances.

It is completely illogical that while, on the one hand, large-scale international financial availabilities accumulate and, on the other, the Latin American countries possess an immense natural resource potential that cannot be developed for lack of capital or financing, we are unable to devise means of linking up those two factors on conditions that ensure legitimate and equitable use of the benefits of such new production.

This makes the experience of the Inter-American Bank, where that community of interests and benefits is manifested in a serious and mature multilateral dialogue, still more relevant.

### **Agenda for the 1980's**

The solution of international economic problems is of vital importance to continued growth of the region. But it will not, obviously, solve the internal problems of our development.

Not all of the countries have progressed at the same rate nor did they begin their development at the same point or with the same potential. Development has served to intensify the heterogeneous nature of the region.

### *Challenges Posed by Urban Growth*

Within each country the structure of societies has also become more heterogeneous. Displacements of a rapidly growing population have created extreme disparities in terms of density. By the end of the century a great majority of Latin Americans will live in cities, many of which will be among the largest in the world. However, the problem is that the human agglomerations attracted by investment concentrations are not socioeconomic molds which encourage the harmonious development of societies but are the product of disorderly growth. The underde-

veloped cities of Latin America must find solutions to enormous problems of employment, housing, education and services.

The reasons for these hard facts go beyond the simple concept of redistribution. The problems are more profound and require commitments to economic and social discipline, along with the adoption of bold policies aimed at a better distribution of development benefits. It is definitely not good business to continue to invest in the structural dualism that still divides Latin American societies or to decelerate investment rates. We must change direction.

### *The Need for a New Approach to Development*

We need a new approach to development that can overcome the two major limitations of traditional growth: its inadequacy in coping with the vast human resources that should be incorporated in the progress of the society and its inability to distribute its benefits on an acceptable level of equity.

The requirements and characteristics of this new development approach have been discussed for many years at a number of forums. For a continent with Latin America's wealth of resources this new development must meet three challenges emerging as essential priorities for vigorous and consistent reorientation of the process followed to date: development of energy and natural resources as a pillar of industrialization with a broad domestic base; food production as the basis for a coordinated effort within each nation to correct economic and social imbalances created by insufficient and poorly distributed growth, and the creation of opportunities for capital creation and employment that can in fact raise the income level of the masses and offer them the opportunity for self-realization to which they are entitled.

The response to those three challenges calls for strengthening and diversifying technological progress and its benefits and for developing educational systems better suited to the real needs of the people. But above all it must be a complementary and not an isolated response. To meet each challenge separately would be to duplicate an experience already acquired.

The economic and social imbalances resulting from the evolution of the past 20 years are partly the result of a failure to foresee the contradictions inherent in the incoherence of a process that must be integrated. To deal solely with the development of natural resources without considering the other goals is to run the risk of excessive concentration of capital, outside interference or difficulty in financing large-scale efforts with fiscal resources. To seek to increase farm production without relating it to income policy is to widen the gap between export agriculture and domestic food supply capacity. Finally, isolated income policies run the risk of becoming redistribution policies unrelated to productive aspects, thereby heightening inflation, expectations and social tensions.

On the regional level and country by country we must discover how best to combine those three goals in order to achieve maximum economic and social benefit. Latin America must realize that social development is not contradictory but is complementary to economic growth. Each country must devise the approach best suited to attaining that complementarity.

The essential part of this task is obviously the responsibility of the countries themselves: the efforts, imagination and persistence they apply to its realization and especially the political conviction they develop to absorb the considerable

sacrifices entailed. The experience of the past two decades shows most clearly that the tripling of the gross domestic product over 20 years did not by itself suffice to create opportunities and acceptable living conditions for our peoples as a whole; that the extraordinary product growth of more than 8 per cent recorded in 1968-74 and the even higher 11.5 per cent investment growth accompanying it were not enough, and that the sizable increase in total investment from 20 to 24 per cent of the GDP over the two decades also fell short of that goal.

We must not delude ourselves. No matter how impressive the results achieved by the countries in their task of harmonizing economic growth and social development are, those results will continue to be disappointing unless they are accompanied by substantive gains in domestic savings and a corresponding decline in excessive consumption in order to finance the necessary increments in investment.

Such increments will have to be larger than in the past and must continue to grow. The region needs to multiply its effort in the area of large-scale investments, advanced technologies and companies large enough in scale to compete and expand, which can in many cases be organized through the cooperation of several countries. A good example of this type of enterprise is that set up to develop forestry resources in Olancho, Honduras, to benefit Central America as a whole, based on a multinational effort promoted and supported by the Bank.

Initiatives of this scope will undoubtedly absorb a major share of the additional investment resources, but there is also a need to foster thousands and thousands of small- and medium-sized projects without which the benefits of growth cannot spread.

### *Energy and Development*

The world energy problem has particularly serious repercussions for Latin America at various levels. It is, of course, one of the factors weakening our foreign trade and therefore our development because of its growing impact on imports and the burgeoning of external debt on increasingly more difficult conditions.

Secondly, the economic growth achieved thus far has been based on the use of energy under conditions that have changed both quantitatively and qualitatively. Consequently, future growth requires us to deal with the unknowns regarding the type of energy and the manner of its use.

At a third level is the supply problem of a number of countries which, in addition to their heavy dependence on oil, are net importers of energy in a hemisphere that is ignorant of the real extent of its reserves.

This series of problems suggests the advisability of a strategy with open options based on the establishment of mechanisms that can gradually develop medium- and long-term solutions, together with the immediate actions needed to resolve emergency situations. OLADE has been playing an important role in this connection.

The essential elements of a strategy of this type are the following:

- Petroleum will certainly continue to be the main source of energy until the beginning of the next century. Hence it is critical that we have the necessary supply for the next 30 years. There are good reasons for believing that the petroleum potential of Latin America is more than sufficient to meet a demand which, growing by 5 per cent a year, would represent a cumulative total of 100

billion barrels in the year 2010. The area with petroleum prospects in the region consists of about 10 million square kilometers on land and over 2 million on the continental shelf. Up to the end of 1978, total cumulative production of oil in Latin America was 52.3 billion barrels. In contrast, in the United States (excluding Alaska), where the prospective area is 47 per cent smaller, 131.5 billion barrels were produced, and that country still has a volume of oil at least equal to what it has already produced.

- At the same time, we must step up the diversification of our energy base. This will require greater exploitation of our hydroelectric resources, only 10 per cent of which are now being utilized, replacing insofar as possible thermal plants consuming imported oil, and advance in the use of nuclear energy, as Argentina and Brazil are doing.

- As the Brazilian experience confirms, alcohol fuels (ethanol and methanol) and intermediate products such as synthesized gas can be produced by biological or thermochemical conversion of biomass. It has been estimated that the farm sector in Latin America could supply the entire present demand for gasoline. Obviously, massive use of biomass to produce liquid and gaseous fuels must take into account the impact on the net balance of energy, food production and the ecology.

- Other alternative sources of energy can be developed: exploration and development of coal resources; evaluation of tar sand resources and development of exploitation techniques; evaluation of shale resources, and development of the corresponding technologies; exploration of uranium and thorium resources; technological research to develop advanced methods for the production of liquid and gaseous fuels based on biomass (farm and forestry products, organic residues); and the use of solar energy.

- On another front it is apparent that the region could significantly improve its energy supply by systematically improving the efficiency of energy utilization.

There is a common denominator in all the preceding components of a possible energy strategy. Each of them requires research, exploration and experimentation and, in most cases, a volume of investments exceeding both the capacity of any one country in the region to undertake by itself and the volume of resources that the Bank has been supplying for those purposes. We have helped to finance projects that together represent an increase of over 26 million kilowatts in generating capacity, including the vast binational undertakings of Salto Grande and Yacyretá. We are involved in hydroelectric projects in practically every country of Latin America. But the energy crisis poses problems on another level. We must multiply the sources of investment and financing. This provides an opportunity for a common effort of continental scope.

That is the sense of the suggestion made by some of the Latin American countries for a study on the advisability of setting up a Fund for Energy and Minerals to insure and guarantee investments. The Venezuelan Government, for its part, has been urging the establishment of an Inter-American Energy Development Fund.

I should also like to mention the Bank's initiative to carry out a study of the entire continental shelf of the Latin American and Caribbean countries. Its aim would be to identify areas with potential for oil exploitation and the collection of

seismic information and its interpretation. The data obtained would be for the information and be the exclusive property of each participating country.

The Management of the Bank has consulted all of the borrower member countries with a continental shelf to determine whether they would be interested in participating in such a project.

### *Development of Other Natural Resources*

In addition to the energy crisis, our countries need to overcome serious constraints on the exploration and development of their other natural resources. Overcoming these problems is an equally essential condition to establishing their industrial development on a sound basis.

Latin America still has an almost intact base of natural conditions and resources—land, forests, minerals, water, climate—and vast interior areas as yet unexploited by man.

The region's mining tradition has overshadowed the importance of its forestry potential, which few countries have learned to develop, and which will not only serve as a basis for essential industries (cellulose, paper, lumber) but also contribute significantly, through suitable policies—as we have already noted—to solving the energy problem. We are very pleased to announce our readiness to undertake a major effort encouraged by the Bank, in cooperation with the Government of Finland and FAO, to identify new priority projects for the strengthening, expansion and use of our forest resources.

Latin America also has a scientific and technological establishment which, though still incipient in some aspects, constitutes the basis for the productive exploitation of those resources, a greater use of labor and hence an increase in employment and income.

This natural, human and technical resource potential provides an excellent opportunity for attracting investment and technological capacity from abroad and for developing Latin American enterprise at the national and regional levels.

World advances in science and technology are now easing the work of prospecting, exploring for and developing natural resources. As a rule, they demand investments whose yield is multiplied if they are undertaken on a cooperative basis. This is the justification for the operations with LANDSAT satellites that the Bank has been supporting for several years, with varied benefits to which the countries have access. These advances can also support future action in such fields as underseas mining, which may have long-range but foreseeable consequences of great importance to the development of the region.

### *Food and Rural Development*

In the Latin America of the 1980's, each hectare of cultivated land and each farm worker will have to feed a greater number of people. The trend toward deterioration in the region's capacity for food self-sufficiency cannot continue into this decade. We must reverse that trend, which will require the strengthening of a dynamic farm sector that can introduce harmony and solidity to the process of development. This is required by the need to feed a rapidly growing and urbanizing population and to increase the productivity and income of our rural masses.

The Bank is prepared to give maximum support to the countries in that effort,

as it has done since its establishment. No external financing agency has earmarked more financial and technical resources than the IDB for the Latin American agricultural sector. But the decision to tackle this problem with all due speed depends on the national decisions assigning priorities, adopting policies and mobilizing the necessary domestic resources.

There is no single formula that can be applied across the board to the diverse possibilities and needs of each country. However, the core of the problem is well known: the existence of rural masses working the land by primitive methods, who are poorly paid if they are landless or restricted to dwarf holdings and poor land if owners.

Consequently, the first priority is to develop all means of raising the productivity of those workers and to devote the largest possible amount of resources to that purpose. If we should do no more than double the productivity of Latin America's traditional agriculture, there would be a substantial change in the living conditions of campesinos and more solid bases would be provided for the productive process as a whole. Even more important, this would afford populations so far excluded from the benefits of economic growth an option of equilibrium between their expectations and the compensation received for their labors.

It cannot be regarded as utopian — but rather as a modest goal in light of the European experience — to propose as a target that per capita agricultural income in the year 2000 should be 100 per cent higher than at present. This means a doubling in 20 years, rather than resigning ourselves to the scant 8 per cent growth achieved over the last two decades. Such a goal could truly show that our economies are developing instead of merely growing.

The achievement of this objective would obviously require parallel decisions as to the nature and purpose of agricultural investment; credit policies; prices, subsidies and insurance; policies on storage and transportation, as well as marketing, all essential to support the growth of productivity, and which would have to be adapted to the different requirements of aid to the campesino. But there is also need for appropriate policies on land use and tenure — which in many places are the leading obstacle — coupled with maximum possible emphasis on agricultural extension services, training and education.

All of these policies are, naturally, the exclusive responsibility of the countries. As always, the Bank is prepared to support their implementation, chiefly through the following lines of action:

- Intensification of agricultural research in the experimental centers with which the Bank is already cooperating, expansion to other centers and the promotion of research in universities and other institutions.
- Development of more efficient techniques of agricultural extension and support for their massive implementation, in coordination with national research and extension centers.
- Establishment of reliable systems of market forecasting and reporting which, using the most up-to-date meteorological data, will make it possible to plan agricultural production and aim it toward markets for domestic consumption or export.
- Elimination of storage and transportation shortcomings which cause a loss of nearly one-third of the harvest of basic grains.
- Promotion of the establishment of poles of agroindustrial development.

In the context of integrated rural development projects, these productive activities can be coordinated with investments in infrastructure and environmental sanitation and the development of health and education services, with the direct participation of the target population.

Assisted by \$415 million from the IDB, 11 countries are already carrying out programs of this kind with a total investment of three times that amount. We are pleased to announce that we are actively considering 10 other operations which together will represent a contribution of IDB resources approximately matching the amount we have provided for integrated rural development to date.

### *Income and Employment Policies*

In this same city, speaking as Governor of the Bank for Mexico, before a Meeting still restricted to the 20 founding regional countries, I described the task facing the region and the Bank in terms which I believe we could all subscribe to today. "Mexico," I said, "believes that its greatest riches are its citizens. Hence, it does not believe that economic development is a goal *per se*, for if economic development does not go hand in hand with social justice, it can only widen the gap between the wealthy few and the many poor of our countries. It is equally inconceivable that necessary investments can be made solely for social welfare purposes. Only well-balanced planning will bring about a comprehensive progress which will include both productivity and well-being."

This approach to development, which calls for harmonious balance between reproductive investment and social justice, is the guiding principle of the mandate conferred on the Bank of allocating 50 per cent of its resources to investments benefiting the low-income sectors.

This presupposes the concurrent development of income and employment policies by the countries to complement their production growth objectives.

The implementation of those policies within the context of the traditional development model runs two types of risks: the all too frequent conflict between investment priorities and those claiming their share, or the demands for additional investments in amounts far exceeding the possibilities of underdeveloped countries.

Moreover, it is quite clear that social development does not spring from the void, and that without higher production and productivity, redistribution policies are only temporary palliatives soon erased by inflation.

The solution obviously does not lie in quantitative terms, rather in qualitative synthesis. What is needed is a different style of development that can overcome these contradictions, stressing the complementarity that should exist between the increase in production and the distribution of its benefits.

With due regard for the differences, it seems to us that the basic operational orientation of this new style of development can be found in the experience of international financing, whose effectiveness depends essentially on qualitative factors. We in the IDB believe that the significance of our contribution to the development of the countries lies more in the multiplier effect of technical cooperation than in the amount of that support. Our assistance covers the initiation and entire life of each project, the search for an adaptation of appropriate technologies, institutional development and requirements in terms of education and training. At the same time, it promotes the development of similar projects

with domestic and international resources, plus all possible means of multiplying the effects of its action.

Consequently, we understand the mandate to serve the low-income sectors as one that will be carried out through projects that will open up the new paths needed so that the maximum possible economic yield will be combined harmoniously with the objectives of accelerating the incorporation of the labor force into work of growing productivity, increasing the number of people receiving capital income and altering the structure of production so that the low-income sectors will be able to increase their consumption, all without detriment to savings and future investment.

These objectives — logically complementing the benefits derived by the national economy from the development of large-scale undertakings — are fulfilled more completely through small- and medium-scale enterprises. In regard to industrial activity, development of this type of enterprise is the most effective means of expanding employment because enterprises on such a scale usually tend to use low capital-intensive technologies in relation to labor and output. It is also effective with respect to the number of people receiving income from capital, since by definition an increase in the number of small- and medium-scale enterprises means a deconcentration of capital ownership and of income.

In the agricultural sector, the strengthening of small-scale farming is a powerful instrument for raising the living standards of campesinos and generating surpluses to feed the growing urban population.

The Bank has a long tradition of support to small and intermediate enterprises but the magnitude of the task in this area exceeds all efforts made so far. The central problem is that because of the number of entrepreneurs involved in each country and the variety of their activities and problems, authorization of the technical assistance essential to promote this type of enterprise becomes very difficult. For that reason, the Bank's strategy for this decade gives a prominent place to the "window" for small projects and increased technical assistance.

In short, the mandate we have received is essentially that of developing new approaches, methods and procedures required so that investment will gradually bring about the convergence and complementarity of social and economic goals. The task is formidable but we in the IDB are accustomed to innovation. I think I can say that we view this challenge with full confidence.

### *Regional Integration*

Lastly, these tasks, as well as all other tasks to be undertaken by our countries in this decade, cannot be performed without reference to the Latin American integration denominator.

The reality of the integration process transcends the vicissitudes of its implementing institutions.

First, because it is a cultural reality rooted in the formation of our nationalities whose melting pot nature transcends the temporary disputes that plague our history. Secondly, because it identifies common areas of interest that strengthen the international positions adopted by the region, with the vigor of solidarity. Thirdly, because beyond institutional and political limitations the specific reality is that our trade is growing, our productive activities are comple-



menting each other and we are carrying out together, though under bilateral agreements, enormous works that would not be possible in national isolation. What is still more important is that more and more attention is being given to the concept of continental solidarity, the concept that, for example, makes a group of countries such as those of the Andean Pact, feel the need to act as a whole to find solutions to serious urgent political and social problems in Central America.

We are very pleased that, with a few exceptions, the presence of the IDB is apparent in almost all integration projects undertaken in Latin America in the last 20 years. This will continue to be true in 1980s.

However, the integration process requires not only that the Cartagena Agreement continue to be an example of vitality, but also that we achieve the region's objective of an improved LAFTA, through negotiations and decisions that should no longer be postponed. We must also find practical means of renewing the integration objectives of the Central American Common Market, through regional projects that strengthen national economic and social development efforts.

The Bank and INTAL remain at the service of those integration programs and of CARICOM to support their objectives; we shall maintain close contacts with SELA to that end, and we are confident that this coordinated action will make the 1980s the definitive bridge to the great integrated Latin America of the year 2000.

The Bank looks with special interest on the efforts that are being made, within the context of the Amazon Treaty for Cooperation, to promote the integrated, harmonious and equitable development of that important and historically backward region, under conditions that protect and maintain the fragile balance of the Amazon ecosystem.

### **The Bank in the 1980's**

Faced by the challenges of the decade now beginning and taking into account the heterogeneity of the countries and the interests and problems uniting them, we require a bank that is already organizing itself to perform the following functions.

1. Continuing traditional activities aimed at financing specific development projects in which the Bank will undoubtedly play a proportionately greater role in the less developed countries.

2. Carrying out a function of recycling international liquidity by attracting trust funds, or by acting as a merchant bank. The resources obtained in the first case would permit the financing of program loans and sectoral loans. In the second case, the expansion of our operations with foreign private banks, through complementary loans or other concurrent operations, would support Latin American public or private investment in projects with a high return. The major component of those functions would be the Bank's capacity to coordinate the participation by national financial systems to ensure essential counterpart funds. Close work by the IDB with national and subregional development banks in Latin America and in general with the financial systems of our countries, would strengthen that coordination.

3. Taking participations in the equity capital of medium- and small-scale Latin American enterprises through the formation of a Multinational Industrial Development Fund, permitting an expansion of the activity already begun with resources of the Venezuelan Trust Fund. In addition to the five developing countries that have already expressed interest in contributing to that fund, the United States has agreed to an amendment of the Social Progress Trust Fund Agreement for those purposes, subject to a similar decision on the part of other industrial countries. Furthermore, one nonregional country has already included an item in its budget for this purpose, if at least two other countries should join the fund. I am confident that this initiative can soon be realized.

4. Expanding our recent activity in financing small projects with a high social content that makes it possible to assist the type of beneficiary who would not be eligible for credit under regular programs, utilizing primarily resources in the currencies of the Latin American countries. This would obviously be the "window" of the Bank with the smallest operating volume, but its true significance would be measured by the innovative aspects of its direct economic and social impact on the most deprived sectors of society.

5. Becoming an increasingly more effective Bank in promoting and disseminating technical cooperation. Although financial resources can be obtained from other sources, technical cooperation is essential for organizing the preparation of projects and programs and determining the most suitable modes of financing. Those requirements not only will not disappear with the advancement of the development process but will become even more complex. Consequently, the Bank must, over the next decade, undertake more intensive activity as the center of technical cooperation, including advisory services for selection of the consulting services best suited to each case, as well as identification of the most appropriate technologies in the strictly financial and social aspects.

In this connection, I am pleased to announce that the Government of Switzerland has proposed to entrust the Bank with the administration of a preinvestment fund to be earmarked for the relatively less developed countries, on a nonreimbursable basis, and also to finance small-scale projects.

### *The Bank's Resources*

We are confident that in order to carry out these tasks we can continue to rely on the indispensable base of resources provided for in the Fifth Replenishment approved by the Board of Governors more than one year ago, and those that should be renewed after 1982.

As you know, 37 member countries have already fulfilled all of the requirements that would provide the Bank with their new contributions. These represent 56 per cent of the resources agreed upon for that purpose.

Consequently, the pending formalization of the United States commitment would permit the Fifth Replenishment to become effective immediately.

As you also know, the United States Congress has not yet passed the necessary legislation requested by the Executive Branch. One of the Houses of Congress significantly reduced the authorization of the appropriation that the other House had already approved. However, the Conference Committee convened to reconcile the differences between the two Houses has just recommended restoration of the full amount of the United States contribution to the replenish-

ment. We are now waiting for both Houses to ratify the Conference recommendation so that the United States can formally sign the commitment needed to bring the Fifth Replenishment into effect. We are also confident that this authorization will be followed by the appropriation of the funds, according to schedule.

The delay that has already occurred means that 16 loans for a total of \$340 million, already approved for Argentina, Bolivia, Brazil, Costa Rica, El Salvador, Ecuador, Honduras, Panama, Paraguay and Uruguay cannot become effective, because the signature of the respective contracts is conditioned on the availability of the resources to the Bank.

The major problem we face, however, is that without the approval of the United States contribution, we cannot receive the contributions of the countries that have ratified the replenishment.

Of course, the adverse effects are greater for the region's 17 less developed countries and those with limited markets which are the prospective beneficiaries of the resources of the Fund for Special Operations. Suffice it to note that loans from the Bank account for 43 per cent of the total new external financing granted to those countries in 1979, and that they received 87 per cent of all convertible currencies provided in 1979 from the FSO.

Members of the Board of Governors, we are all aware of the fact that the decade just beginning will be fraught with difficulties. Development is far from being an exclusively economic problem nor does its compass terminate at the social level. For development is in essence a national and international political process.

Therefore, this Meeting is not a gathering exclusively of bankers and financiers but of men bearing responsibilities of state, committed to resolving the problems and challenges of their respective societies.

Consequently, distinguished Governors, we do not view the tense political and social situation now developing in Latin America with apprehension but rather with renewed confidence. We believe it will provide the strong incentive required to accelerate changes which we at the Inter-American Bank, to the modest extent of our means, will endeavor to support effectively.

And so today, in Rio de Janeiro, let us reaffirm our faith in the future of Latin America. We see the image of the future in this vast country which is expanding inward as well as becoming a bridge between the disparities of the industrialized communities and lagging old societies. We see the image of a Latin America united in its development mission, committed to building more integrated and equitable societies, joined together to preserve its cultural values and to safeguard and ensure the equitable utilization of its natural resources and, lastly, determined to convey to a better world of tomorrow the message of its unique multifaceted contribution, a message delivered by a community of nations which, in affirming its own identity, can exert a decisive influence on a new international order of human relations in which freedom, dignity, labor and peace will prevail at last.

## **ADDRESSES**

---

### **SECOND PLENARY SESSION**

**April 14, 1980**

**Address by Mr. Ulf Dinkelspiel,  
Governor for Sweden  
and Under Secretary of State, Ministry of Commerce**

---

On the occasion of the Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, it is an honor and a pleasure for me, on behalf of the Swedish delegation, to be the first to express our great appreciation to the Government and people of Brazil for the warm welcome and generous hospitality extended to all of us. This is indeed a *Cidade Maravilhosa*.

Likewise it is my delegation's pleasure to be the first to direct itself to the Portuguese delegation which is joining us for the first time and to welcome your country as a new member of the Bank.

Let me also avail myself of this opportunity to express our sincere thanks to the distinguished President, Mr. Ortiz Mena, and the dedicated Management and staff of the Bank, for the excellent work undertaken in preparation for this meeting. We are indebted to you for the professional way in which you run the Bank.

Our distinguished President has just made a review of the achievements of the Bank during its first 20 years as the focus for regional development assistance and cooperation.

We are impressed by the fact that during these two decades the gross domestic product of Latin America has tripled in constant prices and expanded at an average annual rate of 6 per cent in the 1970s — a rate higher than in the industrial countries. We are also impressed by the fact that the region's per capita income almost doubled during the period, even though the area's population increased from over 200 million to almost 340 million in 1979.

During these two decades the Bank has supported the countries of Latin America in their efforts to expand their productive capacity in agriculture and industry and improve energy, transportation and communication systems.

The very size of its lending during that period — nearly \$16 billion — and the total cost of the projects directly involved — \$61 billion — are indicative of the Bank's importance as a mobilizer of capital and promotor of investments in the region.

At the same time, there is no reason for complacency. Recent successes may not be repeated. The Latin American region is vulnerable, both in international and domestic terms. Several countries face grave balance-of-payments problems as a consequence of increases in the price of energy. And even in those Latin American countries which have reached a high degree of industrialization, important pockets of poverty exist.

Each government has its responsibility to pursue domestic policies that will efficiently combat poverty, reduce inequalities and safeguard the effective participation of everyone in the political and social process.

But the international community, and in particular the developed countries and the countries with large surpluses, have the responsibility to support the development process through appropriate measures.

Mr. Chairman, the present international economic situation, characterized as it is by high rates of inflation, sluggish growth, unemployment and large balance-of-payments disequilibria is not the most propitious one for taking positive action.

There is an obvious risk that — faced by serious economic difficulties — countries will try to solve the problems they encounter in isolation and through unilateral action. This must be avoided. To follow such a course would be self-destructive.

In the North-South perspective, this is precisely the message of the Brandt Commission. In the words of its report: "There are growing mutual interests."

Trade is one case in point. Given the present international economic situation, individual countries may be tempted to resort to protectionist measures in order to redress their external disequilibria. But to do so could well bring us all into a vicious circle bringing to mind the beggar-thy-neighbor policies of the 1930s. It is imperative that we resist those pressures.

The responsibility for safeguarding an open international trading system falls primarily on the developed countries. But the more advanced developing countries must also assume gradually increasing responsibilities to this end.

Trade and investment hold out promising prospects for fruitful cooperation between developing and developed countries. There is room for greater understanding that new supplier countries also provide new markets, just as new investments, such as in energy, can benefit both investor and host countries. Mutuality of interest — some would call it enlightened self-interest — must also encompass *inter alia* the actual transfer of resources from developed to developing countries on concessional as well as on non-concessional terms.

In this perspective we will have to bring together in a coherent way several elements that will be of crucial importance for sustainable growth in the world economy. The most important of these elements are:

- Recycling surpluses.
- Transferring non-concessional resources.
- Enlarging official development assistance.

In this respect the international financial institutions have an essential function to fulfill. We consider that the Brandt Commission has formulated some very pertinent proposals in this regard. These suggestions have to be studied carefully in a positive spirit. The World Bank and the regional development banks need increased resources, both concessional and non-concessional, and they need new and improved methods for channeling these resources to the recipient countries such as increased use of program loans and local cost financing. My Government is ready to take an active part in discussions on these essential issues in the months ahead. They may well play an important role in the global round of negotiations, at present under preparation in the United Nations.

Mr. Chairman, you are well aware of the fact that Swedish membership in the IDB is not an uncontroversial issue in my country. There is a strong minority wishing us to leave the Bank. A Parliamentary Commission is working on the issue now and is expected to present its report towards the end of the year.

Let there be no mistake: the Swedish Government strongly supports our membership. We regard the IDB as an important vehicle for channeling resources

to developing countries. But we must also take into account that while important pockets of poverty remain, average per capita income is much higher in Latin America than in other parts of the third world.

Our policy for development cooperation, based on an Official Development Assistance/Gross National Product (ODA/GNP) ratio going far beyond 0.7 per cent, is clearly concentrated on the low-income countries, and the low-income groups. In the Latin American setting, the latter aspect takes on a particular importance. For the Swedish Government it is of capital political importance that the Bank take decisive steps to reach the poorer strata of the population. We intend to continue to press for it, and we will follow future developments very closely.

That is why we note with satisfaction that during the past decade the Bank has gradually implemented the decision taken in 1971 to give increasingly preferential treatment in support of the poorer countries of the region through the Fund for Special Operations.

Since 1976 over 85 per cent of the foreign exchange component of all loans from the Fund has gone to the less developed member countries and those of limited market which account for less than one-fifth of the population in Latin America.

That is also why we attach the greatest importance to the guidelines of the Bank's lending laid down in the Fifth Replenishment, where it is clearly set out that 50 per cent of the Bank's resources shall be directly oriented to benefit the low-income groups of the region.

Our most important task is now to see to it that the Bank's resources are directed to projects fulfilling these goals.

Against this background, we are anxious that the Bank shall have the necessary new capital to carry out the lending program. Sweden has already approved the Fifth Replenishment. It is our hope that the countries which have not yet done so will do so in the nearest future.

Mr. Chairman, we note with satisfaction that the Bank's lending activities are beginning to reflect the program guidelines for the Bank's Fifth Replenishment. Lending for projects in the sectors of agriculture and fisheries show a remarkable increase well above the targets set for the years of the Fifth Replenishment. At the same time, we note that allocations for social infrastructure have diminished somewhat over the past year.

It is obvious that the change of policy decided in the negotiations for the Fifth Replenishment needs some time to have its full effects, that there can be some time lag in the full implementation of the recommendations. The real outcome has to be measured in the perspective of the coming years. Still we find it important that strong efforts are made from the Bank's side to proceed in this direction.

When reviewing the activities of the last year it should also be noted that the Bank moved quickly in order to help Nicaragua in its recovery effort after the devastating civil war. It shows the willingness and ability of the Bank to act decisively when needed.

Urgent need of help was obvious in the hurricane-hit Dominican Republic as well. Also in this case the Bank acted with decisiveness to participate in the reconstruction.

Mr. Chairman, in this statement, I have briefly touched upon several issues of importance for the Bank and for international financial cooperation. These comments have to be framed in macro-economic terms. But let us never forget that a development bank is not an end in itself. Let us never forget that development concerns people. The Bank can forge the tools and create the right environment for development. But the real work is done by people out in the real world. It is the responsibility of our governments to mobilize the creative forces and to defend the rights of those men and women who are in the center of the struggle for development.



**Address by Mr. José Ramón Álvarez Rendueles,  
Alternate Governor for Spain and  
Governor of the Bank of Spain**

---

*Introduction*

I should like to begin by expressing my appreciation to the Government of the Federal Republic of Brazil and the authorities of Rio de Janeiro for the warmth of their reception and the efficient way in which, together with the responsible units of the Bank, they organized this Twenty-First Annual Meeting of the Board of Governors. I congratulate the Chairman of this Board, Mr. Galveas, who I am certain will perform admirably in his role of coordinator of our meetings. And I also wish to say that we are gratified that Portugal has joined the Bank and to extend a cordial welcome to that new member country. Our Bank has attained its maturity at the start of a decade, the 1980s, which appears fraught with uncertainties and problems but which also comes as an era of opportunities for Latin America's development.

*The Economic Importance of the Latin American Continent*

The economic crisis unleashed in 1974 has spotlighted the problem of the shortage of food and energy resources and raw materials. Seen from this perspective, the Latin American continent inevitably assumes primary importance. Its rich endowment of natural resources makes the region a source of great expectation and hope: Latin America's energy resources are immense; no more than a third of its total cultivable area is being exploited; and a large part of the world's reserves of the principal minerals is in Latin America.

Furthermore, in addition to a highly favorable endowment of natural resources, Latin America possesses human resources and a basic industry that place her in an intermediate position between the group of highly industrialized countries and the countries in course of development. Along with a very substantial resource base, Latin America has the technical and human capacity needed for its effective utilization.

*The Latin American Economy in the 1970's and External Financing*

As we all know, Latin America's substantial economic growth during the past two decades was due to a special investment effort, since capital formation tripled during the last 20 years. It should be stressed in this regard that investment in the area during the past decade exceeded, in relative terms, that in the industrialized countries and in the developing countries taken together. Throughout that expansion period, however, the growing current deficits in the balance of payments were giving rise to an increasing need for external financing, as a result of which the region's total external indebtedness in 1979 was well above \$100 billion.

It should further be noted that during the last decade profound changes took place in the sources of that financing and the characteristics of the debt so incurred. At the present time, 60 per cent of the external financing that Latin America receives comes from the private international banking system. Accordingly the conditions of this financing have become more burdensome.

Among other things, this suggests, first of all, the need for an economic integration policy and a trade policy systematically oriented toward export promotion. Secondly, it appears desirable to achieve certain improvements in the composition of that financing, and in this context the activity of the Inter-American Development Bank, in its various facets, takes on increasing importance, particularly since in some cases the Bank is the sole source of financing for the less developed countries of the region for projects which are not directly productive.

### *Spain's Policy of Economic Cooperation with Latin America*

Over the last two decades, Spain has gradually become associated with the international financing institutions that channel multilateral aid for development; concurrently, she has built up an extensive export credit system and embarked on a broad liberalization of direct overseas investments.

The financial resources currently being allocated by my country to economic development and international economic cooperation are now in the range of 0.6 per cent of GDP. We believe that in so doing Spain is contributing in the measure of her possibilities, to meeting the needs of developing countries and helping to further the aims of the North-South dialogue and those of the United Nations Conference on Trade and Development.

Our Latin American trade and financial policy has a very high priority and is a key feature of Spain's economic cooperation policy. Spain now has observer status under the Andean Pact, collaborates with the Latin American Economic System (SELA), has recently become a full member of the Economic Commission for Latin America (ECLA), shares representation in the International Monetary Fund and World Bank with an important group of Latin American countries, has begun to establish mixed financial institutions in this continent and has developed its flows of trade very rapidly. In addition, a very significant part, more than half, of Spain's direct investment abroad is placed in the Latin American countries. Finally, Spain has come to the aid of countries which have experienced difficulties in their external financial situation.

All this is evidence of Spain's special concern with Latin America's economic evolution and her endeavor to share the region's problems and contribute to their solution. Accordingly, our membership in this Bank, which we regard as the leading and most operationally effective institution in the field of international cooperation in Latin American economic development, is an essential feature of my country's economic policy.

### *The IDB in 1979 and 1980*

In 1979, in addition to passing the \$2 billion mark in its lending program, and I am happy to congratulate the Management of the Bank for this, our institution has established a number of guidelines that deserve to be mentioned here, including those on the specific weight of rural and energy projects and on a slightly different geographic distribution, all within the frame of reference of gradual application of the policy on low-income groups. The Bank has met its commitment to study the low-income methodology and put it into practice on an experimental basis at the end of 1979 and systematically over the present fiscal year; it would be premature, however, to gauge the distributive effects that the methodology is intended to

measure, or the consequences that its implementation may have on the Bank's portfolio of projects.

As for technical cooperation, it must be said that implementation of the regular program has been subject to wide fluctuations, although these have been offset in part by the short-term missions and the combined program of loans and cooperation for financing small projects. In general, we believe that the Bank should set qualitative targets for itself in this technical cooperation activity, and that only secondly should it establish quantitative objectives.

In regard to the Bank's activities in 1979, I want to say that we understand the problems the Management has had in attempting to approach the estimated figures on borrowings to meet its disbursement obligations and maintain its liquidity ratio. The policy on diversification of markets and currencies in 1979 did not counter the adverse effects of the deterioration of certain capital markets, and the outlook for 1980 is not too encouraging at this time.

This year of 1980 is a significant milestone in the programming of our institution's activities for two reasons. On the one hand, the activities and loan program is to begin to reflect the maturation of the targets and guidelines of the Fifth Replenishment of resources. On the other, this year is the beginning of a new decade for which the Bank is to define global objectives.

However, as we are all aware, the launching pad, that is the base of resources to be provided under the Fifth Replenishment, is being eroded by special circumstances, which will mean a delay in the execution of the program of activities this year and a gap between means and objectives for the entire decade.

We trust, however, that the present situation can be corrected soon and the replenishment completed in its entirety.

#### *Prospects for the Sixth Replenishment of Resources and the Structure of Representation*

It should not be left unsaid that once the period of the Fifth Replenishment of resources has terminated it will be necessary to examine the present scheme of representation.

The integration effort among the nonregional countries in the Bank would doubtless be facilitated by the establishment of a third chair for that group of countries.

Finally, with an eye to the future, it would be well to begin to consider whether, as the semantic distinctions between lending and borrowing members are gradually eliminated, it would be possible to also do away with the dichotomy of regional vs. nonregional countries, of course without this in any way meaning a change in the nature of the Bank or its objectives with respect to the financing of economic and social development in Latin America.

#### *Situation of the Spanish Economy and Our Relations with the European Economic Community*

Mr. Chairman, before I end my remarks please allow me to make a very brief reference to my country's economic situation and her prospects for joining the European Economic Community. During the past year, Spain continued her process of adjustment and managed to reduce her rate of inflation, at a time when the average inflation rate in the member countries of the Organization for

Economic Cooperation and Development (OECD) was rising by several points. However, there are continued weaknesses in our economic growth and unemployment has increased, all this in the framework of the difficult circumstances prevailing in the international economy. Nonetheless, we believe the deterioration of the economy has been checked and we are now in a better position to cope with the difficult problems lying ahead in the medium term.

Spain, as you all know, is pursuing negotiations to enter the European Common Market as a full member. Once that happens, our relations with Latin America should become even more important. We in Spain believe that up to now the European Economic Community has remained somewhat aloof from Latin America; consequently, we feel that seeking closer relations is in the interests of all.

#### *Conclusion and Offer of Spain as Site of the Next Annual Meeting*

Mr. Chairman, fellow Governors, I wish to reiterate my country's confidence in the performance of the IDB in the common task of Latin American economic development, as well as the importance attached by the Spanish Government to our presence in this institution.

With this in view, and in accordance with the resolution adopted on an earlier occasion to the effect that one of our Annual Meetings will be held in a nonregional member country within the present fiscal year, I have the honor and privilege to reiterate, on behalf of my Government, Spain's offer to serve in 1981 as the first nonregional host to an Annual Meeting of Governors.

**Address by Mr. Michiya Matsukawa,  
Temporary Alternate Governor for Japan and  
Special Advisor to the Minister of Finance**

---

It is my great pleasure to address you on behalf of the Government of Japan on this occasion of the Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank.

Let me first express my heartfelt gratitude to the Government and the people of Brazil for their warm hospitality extended to us during this meeting in this scenic city of Rio de Janeiro, the center of the vigorous Brazilian economy.

I would like to take this opportunity to extend our hearty welcome to the delegation of Portugal participating in the Bank's Annual Meeting for the first time as a full-fledged member of the Bank.

First of all, at the beginning of the 1980s, allow me to look back upon the world economy, especially that of Latin America, since our last annual meeting.

Sharp and successive increases in oil prices last year and widely-spread inflationary trends have already brought about marked deterioration in growth and price performance and in the payment position of oil-importing countries, and a worldwide steep rise in interest rates: non-oil-producing developing countries, including the majority of Latin American nations, have to cope with the increasing payment deficits, in addition to the mounting debts already accumulated since 1973. The world economy is now faced with the danger of another economic stagnation and monetary instability.

Under these circumstances, concerted efforts among the developing and developed countries, as well as oil-exporting and oil-importing countries, are all the more called for.

First, industrial countries must strive to conserve energy, explore alternative energy sources, reduce inflation, increase productivity, curb monetary instability, maintain an open market for trade and capital transactions, and increase economic assistance to developing countries.

Second, oil-importing-developing countries have to make their utmost efforts to reduce inflation, and to carry out structural adjustment to the newly developed situation. At the same time, I hope, oil-exporting countries contribute to these concerted efforts by assuring adequate oil supplies at an appropriate price, by promoting the smooth reflow of capital to deficit countries, and by further expanding aid to oil-importing-developing countries.

I believe that those concerted actions can be developed in the most desirable form among the regional members of the Bank because, in this region, the developed, the non-oil-developing and the oil-producing countries share common historical and economic background. I trust that the Inter-American Development Bank can play an important role as an effective catalyst for such regional cooperation.

Despite severe difficulties, economic growth attained by the developing countries in this region during the 1970s as a whole considerably surpassed the world average. In the light of this remarkable achievement in the 1970s, I am convinced that the regional countries will successfully overcome difficulties in the

1980s. My country, together with other nonregional countries and international institutions, stands ready to cooperate with the regional members in an appropriate manner in response to the willingness and efforts of the people in this region.

Let me now turn to the Japanese economy. Poorly endowed with natural resources, Japan is one of the most vulnerable countries to oil price increases. Fortunately, however, with our utmost efforts to prevent the resurgence of inflationary psychology, and to save energy, Japan has so far been successful in maintaining a steady economic growth and a relative stability in consumer prices. We will continue to pursue the similar domestic policy stance. On the external side, we are firmly determined to maintain monetary stability and open trade system. In the area of our international trade, we have been progressively opening up our market to the products of developing countries through such means as tariff reductions on the products of the developing countries and participation in the Tokyo Round negotiations. As a result, Japan's imports from Latin American countries have tripled in the Decade of the 1970s. We have also extensively liberalized capital transactions. The total outstanding amount of Japan's direct investments in the Latin American region has almost doubled within five years since 1974.

The official development assistance (ODA) by our Government has been substantially increased under its three-year plan of doubling announced in 1978. We increased our budgetary appropriations for economic cooperation for Fiscal Year 1980, the final year under the plan by 16.4 per cent in spite of our severe budgetary constraints and large payment deficits. In implementing economic cooperation, our government, in close coordination with the recipient government, intends to place more emphasis on the enhancement of skills, agricultural development and solution of energy problems.

Now I wish to refer to the activities of the Inter-American Development Bank.

The Bank celebrated its Twentieth Anniversary last February. The Bank's annual commitment surpassed the remarkable lending mark of \$2 billion in 1979. During the past two decades, the Bank has contributed to the economic and social development of the Latin American countries, and has grown to be a center for the development in the region. The remarkable economic progress achieved during this period by these countries is the best evidence of the Bank's contribution. I would like to congratulate the Board of Executive Directors, the President and all the Bank staff for the Bank's outstanding performance.

It is of utmost importance to improve the distribution of the benefits of economic development to the poorer people. I strongly support the Bank's policy of channeling more than half of its additional resources to the projects benefiting the poorer sector of the population. We welcome that, in order to implement this policy, the Bank is formulating a definition of low-income groups. This is the first attempt among international financial institutions to incorporate the concept of "income distribution" in its operational procedures. At the same time, I trust the Bank will avoid a rigid application of this income criteria; the Bank should be reasonably flexible in individual cases so that it can maximize the overall economic impact of its lending operations.

In order to be most effective in its operations, the Bank should accurately grasp development needs and priorities of developing member countries. In this

regard, the proposed study on "the Role of the Bank in Latin America in the 1980s" is a very opportune undertaking, if it is carried out in a practical and operation-oriented manner.

We all know that many Latin American countries have recorded remarkable economic progress. It is also true, however, that some poorer members are still faced with difficulties. In this context, the Bank's policy of allocating the bulk of its concessional funds to these poorer countries is the most appropriate one.

In order to contribute to the development of Latin American countries, Japan has been actively cooperating with the Bank in its replenishments of resources and borrowing operations. As to the Fifth Replenishment of the resources of the Bank, Japan voted for the resolution of the Board of Governors, and deposited with the Bank the instruments of subscription and contribution last May.

The early implementation of the Fifth Replenishment is so vital for the Bank's effective operations in the 1980s; I sincerely hope that the replenishment will be completed at the earliest possible date with the cooperation of all the member countries.

Today we are increasingly conscious about the fact that the world is one single community. Latin America is an important and integral part of this community. We cannot think of the prosperity of the world without sound development of the Latin American economy.

Fortunately, having an abundance of rich natural and human resources, the great Latin American region has unlimited potential for economic development. The main task of the Bank then is to explore ways and means to make the most out of these abundant resources, and to assist member countries in their effort to make this potentiality a reality.

I would like to conclude my statement by expressing my sincere wish that the Bank together with all member countries will make further great strides towards the accomplishment of its task in the Decade of the 1980's.

**Address by Mr. Gustavo R. González,  
Governor for Panama and  
Minister of Planning and Economic Policy**

---

A little less than a year ago, in Montego Bay, Jamaica, the Government of Panama offered the capital of our country as the site for the commemoration of the first 20 years of operation of the Inter-American Development Bank. Compelling reasons obliged us to withdraw the offer, and we have now come to this beautiful city of Rio de Janeiro to reflect upon the first two decades of our Bank's life and to lay down the guidelines for its future action.

Unquestionably, the celebration in Brazil of the Bank's first two decades of work is a tribute to and a recognition by all of the Latin American countries of Brazil's leadership which, during the 1950s, proposed a daring effort of cooperation for the economic and social development of the region; this proposal led to the idea for the establishment of the Inter-American Development Bank. A nation of its unmatched size could do no less than nurture ideas promoting great works to serve as a framework for the tremendous efforts that the development of Latin America requires.

As the Bank completes these first 20 years of work, it is worthwhile to recall the circumstances, the times, the realities and the aspirations of Latin America when the initial concept of the institution emerged in modest and prudent form, and when its future course was boldly mapped out. All of the hopes held at that time, even the most optimistic ones, have been realized and more. From a Bank with 20 members, it has grown to an institution of more than 40 countries with diverse roles. The volume of loans authorized has surpassed the highest projections, and the fields and forms of financial and technical assistance have been diversified in a dynamic endeavor to perform functions not previously foreseen but made imperative by the urgent needs of Latin American development.

We recognize the difficulty of predicting the long-range course of events in the world and in Latin America, but we firmly believe that it is never superfluous to attempt to forecast the future, taking into account the active, dynamic, catalytic and cautiously innovative role that we are giving to the IDB for the rest of the century, as it has performed for the past 20 years.

The future cannot be different. In Latin America we cannot allow our regional financial institution to play the role of timid spectator in the face of the challenges that it must meet on behalf of the development of our countries. Insofar as possible, the action of the IDB will at no time be a mere financial palliative.

We are fully aware of the mounting economic and financial problems of the world, and that these are the most trying times of the last 40 years, with adverse consequences that virtually nullify all international economic cooperation. At the same time, this state of affairs and its implications hinder the efforts of all programs of multilateral cooperation undertaken through this Bank and through other international agencies over the last 20 years, whose positive accomplishments in the area of socioeconomic development may be brought to a standstill in the near future.



At this critical moment, the IDB should continue to perform its role and functions as the ideal multilateral mechanism, for expressing and carrying out the principles of the new international economic order in the Latin American region.

For this reason, we are especially pleased with the proposal for the establishment of a broad facility to stimulate investment in the exploration and exploitation of energy and mineral resources, especially in countries facing difficulties in this regard. My country is one of these.

Likewise, we foresee that the IDB will continue to be the flexible and dynamic medium for concerted action by the economies of the hemisphere to ensure that the activities of the Latin American Economic System are implemented.

Moreover, we believe that the time has come to take concrete steps to continue the policy of broadening the regional character of the Bank through more diverse and widespread participation by developing countries interested in contributing to the progress of Latin America.

We take this opportunity to express our great pleasure over the entry of Portugal, a nonregional country that recently joined us as an active member.

We wish to congratulate the Management of the Bank, and in particular its distinguished President, for the splendid Annual Report presented to us for fiscal year 1979, which gives a full and detailed account of the significant goals achieved during that period.

Special congratulations are deserved by the Board of Executive Directors and the staff of the Bank for their efforts during this last fiscal year, a period of important accomplishments. Particular attention should be called to the work done as a result of the adoption of new policies on foreign exchange financing, the definition of low-income groups and the investment of liquid assets.

In the light of these significant efforts and advances in orientation, policies and concrete action during the last year, we view with great concern the delay in the entry into effect of the Fifth Replenishment of the Bank's resources, owing primarily to delays in the legislative process in the United States. In this regard, we wish to emphasize that this circumstance has already seriously jeopardized the Bank's lending program, and therefore has stalled many projects whose contracts have been ready for signing since the end of 1979.

We deem it our obligation to reiterate at this Meeting the most sincere gratitude of the Republic of Panama for the continuing and sustained cooperation of the Bank. As we prepare to realize the wealth-generating potential of the inter-oceanic corridor and to diversify our sources of development through the exploitation of mineral deposits, the Bank's financial cooperation comes at a crucial time in our country's life. We have no doubt that it will be part of this great forward movement, which our people expect after the sacrifices demanded by their struggle for economic liberation.

Despite the fact that we have achieved important goals of social and economic well-being for the Panamanian people in recent years, and that many of these have been accomplished with the financial cooperation of the IDB, we must recognize that a great effort remains to be made in the area of integral development. There are problems of extreme poverty, regional and social imbalance, inequality in the distribution of wealth, and others that characterize the condition

of underdevelopment. However, it is a matter of concern that deterioration is occurring as a result of the international economic and financial situation.

Beyond any doubt, the presence of all these adverse factors means that the cooperation of the IDB will be more urgently required and doubly appreciated, and that it will have real significance in our country. Indeed, it was once said enthusiastically that "the IDB's money has flesh and blood."

Closely associated with our problems are the relations derived from the implementation of the Canal treaties, which entered into force on October 1, 1979. We patiently await strict compliance with their provisions, which will permit the orderly and effective transfer of the Panama Canal and its installations to the Panamanian people within this generation.

Mr. Chairman, we conclude with thanks to the Government and people of Brazil for their brotherhood, manifested in their leadership; for their generous and warm welcome; and for their spirit of comradeship in sharing ideas and paths that will help toward fulfillment of the common aspirations of the peoples of America for independence, self-determination and progress.

**Address by Mr. Jean-Yves Haberer,  
Alternate Governor for France and  
Director of the Treasury, Ministry of Economy**

---

It is a great pleasure to participate for the fourth time in an Annual Meeting of the Bank. The pleasure is heightened by the fact that we are meeting in the marvelous city of Rio de Janeiro. This incomparable site is the most pleasant and stimulating setting for our endeavors. I join in the expressions of thanks to the Government of Brazil for its excellent and warm hospitality.

I should also like to welcome Portugal to our membership. No country is better suited to open a new bridge between Europe and Latin America. Its presence has been sought by all and it will make a great contribution to the Bank.

*The Problems of the New Decade*

The start of a new decade is a good time to reflect on the period that has just ended and the one that is beginning. The 1970s had begun with a certain euphoria based on the outlook for vigorous and lasting growth in a politically stable world. But, in fact, there have been great economic disturbances. Steady growth is no longer assured. The world's resources have become scarce and costly. Development has proved to be a complex phenomenon, neither linear nor homogeneous, leaving much of the world far behind.

The new decade thus begins in a troubled world fraught with uncertainty and disillusionment. But awareness of the magnitude of the problems makes it all the more necessary to strengthen international cooperation. The links of all kinds that join our economies are now as strong and as diverse as the problems that we must address, and there will be no solution without a common effort.

In the view of the Government of France, two aspects seem to have priority:

- The first and most urgent concerns the non-oil-exporting-developing countries, and is the appearance of massive deficits in the balance-of-payments current account, which in no way reflect a deterioration in the management of their economies, but rather constraints beyond their control. According to most estimates, these deficits will total at least \$70 billion in 1980, compared with \$25 billion in 1978. This is a grave threat to the development of those countries and a challenge to which we must respond. In particular, we must ascertain whether the recycling of capital by the financial markets will adequately cover the deficits. The international community must also assist the deficit countries in adjusting the structure of their payments to the new realities of the world economy. It is evident that development banks, whose activities should be better coordinated with those of other sources of financing, will have a key role to play in this regard. France is ready to participate in any discussions and negotiations that may take place with regard to this important topic.

- The second important question concerns poverty. Hundreds of millions of men and women are still living in unacceptable conditions. Will we be able over the next ten years to give them hope again? In the future, France will both continue and intensify its development efforts. Our public assistance to development presently amounts to 0.6 per cent of its GNP, and the French Government

has affirmed its desire to achieve its target of 0.7 per cent despite the difficulties being encountered by the French economy as a result of inflation and the price of oil. Among these efforts, as you know, multilateral aid is demonstrating the most progress. We consider that international development institutions constitute a privileged form of international solidarity. In this respect it is a source of satisfaction to me to note that some of the more developed Latin American countries have for the first time been able to participate in the Sixth Replenishment of the resources of the International Development Association (IDA) or are considering joining the African Development Bank. This constitutes for countries like France, which have traditionally provided aid of this nature, an incentive to continue their efforts.

### *Relations Between France and Latin America and the Caribbean*

During 1979, Latin America maintained its growth at a steady pace. As is indicated in the 1979 Annual Report of the Bank — excellent as always — this trend shows that this continent has been able, perhaps more so than others, to exploit its development potential to a significant degree. Accordingly, the industrialized countries must not relax their aid and development efforts on the grounds that they will prove to be less useful, but rather gear such efforts to a new situation in which all the partners will share in the benefits of close cooperation.

France has always regarded Latin America and the Caribbean with particular interest, not only as part of a community that is incontrovertibly Latin in origin nor in consideration of historical and traditional ties, but because the economic destinies of this part of the world and Europe will be subject to increasing interpenetration in the years to come. Consequently, Latin America's relative share in trade with France continued to increase in 1979, so that it is now on an approximately equal footing. Our trade is now producing reciprocally beneficial effects on our economies.

Nevertheless, above and beyond trade relations, cooperation between France and Latin America is assuming various forms. Thus, in recent years we have stepped up our scientific and technical assistance programs. In parallel manner we have redeployed our financial cooperation in the region in the form of loans from the Treasury under very favorable terms. While continuing our financial cooperation with several States in the area that are currently accustomed to our aid procedures, we have also signed financial protocols for the first time with the Dominican Republic, El Salvador and Jamaica. These aid agreements are being applied to projects in such varied sectors as the production of energy, health, transportation, mining investments, water treatment and port infrastructure. We intend to continue to expand these efforts and add further to the list of recipient countries.

### *Activities of the Inter-American Development Bank*

The IDB is now celebrating its Twentieth Anniversary. It has become an irreplaceable instrument for international cooperation, not only by virtue of the impressive amounts of resources involved in its operations, but also by the knowledge accumulated from its experience. It has thus been able to reaffirm its specificity with respect to the World Bank, particularly by implanting the coordination of development activities required in the region.

For the first time, in 1979, lending commitments amounted to more than \$2 billion. Unfortunately, however, this has not been followed by a corresponding volume of disbursements. Serious efforts should be undertaken to close this gap. The Bank's priority in providing assistance to the least-privileged countries is currently being hampered by their meager capacity for absorption. The Bank should make even greater efforts to provide technical assistance for the preparation of projects.

Sectorially, there is no doubt that the priority accorded to rural areas is in line with the development needs of most of the countries of Latin America and the Caribbean. Nevertheless, it would be advisable to ensure that the resources the Bank allocates to the energy sector are increased, since although the sharp decrease recorded in 1979 may not be overwhelmingly significant, the level of 25 per cent established in the guidelines on the Fifth Replenishment of resources should nevertheless be reached once again, and even surpassed.

On this occasion I should like to mention France's interest in the proposal that has been made for an Energy and Mineral Fund, and to note here that we will participate actively in any efforts the Bank undertakes with regard to this important matter.

Before concluding, I should like to bring up two questions concerning the future of our institution.

- First of all, we share the vital concern of all with respect to implementation of the Fifth Replenishment of resources. It is to be regretted that such uncertainty is threatening the pace of the Bank's future activities. I should like to express the hope that the present difficulties, which may also be encountered in other development banks, will shortly be eliminated.

- Furthermore, we feel that the extra-regional scope of the Bank has not been carried to the full extent of its logical and dynamic potential. The representation of nonregional countries on the Board of Executive Directors is insufficient and does not correspond to the active interest they show in the IDB. The establishment of a third chair on the Board of Executive Directors, we insist, is clearly indicated in the interests of equity. We also hope that the hiring of staff for the Bank will continue to be based on criteria of quality. This means that the merits of candidates from nonregional countries should be considered on an equal footing with those from regional countries.

I should like to close by expressing our appreciative admiration to President Ortiz Mena for the remarkable manner in which he is conducting the activities of our Bank, and I especially wish to ensure him and his staff of France's support at a time in which the Bank is embarking on a third decisive decade in the development of Latin America and the Caribbean.

**Address by Mr. Rodolfo Abrám Cavalerino,  
Temporary Alternate Governor for Peru and  
Senior Director for Finance of the Ministry of Economy and Finance**

---

Fulfillment of the demanding tasks of government has prevented Dr. Javier Silva Ruete, Governor for Peru, from attending this Annual Meeting of the Board of Governors. It is as his representative that I am privileged to speak before this Twenty-First Annual Meeting of the Board of Governors.

First of all, I should like to convey to the people and the Government of Brazil, on behalf of the Peruvian delegation, our most sincere appreciation for the generous hospitality with which they have welcomed us to this beautiful city of Rio de Janeiro.

This is a special meeting, for we are celebrating this year the Twentieth Anniversary of institutional existence of the Inter-American Development Bank. Therefore, I take this occasion to congratulate the directors and officers of the Bank on the magnificent work they have done in the service of Latin America over these two decades and to recall that the first loan approved by the Board of Executive Directors was for Peru, in the amount of \$3.9 million to finance the improvement of water supply and sewage systems in the city of Arequipa.

It is also a source of satisfaction for us to observe the sustained growth of the Bank over these two decades. The figures contained in the most recent Annual Report are eloquent. Up to the end of last year, the cumulative total of loans authorized by the Bank came to nearly \$16 billion, making it possible to finance development projects in our countries with a total cost of more than \$61 billion.

In the case of Peru, from the start of its operations until the end of last year, the Bank has approved loans for nearly \$650 million, which have financed 50 per cent of the total cost of the projects in which it has participated. In particular, Bank assistance to our country in 1979 was exceptional in terms of both the amount of credits approved and the acceleration in the pace of the disbursement. For those reasons we owe our gratitude to the Bank authorities and to our representation on the Board of Executive Directors, which we share in harmonious cooperation with Colombia.

The sustained development of the Bank's activities to which we referred to earlier is now seriously threatened by the failure to date to implement the Fifth Replenishment agreed on at the end of 1978. This situation concerns us greatly, for unless that replenishment enters into effect as soon as possible, the Bank's operations will practically come to a standstill. It is our understanding that a great many loans already approved or in the process of approval cannot be signed because of the lack of resources and, in general, the loan program for the current year cannot be implemented.

We hope that the problem posed by our largest shareholder will be solved favorably and promptly. However, this impasse reveals to us the fragile nature of our institution and its very great dependence. It is not possible that a significant share of Latin America's development financing should be contingent upon the decision of a single country. We must seek mechanisms to resolve that problem. We should even think about amending the Agreement establishing the Bank in

order to make it more flexible. Even if the Fifth Replenishment materializes we believe that this is necessary in order to prevent future disruptions in its activities.

Perhaps the possibility might be studied that if any single member is unable to commit and/or contribute the resources decided on by the Board of Governors within a given deadline, the other members may, on a prorated basis in accordance with their quotas, opt for filling the gap, increasing their relative participation in the capital stock of the institution. This would make it possible to remove, in part, the financial restrictions we now face and permit, in accordance with its financial possibilities, greater autonomy and decision-making capacity for Latin America *vis-à-vis* the Bank's largest shareholder.

I am pleased to report today to this meeting on the progress made in Peru's economic recovery. This past year has been one in which we have been able to reverse the major negative trends that affected our economy. Last year the gross domestic product rose by 4.1 per cent against a negative rate in the preceding year, amply exceeding the 1 per cent increment we had initially planned.

Favorable results in the external sector have been even more relevant. While the trade balance was positive in 1978, following large deficits in the four earlier years, the 1979 trade balance surplus amounted to almost \$1.4 billion. Net international reserves rose significantly, aggregating at the end the past year almost \$550 million, after a negative figure of over \$1.22 billion in June 1978. In other words, in only 18 months there was a recovery of \$1.77 billion.

The outlook for this year is just as promising. The economy will expand by more than 5 per cent. We will have a larger trade balance surplus than last year. And we will continue to increase our international reserves.

The success achieved in Peru's economic recovery, which has been the subject of favorable comments by independent observers of our development process, is not the result of chance or good luck. It has been necessary to implement a coherent economic policy, to make use of all the instruments the economy offers us. It is, on the one hand, the product of the work and effort of the Peruvian people who, with great courage, have confronted the difficulties derived from the crisis, courage which is enabling them to overcome the hardest stages of the recovery process.

However, we should point out that we still face serious problems, the solution of which requires all of our efforts. This is true of inflation and unemployment, with their regressive effects on income distribution. In this context we hope to make progress in the coming months.

With regard to Peru's economic recovery program, we should like to emphasize here the fraternal and unselfish cooperation that we have received in the most difficult times from friendly countries and international agencies such as the Inter-American Development Bank.

It is important to note that the gradual resolution of the crisis is being attained without altering, in the substantial aspects, the reforms made in the Peruvian economic structure in the last decade.

At present the government is engaged in carrying out the process of transfer of political power to civilian hands, which is occurring in an orderly and democratic fashion. The new government, to assume office on July 28, will find a basically sound economy as a foundation for achieving steady growth, provided that a realistic economic policy is maintained.

I should like to refer now to certain aspects of Bank policies which must be re-emphasized because they are essential to the aim of accelerating the development of the member countries. In the first place, the financing structure of projects is still a factor limiting their execution within the schedule initially agreed upon, and, to make things worse, our Bank has become a financier of the sales of goods and services of some of its member countries, the developed nations, to the detriment of the Latin American economies that can supply a large share of those same goods and services. Hence, our call for cooperation based on solidarity between the Bank and the member country, on the basis of definitively eliminating suppliers' credits as a financing option.

As concerns speeding up the operational process, it should be noted that a process has begun, although slowly, to delegate powers to the field offices of the Bank in the member countries, contributing to accelerate the implementation of projects. The case of the field office in our country confirms our statement. This process should be speeded up.

Another topic that has already been discussed on numerous occasions, but which, because of its importance, cannot be ignored until fully resolved, is the multilateral nature of the Bank. Our repeated position is to standardize the provisions of the Agreement Establishing the Bank, so that all of the provisions, without exception, on decisions of the Board of Executive Directors and of the Board of Governors are governed by the regulation set forth in Article VIII which establishes the majority of total voting power as the mechanism for the adoption of certain decisions.

Concerning the policy of placements in the banking institutions of Latin America, we call for greater aggressiveness by the Bank, guaranteeing to Latin America the banking management of its resources and the fulfillment of one of the basic objectives of the Agreement Establishing the Bank: the mobilization of financial resources for the region.

Referring now to the proposal for creating an Inter-American Energy and Minerals Fund which promotes and facilitates the generation of investments in the region in the field of energy and minerals, I should like to point out that my country feels that this effort should be examined and studied in greater depth.

This is a good occasion to reiterate to you, Mr. President, and to your colleagues on the Board of Executive Directors and in management as a whole, the recognition and support of Peru for the continuation of the important work being done by the Bank in faithful interpretation of the aspirations of Latin America. The suggestions presented will most assuredly be properly examined by this Board and the other competent organs of the Bank.

Allow me now to refer briefly to the First Meeting of Ministers of Finance and Presidents or Governors of Central Banks of the Member States of the Latin American Economic System, held a few days ago on April 10 and 11 in Lima.

Many of you will surely recall that it was under the initiative of Dr. Silva Ruete, Minister of Economy and Finance of my country, that the coordination of this event began about a year ago in Montego Bay. In the time that has elapsed since then, there was intensive preparatory work at the technical level which, added to the important contributions by the Ministers and monetary authorities participating in the event, made its success possible and will permit intensifying



the common efforts at the highest political level of our region in the monetary and financial arena.

To this end, important agreements have been adopted on joint regional actions in the field of finance, in the strengthening of clearing and payments mechanisms and support of the balance of payments, medium and long-term financing for investment projects or programs, as well as for multinational projects. Actions and studies have also been agreed upon concerning cooperation between the Latin American banking system and in the financial aspect of mutual technical cooperation, with particular emphasis on the management of foreign debt.

The First Meeting of Ministers of Finance and President or Governors of Central Banks of the Member States of the Latin American Economic System opens a new era in the process of cooperation and integration in the Latin American countries. Our regional political reality makes this process irreversible in establishing an independent and inherent forum for examining the financial and monetary problems of Latin America and for consultation and coordination on our bargaining power with third parties.

The valuable technical cooperation given by the IDB to this process merits special recognition. The Bank, together with ALIDE, CEMLA and the Permanent Secretariat of SELA, prepared the basic documentation for the meeting, which was positively received. The substantive parts of its proposals and initiative were adopted almost completely.

Mr. President, we are certain that the new ministerial framework set up at that meeting will have an unquestionable effect on the economic, political and financial life of the region. This framework will provide a great contribution to promoting the development that is also being fostered by the IDB and to supporting Latin American interests in negotiating the new economic order and reorganizing world power.

This should give Latin America the position and influence that it deserves but that we can only assure with our unity, harmony and mutual assistance.

**Address by Ambassador Klaus Jacobi,  
Governor for Switzerland and  
Delegate of the Federal Council for Trade Agreements**

---

I would first like to express my gratitude to the Government and the people of Brazil for the warm welcome and generous hospitality extended to us. I take it as a symbol for the bright future of Latin America that the Twentieth Anniversary of the IDB is celebrated in this dynamic and outward-looking city.

It is a great pleasure for us to see Portugal among us as a new member of the Bank. We also take this opportunity to congratulate Mr. Enrique Perez-Cisneros for his appointment to the very important position of Secretary of the IDB.

In my ensuing remarks I would like to focus on four subjects:

- IDB's operations.
- Evaluation activities.
- The role of the IDB as a catalyst for development financing.
- The situation of the nonregional countries in the IDB.

*Operations*

The record of the Bank's operations in 1979 is positive. The geographical and sectoral distribution of loans is substantially in line with the guidelines agreed upon for the Fifth Replenishment: the bulk of the freely convertible currencies extended from the Fund for Special Operations goes to the least developed countries of the region and those with limited markets. Regarding the sectoral distribution, we have noted with satisfaction that lending for agriculture and rural development has substantially increased and the development of energy resources—for evident reasons—has been given continued emphasis.

While the guidelines for the Fifth Replenishment have to be interpreted in the light of the changing economic and social prospects of the Latin American region, as well as from the world in general, the Swiss authorities are convinced that these guidelines provide a useful orientation for the activities of our institution.

It is particularly significant that the IDB has made substantial progress toward one important objective of the Fifth Replenishment—the destination of 50 per cent of the Bank's lending program to lower-income groups—by designing an operational methodology for the definition of low-income groups and the distributional effects of loans on such groups. The Bank is also showing its capacity to adapt in an innovative spirit to the region's needs by acting quickly and decisively in assisting countries in an emergency situation, and in designing self-help projects for poor communities as in the case of the program for the financing of small projects.

Switzerland is willing to support directly these efforts and is discussing presently with the Bank the possibility of participating through the existing Swiss Fund for Latin America, which is administered by the IDB, in the financing of the small projects program and of projects benefiting Nicaragua and the Dominican Republic.

Some difficulties appear to persist in the timely preparation and processing of new projects, particularly in the least developed countries of the region. An adequate coordination inside the Bank in the preparatory stages of the project cycle and more generally, an increased role of Bank staff in project promotion might contribute to improve the identification and processing of new projects. This might also alleviate the bunching problem, by which the great majority of loans is approved in the last three months of each fiscal year. A particular consideration should be given to the optimum use in project promotion of the Bank's field offices which represent a valuable instrument for taking local conditions adequately into account. It appears also advisable to increase the absorptive capacity of beneficiary countries, and particularly the least developed among them, through the strengthening of the Bank's technical assistance program. Switzerland foresees increasing its support to the Bank's efforts in this field. For that purpose, as President Ortiz Mena mentioned in his opening address, we are discussing with the Bank the setting up of a new Fund for Technical Cooperation and Small Projects to be financed by Switzerland.

### *Evaluation Activities*

In the past year the Bank has created valid instruments to appraise its own work through the post-evaluation of individual projects and the analysis of sectoral policies as well as organizational and operational issues. I would like to emphasize that these efforts seem essential to us for steadily improving the implementation of the Bank's policies. I understand that the first organizational studies, for instance the analysis of the relationships between headquarters and field offices and the study on loan processing problems, have brought about many useful suggestions for dealing with the complex problems of a growing development bank. I hope that in the future the access to those studies, and especially those concerning the results of individual projects, could be enlarged so that all member countries could benefit from the experience of the IDB.

### *IDB as a Catalyst for Development Financing*

At the time of the Twentieth Anniversary and at the threshold of a new decade, a look into the future is called for. In its first two decades of existence the Bank has not only proven that it is an important vehicle for the transfer of public funds to the Latin American region, but it has shown also that it can give creative impulses to development policies in its member countries and can help them through technical and institutional assistance in planning and implementing such policies. We are hopeful that the ongoing study on the role of the IDB in the 1980s will provide an action-oriented analysis of the basic options which are open to the Bank in the future and the means which would be necessary to attain new goals. However, even before the completion of the study, it appears that the IDB will be in a particularly good position to continue acting as a powerful catalyst for other transfers of resources. In the poorest countries of the region, cofinancing between several sources of public aid will probably be the most important type of cooperation. On the other hand, the mobilization of additional non-concessional funds, through complementary financing with private partners, for instance, should be given an increased weight in the case of more advanced developing countries.

Such a variety of financial instruments is one of the ways by which the Bank can respond to the specific needs of each beneficiary country in accordance with the country's general development prospects.

In this context, I would also like to mention the role of the Swiss capital market as the second biggest source of borrowings for the Bank. Total IDB borrowings in Switzerland have already passed one billion Swiss Francs and a new public bond issue will take place this week. I hope that the very low interest rates on the Swiss capital market—at present 7 per cent for a maturity of 10 years—will continue to contribute in keeping the IDB's lending rates at moderate levels and thus constitute a contribution in the interest of the borrowing developing countries.

### *The Situation of the Nonregional Countries in the IDB*

Since 1976, a progressive integration of these countries into the Bank has taken place. This is certainly a sign of the strength of our institution and gives credit to the outward-looking approach of the management of the IDB. There is one concern, which I mentioned already in previous addresses, which has not lost its importance: public opinion in Switzerland, including our Parliament, is very sensitive to the use made of public funds for development, and particularly those channeled through multilateral institutions. This explains the importance we attach to our participation in IDB's decision-making. It also appears to us essential to improve the quality of information to member countries on Bank activities. In this respect we appreciate the efforts made by the management of the IDB to improve its public relations' services and particularly the reinforcement of the European office by an information officer.

Turning to another aspect, I think that it would be important to have a more active and clearly determined recruitment policy for nationals from nonregional countries. I am convinced that an increased cooperation in this matter would eventually be very beneficial to our institution.

### *Conclusion*

Concluding these few comments, I think that the Bank has been particularly successful in assisting the Latin American countries in the formulation and execution of sound development policies. At the same time, it is remaining flexible and innovative in the face of new challenges. These qualities will certainly be of prime importance in the present decade. I would like to congratulate the President of the IDB, Mr. Ortiz Mena, and his able staff, who have such an important share in the excellent record of this institution, for the work they have done in the past. The management of the Bank can be sure of our full support in the difficult years ahead.

**Address by Mr. Leopoldo Díaz Bruzual,  
Governor for Venezuela,  
Minister of State and President of the Venezuelan Investment Fund**

---

For the second time in 20 years the kaleidoscopic city of Rio de Janeiro is providing its incomparable beauty as a backdrop for the Meeting of the Board of Governors of the Inter-American Development Bank. The marvelous people of Rio are providing a note of colorful gaiety to our serious, and at times, excessively dry deliberations. On behalf of the Government of Venezuela and on my own behalf, I should like to convey through you, Mr. President, a warmhearted greeting to all the people of Brazil and to express our gratitude for their gracious reception and friendly hospitality.

As soon as we received it, we read with close attention the excellent report on the 1979 operations prepared by the Management of the Bank for the Annual Meeting that has brought us together here, together with the magnificent and eloquent address delivered this morning by Mr. Antonio Ortiz Mena. One of the outstanding features of the 1979 operations was the remarkable efficiency displayed in the financing of major development projects that will have favorable medium- and long-term repercussions on the economies of the recipient countries. Of a total of \$2,051 million in loans approved in 1979, \$648 million were from the ordinary capital resources, \$601 million from the inter-regional capital, \$620 million from the Fund for Special Operations and \$182 million from the Venezuelan Trust Fund.

Another achievement of the IDB in 1979 was the agreement on the Fifth Replenishment of the resources of the Bank. In this respect we must make it quite clear that, much the same as other Governors, we share the concern that so far, and despite the unanimity achieved, in approving this increase in the Bank's resources, some members—and among them my own country—have had to face obstacles or experience delays in obtaining authorizations from their respective legislative bodies to make such commitments a reality. As far as Venezuela is concerned, I must state that the delay that has taken place cannot and must not be interpreted by any means as an evasion or renunciation of compliance. Venezuela's collaboration with the IDB will remain as close and as positive as it has been in previous years.

Furthermore, we must bear in mind that in view of the circumstances prevailing in the world financial markets, obtaining new ordinary capital resources in the amount originally approved by each country is of special importance to member countries requesting such credit, inasmuch as present interest rates in these markets prevents access to them by the Inter-American Bank. What is more, these high rates—without historical precedence until now—have made it possible to consider all IDB loans as soft loans, since not only the credits granted with resources from the Fund for Special Operations but also those from ordinary and inter-regional capital are granted at interest rates much below those prevailing in the industrialized countries.

Since it is a matter of extreme importance and special concern for Venezuela, I should like to go into some detail regarding the Bank's policies regarding the use

of the resources of the Venezuelan Trust Fund and financial cooperation in Latin America. The amendments made to the Agreement for the establishment of the Trust Fund and agreed upon by the Venezuelan Trust Fund and the Management of the Bank have significantly expedited procedures for disbursement and have expanded the sectors that could benefit from financing from the Fund. As a matter of fact, this change has enabled countries to obtain financing for local counterpart resources, which are essential for the execution of programs or projects financed by the IDB or other international financing institutions. A new kind of "window" was also opened to enable the Bank to support the balance of payments of the less developed countries facing serious difficulties in their external sectors by means of resources from the Fund. This substantial change in the operating rules of the Trust has made it possible to approve loans during 1979 for a total of \$182 million, which brings the cumulative total of such loans up to \$471 million at the present time.

We are similarly satisfied by the activation of the Equity Investment Program, during the past fiscal year, a program that has been promoted by Venezuela with the assistance of the Bank and that had shown a certain stagnation in the first phases of its operation. The initial objective of this program was to make it possible for other countries both in the hemisphere and outside the continent to join in this modest effort within a short period of time and then formulate a much more ambitious multilateral program for the benefit of small- and medium-sized Latin American enterprises, particularly in the less developed countries.

Mr. Chairman, we firmly believe that the time has come for the Latin American governments to become aware of the urgent need to implant a true system of financial cooperation in the region. It is illogical for the developing countries to request and demand financial cooperation of the industrialized countries, pleading principles of justice, equity, redistribution and compensation, if, at the same time, the countries with relatively less pressing economic situations within the Group of 77 do not come to the support of those whose situation is just short of desperate at the present time. To imagine that immediate relief for these countries should be provided in its entirety by the industrialized countries is, in addition to being unrealistic, hardly consonant with the political principles we defend both internally and externally. For Venezuela the situation is sufficiently clear: application of the principle of international social justice presupposes the sacrifice of the relative and precarious, although perhaps transitory, well-being of some Third World countries for the benefit of others whose situation does not allow for unilateral economic solutions.

Consequently, the Government of Venezuela, in establishing a cooperation system with a substantial number of sister countries of Latin America, has not been prompted, as has sometimes been said, solely by the increase in oil prices, but rather by the fact that our country is temporarily in a more advantageous position than many other Latin American countries. There is no doubt that the increase of oil prices generates new income, which comes mostly from the industrialized countries, since they are the principal importers of oil. There is also no doubt that these price increases contribute to increasing the already heavy burden imposed upon the least developed countries, by the unjust structure of the present-day system of international trade. However, it is no less true that within Venezuela's bilateral financial cooperation activities through the Venezuelan

Investment Fund, the Inter-American Bank and the OPEC Special Fund, many of the countries with which such cooperation has been established are not importers of Venezuelan oil.

In any case, Mr. Chairman, I wish to take this occasion to reiterate the conviction of the Government of Venezuela that it is not just the oil-exporting countries which are responsible for international financial cooperation. We are convinced that in our region there are countries that, although not members of OPEC, are nevertheless capable of supporting the most needy Latin American countries through the establishment of a sound system of regional financial cooperation, no matter how modest it may appear at the beginning.

Fellow Governors, at the end of 1979 the IDB completed 20 years of existence, which has contributed toward making it an increasingly sound and serious institution. During the course of its existence, fundamental changes have taken place in the socioeconomic evolution of Latin America, and it is only right to recognize that the financial contributions and technical assistance provided by the Inter-American Bank have been largely responsible for such changes. I would even go so far as to say, without fear of error, that there has been no large-scale development project in Latin America in the last 20 years in which IDB has not played a part in some way or another. We may then say, with satisfaction, that the establishment of the Bank has been one of the best achievements of Latin America in its pursuit of appropriate mechanisms for its economic development.

Nevertheless, we cannot deny the fact that at the present time the Inter-American Bank is facing a socioeconomic reality quite different from the situation prevailing 20 years ago. This implies that the institution must at all costs be revitalized and restructured, and that it must modernize its procedures and administration. If this is not accomplished and if the IDB is not equipped to face the challenge of the years to come, whether because of the political indecision of its member countries or because of the future inability of its executive and professional staff, it seriously risks losing the regional importance it has achieved throughout 20 years of operations.

Aware of this challenge and the risks involved, the Government of Venezuela gave its decided and enthusiastic support to the establishment of the Working Group on the Bank's Functions and Policies, which was approved at the Nineteenth Annual Meeting in Vancouver. We hope it will provide a detailed analysis of the institution's present structures that will make it possible to establish guidelines and set the goals to be achieved in the study to be proposed to define the role to be played by the IDB in the 1980s and how it must be restructured to achieve these goals. However, now that the Working Group has concluded its mandate, we feel we must express our disappointment at the methodology it adopted and the terms of reference it established, which are very far from satisfying our hopes. Furthermore, we do not understand how the Latin American members of the Bank have given up the opportunity of making a genuine study and arriving at a precise diagnosis for the sake of the questionable pragmatism of certain priorities established at that time.

We do not believe that a study founded on these precarious bases can lead to a reorientation of the Bank's activities that would permit the achievement of its objectives as an international instrument, the taking into account of the economic and political realities of subregions, the planning of investment in accordance with

new realities, the developing of means to obtain extraregional resources, and, even less, that such a study can provide the basis for future capital replenishments. In other words we do not believe that without radical restructuring, the Bank can continue to be an instrument of Latin American cooperation and solidarity.

In meetings such as this there is no avoiding making comments on the world energy problem. It might even be said that since 1974 the exploitation and marketing of hydrocarbons has represented a kind of trauma for importing countries, even to the extent of *distorting their influence on the dynamics of the world economy* and leading them to attribute all the evils deriving from the defective and obsolete economic structure of many industrialized countries to the exporting countries and OPEC in particular. In truth, the history of the Twentieth Century indicates something very different: for almost 50 years the industrialized countries have taken advantage of the economic and political power exercised by the multinational corporations to impose ridiculously low prices for the purchase of such an important basic resource and thus ensure their wasteful industrial development as regards energy at the expense of the developing oil-exporting countries. That is, the latter were subsidizing the development of the former. Naturally, this phenomenon was not peculiar to oil markets. Most of the raw materials supplied by what is today called the Third World were subjected to the same treatment. If oil has for the time being been able to free itself partially from this domination and economic dictatorship it is because the characteristics and concentration of its export facilitate concerted joint action. It would be desirable if the developing countries that export nonrenewable resources possessed mechanisms similar to those of OPEC in order to defend the prices of their raw materials.

Although in recent months a certain decline has been noted in the prices of some oil by-products — especially with regard to residual fuel — due more than anything else to the disproportionate warehousing of strategic reserves, the demand for energy products will show a steady upward trend over the years to come, and this will be even more true when a vast number of human beings, presently marginalized, become consumers of fuel. The impetus of future demand in the face of foreseeable relative rigidity in production will lead to an inevitable gap between these two variables, thus underscoring the importance and priority of this problem for most of the countries of the world.

As an illustration it might be worth recalling a few figures demonstrating world energy consumption's dependence on the use of hydrocarbons. Oil represents 14 per cent of the world's reserves of energy and minerals; however, at the present time it constitutes 45 per cent of the world's production of energy. However this may be, so far no substitute can be envisioned capable of modifying this proportion to any significant degree.

To these considerations must be added the fact that the American States, despite their having been generously supplied by nature with sources of energy other than oil, use them in a very limited manner, since to date there has been little investment to make them available for the hemisphere's energy consumption.

In order to ward off the future dangers threatening Latin America in this field, Venezuela is willing to support any joint efforts to obtain the resources essential for investment in projects aimed at diversifying sources of energy in the region. In this connection, the Venezuelan Delegation understands the concern



expressed in the draft resolution submitted by the Argentine Delegation. However, it does not concur with respect to this draft resolution nor with the proposed IDB fund as regards the concept of security and guarantee for investments made in energy. We are willing to contribute, together with all the countries of the continent, to a fund composed of financial resources for the diversification of energy sources, as we have already stated in OLADE and other hemispheric forums; but in no case would we be willing to set up guarantee funds to secure the investments of multinational corporations, firstly because the nationals of each country do not enjoy this privilege, and secondly, because above and beyond the fact that such corporations have traditionally exploited the resources of the region, never in the past have they required or needed any guarantee to make the lucrative deals so common in our troubled economic history.

Lastly, Mr. Chairman, before concluding, I should like to make a brief reference to the legal and structural transformation of the OPEC Special Fund. As you all know, until now the Fund did not have legal status, but was composed of a set of accounts established by the individual contributions of each member country that were administered separately by the Director General of the Fund. As of January, the Committee of Ministers of Finance granted it such status. However, certain member countries, including Venezuela, have not been content with a mere reform of this type and have proposed going further in amending the By-Laws of the Fund. In accordance with the new proposals which have been presented, the OPEC Fund would be able to set up various financial cooperation mechanisms, such as balance-of-payments support, financing for different kinds of development projects, contributions with specific objectives that member countries wish to establish, and the possibility of resorting to international markets for additional resources, etc. In other words, the OPEC Fund would henceforth have various expeditious and flexible "windows" for financial cooperation.

Let us hope that at the next meeting of the Committee of OPEC Finance Ministers to be held in Vienna on May 27 the draft version of the new By-Laws will be finally approved.

Mr. Chairman, fellow Governors, there are many other topics I would have liked to have touched upon (interest rates, world inflation, the danger of economic recession, economic trends in Latin America, etc), but in such a short time it is not possible to cover — and I have maybe already spoken for too long — all the topics suggested by a study of the Annual Report of the IDB. I have limited myself to discussing the topics that most directly involve my country at the present time and are of most interest and concern in the future.

Allow me to express the hope that our debates will clarify concepts, crystalize ideas and enable us to arrive at conclusions that will constitute a significant contribution to our desire to strengthen our Institution so that it will continue to be a support for the development of Latin America. And let us hope that the vital forces of this great country that is hosting us today — appropriately called the country of the future — will be an inspiration to our minds and a stimulus to our will to make of the IDB the Bank of the future.

**Address by Mr. Arnon Gafny,  
Governor for Israel and  
Governor of the Bank of Israel**

---

This Annual Meeting marks the end of the Bank's first two decades of operation and its entrance into a new one. It is, therefore, an appropriate time to evaluate the past and to consider the prognosis for the future.

The Inter-American Development Bank can look back with justifiable pride upon its achievements since its inception in 1960. During these past two decades, it has played a major role in doubling the region's GDP per capita. As this has been concomitant with a 70 per cent increase in population, it constitutes a very impressive rate of economic growth. The Bank has been innovative in many areas, particularly in fostering rural development programs. It has also served as a catalyst, with its own cumulative lending of \$16 billion, instigating development projects and programs totaling over \$61 billion. Small wonder, therefore, that Israel takes pride in being one of the Bank's members.

Remarkable as its past achievements are, the Bank obviously cannot rest upon its laurels. Latin America and the Caribbean are today faced with development tasks of Herculean proportions. For much of the region, development priorities for the coming decade consist of the most basic elements — food and productive employment.

The Bank, together with all member governments, must find ways and means in the coming decade, to make a significant impact upon the masses of urban and rural poor, whose level of living falls far short of acceptable standards. Israel stands ready, as a member of this institution, to do its share.

Only three decades ago, Israel had to begin to build a viable economy and an equitable society out of an underdeveloped and war-devastated community with only a relatively primitive agricultural base. The task was made all the more complex because the country's population doubled in its first three years of existence, and tripled in its first decade. Having experienced the severe difficulties of moving, in a short span of time, from a simplistic, underdeveloped agricultural economy to a relatively sophisticated level of industrial and agricultural production, we are all the more closely aware of the problems confronting much of Latin America and the Caribbean. And, for these very same reasons, we willingly offer to share our experiences and technologies, particularly where — with minimal capital resources — development needs focus on water resources, food production and rural industrialization.

Even before it became a member of the Bank, Israel's technology was being applied in several fields of agricultural development in Latin American countries. Of particularly positive impact has been the Israeli Training and Visitation Extension Methodology. The Israeli method has now been adopted and successfully implemented by several international development institutions in such diverse regions as Thailand, India, Turkey and the Dominican Republic. Applying labor-intensive technology appropriate for small farmers, this method has brought phenomenal growth in both agricultural production and farm income.

Furthermore, it has clearly shown that no less important than the transfer of technology is the implementation of the appropriate technology for transferring know-how.

We should like to take this opportunity to reiterate Israel's willingness to join forces with the Bank, in placing this highly effective methodology at the disposal of all member countries who may wish to utilize it.

I should like to turn now for a moment to another problem which confronts us all, and which is likely to hold our attention well into the coming decade and even beyond. I refer to the problem of energy. For those of us who represent oil-importing countries, the immediate concern lies in the effect which the price of fuel has upon our economies. Yet, if we consider the energy requirements of future generations, we must also share the concern of the oil-exporting countries, for theirs is a nonrenewable resource.

Meeting Latin America's needs for industrialization and overall socioeconomic development will require ever-increasing energy resources. The Bank has done much to foster expansion of traditional sources of energy, and particularly the "classic" renewable energy source — hydroelectric power. However, for the numerous Latin American and Caribbean countries which lack fossil, hydroelectric or thermal energy potential, alternative sources of energy need to be developed. Two alternative energy sources are available to most, and consequently warrant Bank interest and development support. I refer to the sun and agricultural wastes.

Recent technological advances now make feasible the large-scale production of electricity using solar ponds, at a cost comparable to hydroelectric power. The winter of 1981 will see the first of a series of 5 megawatt power stations in Israel, activated by solar ponds along the shores of the Dead Sea. For countries with a reasonable amount of salt water and sunshine, solar ponds can serve as at least a partial answer to their energy needs.

Technology developed here in Brazil will soon make gasohol a very real alternative to gasoline in some countries, for use both in transportation and other needs. In addition, while using different technologies, Brazil and Israel have both made important headway in efficient, large-scale production of methane gas from agricultural waste. The basic biomass principles have been known for almost a century. However, only now have technologies evolved which make economically viable the mass production of gas from agricultural waste, thus making available an economical alternative energy source for rural communities.

Given the severity of the energy problem and given the Bank's admirable record for innovative development, we feel sure that, together with the Fund for Energy and Minerals now under consideration, the Bank will find the ways and means to foster rapid development of these alternative, renewable sources of energy.

It is, as I am sure you will all agree, our very good fortune to have been invited to mark this anniversary year in one of the truly beautiful and fascinating cities of Latin America. The gracious hospitality and kindness which are being extended to us here are making our visit a memorable one. I am sure that I express not merely the gratitude of my delegation, but that of others as well, when I say to the people and the Government of Brazil — Muito Obrigado.

**Address by Mr. Ronald Hugh Packer Small,  
Governor for Jamaica and Minister of Finance and Planning,  
on behalf of the Caribbean Group**

---

On behalf of the Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago, I would like to thank the Government and people of Brazil for the hospitality they extended to our delegations during their stay in Brazil. Because one member of the Group, Jamaica, hosted the Annual Meeting in Montego Bay last year, we are only too well aware of the effort that goes into arranging these meetings. Further, Mr. Chairman, we wish to extend our appreciation to the Management and Staff of the Bank, who we know played a great part in ensuring that the preparations for and proceedings of this meeting would be a success.

During 1979, economic activity within the Caribbean Group ranged between good performance in three countries to declines in the remainder. Rates of growth of GDP varied significantly with the Bahamas, Barbados and Trinidad and Tobago showing positive rates of growth and generating surpluses on both fiscal and external accounts. However, both Guyana and Jamaica recorded negative rates of growth during 1979, experiencing severe and worsening imbalances in their fiscal and external accounts. Overall, domestic activity and consumption levels fell in both countries. Nonetheless, Guyana showed an increase in investment; whereas, according to preliminary data, Jamaica recorded lower investment levels in 1979, compared to the year before.

Within the countries of the Caribbean Group the performance of their economies—even in those cases where there has been real growth in recent years—has not been strong enough to have any significant effect on reducing the high rates of unemployment which have been a feature of their economies for many years. In all cases, the openness of small economies exposed them to the effects of external factors over which they had no control, mainly, higher oil prices, accelerating international inflation and rapidly rising interest rates.

During 1979 the IDB contributed \$71.4 million to the developmental resources of the Subregion in loans and technical cooperation—including \$10 million to the Caribbean Development Bank. The loans and technical cooperation were directed to agriculture, including fisheries, rural integrated projects, health, education, transportation, export development and lines of credit. Although 1979 represented an increase of 43.4 per cent in loan and technical cooperation approvals over the levels of 1977 and 1978, it nevertheless fell below projected levels. It is encouraging to note that disbursement levels rose by 38 per cent over 1978 and a 43 per cent increase is projected for 1980.

*Global Bank Lending*

For the first time in its history the Bank in 1979 exceeded \$2 billion in annual loan approvals, and surpassed the target set for that year. Once again the lending targets of the ordinary and inter-regional capital resources were exceeded, demonstrating the region's ability to absorb increased levels of investment. However, it was disappointing that the relatively less developed countries received more of their loans on conventional terms contrary to what was anticipated and to what

their state of development warrants. It is pertinent to note that loans to the Group C countries have fallen.

Indeed at the Twentieth Annual Meeting in Montego Bay, the Caribbean Subregion recorded its disappointment that the terms of the Fifth Replenishment would require increased conventional lending to the Bank's member countries of small size and limited markets; and we observed that these hardened terms were being introduced against a background of serious external disequilibria in several of our economies, coupled with a sharply rising debt burden.

On the other hand, it is encouraging to see that the Group D countries received 75 per cent of the Bank's concessional lending (Fund for Special Operations), a level deemed desirable during the Fifth Replenishment negotiations.

### *Bank Lending in 1980*

The projected levels of lending for the Subregion for 1980 are forecast at \$95 million. However, those projections are very tentative, since the major contributor has failed to fulfill its commitment to the Fifth Replenishment. About this I will have more to say later. This failure has presented enormous operational and resource transfer problems for the Bank and the region.

In order to finance the 1979 loan approvals, the Board of Executive Directors passed a resolution which permitted the Bank to use expected receipts from loan principal repayments and loan cancellations in 1980 and 1981 as well as a portion of the General Reserve. The situation now, however, is that there are no resources available to the Bank to finance 1980 loan approvals until the Fifth Replenishment can be brought into effect.

Further, we note that Group D countries may continue to have difficulties in project preparation, and welcome the Bank's decision to introduce a new system designed to improve the project cycle from identification to loan approval.

### *Functions and Policies*

We would like to offer a few comments on some of the topics which have been dealt with by the Working Group on Functions and Policies established at the 1978 Vancouver Meeting. On the definition of "low income," we are pleased to see a greater understanding in a matter which seemed at times intractable. The Group has been able to combine the theoretical underpinnings with the qualitative socioeconomic and operational considerations of individual countries. As in many compromises, perhaps not everyone is entirely happy and the potential for improvement has not been exhausted. However, this subregion is encouraged by the safeguard that the application of the methodology for defining low-income groups will not provide a basis for accepting or rejecting a loan; and the Management and the Board of Directors will continue to study this matter—adjusting and refining the concept and application where necessary.

In our national domestic planning, our governments attach high priority to the social welfare of our low-income groups. It is clear, at least to those of us with experience in this area, that an offensive against dire poverty can only be sustained if sufficient real output satisfying physical needs can be generated through investment and employment. Attempts to deal with the problem of poverty will only succeed if they are designed to overcome the underlying structural problems of our economies.

The subregion notes that only one year after authorizing the financing of the small projects program, the Bank has already approved loans totaling \$9 million with the requirement that these projects be largely for self-help groups, employment-creation activities and are local-input oriented. We welcome this thrust as it is an effective way of directly employing persons of low income in solving the problem of poverty.

With regard to the financing of direct and indirect imports and local costs with foreign exchange we note that the agreed matrix is now being applied, though some initial adjustment period would not be surprising. Its application should ensure that the Bank continues its function of transferring adequate resources to developing countries on reasonable terms and conditions, taking into consideration the peculiarities and different stages of development of its member countries. These observations are also very pertinent to the discussions being held on the amortization periods for loans.

On the topic of the Bank's investment in liquid funds, we welcome efforts to broaden the scope of investment to accommodate a greater variety of regional financial instruments.

On the question of Bank borrowings and its relevance to resource availability, the Bank achieved its capital borrowing targets during 1979, and moreover placed its first combined short-term public issue of ordinary and inter-regional capital in the major capital markets of the world. On this performance we must congratulate the Management of the Bank. It is clear, however, that the most recent developments in the international markets suggest that this excellent record can be maintained only with the greatest difficulty.

#### *Fifth Replenishment*

Last year's meeting took place at a time of declining growth rates, rising social tensions, and anxiety about the future prospects of the international economy. This situation has continued to deteriorate. The ability of our Bank to respond adequately to the needs of the region in these circumstances cannot be realized unless all members appreciate the urgency of fulfilling their commitments to the Fifth Replenishment. Policies alone, however well-intentioned and finely tuned are not enough. We would be failing in our duty to the Bank and our peoples if we allowed the current state of affairs to pass without comment, and without an expression of the deep concern with which we view the possibility of lower levels of official capital flows.

#### *The Decade of the 1980's*

Mr. President, we are indebted to you for having drawn attention in your usual forthright manner to a number of critical issues we all face as we enter the Decade of the 1980s which you have so appropriately called a "Decade of Trial" in your recent speech to the National Press Club in Washington. Since our Board of Governors last met in Montego Bay last year, some of the problems to which you alluded have assumed greater urgency.

Double-digit inflation in the advanced economies adds hundreds of millions of dollars per year to the cost of imports necessary to maintain economic activity, let alone permit growth. Unusually high interest rates, adopted to counter inflation in the developed countries, have added to the mounting cost of servicing the

external commercial debt. The climate for the transfer of resources from the developed to developing countries continues to deteriorate. While the World Bank has called for an overall real increase of 5 per cent per year the flow of resources is actually declining in real and sometimes even in nominal terms. These adverse developments fall particularly heavily on the non-oil exporting countries of the region, beset by the renewed round of price increases for the imported oil upon which they rely heavily for their energy. Whereas formerly these difficulties appeared as constraints on the pace of development and growth, recent events now threaten the ability of some countries to guarantee essential supplies of food to their people, maintain even reduced levels of economic activity without widespread dislocation, and service their external debt.

The case of Jamaica is a clear example of the problems to which I am referring. Since 1977 the Jamaican economy has made drastic adjustments to cope with the adverse consequences of a number of factors, many of which are outside of our control. At present our level of public spending in real terms, and excluding the cost of debt service, is about one-third lower than four years ago. This has adversely affected many of the social and distributive programs of the type to which this Bank is committed.

Our overall level of imports is 24 per cent lower than in 1975; imports of unessential consumer goods have been practically eliminated, and we have not been able to avoid significant reductions in imports of raw materials and capital goods, with adverse consequences on production and employment. Real wages have fallen by over 40 per cent in the last two years, with inevitable hardships on those sections of our people who are least able to bear them. In spite of these major internal adjustments in 1980 practically all our earnings from exports of goods and services are preempted to service our external debt and pay for oil imports. It is evident that internal adjustments cannot be more than a partial answer to these problems, which are rooted in the structure of the international economy and the operation of the international monetary and financial system. Unless there are substantial additional transfers of resources on terms that are realistic both as regards repayment and interest, the economies of non-oil exporting developing countries will not be able to keep functioning. To undertake these transfers will require major increases in official lending (both bilateral and multilateral), and such lending will have to play a much more dynamic role than private lending, in contrast to the experience of recent years. Meanwhile, where present financial conditions are particularly difficult, it would be helpful if private financial institutions could be more flexible in their requirements.

The full recognition that these balance-of-payments deficits can only be properly addressed within the context of a medium-term economic program is also overdue. Domestic energy development must be a basic element of such a program, and the subregion takes courage in the fact that the Bank has increased its capital lending for energy during 1979, and increasing financing during 1980 is projected to the extent that lending for energy could exceed the 25 per cent sector target set during the Fifth Replenishment.

Bank lending for large hydro-projects in Group B and other countries are projected. Other areas falling within the expanded energy sector include gas, oil and other energy sources.

We support more direct backing for government in exploration and processing of minerals. We also believe that in orienting the Bank's role in the Decade of the 1980s, the proposed study on that theme should deal intensively with energy — without diminishing appropriate treatment of other sectors vital to development.

#### *Proposed Energy Fund*

It may be timely to now mention the proposed Inter-American Fund for Minerals and Energy. Earlier aspirations were that this Fund would involve itself in exploration and extraction activity — at least that seemed a natural expectation. We now recognize emphasis is being placed on insurance and guaranty operations. Certainly we should not close the door on any opportunity and discussion of their possibilities, and we feel consultations could proceed within governments and between governments, as well as with the Bank, to secure a broader area of agreement than presently seems to exist.

#### *Conclusion*

As we have noted, Mr. Chairman, the dawn of the 1980s has not brought with it relief either for the international economy or the non-oil-exporting countries of the region. In this climate, even the future of the Bank is being threatened. And yet it has continued the process of adaptation and innovation in an imaginative manner. We think that on these grounds alone, the President and his staff deserve the highest praise for their leadership and perseverance.



**Address by Mr. Kaj Repsdorph,  
Governor for Denmark and  
Under Secretary of State, Ministry of Foreign Affairs**

---

It is with great pleasure that I, as a recently appointed governor in the Inter-American Development Bank, have this first opportunity to be present at the Bank's Annual Meeting on behalf of the Danish Government.

It is a special pleasure to attend this meeting in the splendid surroundings of Rio de Janeiro. Let me take this opportunity to thank our host country for its warm hospitality and the excellent arrangements for the meeting.

I also want to convey the best wishes of the Danish Government to the Bank on the occasion of its Twentieth Anniversary. The Bank has achieved outstanding results during its first two decades and has significantly contributed to the rapid economic and social development of the Latin American continent in those 20 years.

Latin America has indeed been one of the most successful regions in the developing world when we consider the region as a whole. The gross domestic product of the region has tripled in constant prices during the 20-year period and the per capita income has nearly doubled. I believe that the IDB has contributed significantly to this development.

Denmark has been a member of the Bank for a rather short period, during which we have witnessed the Bank's dedication to the development of the region. The goal has not only been higher economic growth rates, but also the promotion of social changes that will reduce social tensions and create more equitable societies. If this progress shall be continued and structural changes be carried out, it is necessary that financial resources are available on reasonable terms and at the right moment. Here the Inter-American Development Bank has a significant role to play.

Recently we have received the report of the Brandt Commission and its recommendations for the development process in the coming years. Like other recent reports it paints a very pessimistic picture. If no significant increase in the transfer of resources is carried out before the end of this century the number of people living in absolute poverty will be even higher than today.

My Government has for years been dedicated to the principle that the developed countries must contribute significantly to the development process in the poorer countries. Thus, despite economic problems of our own due to the world economic crisis we have at the end of the 1970s reached the target set for the Second Development Decade: that official development assistance should reach 0.7 per cent of the gross national product. It is our hope that the dark outlook for the world economy, with increasing imbalances between surplus and deficit countries, will not hamper further understanding, and commitment and solidarity between industrialized and developing countries, and especially the solidarity with those countries and segments of the population which are suffering most.

Mr. Chairman, in 1979 the Bank for the first time in its history surpassed the \$2 billion lending mark. This is an outstanding achievement. The Danish Gov-

ernment finds that the Bank has once more proved itself to be an efficient development institution which contributes in an important way to the development of the region. Similarly, there is reason for great satisfaction with the sectoral trends in the Bank's activities, loans to projects in the agricultural sector thus amounted to one-third of the year's total lending. This, I find, is very important for two reasons.

First, it will help Latin America once more to reach self-sufficiency in food as was the case in previous years. Latin America has the resource base and the labor force which is necessary to reach this goal.

Secondly, it is often in the rural areas that the poorest segments of the populations are living. In many countries a high percentage of them is either unemployed or underemployed, and nutritional standards are unacceptably low. Economic progress in these areas will help to promote an overall better distribution of the economic benefits from development between the various population groups.

In this context I also want to stress the need for further projects aimed at improving the conditions for women in the developing countries. This is an issue which will be of prime interest during the World Conference of the United Nations Decade for Women to be held in Copenhagen in July and to which we attach great expectations.

The Danish Government has noticed—and supported—the Bank's renewed emphasis on energy projects. With the present bleak outlook for the world energy situation, it is very important that all countries fully explore their energy potential. We believe therefore that the potential for energy extraction in Latin America should be further developed.

It is also with satisfaction that my Government has noticed the continued support from the Bank to projects in the social sectors. It is one of the guiding principles in Danish development assistance that aid should, to the greatest extent possible, be directed to satisfy the fundamental needs of the populations in the poorest developing countries. This can be achieved for instance by supporting primary health projects and primary education. Another way is to ensure that the Bank incorporates appropriate technologies in its projects—technologies which, based on the latest technical innovations in the field, are adjusted to the conditions in the borrowing countries and reflect the relationship between the price of labor and of capital. Also in this area it is our impression that the Bank is making progress.

In cooperation with Denmark, the Bank organized a seminar in Copenhagen in 1979 on the Bank's policies and functions with participation from the Danish industry. It is my impression that the information given by the Bank was very well received and that it will help to promote further cooperation between Danish industries and the Latin American countries—especially through the intermediary of IDB.

Mr. Chairman, I now want to say a few words about the Bank's Fifth Replenishment. It is with serious concern that we have observed the repeated delay in the implementation of the Replenishment. It is almost a year since my Government forwarded its votes on the proposed resolutions and deposited the necessary instruments undertaking to subscribe to the capital increase and contribute to the increase in the Fund for Special Operations. A further delay will

have serious consequences for the Bank's lending in the current and the coming years.

As I mentioned earlier I am convinced that the Bank is committed to the social and economic development of the Latin American countries, and it is therefore necessary that the already negotiated resources be made available to the Bank to secure a continued expansion of its activities.

The Danish Government has followed closely the progress made in regard to the decision reached during the replenishment negotiations to reserve 50 per cent of the Bank's lending for low-income groups. The Danish Government attaches very great importance to this decision and to the wholehearted and effective implementation of the goal.

The fact that the economic and social policy of a borrowing country is concordant with the objects of a project is, of course, something which is carefully observed by the Bank. In the past my Government has found it necessary to question whether a few specific projects have fulfilled this requirement, especially that the benefits of the project would reach the planned target groups, but I am happy to state that the cases have been rare and that in general the Danish authorities are satisfied with the Bank's project preparation and take note that the projects are carried out as intended.

It is my view, Mr. Chairman, that the Bank's staff is very dedicated to its work and to the guiding principles which have been laid down by the Board of Directors, and that the staff under the presidency of Mr. Ortiz Mena has achieved great and impressive results in the Bank's first 20 years. The Danish Government attaches great importance to the multinational composition of the staff and to an adequate representation by as many of the member countries as possible in the Bank's staff.

Finally, may I take this opportunity to welcome Portugal as a new member among us.

Mr. Chairman, we are now moving into the Third Development Decade which is also the IDB's third decade. There is great uncertainty as to where the immediate future will bring us — but my Government is convinced that the IDB also in the future will be ready to assist in the economic and social development of this region — as excellently as it has done during its first 20 years.

**Address by Mr. Hugo Tulio Búcaro García,  
Governor for Guatemala and Minister of Finance**

---

The delegation of Guatemala extends its most sincere appreciation to the Inter-American Development Bank for its constant efforts to solve the diverse problems of inter-American development, and to assist our country in advancing on the path of economic development and social progress.

We should also like to express our sincere and public thanks to the Government of Brazil for giving us a warm welcome, and for acting as host country for this Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank.

This meeting is taking place in circumstances heretofore unknown: currencies that once were strong are now being eroded; the terms of trade have deteriorated; integrated regional development has not been able to refine its operating mechanisms; old religions are gaining new force in the world; the energy crisis, especially that of petroleum and its derivatives, continues to grow worse, with alarming damage to our weak economies; the food crisis becomes ever more acute, and social indicators in health, education, housing and nutrition remain too low in relation to the emerging demands of society.

The prospects once offered by new nations with political systems different from those of the inter-American region, which appeared as types to be emulated, today have been dashed.

Subregional efforts have been neither sufficient nor capable of restructuring the operation of their own markets. Even more significant is the failure to define a general policy of inter-American development in which the economically strong nations can contribute to the development of their economically weak sister nations.

It is in these circumstances in which the Twenty-First Annual Meeting of the IDB is being held. We still do not have the approval of the Fifth Replenishment of resources, a factor which is affecting the program of financial assistance for priority projects. The consequences of this situation are adverse to the normal performance of the functions of the IDB. Should it continue, it will seriously hinder the development of Latin America and, in particular, that of its relatively less developed nations.

In the light of this situation, the proper role of the Bank requires more than ever the common and unified efforts of its member countries, aimed at finding early solutions to critical problems: the inflationary and recessionary trends that affect our economies internally are grave; unemployment and financial and trade imbalances are grave; fluctuations in the international economy, which are harming Latin America, are grave; protectionist policies and tariff barriers that constrain the normal development of the international market among producers and buyers in the area are grave.

The Delegation of Guatemala believes that the time has come for action. This is the moment to reflect upon and reformulate the general policy of the Bank. We believe that out of crisis should come progress. Unforeseen events destroy institutional rigidities and bureaucracy. It is now appropriate to carry out studies that

will offer feasible options for the reform of this valuable institution, which will achieve growth and stability through transformation. Thus, it is possible to consider an increase in the general participation of all member countries of the Bank; it is possible to increase the participation of those Latin American countries whose economic growth makes them intraregional centers of development; it is possible to weigh the need for an increase in the contributions of extraregional countries and institutions; it is possible also to suggest a new strategy to bring about balance in the financial structure of the Inter-American Development Bank.

All of this is feasible if at the same time the other countries make their own efforts, if we bring our forces into play and — on the basis of the domestic economies — if we improve our capability for development planning and for project preparation, implementation and monitoring, using adequate domestic technologies. If we define a general strategy of integration based on labor-intensive projects, and if, given the vulnerability of the external sector, each country can redefine its policy for autonomous development, we will be working to strengthen the inter-American system and its financial institution, with regional development and assurance of the autonomous, integrated development of our nations.

It is in this direction that the Government of Guatemala is working. Today we have a national development plan, annual operating plans, a social recovery plan and integrated rural and regional development plans. This enables us to attain a positive rate of economic growth and to redistribute the fruits of that growth to achieve social development. It also permits us to develop internally, re-establishing equilibrium with outward-oriented development. In terms of projects, it means continued impetus for the Aguacapa, Chixoy, Chulac and Serchil hydroelectric projects; continuation of the Moyuta and Zunil geothermal projects; and construction of the hydroelectric system without neglecting the exploration, development and export of oil, the first shipment amounting to about 200,000 barrels. It also means the opening of the country's agricultural frontier with the development projects for the northern belt and the northwest region and integrated rural development projects. In basic services we are continuing to improve the infrastructure of roads, transportation and communications, and we have begun construction of the Pacific port complex. In the social field, we have stepped up our programs of preventive health services and hospital facilities. In the field of education a great effort is being made to restore the infrastructure damaged by the earthquake of 1976 and to complete the network of primary and secondary schools now required for the school-age population. One highly significant action is the impetus given to the program of low-cost housing, in which our Government is providing nearly 20,000 new housing units. In the area of nutrition, stress is being placed on the large-scale production of basic foods. In the field of industrial development, positive steps include the law on industrial decentralization, establishment of the necessary energy infrastructure, establishment of industrial parks, and the identification, preparation and implementation of projects in crafts and small- and medium-scale enterprise as well as export industries. Stimulus to agro-industry is enabling Guatemala to use domestic raw materials and to obtain a greater value added. All of this is occurring precisely when the Government is implementing new minimum wages in agriculture, industry and

services, which will restore the purchasing power of our workers. For this reason, the Government of President Lucas has undertaken to define development policy as the effort that all Guatemalans must make to earn our bread with dignity and to achieve peace with prosperity.

Finally, all of us are aware that there is an obvious need for everyone to make more resolute efforts to ensure that the fundamental goals of the development process — namely sustained economic growth and the reduction of absolute poverty — have a reasonable possibility of being accomplished. As Robert McNamara, President of the World Bank, has said, "The choices before us are not easy, but if we slacken our efforts on behalf of development, if we lose our momentum, if we hold back, if we allow the problems to worsen, we will have made a choice that will benefit neither ourselves nor those who will come after us." We all know who he means: our children.

In conclusion, I should like to underscore this last point. Our most valuable resource is time. We must use it now, because once gone it is lost forever.

**ADDRESSES**

---

**THIRD PLENARY SESSION**

**April 15, 1980**

**Address by Mr. Emiel Kestens,  
Temporary Alternate Governor for Belgium and  
Director General of the Treasury, Ministry of Finance**

---

Mr. Gaston Geens, Governor for Belgium and Minister of Finance, has asked me to represent him at this Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank and on his behalf to express his interest in our institution and his support of its activities to promote the economic and social development of the Latin American countries.

I would first like to join the other Governors in welcoming Portugal and to ask you, Mr. Chairman, to convey to the Government of Brazil the appreciation of the Belgian Delegation for the hospitality extended to our meeting and for the excellent arrangements made for our different delegations in Rio de Janeiro, a city whose beauty and charm contribute to the smooth progress and successful outcome of our meeting and make our too brief stay in Brazil all the more pleasant.

This meeting, which also marks the end of the second decade of the Bank's existence, permits us to observe the progress made during that period in the principal spheres of Bank activity.

After 20 years devoted to establishing structures, framing policies and expanding the Bank, we note with satisfaction that the machine is working and producing as expected. Projects proceed expeditiously. The funds needed for the growth of regular lending have been and will be ensured by capital increases. The special funds are being replenished. And the Bank has an excellent rating in the capital markets.

We congratulate the officers and staff of the Bank for their dedicated efforts, which have produced in 20 years a positive balance sheet.

We are certain, Mr. Chairman — and recent developments in Bank activities confirm this certainty — that you will take bold action and further develop the activities of our institution, while seeking maximum efficiency as regards both the mobilization of resources and their use.

Even though the growth rate of the Latin American economy was still high in 1979, I believe that in view of the turn taken recently by a number of elements on the international scene — generalized inflation, the price rise in petroleum products, the stagnation in the economic activity of the industrialized countries, accompanied by severe budgetary and balance-of-payments difficulties — we must acknowledge that the situation is now cause for concern for some of our member countries. These countries continue to be faced with serious problems not only as regards their balance of payments but also in maintaining an adequate rate of development. Bank activities should be viewed especially in the latter context, for they can play an important role in the transfer of resources to Latin American countries, thereby assisting them to better mobilize their own internal resources, which continue to be essential to their economic progress. Thus, transfers will play an important role in the international adjustment process.



As President Ortiz Mena said yesterday, the Bank has achieved remarkable results in this area:

- Last year the Bank's annual loan volume for the first time in its history exceeded \$2 billion, bringing the total amount of loans to about \$16 billion by December 31, 1979.

- The special funds have been largely earmarked for the least advanced countries of Latin America.

- Bank activities in the development of agriculture and energy are extremely important and in the present circumstances should be continued.

A large part of the loans financed by the Bank in various sectors has helped the most disadvantaged social groups — those with the lowest income — to meet their basic needs. We believe that in its pursuit of this objective, the Bank should nevertheless try not to compromise the priority that should be assigned to sectors of the infrastructure which generally do not have adequate access to local savings and whose development involves a more rapid and certain multiplier effect on incomes.

We should more than ever endeavor to weigh the effectiveness of our action. We should constantly question whether those countries assisted by the Bank have, thanks to that assistance, been able to mobilize better their own internal resources and thereby advance toward making development self-financing, which is the ultimate goal of our policy.

I have also noted with satisfaction an intensification of contacts with the various international, regional and national institutions similarly interested in the development of Latin America. The report informs us that cofinancing operations were carried out during the year between the Bank and the World Bank, the European Economic Commission, the Special OPEC Fund and the International Fund for Agricultural Development (IFAD).

Following the example of the World Bank Group, I think application of the cofinancing formula should be encouraged, especially because it undoubtedly provides one of the most effective means of mobilizing additional financial resources — whether of multilateral or bilateral origin, whether of public or private origin — for the regional member countries of the Bank. Cofinancing ensures the global coordination of projects and better establishes the Bank's role as an instrument of development in that region of the world.

The Belgian Government will continue to support Bank activities as it has done since the beginning. It was in this spirit that my country participated in subscribing to the Bank's capital stock and in contributing to the resources for the Fund for Special Operations and that it recently deposited its instruments of ratification. We sincerely hope that Resolution AG-11/78 can become effective in the near future. It was also in this spirit that the National Bank of Belgium subscribed to short-term obligations issued by the Bank in the amount of \$2 million.

In the utilization of its resources, I believe that the Bank should continue to call for an ever broader participation by all the member countries, not only in the organization and functioning of the Bank but also in the selection of the consultants and of the enterprises contracted to furnish goods and services.

It seems desirable to us that the Bank should draw on all skills and recruit its staff in all the member countries, and that it should try to solve, within this framework, any practical problems that may arise.

As regards the provision of goods and services, an effort has certainly been made to ensure a better geographic distribution of contracts. But it should not stop there. That effort should be intensified. The Bank should further improve its gathering of information and see to it that its own regulations on the international allocation of contracts are strictly applied.

Before concluding, Mr. Chairman, I should like to talk about the initial reactions of the Belgian authorities to the project for the establishment of a Fund for Energy and Minerals.

Belgium is perfectly aware that exploitation of the mineral and energy resources in the developing countries—and particularly in Latin America—is of primary importance and interest to the international community.

It nevertheless wonders if achievement of such an objective should not first be sought within the framework of the regular resources of the Bank which are periodically replenished and which are used to finance projects in the different sectors involved, including energy and mining.

It also believes that in this sphere closer cooperation should be promoted with the principal multilateral financing agencies, especially with the World Bank.

It goes without saying that Belgium will follow with great interest the progress of the study proposed by the Bank on this problem.

In conclusion, let me express my hope that our Bank will continue to be successful and that it will proceed with the task undertaken 20 years ago on behalf of Latin America and of the Caribbean, a task in which my country is happy to participate.

**Address by Mr. José Alfredo Martínez de Hoz,  
Governor for Argentina and Minister of Economy**

---

The Inter-American Development Bank commences its third decade of life coincidently with the beginning of the decade of the 1980s.

This occurs at a time when the world is going through very special circumstances—in the midst of political and economic difficulties that seriously affect its evolution—in which the challenge of the next 20 years—up to the end of the century—must be confronted with foresight and intelligence.

The American Continent—which has human and natural resources that gives it a privileged situation to play an important role to promote progress and economic and social development in this future period—has thus a historical responsibility not only towards its respective nations and peoples but also *vis-à-vis* the world.

In this context, the presence and the action of the Inter-American Development Bank are especially important and the possibilities open to our hemisphere will depend to a certain extent on them.

On this occasion, in which we are guests of this magnificent city of Rio de Janeiro in Brazil, I would like to express our appreciation for its hospitality. At the same time I would like to point out how much we expect from the cooperation with all of us of this great nation for the accomplishment of the task that confronts us.

Regional economic cooperation has been one of the priorities adopted by the present authorities of Argentina. In this regard, we have given important proof of our firm determination through various forms of physical integration with our neighbor countries, as also in the wide field of trade, investment, financing, exchange of technology, etc.

As to the future of the Latin American Free Trade Association (LAFTA), our government has presented a specific project which, in our judgment opens positive prospects to begin a new and different stage in the near future.

Instead of grandiose theoretical concepts on Latin American economic integration, which so frequently have proved inapplicable, we prefer practical accomplishments that tend towards the ambitious objectives we have set ourselves, but starting from the construction of solid and viable bases instead of elaborate structures with no practical possibilities.

In the case of many of these important regional projects, especially in the field of economic and social infrastructure, the support received from the Bank has permitted us to face them under the best conditions possible. We also greatly value its interest in financing the private sector. With reference to this subject we wish to suggest that the requirement of the State's guarantee be eliminated, without prejudicing the maintenance of the practice of assignment of priority by the governments.

As on previous opportunities, we wish to state our appreciation for what the IDB has done for Argentina in 1979.

With reference to the full utilization of the Fifth Replenishment of resources, I cannot fail to express my country's deep concern due to the delay in its implementation.

There is no need to dwell at length on the enormous damage that the institution would suffer in the implementation of its planned lending program of about \$2.2 billion. The information available makes it clear that the fulfillment of this program would be virtually impossible and, consequently, the greatest impact will be felt in the less developed countries.

Argentina, fully respects the internal problems of each member country, and especially those caused by inflation. An austere budget has been one of the objectives of our Administration, entailing great efforts and sacrifices. Nevertheless, in this case, we believe that funds to be utilized abroad cannot have domestic inflationary effects.

We wish to stress that at this critical moment in Latin American history, when several member countries are struggling to follow a direction that will assure their future progress, a break in the principle of hemispheric solidarity would cause untold damage.

Our country stresses that, insofar as possible, the harmonious spirit expressed in the Agreement Establishing the Bank should be firmly maintained. In this context, the isolated attitude of one member country, regardless of its importance as a shareholder, should not impair the medium- and long-term programs that the Bank has established.

### **The Evolution of the Argentine Economy**

At former annual meetings of the Governors of the Inter-American Development Bank, we have usually shared with those attending this important international forum some thoughts on the evolution of the Argentine economy, in the understanding that they may be of reciprocal interest and useful for the consideration of the basic objectives of this gathering.

#### *Political Stability and Continuity in the Implementation of the Economic Program*

Above all we wish to stress that one of the basic factors conditioning economic progress is continuity in the implementation of the corresponding programs which, many times, is closely related to political stability. In Argentina the absence of both these factors in the 20 years previous to 1976 has certainly been one of the causes of our economic frustration and stagnation in that period compared to other countries of similar or fewer natural and human resources.

In this regard, we must bear in mind that in the 30-year period preceding March 1976, there were 30 Ministers of Economy or ministers with primary responsibility in the economic and financial field, which means that their average office life span was one year.

When the Armed Forces of Argentina were obliged to take over the responsibility of government at the end of March 1976 to rescue the country from chaos and destruction, they did it with the conviction that recovery and progress on all fronts was only possible if stability and continuity was assured. We stressed this point in our first presentation at the Annual Meeting of the Board of Governors of this Bank in the month of May 1976 in Cancún. Today, on this fifth opportunity in which we attend the Annual Meeting of Governors, we can show the results of an economic program implemented over the last four years, not only with the necessary continuity but also with the required perseverance and tenacity to attain the objectives which had been set forth.

We insisted that our program had to develop over a medium term and was global and comprehensive, in order to attain medium-and long-term objectives even at the cost of confronting short-term negative effects, with the purpose not only of overcoming the existing crisis characterized by a tremendously high inflation rate, a deep recession and virtual default in international payments which confronted the country, but to bring about a profound transformation of the structure of the Argentine economy in order that its future development should take place on solid and sound bases to ensure lasting and stable progress.

The results obtained to date and the various aspects which must still be improved upon in the course of 1980, give assurance that when at the end of March 1981, President Videla and his cabinet finish their term of office and are replaced by their successors according to the rules which govern the renewal of our authorities, this will take place in a framework of stability and continuity outlined by the Armed Forces and this assures the maintenance of the fundamental guidelines.

#### *Basic Principles of the Economic Program of April 2, 1976*

The two basic pillars on which the economic program announced in April 1976 has been implemented and from which the main courses of action have resulted, are the following:

In the first place, the concept of the subsidiary function of the State, that is that it should only intervene in the economy directly when there is no possibility or interest on the part of private enterprise to do so. It is the latter that has the responsibility for productive economic activity, without prejudice to the function of the Government of determining the overall trend and control of the economy by means of the basic economic and financial policies and instruments. The principle of the subsidiary or complementary function of the State is also applicable to the National Government *vis-à-vis* the Provinces and Municipalities.

In the second place, the opening up of the economy, both outwards and inwards, promoting competition in the market and the elimination of all those controls which stifle private economic activity, as also of the subsidies and the excessive protection which assured a privileged situation to certain sectors, with the consequent distortion of the economy.

#### **Redimensioning the State**

Having thus redefined the function of the State under the guiding principle of its subsidiary or complementary role, we set forth to redimension the State's apparatus and its functions, which has necessarily been a gradual and long process and although it still demands a continuing action towards its full accomplishment, we have already achieved important results that assure its viability and have proved its worthiness.

In this respect we may mention the following actions taken.

##### *1. Reduction of the Budget Deficit and its Non-Inflationary Financing*

The extraordinarily high level reached in 1975 for the budget deficit of 12.5 per cent in relation to Gross Domestic Product was gradually reduced and since 1978 it has not been over 2 per cent, and for 1980 this level is still lower.

If we add to this percentage the net annual increase of debt for the rest of the public sector, that is in addition to the National Treasury that of the State enterprises and other decentralized entities, special accounts, Provinces and Municipalities, the percentage in relation to the Gross Domestic Product that in 1978 was of 5 per cent (including the 2 per cent corresponding to the National Treasury), for the 1980 budget has decreased to 3 per cent of the Gross Domestic Product.

Since 1978 and for the first time in over 20 years, there has been no currency issue on a net annual basis from the Central Bank to cover this financing requirement, which has been covered exclusively by means of internal and external credit.

## *2. Reduction and Rationalization of Public Expenditure*

This has also been a target for our efforts and preoccupation. The rationalization of the Public Administration and the elimination of its redundant personnel has been coupled with the reorganization of the State enterprises both from the legal, administrative, labor and accountancy point of view. The majority have been transformed into stock companies with the object of giving them the agility and responsibility of private enterprises as also subjecting them to the same rules of responsibility as these and eliminating the tax exemptions which favored them. Over the years, this has brought about an improvement in their operating efficiency and the rates of public services or utilities and the price of their products has been fixed according to a market level and not maintained low for political reasons. This has resulted in an improvement in their productivity measured with respect to the increase of their production in relation to the decrease of their personnel. Except for a few exceptional cases, the need for them to receive appropriations or subsidies from the National Treasury in order to be able to operate has been eliminated.

## *3. Transfer to the Private Sector of State Enterprises*

This has also been another important action which we have taken and it presents various aspects.

In the first place we have returned to the private sector all those commercial and industrial companies which had been intervened or were managed by the State because of their previous situation of near bankruptcy in order to avoid their foreclosure, thus presumably protecting them as a source of employment. This program is now in its final stages and in the course of the present year the process by which they are sold by public bids will be concluded. If there is no interest in acquiring them they are closed and the corresponding compensation is paid to their personnel. This program is thus practically finished in the sphere of the national government and is under full swing in the jurisdiction of every one of the provinces.

There is also under way a plan for transferring to the private sector those companies that have always been owned by the State, or closing them in case this should be advisable. As an example, we can mention the State's River Shipping Company and also that denominated Mechanical Industries of the State, as also other producers of industrial inputs or products.

In those cases where it has not been possible to totally transfer State enterprises to the private sector, we seek to recur to private sector participation as part owner, either as a majority or minority stockholder, or by seeking to increase such participation if it already existed.

In the case of major public services operated by the State, which must continue to be operated by the State because it would be inconvenient or impossible for private enterprise to take them over, we have sought to interest the private sector in peripheral activities which can be effected under contract by the private sector more efficiently. This process has covered a wide range of cases.

#### *4. Reordaining and Reprogramming Public Investment*

This objective has also required a great effort with the double purpose of placing it within the limitation of the country's financial capability which is based on its tax and financial resources and in order to obtain a proper assignment of priorities for public investment. By this means we have been able to avoid not only its deviation to sectors where there may be private capital available to substitute it, but also to obtain an orderly implementation over time and assure its financing under the best terms and conditions to avoid the undue inflationary pressure it was previously causing, as well as heeding urgent requirements of the country which had previously not been taken care of.

We began by establishing rules that made it compulsory for all administrative departments and state-owned companies to carry out economic and financial feasibility studies for all projects which required investment above a given amount. Those departments and companies were obliged to apply for authorization from a higher level of authority before carrying them out. The basic indicator for awarding priorities to projects of infrastructure and economic services in the rate of return on investment. With very few exceptions, only infrastructure projects with a rate of return of more than 10 per cent have been included in this program. This rate is based in each case on the criteria of general economic impact and not just financial considerations. Specific criteria for analysis of investment has been set up for social welfare areas, which are also subject to an adequate selection.

The reordering of public investment was made all the more difficult by the existence of a large number of projects that had already been initiated when we took office in March 1976. Although a great number of them had no justification whatsoever, many had to be continued, leaving only a small margin for improvement and for initiating new projects. In the last three years new projects amounting to \$7.97 billion have been approved and initiated according to the above described regulations. These have been placed, along with the previously initiated works, within a program which has been better structured.

A more adequate allocation of public resources and better information on projects has enabled us to implement a vast program to modernize and expand our economic infrastructure, particularly in respect to the energy, transportation and telecommunications sectors.

For the first time in Argentina, we have drawn up a 10-year public investment program that covers the Decade of the 1980s. The total investment for this period amounts to \$120 billion. In the case of the energy sector, the program extends up to the year 2000.

All of this has been done in such a manner that the structure of the program of public investment will not allow, as happened in the past, disorderly or indiscriminate commitments without adequate financing, a situation which existed when we took over our functions and which was one of the factors spurring inflation.

Pursuing our principle of attracting private capital as a factor for multiplying our economic efforts, we are undertaking important public works by means of a regime of concessions awarded to private companies and effected by private investment repaid under the toll system. This has been used not only for the building of highways but also for important gas and water pipelines and we consider that this system can be extended to other cases such as the building of fishing ports and some aspects of the telecommunications and other sectors. All of this program will result in a declining participation of the public sector in domestic investment, from a level of 11.2 per cent of the gross domestic product in 1977 to 6.8 per cent in 1989.

We are also implementing a program of decentralization public works and services by transferring to the Provinces and Municipalities those activities of a local nature which can and should be better administered by them than by the Federal Government.

#### *5. Reform of the Tax System and the Improvement of the Tax Administration and Collection*

This has also been an important instrument to obtain the reduction of budget deficits. The pre-existing situation of virtual breakdown of the tax system due to the erosion caused by inflation, tax evasion and an inefficient administration, is reflected in the fact that for the first quarter of 1976 only 19 per cent of current expenditures were covered by current income or taxes. Due to action taken in this aspect, by 1979 this percentage had been increased to almost 80 per cent and public revenue from taxes had more than doubled in real terms.

#### **Freeing the Economy and Revitalizing and Modernizing the Productive Structure of the Country**

By means of the implementation of the two basic principles of the economic program aimed at eliminating the State's excessive and irrational intervention in the economy and of replacing the closed economy concept by that of an open economy, we have brought about in the past four years a profound transformation in the basic structure of the Argentine economy.

We can concisely summarize the most important aspects of this program in 12 points:

1. *Freedom of prices:* We have eliminated all price control systems or official agreements directed towards it, with the consequent disappearance of the black market for products or a lack of such products.
2. *Freedom of the exchange market:* We have eliminated all exchange controls, and the black market for foreign currency has disappeared and there is now a free flow of capital.
3. *Freedom of external trade:* We have abolished all forms of State monopoly of exports such as grain and meat.
4. *Freedom of exports:* We have lifted all existing prohibitions and quotas and eliminated taxes on exports.



5. *Freedom of imports:* We have abolished the existing prohibitions, quotas and import licenses and are implementing a program of gradual reduction of tariffs or import duties.

6. *Freedom of interest rates and reform of the financial system:* Opening it up to internal and external competition and eliminating the excessive State intervention with respect to financial entities and the use of credit.

7. *Freedom of urban and rural rents:* We have eliminated the system of freezing or controlling rents.

8. *Elimination of political rates for public utilities and of subsidized prices for fuels.*

9. *Elimination of subsidies and overprotection awarded to certain privileged sectors of the economy which caused serious distortions.*

10. *Freedom of wages above a basic minimum level fixed by the State:* The system of massive wage increases has been eliminated, and there are guidelines to promote the improvement of wages related to higher production and productivity. In addition there is full employment and high mobility of manpower.

11. *Freedom for foreign investment,* under fair and equitable rules both for the investor and for our national interests.

12. *Freedom for the transfer of technology,* with regulations intended to promote it instead of discouraging it.

## **Inflation**

Within the framework of the profound economic transformations reflected in the above 12 points, the struggle against inflation has been characterized by very special circumstances. This has been due as much to the very high level which it attained, as well as the long period over which it existed, that is about 30 years, in which, with the exception of a few years, Argentines had become used to living with inflation and even more than that, to learn all that was necessary in order to be able to survive with such persistent inflation.

The implementation of the above mentioned measures in some aspects delayed the fight against inflation, since some of them could produce positive results over a medium-term, while over the short-term some of their effects were negative as they refueled the price increase process, as happened with the freeing of interest rates and rent controls, as also with the elimination of subsidies for fuel and public utility rates.

It was also necessary to gradually change the mentality of the Argentine citizen used to living in a permanent process of inflation. This has been true for the consumer, the farmer, the industrialist, the businessman, the worker, the professional and even those in government.

The high peak of 920 per cent per annum in the wholesale price index existing at the beginning of our period of government, and the unusually high level for the month of March which was 54 per cent (which in fact was equivalent to an annualized rate of 17,000 per cent), at first decreased rather sharply but then tended to flatten out at the annual level of about 150 per cent.

This is explainable because of the existence of the above mentioned factors that refueled the process, as also by the unduly high inflationary expectations of the population that also acted as an additional recycling factor.

It was only when all the effects of the various measures taken began to produce effect and become evident, that a further decrease in the trend of the price index was attained beginning in September 1979.

Thus, while during the 1979 calendar year, the wholesale price index increased nearly 128.9 per cent, if we consider the last six months, that is the last quarter of 1979 and the first quarter of 1980, it may be seen that the wholesale price index corresponding to that period, annualized, represents a level of 45.8 per cent. This is a substantially lower figure than the one corresponding to the same six-month period of the last quarter of 1978 and the first quarter of 1979, which amounted to 165.3 per cent.

The continuation of the trend thus begun about six months ago, enables us to estimate that during 1980 the convergence of all the positive effects of the measures taken may enable us to reap the fruit of the efforts of the last four years. That is, we consider that 1980 will show a level of price growth substantially lower than those of the previous years.

We are thus reducing inflation in a framework of freedom and full employment.

Stabilization of the economy, the process of its opening up and modernization and the free play of the market forces, has thus been achieved in spite of all the difficulties involved in the reform of the economic structure pre-existent during a long period with strong resistance to change.

## Conclusions

At the beginning of the 1980s, we can thus look forward to the progress of an economy which is characterized by the following main aspects:

1. A sound trend in the fiscal sector, by means of the reduction of the budget deficit and the adoption of non-inflationary financing methods, together with the control and restructuring of public expenditure and investment.

2. The gradual curbing of monetary expansion in a process of remonetizing the economy that had been completely demonetized by inflation, together with an important growth of the savings rate which has reached a level of about 30 per cent of the Gross Domestic Product. This is the base for the existence of a local capital market, as also for the promotion of the investment process in the country in the context of an open economy with an increased supply of goods, both national and imported, and with greater competition on the market.

3. An easy access to international financing sources which enable us to obtain the best conditions for modernizing and expanding the productive structure of the country and its economic infrastructure.

4. An important expansion of agricultural production, achieved through increased acreage and higher yields.

5. The strengthening of the industrial sector by the following factors: a) Encouragement for a balanced industrial development from a sectoral as well as a regional standpoint; b) Promotion of basic industry; c) Reduction of the cost of industrial inputs; d) Gradual decrease of tariff protection in order to stimulate modernization and re-equipment with the use of modern technology to achieve efficiency and economy of scale for the production of increasing volumes at decreasing costs; e) Promotion of internal and external competition to improve the

supply of national consumption and access to international markets; f) An adequate balance between industrial integration from raw materials and intermediate goods to the final product, and the taking advantage of external supply when comparative costs should thus require it; g) A trend towards capital intensive industry or high technology to prevent our low population growth rate from becoming a limiting factor for future economic growth due to a shortage of manpower.

6. The existence of a high cultural and technical level in the population. This factor, together with the above mentioned process of industrial transformation, enables us to foresee the possibility of increasing opportunities for jobs with a higher degree of technification and specialization and thus of higher wages.

7. A level of internal economic activity and investment which can fully absorb available manpower resources, with the future growth of the economy assured on solid and sound bases due to the above mentioned transformations.

8. The development of important natural resources such as fishing and mining which were rather backward sectors.

9. A growth of over 160 per cent in exports between 1975 and 1979, which puts Argentina in third place in the world in this aspect.

10. An increase of nearly 60 per cent in imports during the same period, thus fostering the modernization and re-equipment of the productive structure of the economy, especially in the industrial sector.

11. The growth of our world trade. The sum of exports and imports, which in 1975 represented 15.7 per cent of our Gross Domestic Product, in 1979 increased to 24.2 per cent. We are now promoting a trend towards a more balanced trade structure, eliminating the excessive surplus which caused inflationary pressures during the last years.

12. A positive balance of payments.

13. A record level in international reserves, which fully surpasses technical requirements.

14. The prospect of maintaining the present decreasing trend in the growth of prices at levels which may be considered reasonably normal.

15. Abundance of energy resources in oil, natural gas and hydroelectric power. As to oil we are presently 90 per cent self-sufficient and hope to be totally so by 1982 with the possibility of future exports. As to natural gas, we have reached a level of proven reserves which permit us to state that Argentina is a rich country in this resource, with not only self-sufficiency but also the possibility of exporting to neighbor countries as soon as the corresponding gas pipelines are built. To this, we must add the beginning of a more intensive utilization of our hydroelectric resources. According to our current energy plan, which covers the development of the sector up to the year 2000, hydroelectric energy will increase from only 25 per cent of the total source of electric power in 1978 to more than 70 per cent by the end of the century. We also have an abundant supply of uranium and a program for the construction of nuclear power plants through which this source will come to represent 15 per cent of our total electric power sources.

Argentina thus faces the challenge of these crucial future years with the following advantages:

- We do not have the problem of excessive population growth.
- We are self-sufficient in food and an important exporter of food.

- We have an abundant supply of energy resources.
- We have a strong external sector and there is no reason to foresee that this situation should change in the future.

There are few countries in the world that can count on having these four positive factors.

Therefore we have a great responsibility *vis-à-vis* ourselves and the world.

A privileged position in many aspects to which we must apply all our willpower in order to fully utilize our human and natural resources on the sound and solid bases upon which we have established our economic structure.

Our economy may now grow, develop and progress in order to satisfy the well-being of each and every one of the Argentineans, the general interests of our nation and the requirements of the world in the future to which we will contribute with all our ability and generosity.

**Address by Mr. David Ibarra Muñoz,  
Governor for Mexico and  
Secretary of Finance and Public Credit**

---

This Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank coincides with the start of a new decade in which the international community faces a panorama that is difficult from the economic point of view and uncertain from the political point of view. At the same time we are commemorating the Twentieth Anniversary of the IDB, an event that leads us to reflect on the evolution and prospects of Latin America.

I should like to express, in the name of the Government and of the delegation of Mexico, our gratitude to the people and to the Government of Brazil for their hospitality to us. Brazil was a strong supporter of the establishment of the Bank. Today, 20 years later, we once again seek the participation and support of Brazil in the strengthening of Latin American integration and economic cooperation, to which all of the countries of the region are committed.

I am pleased to extend my most cordial congratulations to Mr. Antonio Ortiz Mena for the report he presented to the Board of Governors and for the prominent role he has played during yet another year as President of this institution with the backing of the Board of Executive Directors and Management.

International economic disorder is a legacy left to us by the Decade of the 1970s. Inflation, a troubling sign of the times, erodes the economic systems of our countries. Recession, foreign exchange disturbances and unemployment are common phenomena standing in the way of the legitimate expectations of collective well-being. The international economic situation reduces the possibilities of closing the gap separating the developing countries from the industrialized countries.

To change the international economic order, the dominant idea of the past decade, appears difficult in the face of reality. Industrial restructuring, financing of development, transfer of technology and reforms in the structure of world trade are, for the time being, almost empty concepts that have lost force for the non-industrialized countries. For the non-industrialized countries multilateral negotiations on such problems have only been a source of frustration. Therefore, a balanced international strategy for development must be based on a different political framework. Hence the strengthening of the influence of the developing countries will be the urgent task, in order to implement the principles of equity that give permanence and stability to economic relations among nations.

In the trade field, a dangerous and persistent drop has been noted in the rate of growth. The share of the Latin American countries in international commerce continues to lose ground, from 6.2 per cent to 4.3 per cent between 1960 and 1977. External and also internal difficulties are limiting the variety of goods that can be exported from the region, consolidating, in contrast, imports of capital goods and other goods with elastic demand.

In the last few years, strangely enough, there has been an increase in protectionism in the industrialized economies, while developing countries have been liberalizing access to their markets. The burden of the adjustment and the direc-

-tion of the transmission of dynamic stimuli, proposed by the strategy of the First Development Decade of the United Nations have been obviously reversed.

The lack of fulfillment of the principles incorporated into the Tokyo Declaration establishing special and differential treatment in favor of the developing countries, as well as the restrictive conditions of GATT (General Agreement on Tariffs and Trade) on the nine countries with potential to export manufactured goods, contained in the Codes of Conduct, are arguments for justifying the restructuring of the rules of international commerce on bases that include the needs of all.

In the field of financing, there has been an increase in the external resource needs of our economies, owing in part to the same decline in the flow of north-south trade. On the other hand, access by the countries of the region to the international capital markets is becoming more and more difficult. At the same time, there has been a hefty jump in interest rates. Thus there is a clear contrast between rising financial needs and the foreseeable reduction in the flow of capital. This is the consequence of an international system that is poorly equipped to confront the problem of development and to fight, at the same time, inflationary pressures on a worldwide scale.

In brief, most of the countries of Latin America show a marked drop in the growth of their exports, while their balance-of-payments deficits continue to increase. Concessionary aid is declining and it is expected that the same will occur with private financial flows, in view of the fact that the commercial banking system would find it difficult to continue recycling the resources of the surplus countries, in the amounts required, with the same effectiveness as in the past.

Alleviation of this difficult situation requires on the one hand, supporting the Action Program of the Group of 24 and having the international lending agencies expand their sphere of action considerably, increasing resources and making their terms more flexible, and, on the other hand, greatly intensifying regional cooperation and integration efforts. As concerns cooperation, the IDB should become an ever more important instrument in the channeling of resources to Latin America. In terms of integration, the IDB should once again assume a role of promoting the integration movements and intraregional trade.

The regional integration programs are experiencing stagnation in terms of the gradual expansion of their reach or the incorporation of new economic policy instruments. These are the programs that give the greatest dynamism and depth to the foreign trade of Latin America and those that offset in part the decline in the trade with third countries. It should be noted, for example, that between 1960 and 1977 sales among Latin American countries themselves grew by almost double the pace of the total exports of the region, from 8 per cent to almost 17 per cent of total exports.

Similarly, the percentage of trade in manufactured goods within the region is almost twice that with the rest of the world (56 per cent as against 25 per cent in 1977), without taking into account that the former contain a considerably higher proportion of complex industrial products.

Thus, the functions that the Bank will have to fulfill in the Decade of the 1980s should be defined. To this end, progress has been made in redefining the tasks and policies of the institution and a study will soon be available that will

make it possible to include new fields into the work programs of the Bank and to strengthen regional economic cooperation.

This will find its support in the willingness of all the member governments of the Inter-American Bank to put into effect old and new means for attracting and channeling resources. In this connection, there is need to study the mechanism of financing through program loans and co-financing. There is another broad field of activity that merits attention, in which technical assistance is included in joint investments, and aid in debt negotiations is provided to countries requesting it.

In addition, the possibility has been suggested of expanding the operating framework of the Santo Domingo Agreement, establishing a "second tranche" for this purpose to finance medium-term, balance-of-payments shortfalls due to the system for clearing payments and reciprocal credits. This would expand financial cooperation to include all countries of the region, whether or not they are members of the Latin American Free Trade Association (LAFTA).

These actions could be complemented by an increase in IDB support for the national preinvestment funds and development institutions of the Latin American countries. In this way those institutions could increase their capacity for financing of feasibility studies, the initial step in an investment project, whether regional or local.

Furthermore, the Inter-American Bank should strengthen and expand its financing of intraregional exports and those to countries outside the region. Ties would thus be reinforced between the IDB and the *Banco Latinoamericano de Exportaciones* (BLADEX), on the one hand, and the foreign trade promotion agencies of the Latin American countries on the other.

In the light of needs such as those mentioned, it is clear that the Bank should seek ways of expanding its capacity for lending and recycling funds. A first possibility would be to raise the ratio of liabilities to capital to one to one, without diminishing the credit-worthiness of the institution itself.

Nonetheless, the feasibility of these measures — i.e., the effectiveness of the Bank in meeting Latin America's needs, will depend on its own financial capacity. Hence it is essential that all countries make their contributions to the replenishment of resources. There have already been substantial delays, with serious consequences for all the economies of the region, especially those of the less developed countries and their low-income population groups.

In reflecting upon the role of the Bank in the decade that is now beginning, we cannot ignore the importance of the world energy situation and its repercussions in the Latin American countries, particularly those whose balance-of-payments position has been seriously affected.

The international community needs an energy policy aimed at improving the exploration, production, distribution, consumption and conservation of energy.

This objective, which is related to the establishment of a new international economic order, was enunciated in the World Energy Plan presented by the President of Mexico at the last United Nations General Assembly and ratified by the *Organización Latinoamericana de Energía* (OLADE) — Latin American Energy Organization — in its San José Declaration. It entails a sharing of risks and responsibilities in a common effort to find a reasonable solution for one of the leading economic problems of the world, and not a granting of privileges in the

exploitation and use of our natural resources. These principles should guide the development activity of the Inter-American Bank.

Twenty years after the founding of the Inter-American Bank, the record of its contribution to Latin America's development is unquestionably positive. Changing conditions in the world and the region have obliged the Bank to review its operating structure and adapt it to the circumstances of the member countries. Thus, its multilateral character has been strengthened and a number of new countries have joined, both within the region and outside, with unquestionable advantages. Operating procedures have been revised in the areas of international bidding, technical cooperation, concessional financing for the relatively less developed countries of the region, and co-financing. The sectors benefiting from Bank loans have been diversified and support has been provided for Latin American economic integration programs.

Notwithstanding the many accomplishments of the Bank in these and other fields, there is every indication that it can play an even broader role in the future. Deciding upon and furthering these will be the proof of our ability to recognize the serious nature of the crisis that affects a dangerously growing number of the countries of the region, and to join the political will of the member governments in an urgent and certainly constructive endeavor.



**Address by Mr. Carlos Geraldo Langoni,  
Alternate Governor for Brazil and  
President of the Central Bank of Brazil**

---

I would like to begin by thanking you for the high distinction conferred on the government of my country by your selection of our Minister of Finance, Minister Ernane Galvêas, to chair this Twenty-first Meeting of the Board of Governors of the Inter-American Development Bank. On my own behalf and on behalf of the Brazilian Government, I would also like to express our gratification that Rio de Janeiro was chosen for this meeting marking the Twentieth Anniversary of the Bank. It is with great pleasure that we welcome to this memorable event the Governors and officers of the Bank, delegates from 42 countries, the national and international press and more than 2,600 Brazilian and foreign guests. We sincerely hope that your stay in Brazil will be the most pleasant possible and we are going to do all that we can to ensure that it is.

A set of happy coincidences — which are of special significance for us — combines to make this meeting one of special import for us Brazilians.

We wish to note, with great satisfaction, that for the first time, and as the Bank's newest member, Portugal, the motherland with whom we are so closely bound by ties of history and affection, is today taking part in this Meeting of the Board of Governors of the IDB.

Much has happened since 1961 when, in this same beautiful city of Rio de Janeiro, the Second Meeting of the Board of Governors of the Bank was held on the occasion of the institution's first anniversary. Over the years that have elapsed since then, the IDB has posted accomplishment upon accomplishment under the enlightened and productive leadership of first Felipe Herrera and then Antonio Ortiz Mena, both of whom are deserving of our sincere praise and gratitude.

As a corollary of these accomplishments, we have today a mature and efficient institution with 42 member countries, both regional and nonregional, managing resources of its own and of third parties which totaled nearly \$20 billion as of December 31, 1979. As the excellent Annual Report before us notes, at the close of the last fiscal year the subscriptions to the Bank's capital stock and contributions to its Fund for Special Operations — not counting the substantial increases of the Fifth Replenishment of Resources — stood at \$11,619 million and \$5,907 million, respectively. In the two decades since its establishment, besides nonreimbursable or contingent-recovery type technical cooperation, the Bank has granted the developing countries of the region loans in increasing amounts from year to year and which, as of December 31, 1979, aggregated approximately \$16 billion, with a record cumulative total of disbursements of \$9 billion. These loans helped to finance projects whose total cost adds up to almost \$61 billion, thus providing indisputable evidence of the substantial effort being made by the beneficiary countries who have to produce counterpart resources on the order of \$45 billion.

These sums point up the extent of the IDB's contribution to the development of the region.

However, notwithstanding this decisive action by the Bank, which has spurred far-reaching changes in the economic and social structures of Latin America and the Caribbean and helped the region as a whole to achieve noteworthy growth rates, averaging 5 per cent yearly over the 1960s and 6 per cent yearly over the past decade, the developing countries of the region will have to grapple with new and major challenges in the 1980s.

The world is passing through a new period of adjustment similar to the crisis of 1973-74. Once again, after five years, oil prices are going up sharply in real terms. As a result, extensive balance-of-payments disequilibria are again occurring in various economies while the OPEC countries are once more accumulating mounting positive current account balances that will top \$120 billion in 1980. It is again expected that a disproportionate part of the inevitable counterpart to these surpluses, in the form of current accounts deficits, will have to be absorbed by the oil-importing developing countries. And to complete the same cycle as occurred before, the question again arises of the recycling of petro-dollars and, in particular, the risk that the OPEC countries will again tend to concentrate their spending on imports from the direct investments in the most industrialized economies, obliging the developing countries to seek financing through the Eurodollar market.

There are, however, some additional difficulties involved in the adjustment of these disequilibria that are of special concern for developing countries. The main one is their already high level of external indebtedness, which places obvious limitations on their ability to absorb further external loans. At the same time, there is a distinct tendency to impose restrictions on the free movement of resources in the Eurodollar market as a result of the nature of the domestic adjustment policies followed by the main industrial countries. And, finally, one must also take into consideration the behavior of the private banking system — which has up to the moment been the one primarily responsible for recycling — in face of the limitations imposed by its present level of capitalization, portfolio diversification and country limits. All of these factors suggest that we will have to work on the realistic assumption of less growth in private lending in the years ahead, even though the commercial banking system will continue as the chief component of the global recycling system. It is important to bear in mind that, in 1979, the developing countries absorbed about 45 per cent of the Eurodollar market.

An illustration of the difficulties that will have to be overcome is provided by the paradoxical coexistence of surplus liquidity and absurdly high (in real terms) interest rates in the international market, which is a direct consequence of the emphasis currently being placed on credit restrictions in the anti-inflation policy now being applied by the United States.

This picture of the world situation suggests that in this new round of the oil crisis, the *domestic* effort that the different developing countries will have to make to adjust to the prevailing disequilibria will have to be even greater than that made in 1973-78. On that occasion, the developing countries, and those of Latin America in particular, by following a deliberate and sensible strategy of taking advantage of the favorable liquidity position in the international market, succeeded in maintaining quite a satisfactory growth rate at the cost of a rapid

increase in external indebtedness. Growth with indebtedness has been the chief characteristic of the developing countries over the past six years. In the new phase we are now entering, the stabilizing of the present levels of indebtedness will become a matter of increasing urgency so that, in a number of countries, the growth rate will no longer be considered an independent target but will be viewed realistically as a fundamental goal that will be severely limited over the medium term by the restrictions imposed by the external sector.

There are two key factors which could make this adjustment process quicker and less socially painful. The first is, of course, the expected behavior of the cost of oil in real terms. It is estimated that each increase of one dollar per barrel in that cost means that the developing countries have to generate approximately \$2 billion per annum more to pay for their imports. It is thought that the recent increases in the price of oil (on the order of 130 per cent compared with the end of 1978) have put it so high, bearing in mind worldwide inflation, that, at least in the medium term, further and appreciable increases in real terms will not be feasible. This view is reinforced by the satisfactory levels of oil stocks in the consumer countries and by the redoubled efforts to conserve fuel under way for some time and which now finally appear to be gaining ground in the United States.

The second key factor is the ability of the developing countries to maintain a high rate of growth in their exports. In this connection it is important to stress the marked qualitative change observed in recent years in Latin America where there has been a healthy trend in the majority of the countries of the region toward stimulating exports, opening their economies and removing major internal obstacles to the dynamizing of external trade deriving mainly from altogether unrealistic exchange policies. At the same time as internal efforts are made to modernize the instruments of external trade and to aggressively seek out new markets, it is essential — for this strategy to play a fundamental role in correcting the balance-of-payments disequilibria — that the industrial countries should not in their own adjustment policies opt for discriminatory protectionist measures that have a disproportionate impact on the export capacity of the developing countries.

It is vital, however, to realize that there are in the developing countries specific limits of a political and social nature which make out of the question the alternative of drastic adjustment, with highly recessionary impact, of internal and external disequilibria. Thus, even with a greater internal adjustment effort in this new cycle of the oil crisis, the sole strategy possible will still be the gradual correction of those disequilibria. This fact once again underscores the crucial importance of maintaining adequate flows of resources, especially financial resources, as a fundamental component of the external adjustment strategy of the developing countries.

In this connection, it is a matter of concern that the Western World has not yet paid sufficient attention to these difficulties that will have to be overcome and that there is still no concrete initiative in sight toward making the bilateral or multilateral institutional machinery for the transfer of resources more flexible. On the contrary, the attention of the developed countries is centered on complex and sophisticated — but as yet untried — schemes to diversify the application of international reserves, as is the case with the substitution fund which is of little interest to the developing countries right now and which in fact boosts the transfer of petrodollars to the rich countries. The swift development of alternative recycl-

ing channels has become vital, especially for the developing countries that do not have a tradition of using, or easy access to, the Eurodollar market.

In addition to these resources designed more for cyclical adjustments, it is essential that the developing countries have access to new sources of long-term resources specifically for the diversification of energy sources. It is this structural change, with far-reaching repercussions for the functioning of the entire economy, that will, in the last analysis, prove the real solution for the difficulties we are currently experiencing. And it is in this pioneer area that we hope, once again, to benefit from decisive action by the IDB and other international organizations.

Brazil, as President João Figueiredo made abundantly clear in his address, is making every effort to adjust its economy as quickly as it can to the new facts of life in today's world. It is evident, however, that we live in a time when the efforts of individual countries in isolation will not be sufficient to solve problems which, by their very nature, are external to the economies of each and every one of us.

Now, more than ever, a combined effort is essential if the Western World is to be able to overcome the energy crisis and regain a sustained economic growth with price stability, which is the sole basis for promoting development with social justice.

**Address by Mr. Robert Carswell,  
Temporary Alternate Governor for the United States and  
Deputy Secretary of the Treasury**

---

It is a special pleasure to be here in Rio de Janeiro to address this distinguished group on the Twentieth Anniversary of the first meeting of the governing body of the Inter-American Development Bank. I would like to join my colleagues in reaffirming our strong support for the Bank, its able President, Antonio Ortiz Mena, and our commitment to continued progress in achieving balanced and equitable growth throughout the Hemisphere.

It is a privilege for all of us to be in Brazil and to savor the matchless hospitality of this host country of such spirit and promise. Since 1970, Brazil's real GNP has multiplied five-fold to more than \$200 billion; it ranks among the major world industrial powers. Its progress has been the result of resourceful management and planning in which the Bank has played an important role. It is indeed a pleasure to be here and to appreciate at first hand the enormous progress made in the last 20 years.

*World Economic Situation and Outlook*

The prospects for the world's economy as we enter a new decade are sobering. The problems of the last several years not only remain but may well intensify and place added stress on the cooperative international structure which has served the hemisphere well since the end of World War II.

During the next several years, the 1979 surge in oil prices and possible additional increases will exacerbate payments imbalances and consequent financing needs of many countries. OPEC current account surplus is expected to increase by \$55 billion in 1980 to some \$120 billion. That will lead to current account deficits in OECD and developing country groups on the order of \$70 and \$50 billion, respectively, after official transfers.

Real growth is expected to drop to an average of about 1.5 per cent in 1980 in OECD countries, down from 3.3 per cent in 1979 while in developing countries it is likely to decline slightly from the 5 per cent achieved in 1979. Despite this modest growth, inflationary pressures may worsen for the world as a whole, as the 135 per cent increase in official OPEC oil prices since December 1978 inevitably spills over into other sectors of national economies. For much of 1980, inflation will be in excess of 10 per cent for the OECD countries while inflation rates in non-oil developing countries will probably rise above their average 1979 level of 30 per cent.

The current world economic outlook for slower growth, soaring oil prices, high inflation and heightened investor caution has inevitably affected the economies of Latin America and Caribbean countries as well. Inflation averaged, for example, more than 50 per cent in Latin America last year, and the region's current account deficit increased from \$15.8 billion to \$20.0 billion over the same period. These and other economic difficulties will require some adjustment over the next several years. They also make clear the critical importance of the long-term development assistance provided by the Inter-American Development Bank and the other multilateral development banks during this difficult period.

### *United States Overall Situation*

In the last six weeks, the Administration, the Federal Reserve Board and the Congress have made a concerted and unprecedented effort to address the critical issues of inflation, energy development and conservation, and slow growth in our economy. A strong, non-inflationary U.S. economy is an important factor in the growth, stability and effective functioning of the world economy and to a sound and stable dollar which plays such a vital role in the world's monetary system. We are determined to get our inflation, energy and other problems under control, and to that end the President has sent to our Congress a revised and balanced budget for our fiscal year 1981.

The Federal Reserve has persevered in bringing our money supply and credit under control. Key elements of a coherent energy program have been, or are about to be, enacted by the Congress, and by the end of 1981, oil prices in the United States will have been fully decontrolled. This program will produce results and may well be the most important contribution the United States can make to improve the economic well-being of Latin America, given the high degree of economic interdependence between our two regions. But it will require discipline and sacrifice in the United States of popular capital and social programs. In that climate of fiscal austerity, it has been and it will be difficult to achieve full support for foreign assistance programs.

But despite the austere economic climate, in his revised budget, the President has protected the development bank legislation from cuts and has made it clear he will maintain strong, undiminished support for Latin American development, the Bank and the Fifth Replenishment. The United States understands the concern of every country present over its delay in making its subscriptions to the Fifth Replenishment. We regret that our lengthy and frankly, at times difficult, legislative process has not been completed and that it has not been possible to bring the Fifth Replenishment into effect yet. I am pleased to report, however, that two weeks ago a Conference Committee of the House and Senate reported out a bill providing full authorization for the U.S. share.

The Administration is currently making every effort to secure final approval of this Conference bill when that legislation is returned to the House and Senate floors for a final vote. I am hopeful that legislative action will be completed shortly, which will allow the United States to subscribe to the Replenishment and make payment on its first installment, thereby permitting the Replenishment and the lending program to go forward.

### *Latin American Outlook in the 1980's*

The record for Latin America and the Caribbean over the past two decades that span the work of the IDB shows clear progress. During the 1970s the Latin American economy as a whole continued to expand at a rapid pace and showed remarkable resiliency. Last year regional GDP grew by 6.5 per cent, culminating a decade during which average annual growth was 5.9 per cent. This compared with a 3.5 per cent a year expansion rate for developed countries as a group. Over this period per capita income rose from \$970 to \$1,400, and the area has become much more industrialized. At the same time, Latin America's importance in the world economic system has grown, and we expect this trend to continue during the 1980s. This dynamic growth is a consequence of many factors: improved under-

standing of the development process, improved planning and administrative capabilities, as well as improved access to capital. These factors should provide the basis for continued progress in the years ahead despite the strained world economic conditions we presently face.

Over the longer term, however, Latin America and the Caribbean will face some major challenges. With an estimated 30 per cent of the population still living in desperately poor conditions, widespread poverty remains a major problem. In addition, unemployment and underemployment combined are as high as 40 per cent in some countries. A concerted effort is still required to improve the distribution of income both within and among countries and to ensure more efficient utilization of domestic resources.

While impressive gains have been made in many sectors in Latin America, it is disturbing to note that similar progress has not been made in increasing food production. Poverty and food shortages mean hunger and poor nutrition for millions of people in the hemisphere. That condition is not acceptable to any of us.

We believe that these problems must be met directly and that increased attention must be devoted to them in the years ahead. We expect that the Bank, with its technical expertise and substantial capital resources, will play an important role in this.

#### *The Inter-American Development Bank*

Over the past 20 years, the Inter-American Development Bank has played a vital role in assisting Latin American and Caribbean countries in achieving the major goal of balanced development with equity through regional cooperation. Through its lending and technical assistance programs, the Bank has helped increase member countries' productive capacities, strengthen national and regional institutions, improve social services and increase agricultural production. It also has been a catalyst in mobilizing additional domestic resources and attracting additional private external capital to the region.

To a great extent, the success of the IDB's development activities has been due to the Bank's ability to respond to the changing conditions in the region and to find innovative means of fulfilling the region's developmental and capital needs. Over the years, the Bank has been a well-known pioneer in the fields of land reform, integrated rural development, public health and urban development. In recent years, it has broadened its membership and expanded its capital base, reflecting its increasing capital needs and its increasingly important role in the world economic system.

The United States believes that the Fifth Replenishment agreement establishes a sound framework through which the Bank will be able to continue and to heighten its contribution to development in Latin America and the Caribbean during the 1980s. We are also encouraged by the extent to which the Bank has already moved to implement the terms of the agreement.

Perhaps the most important aspect of the Fifth Replenishment agreement is the Bank's new policy for devoting 50 per cent of its resources over the 1979-82 period to low-income groups. This policy reflects the conviction of the members of the Bank that in order to attain our goals of broadly based economic and social development, we must devise new ways to reach those who have not fully shared in the fruits of economic and social development in the past. In our view, this must

also include a commitment to ensure that all citizens of this Hemisphere are accorded their basic human rights and dignity as individuals. This is essential not only to promote justice in the Hemisphere, but also because the ultimate success of countries' economic development depends on it.

We also recognize the substantial contribution which the higher income countries are making to assist their poorer neighbors. Because of their cooperation in the Fifth Replenishment, the Bank is better able to direct its resources where they are most needed and thereby promote more equitable growth in the hemisphere.

The United States would also like to commend the Bank's efforts in the field of energy. With soaring oil costs contributing to severe inflation and balance-of-payments problems, expansion and diversification of the world's energy supplies are vitally important. The IDB is contributing toward the achievement of that goal by devoting a substantial portion of its lending to energy projects. About one-quarter of the Bank's lending was devoted to the energy sector over the past decade. We are pleased that the Bank will continue to devote a similar proportion of its lending program to this critical sector in coming years. Beyond its activities in traditional energy fields, we believe the Bank should expand lending and technical assistance in other energy-related areas, such as improved energy planning, pricing policies and conservation, the exploitation of renewable non-traditional energy resources, and the development of promising new technologies.

In addition, it is important that the Bank examine further possibilities for mobilizing external resources for the energy and minerals sectors. Substantial private and public investment will be required to develop the potentially large untapped energy and mineral reserves of the region.

In reviewing some of its achievements in recent years, it is clear that the Bank has made a consistent and concerted effort to address and resolve some of the principal development problems confronting the region. Many of these problems will persist into the 1980s, and new challenges will undoubtedly arise. The forthcoming study of the role of the Bank in the 1980s should help identify the major challenges which lie ahead and suggest ways in which the policies established for the Fifth Replenishment period can be refined to meet those challenges more effectively.

Two related problems, which will continue to require close attention over a sustained period of time, are inadequate food supply and rapid population growth. In a majority of Latin American countries, inadequate progress has been made in increasing agricultural production over the last 15 to 20 years. In fact, many countries in the region are producing less food per capital now than they did 20 years ago. The Bank is aware of this problem, and has taken steps to help increase food production; in 1979, it devoted a third of its lending to the agricultural and fisheries sector. We hope that the Bank will continue to provide a substantial amount of resources for constructing and improving the infrastructure and techniques in this sector so that this disturbing trend in the region's food supplies can be reversed.

Related to the problem of providing adequate food supplies and improving living conditions are the implications of rapid population growth. Population in Latin America has been increasing at a rate of about 2.8 per cent per year over the



last two decades. Most countries recognize the seriousness of this problem, and the Bank should give increased attention to ways in which it can assist its members in this area.

It will also be important to integrate women more fully in the development process. Moreover, the success of countries' efforts to curb population growth will depend in part on improving the economic opportunities for women.

### *Conclusion*

Once again, on behalf of the United States and its people, allow me to congratulate the Bank, you, Mr. President, and the staff on the Twentieth Anniversary of the Inter-American Development Bank. Undeniably, the record of the IDB, as we mark its first 20 years has been one of remarkable success. The Bank has been instrumental in moving the region through two decades of economic progress despite the global economic turbulence during much of this period. Furthermore, the Bank has emerged in its twentieth year as a stronger institution with a broader capital base, larger membership, and a more ambitious lending program, with new goals in sight as it enters its third decade.

If we all work together with the same spirit of cooperation and build on our experience of the past, the last 20 years will be prologue to another 20 years of progress and fulfillment for the Bank and for the people of Latin America.

**Address by Mr. Fons van der Stee,  
Governor for The Netherlands and  
Minister of Finance**

---

May I begin, Mr. Chairman, by expressing my sincere gratitude for the warm hospitality extended to us by the Government and people of Brazil.

I consider it a privilege to address, on behalf of the Government of the Netherlands, this gathering which inevitably distinguishes itself in the sense that it commemorates the foundation of the Bank 20 years ago. In commemorating this historic event I should at the same time like to pay tribute to the management and staff who during those years have transformed this institution into a highly effective instrument in the development process of Latin America. It is the profound desire of my Government that the Bank should continue to play its crucial role in financing this very process.

The economic outlook for the period ahead shows anything but prosperous perspectives. Many non-oil-producing developing countries, among them various Latin American countries, are facing excessive budget deficits and intolerably high balance-of-payments deficits. In some countries domestic factors must be assigned an important role, but a number of non-oil-producing least developed countries (LDC's) are currently being exposed to a series of adverse external influences, such as the oil price increases of 1979 and early 1980 and the weakness of import growth in the industrial countries. Furthermore, the outstanding external debt of non-oil LDC's increased very substantially during the 1970s. At the same time, there has been a marked shift from official to private sources. In the light of the skyrocketing interest rates prevailing on the international capital markets, it is difficult for the countries involved to attract funds on proper terms for the financing of their development programs, the realization of which is pivotal in satisfying the basic needs of their populations.

The developments sketched here illustrate the increasing interdependence which characterizes current international economic relations. Economic growth and equitable distribution of growth benefits in developing countries are not only development aims in themselves but also serve as indispensable preconditions to accelerate growth and thus facilitate the structural adjustment process in the industrialized world. From this we may infer that special attention is required not only for the achievement of financial equilibrium in developing countries but also for policy measures that stimulate the supply side of their economies. The ultimate impact of such an approach on international trade, investment and capital flows would indeed be to the benefit of the entire world community. The international community bears special responsibility for assigning high priority to the mobilization of adequate resources that can alleviate the financial needs of developing countries. Otherwise, these countries will have to restore their internal and external balance by a too restrictive demand policy which would endanger their long-term development process. In this respect, I am happy to state that the Government of the Netherlands despite its own financial difficulties, has no intention to retrench the relative share which the development aid budget claims on our net national income.

We are aware that the Bank, like other international development finance institutions, has a catalytic role to play in assisting its borrowing member states to attract sufficient external capital in a way and on conditions which are consonant with their respective requirements. In this connection my Government has noted with satisfaction that the Bank has embarked upon a challenging and innovative program for the coming years. Two elements are worth mentioning in this respect: low income groups policy and the Inter-American Fund for Energy and Minerals.

From the beginning it has always been our understanding that the formulation of a low-income groups' policy would be geared towards employment creation and thus income generation for the economically most deprived groups in society. In my opinion, the intended allocation of 50 per cent of Bank and Fund resources to those groups in Latin America is a most daring but at the same time a very much needed initiative in the continuing combat on direct poverty. It is my hope, therefore, that the Bank will prove to be successful in the prompt implementation of this program. As regards the Energy and Minerals Fund I feel the Bank has taken an interesting new initiative, though many problems still have to be solved.

In the light of the newly accepted program for 1979-82 and mindful of the Bank's effective past performance, the Government of the Netherlands had no difficulty in accepting the financial obligations which have emanated from the Fifth Replenishment negotiations. Although there has been some delay in our parliamentary procedures I can assure you that it is my Government's determined will to live up to our commitments. Similarly, I do hope that the United States Administration will be able to overcome present problems as soon as possible so that the Bank can devote its full energy to the implementation of its new program.

My government is confident it will be able to continue its favorable assessment of the Bank's performance in the years ahead. In this regard the extent to which the Bank will be able to implement agreed lending policies, in particular with regard to low-income groups, will have our fullest attention.

At this juncture, I wish to thank management for the prompt reaction to my Government's request regarding a procurement mission last year. We have found those deliberations to be very informative and hope that in the future similar contacts between the Bank and the Government of the Netherlands can be established with regard to any policy issue that might be of mutual interest.

Mr. Chairman, the Bank's administrative budget over the past four years almost consistently showed a zero-growth in real terms, while it maintained an impressive growth in lending levels. This, of course, reflects a higher degree of efficiency in the operations of the Bank which I do appreciate very much. The administrative budget for 1980 shows an increase of 7.5 per cent in real terms which will enable the Bank, among other things, to recruit 25 new staff members. It would be a pleasure indeed if the Bank would endeavor to fill some of those posts with nationals from member countries which at the moment appear to be heavily under-represented. I am convinced that this would contribute to the high standing of the Bank as a multilateral development finance institution.

In a recent address to the National Press Club in Washington, President Ortiz Mena spoke at length, *inter alia*, on rising international energy prices and their concomitant effects on the external indebtedness of the Latin American region. To me, it seems, his perceptions revealed interesting implications for the role of

the Bank in the near future. On the one hand the Bank should foster a higher degree of economic independence for the Latin American continent, i.e. enhancing Latin America's access to international capital markets and simultaneously facilitating productive investment in the energy and manufacturing sectors. On the other hand the Bank has a significant role to play in the direct alleviation of poverty among millions of inhabitants in Latin America.

In my opinion it would pay off in terms of policy impact if the proposed study on the Bank's role in the 1980s could focus on this challenging dual objective. In this manner specific targets and modalities for external finance, direct investment and concessional flows might be identified, which are commensurate with the differentiated needs of the Latin American development process. In this context I think the instrument of co-financing which the Bank has developed so well could be utilized still further. Not only might co-financing appear to be an important channel in the recycling process of accumulated petrodollars, but it may also prove effective in assisting borrowing countries to acquire more permanent access to international capital markets. A study that would discern operational tasks for the Bank within this framework, in particular directed at the next replenishment exercise, would be relevant and therefore would be welcomed by my Government.

Mr. Chairman, before concluding my remarks, I should like to especially congratulate the President, Mr. Ortiz Mena, for his wise and excellent leadership over the past years.

**Address by Mr. César Barrientos,  
Governor for Paraguay and Minister of Finance**

---

On the occasion of this Twenty-First Annual Meeting of the Bank, I am very pleased to express, in the name of the Government of the Republic of Paraguay, a very special greeting to the authorities of the Government of the Federal Republic of Brazil, to the Chairman of the Board, to the President, Directors and officers of the Inter-American Development Bank and to the Governors, delegates and observers from the countries represented here. I wish to convey the best wishes from His Excellency the President of the Republic of Paraguay General Alfredo Stroessner to His Excellency the President of the Federal Republic of Brazil, General João Baptista Figueiredo. I would also like to express a very special greeting to the President of the Inter-American Development Bank, Mr. Antonio Ortiz Mena, and congratulate him for the extraordinary job he is doing on behalf of the integral development of our countries.

The Inter-American Development Bank is commemorating two decades of intensive work that has contributed greatly to fostering the development of the countries of Latin America and to changing the economic and social conditions of the continent.

These many years of efficient work have been translated into an increased loan volume, into a rising number of agreements to increase and strengthen the sources of funds for complementary financing, and an increase in the number of member countries which, with Portugal, now brings the membership to 42 countries.

Since its creation, the Bank has approved loans for \$16 billion which helped mobilize local resources to finance projects worth \$61 billion.

However, beyond the importance of these figures, perhaps the most impressive factor in the success of the Bank has been its organization and sensitivity in studying the problems of the countries and leading to the adoption of technical and financial solutions, always consistent with the nature of the problems, national needs and the possibilities of a growing integration process among countries with a similar dedication to peace and progress.

This noteworthy and auspicious growth has been possible not only due to the financial capability of the Bank, but also due to the presence of men who gave direction and meaning to the resources made available to them.

In this regard, we cannot sufficiently stress the excellent and praiseworthy work done by the President, Mr. Antonio Ortiz Mena. He combines the great gifts of the financier and the efficient manager with the in-depth knowledge of the economic and social problems and of the great possibilities of the countries of America to solve those problems with the solid support of the Bank and other institutions, but, above all, through the efforts of the peoples themselves to improve the conditions of their countries and of America.

Mr. Ortiz Mena has been at the head of the Bank for nearly ten years and it is a pleasure to note that he already has the support of the majority of the countries for re-election to a new term of office.

The Inter-American Development Bank has thus contributed to peaceful change in the economic and social structures of the developing member countries which are now facing a set of problems they did not face 20 years ago when the Bank was established.

Many of the technical assistance projects and programs, which merited priority attention at one time, have already been implemented or have ceased to be important in the face of the rapid increase in population, the rapid development of communications, the changes and disruptions in international trade and, in many cases, the high rates of growth in the gross domestic product and the changes in its distribution.

These changes, which are to a large extent a tribute to the effective work of the Bank, have brought about a profound alteration in the problems of economic and social development, reflected basically in the emergence of new problems, a modification in the priorities attached to projects and great challenges in social and political fields.

In view of the magnitude of the changes in the problems to be solved and the incorporation into the Bank of numerous countries of the hemisphere and outside of it, the organizational structure of the Bank should be revised to enable it to make effective responses that the present organization, stemming from very different times, perhaps is not able to give at the present time.

Faced with a highly changing reality and one fraught with uncertainties, it is perhaps more necessary than ever to vigorously face present problems.

First of all, it is necessary to intensify the efforts to increase the resources of the Bank through contributions from the member countries and agreements with other institutions that are able to provide funds for complementary financing.

Secondly, the policies of the Bank should be reviewed and those that should guide the Bank in the decade just starting should be defined, reconciling the integration expectations of the countries, the regional and national diversities and the development policies drawn up by each country.

Lastly, in view of the need to implement solutions to problems that are arising, with a dynamism and flexibility that are not very common, rapid and imaginative responses will also be needed, which only a new administrative structure of the Bank can give.

My Government will support, as it has done up to now, all of the efforts to strengthen the participation of the Bank in the financing of projects for national and regional development. For that reason, I am proud to announce that my Government has approved the increase in the authorized capital and in the Fund for Special Operations.

Humanity has made great progress in the field of technology, but, despite so many victories, there are still serious problems requiring prompt solution. Faced with the difficulties of problems involving the ecology, population, food production, ideological differences and conflicts and instability in the international monetary system, it becomes more and more necessary to promote the benefits arising from sound and fruitful international cooperation in the effort to attain economic growth, security, welfare and happiness of our countries.

In the face of a world pattern of permanent crisis, my country, the Republic of Paraguay, is fortunate to have an organized and sound structure of government

providing peace and tranquility with ample opportunities for progress for its people and for all those who with the personal efforts or with their capital wish to contribute to the growth of Paraguay and to the enjoyment of the benefits of economic and social progress in a framework of tranquility and respect for law.

In my country, our development plans provide guidelines for the private sector. The entire economic system is based on strengthening and expanding the private sector with minimum state intervention.

Freedom of choice for entrepreneurs, together with social, political, economic and monetary stability and the opportunity for everyone to acquire agricultural land easily, have resulted in a constant increase in gross product and in the maintenance of high levels of employment and welfare.

In sum, all of this affords a clear example of how the individual can be assured of the enjoyment and exercise of the right to a higher standard of living in an environment of freedom, thereby putting into effect a human rights policy which is neither combative nor rhetorical.

In 1979 the President of the Bank, Mr. Antonio Ortiz Mena, visited Paraguay twice. His first visit in January of that year was an official one, and he returned in November to sign a loan for the Yacyretá Binational Entity, the largest that the Bank has made for a development project in the region.

During his most recent visit, Mr. Ortiz Mena took the opportunity to visit the Acaray hydroelectric plant, built with IDB support, which has enabled Paraguay to put behind once and for all the period when the electricity consumed in Asunción was produced in a wood-burning plant.

The Acaray project made it possible for Paraguay to launch the large-scale binational hydroelectric projects of Itaipú and Yacyretá, now under construction with the participation of Brazil in the case of Itaipú and with that of Argentina in the case of Yacyretá. Thus, a phase of effective regional integration also has been initiated, setting an example for the hemisphere and the world.

The intensive nature of the work being carried out to implement these and many other projects makes it easy to see the contrasts between present standards of living and those that are being ensured for the immediate future, as well as the economic, political and social problems that were a constant in Paraguay until the advent of the present government.

In this regard, it is worth recalling the progress achieved in the implementation of plans for electrification, construction of schools, improvements in sanitation, communications and transportation, expansion of the agricultural frontiers, distribution of land and so many other projects of fundamental importance for which financial assistance was provided by the Inter-American Development Bank.

The loans authorized by the Bank for Paraguay in 1979 and the first quarter of 1980 amount to \$70.2 million. The total amount of loans received from the Bank is \$334.4 million, for more than 44 specific projects with a total cost of more than \$560 million.

The recent performance of the Paraguayan economy confirms the optimistic and prudent approach of the Government to the problems and challenges posed by the effort to achieve higher standards of living for the population.

The annual growth rate of the gross domestic product in the 1970s averaged 7.7 per cent, and an increase of 10 per cent is projected for 1980. Happily, the

GDP growth has taken place within a framework of high employment, expansion of the agricultural frontier and an effective land distribution policy that at the same time has ensured an effective distribution of wealth, without social conflicts or problems.

International monetary reserves rose from \$430 million at the beginning of 1979 to \$587 million at the end of the year. This increase of 36 per cent attests to a strengthening of monetary stability and the confidence of foreign investors.

International trade has been expanding constantly year after year, linking our country more and more with the rest of the world and showing a diversified structure which provides some measure of protection against the instability of world prices.

Budget results in recent years have shown a constant surplus, thereby becoming a valuable complementary instrument of monetary policy, thanks not only to a prudent policy of public expenditure but also to a sustained increase in tax collections.

These accomplishments have not been achieved by chance, but rather are the result of 25 years of government which have permitted not only the high rates of economic growth that Paraguay now enjoys, but also the strengthening of peace and security in a framework of justice.

Paraguay, desirous of sharing the fruits of development, reaffirms once more its support for integration, for only the solid union of our countries can make individual resources capable of successfully overcoming the uncertainties of the difficult international situation.

I extend my sincere wishes for the success of the deliberations of this Twenty-First Annual Meeting of the Board of Governors, and my thanks for the cordial hospitality shown to us by the Federal Republic of Brazil. Paraguay reiterates its commitment to join in the effort to strengthen the development of our countries and the economic and social well-being of our peoples.



**Address by Mr. John Evans,  
Temporary Alternate Governor for Canada and  
Parliamentary Secretary to the Minister of Finance**

---

May I begin by expressing to you, Mr. Chairman, and through you to the Government of Brazil, our thanks for the splendid arrangements your country has made for this meeting. The hospitality and warmth of welcome are indeed what I had been led to expect—and I am beginning to understand the wealth of meaning behind the word *carioca*.

Brazil is an exemplary model of what development can mean. And I refer not only to the evidence around us of growth and prosperity but also to an article I read shortly after arrival reporting President Ortiz Mena's comments on the use of "gasohol" in Brazil. This very imaginative undertaking, in the face of the serious petroleum problems facing us all, is a testimony to the foresight and wisdom of the government in adapting to a rapidly changing world economy. In Canada we are also beginning to look at production of fuel from biomass as a means of conserving our increasingly scarce petroleum resources.

I would also like to express to this Assembly the warmest greetings of Canada's Governor, the honorable Allan Maccachen. Since Canada's new parliament opened yesterday, his duties as Deputy Prime Minister and Minister of Finance precluded him from being here in Rio as he would have wished. As you know, he has had a long association with issues of international development, one of the most important having been his co-presidency of the Conference on International Economic Cooperation. He looks forward to an early occasion on which he can again meet with his colleagues internationally to address the major issues of economic development. He also asks that I extend Canada's sincerest congratulations to Portugal on having recently joined the Bank. I should also like to congratulate the Bank staff for the excellent preparations they have made to ensure a successful annual meeting. The IDB meeting has become an important annual event which is inscribed early in our calendars. It provides a unique opportunity for those of us both in government and in the financial and business communities to make and renew acquaintances and to strengthen relations among our countries—relations which have grown and prospered so exceptionally since the Bank's first annual meeting.

Mr. Chairman, in a recent speech on Latin America my colleague the Minister of External Affairs stated that "the importance of Latin America requires Canada to give increasing attention to its relations with the region's countries." Our ties to the countries of Latin America through this institution are an important aspect of Canadian policy. Long before Canada and Latin America established diplomatic ties, important commercial and industrial relations flourished between Canada, Chile, Mexico, Venezuela, Bolivia, and Brazil. These relations were particularly strong in forestry, agriculture and hydroelectric power.

Canada and the countries of Latin America share common development challenges such as substantial barriers to transportation and communications. Because of these common features and because Canadian capabilities are closely matched to many of the region's investment needs, Latin America has become a

major export market for Canada. Indeed, after the United States, there is more Canadian investment in Latin America than in any other part of the world.

We in Canada have admired the rapid economic progress being made in Latin America. A tangible measure of this has been the growth in Latin American exports of manufactured goods to Canada. This development is in addition to the traditional importance of agricultural and mineral exports. We look forward to growing Canadian involvement in the economic and industrial development of the region.

The IDB has now marked its Twentieth Anniversary as an engine of progress in the hemisphere. These years have seen significant improvements in living standards and social services, which the IDB has played an important role in directing and fostering from the beginning. The Bank has been innovative and progressive in its operations, lending, for example, for social programs, and for agricultural development. Canada applauds the record of the Bank over its first two decades, not only for the excellent manner in which it has carried out its mandate as a development institution but also for its efforts to further regional integration.

National policies in the areas of trade, energy, finance and manufacturing are increasingly interdependent. We are confident that the support of the Bank for integration through the Latin American Free Trade Association, the Caribbean Community, the Central American Bank for Economic Integration, the Central American Common Market, and the Andean Group, among others, will produce greater economic complementarity over the long run. Canada understands and can identify with the challenges of regional economic integration in Latin America because of the close parallels to Canadian experiences.

The Bank and its members face serious challenges this year. The most immediate challenge, as we are all aware, is that of funding. It would be a serious blow to the spirit of cooperation and to the development prospects of the Bank's members if the Fifth Replenishment were not put into effect. Canada has deposited its instruments and its first payments under this exercise. We are hopeful that those members who have not yet done so will fulfill their obligations in the near future so that the replenishment as negotiated can come into effect. I would be remiss, Mr. Chairman, if I did not make clear at this point that Canada would have great difficulty with any proposals which envisaged interim measures to deal with the current problem. Our fiscal and budgetary situation is such that meeting our commitment to the Fifth Replenishment required a major exercise of political will. Any alteration in the negotiated level or schedule of payments under the Fifth Replenishment could reduce Canada's ability to support the IDB to the extent which we wish. We therefore strongly urge all members whose ratification remains outstanding to take, immediately, the necessary steps to ensure that the replenishment becomes effective.

We are confident, Mr. Chairman, that there will be an early resolution to this problem. The next challenge will be to complete the work that has been underway over the last year or more to establish those operating norms for allocating Bank resources that were agreed upon when the Replenishment was adopted.

Canada attaches high priority to the objective that 50 per cent of overall Bank resources be directed to low-income groups. Also of high priority to Canada is the complementary objective that 75 to 80 per cent of FSO resources be

directed towards Group D countries. Concerning the latter objective, it is important that some method be found to ensure that projects with a high social benefit be accorded priority over projects which can be successfully undertaken from ordinary capital operations. Of course, parallel investments in other productive sectors must continue. As a large capital importer and as a nation which is investing in large infrastructure projects, Canada understands well the necessity for Latin American and Caribbean countries to achieve a balance between productive and socially oriented investments.

Canada extends to the management of the Bank its congratulations on the significant advances made in defining the policies and functions of the Bank for the 1980s. At the same time, Canada urges management to continue seeking ways to improve the Bank's operating and administrative efficiency as well as its ability to evaluate the effectiveness of projects.

One clear improvement would be to eliminate the bunching of more than 50 per cent of loan proposals at the end of the year. Such an improvement would ensure that the Board of Directors can give all Bank projects the considered attention they deserve.

The global economic situation will make 1980 a particularly difficult year for all the Bank's member countries. In this regard, multilateral financial intermediaries like the IDB will be more important than ever before in channeling development funds to borrowing member countries. In increasing the availability of investments funds, the IDB's growing experience in co-financing is a resource to be built upon, and one which Canada will continue to support.

I am confident that the Bank, in future years, will be as productive as it has been in the past, and that with the continuation of Latin American economic development, this important institution will continue to adapt its role so as to remain in the vanguard of the hemisphere's development efforts. Canada looks forward with high expectations to a bright future for the Bank in the 1980s.

Mr. Chairman, many thanks for this opportunity to make Canada's views known to this Board.

**Address by Mr. Eduardo Fernández Pichardo,  
Governor for the Dominican Republic and  
Governor of the Central Bank**

---

First of all I should like to thank the host country Brazil for this meeting, for its cordial hospitality to the delegations present here and for giving us the opportunity to meet in this beautiful city of Rio de Janeiro.

At this Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, I wish to express the gratitude of the people and Government of the Dominican Republic for the spontaneous and decisive assistance that we received from friendly countries and international agencies after the devastation wrought in our country by hurricanes David and Frederic. High winds, coupled with torrential rains, took the lives of over 1,000 persons, destroyed more than 25,000 houses and caused economic damage of about \$800 million.

At that critical time, with communications interrupted and broken, with power lines fallen, with irrigation systems damaged and partially destroyed, we were obliged to summon all our forces to hold the spirit of our people high and to devote ourselves to the arduous task of national recovery and reconstruction.

On this occasion, I wish to extend special thanks to the Inter-American Development Bank and its President, Antonio Ortiz Mena, for sending an emergency mission to help cope with these natural disasters. Amid trying difficulties, the mission worked tirelessly with the Dominican Government to assess the extent of the damage and to help draw up the major recovery plans that were put into effect.

In acknowledging the invaluable and effective assistance provided to us by the IDB during those difficult times, I deem it an imperative duty of solidarity with our sister countries of the hemisphere that might face similar natural disasters to express our satisfaction with the policy recently adopted by the Board of Executive Directors on the action to be taken in case of such catastrophes.

For it is distressing to see that the gains made in the struggle against the social and economic ills that mark the underdevelopment of our peoples are halted and even reversed by events outside the control of man.

In the case of the Dominican Republic, the damage was massive, as I have indicated, and in some cases was permanent. The national wealth as a whole was diminished, but not the flow of income and the national product, which increased thanks in part to the dynamic recovery program that we have carried out.

We are now optimistic about the future of our economy and we hope that this year will see a strengthening of the strong expansionary trend that has been shown by the macroeconomic aggregates.

As a matter of fact, after growing for several years at annual rates exceeding 10 per cent, the Dominican economy began to slow down in 1973. This trend coincided with the rise in oil prices, reaching its lowest point in 1978 when the growth rate was only 2.3 per cent.

In 1979 the product rose by 5.3 per cent, despite the damages caused by the hurricanes. Estimates for 1980 point to an increase of about 6.5 per cent, which

will mean the end of the period of decline and sluggish growth that has characterized our economy in recent years.

This is all the most significant when we note that the rate of inflation in 1979 was only 12.2 per cent. We are making a great effort to ensure that inflation is held to a similar level in 1980. Furthermore, we know that the growth rate of our population is decreasing from the high levels of previous years, when it was among the highest in the world.

The promising outlook for the Dominican economy is related to the improvement in the prices and world demand for our main export products, including sugar, gold, silver and ferrous nickel.

To this we should add the sustained impetus that the Government is giving to the agricultural sector, in order to correct the social problems faced by our rural people at the source and, at the same time, to strengthen the productive base with new activities that will help stimulate food production and generate stable volumes of export products.

If we may speak of a change of emphasis in economic policy, it should be stressed that we are taking steps to complement import-substituting industries with industries that use domestic raw materials, employ abundant labor and generate exports.

It is in the area of exports, whether under the system of free zones or through the processing of domestic raw materials under other incentive laws, that we believe foreign investment could play a more meaningful role, not only through its participation with capital resources, but chiefly through the know-how and expertise that it has in the international marketing of goods, and the command it has in some bases of production technologies.

Another aspect that has received the careful attention of our Government is the solution of two fundamental and secular disequilibria of the Dominican economy: on one hand, the insufficiency of the domestic market, characterized by large numbers of people whose purchasing power is very low; on the other hand, the concentration of economic activities and population in the largest urban center of the country.

In the first of these aspects, we have sought to expand the domestic market, both through the reduction of unemployment and the establishment of new productive activities, and through the implementation of a more equitable wage policy, to achieve a better distribution of national income. At the same time, we are giving priority to regional development and to the decentralization of public sector activities and investments.

In this context, we can report that during the past year credits from the Agricultural Bank to small- and medium-scale farmers increased by 44 per cent. The number of small- and medium-scale industries was greater than in previous years. And credit for small-scale industry was given great stimulus through an assured supply of resources from the Central Bank, channeled through the Industrial Development Corporation. All of this took place within the framework of a prudent monetary policy, which held the increase in the money supply to 9.3 per cent.

Greater preference in our public works programs is being given to the interior of the country. Important regions are being linked directly, as in the case of the South Cibao highway. We are placing heavy emphasis on the opening of

access and penetration roads in rural areas, and are completing major agricultural infrastructure works such as dams and irrigation canals, so that they may be used fully and meet the purposes for which they were built.

I should now like to mention two modest initiatives of the Dominican Government, because of their significance and the positive results they may have for future generations.

I refer first of all to the earnings to be derived from the mining of gold and silver, which will be earmarked for the development, conservation and exploitation of forest resources. This initiative is intended to create an awareness of the imperative need to protect our natural resources because it will determine whether future generations will be helpless before erosion and the destruction of our mountains and the exhaustion of our water sources, or whether they will have full use of the resources that create all wealth: water and land, maintained and improved by man's effort.

It seems to us that in this field, international financing agencies such as the IDB could play an even more effective role. It might even be said that the financing of large-scale irrigation works is not fully justified unless previously or simultaneously hydrographic basins are protected to prevent erosion or the sedimentation of reservoirs. That protection also implies the solution of the human problem of the nomadic campesino, the great predator of the forest because of his understandable need for survival.

The other initiative is the establishment of a mining fund, also with resources obtained from the exploitation of gold and silver. This fund is being utilized for the identification and calculation of the reserves of some of the minerals that lie within our country. Only an exact knowledge of our nonrenewable resources can afford us an adequate basis for the satisfactory programming and negotiation of their development.

Linked to the need for conservation and better use of nonrenewable resources is the problem of energy, whose traditional sources are limited and whose cost is rising steadily.

In the case of the Dominican Republic, the value of hydrocarbon imports has increased more than 12 times since 1973, and it is estimated that such imports this year will account for approximately 50 per cent of the value of our total exports.

A growth as sharp and substantial as this in an import component inevitably has profound disruptive effects on the productive apparatus and social system of any country, particularly if the country is underdeveloped.

This explains our support here for the proposal that the Inter-American Development Bank set aside funds for use in the investigation, identification and development of energy sources in our countries, including, of course, the search for hydrocarbons, whose existence in our continental shelf and inland subsoil is considered a certainty.

Moreover, we are confident that ample, decisive financial and technical support for hydroelectric projects designed by our countries will be forthcoming in consonance with the priorities established for the Fifth Replenishment of the Bank's resources.

It is worth noting that only 9 per cent of the energy generated in the Dominican Republic comes at present from hydroelectric plants. Aware of this situation, we have identified a number of projects that, once implemented, will

enable us to increase the share of hydroelectric energy to approximately 50 per cent of total energy produced.

It is my belief that countries which like mine, have been beset by balance-of-payments problems — which are becoming increasingly serious largely as a result of the world energy crisis — ought to be provided with financial facilities in amounts greater than those they would normally receive, for use in the search for and exploitation of new traditional and nontraditional sources of energy.

Let me make clear at this point that I am not advocating any privileged position for non-oil-producing countries with insufficient markets. I am merely suggesting that they be compensated, even if only in part, for the imbalances prevailing in the international order until they are able to make the difficult adjustments dictated by current international conditions.

It is no secret that such countries are particularly hard hit by these imbalances, due to sharply increased costs for imports of hydrocarbons and industrial products or because the prices they receive for their products are subject to wide fluctuations or, in the last analysis, because they are not the recipients of the oil-producing countries' increased earnings, which are deposited and invested preferentially in the industrialized nations.

Before concluding my remarks I should like to commend the Inter-American Development Bank for its performance in its first 20 years. Its lending over that period has far outstripped the amount provided earlier to the region and in cumulative terms now stands at more than \$15 billion.

As the Bank enters its third decade, we are confident that the difficulties and present uncertainty concerning the contribution of resources to be provided by one of the principal member countries will be satisfactorily resolved.

These resources are vitally needed not only to strengthen the Bank and assure its growth but to ease the poverty of the underprivileged sectors of Latin America's population and contribute to the region's political and social balance.

In conclusion, I wish to acknowledge the positive contribution of the international financial organizations to our development process and to underscore my conviction that only continued internal efforts by our private and public sectors will make it possible to overcome the problems of malnutrition and illiteracy, the housing shortage and the generally low quality of life of our population.

In this connection I wish to emphasize a fact we consider important, that in the struggle against underdevelopment the Dominican Government is also committed to preserving the public and individual freedoms which are among our people's most cherished conquests.

**Address by Mr. Adolfo Aramayo Anze,  
Governor for Bolivia and Minister of Finance**

---

First of all, I would like to express, on behalf of the Government and people of Bolivia, our special satisfaction at attending the Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, which has provided me with the opportunity of expressing to the Government and people of Brazil our gratitude for the cordial hospitality that has been extended to us and our sincere thanks for its cooperation in organizing this great event.

At the end of 20 years of successful operation, we may observe with enormous satisfaction the positive evolution of this important multilateral financing organization, which has seen its membership grow from 20 at its beginning to 42 at the present time—including the most recent member country, Portugal, to which we extend our sincerest welcome—and an increase in its capital of from \$1 billion in 1959 to almost \$28 billion in 1979. I interpret these significant increases in both member countries and the acquisition and channeling of financial resources as a positive response to the benefits this Bank has provided in favor of all its member countries, without exception.

Consequently, it is fitting to recognize the positive role this institution has played in the development process of its member countries, principally the smaller ones. Nevertheless, these positive and so far successful efforts should not cause us to become self-complacent and lead us into believing that we no longer have room for improvement, since in doing so we would only be deluding ourselves.

Much still remains to be accomplished before we can consider the original objectives for which the Bank was established as having been achieved. This is borne out by the still large gap in the varying degrees of development in our countries and the disparate channeling of the resources financed by this Bank for similar projects in the various countries. Fortunately, the Board of Executive Directors, together with the Management of the Bank, are currently engaged in formulating financing policies in compliance with previous mandates of this Board of Governors. We maintain the hope that the formulation and implementation of these policies and any others that may be formulated in the future will obey the basic principles of equity and inverse proportion to the degree of development so that the majority of concessional loans may be channeled toward the most needy countries.

Another consideration worthy of thought is the fact that, notwithstanding the prodigious childhood and adolescence of our Bank, we face a future filled with difficulties and uncertainty, one that gives us cause to fear for its structural soundness unless measures are taken that will ensure its financial independence and increasingly strengthen its multilaterality, the characteristic that constitutes its moral solvency with respect to all its member countries.

I should also like to emphasize the position of the Inter-American Development Bank with respect to financial assistance programs for the economic recovery of countries without any consideration whatsoever of political factors, which are the sovereign concern of each country and derive from the universal



right of self-determination. In the specific case of my own country, I must recognize that the Bank's work in the area I have just mentioned has made it possible to channel \$640 million within a period of 20 years and to carry out projects in almost all sectors of the economy with emphasis, naturally, on physical and social infrastructure, which constitute essential supports for the growth of productive sectors. We hope that this positive participation by the Bank will increase even further, and not only with respect to the financing of investment projects, but also with regard to technical assistance, and even more important, through the formulation and implementation of policies that will make it possible to utilize the Bank's financial and technical resources for the establishment of various kinds of funds. In this connection, we have followed with great interest the suggestions made by the Bank, together with their possible crystallization in the resolution submitted by the distinguished Governor for Argentina regarding the establishment of a guarantee fund for energy and minerals. As a mining country *par excellence*, and considering that the discovery and exploitation of new energy resources and minerals is an increasingly costly process, Bolivia believes that this initiative is deserving of in-depth study. At the same time, we sincerely believe that the less developed countries require the unrestricted support of our Bank to strengthen their negotiating capacity with prospective investors. As the President of the Bank noted in his initial address on Monday, our institution must face the future with decision and firmness. Perhaps the instrument that can be formulated on the basis of the welcome initiative I have just mentioned would prove to be the best means for adopting such an attitude.

Lastly, Mr. President, I cannot conclude my remarks without expressing my country's satisfaction with the Bank's work during its 20 years of existence, 10 of which have transpired under your judicious direction. On behalf of my Government and on my own behalf I wish to express to you our sincere gratitude for your positive attitude toward my country.

**Address by Mr. Jaime García Parra,  
Governor for Colombia and  
Minister of Finance and Public Credit**

---

It is a great honor and pleasure for me to participate for a second time in the Annual Meeting of the Board of Governors of the Inter-American Development Bank, all the more so as it is being held in Rio de Janeiro. There are special ties between Colombia and the great nation of Brazil which have been strengthened over 50 years of cooperation in fields that are fundamental for the economies of our countries.

The excellent organization of the meeting has been enhanced by the election of Minister Ernane Galvêas as Chairman of the Board, which cannot but ensure a successful outcome for our deliberations and prompts us to offer you our congratulations, Mr. Minister, and to express once again the gratitude of the Government of Colombia, those of our delegation and my own for the warmth and traditional hospitality with which Brazil and the federal and local authorities have received us.

We should also like to express our satisfaction at sharing with Peru, with an identity of purpose and action, representation on the Board of Executive Directors of the Bank.

*Some Questions Concerning Hemispheric Cooperation*

At last year's meeting we noted that our gathering was taking place at a time of special importance for the future of the region and the Bank. Unfortunately, circumstances today appear more difficult.

Mr. Ortiz Mena in his address spoke in detail about the state of the Bank's financial resources. If this situation is not solved in the coming months, we shall have to think of other financing alternatives that will prevent any cutting back of the IDB's lending while maintaining its character as a development bank. We shall accordingly be most interested in the Management's proposals for providing the Bank with resources.

For us the least desirable option would be to draw back from the capital increase already negotiated, solely to maintain the representation of each of the countries. In our view, the Bank ought to seek a financial structure that will enable it to grow *pari passu* with Latin America's investment needs and to maintain or improve its share in the financing of those needs. Fortunately, Mr. Ortiz Mena has hinted that more promising agreements are imminent.

It is not superfluous here to emphasize the concern we all feel about the world economic situation. The problems already evident last year have become distinctly more acute. We noted on that occasion that our countries were having to bear the burden not only of higher fuel costs but also higher prices for imports and the higher cost of money. At the same time, there were and are serious questions regarding the possibility of protecting, within the framework of international cooperation, the real prices of the commodities which form a large part of the exports of the non-oil-producing developing countries.

Colombia has been a leader in international cooperation and understanding between producers and consumers with a view to arriving at a stability benefiting all. We still believe that nothing is better for all parties than a system of international agreement. Therefore, as we have said on several occasions, it is incomprehensible that when free trade is preached to us we should be told at the same time that we can do everything except protect our prices.

Our peoples would find it very hard to understand that 20 years after the establishment of a hemispheric alliance for the progress of all, two of its most successful institutions, the Inter-American Development Bank and the International Coffee Agreement, on which they had pinned their greatest hopes, are losing their effectiveness.

I should also like to refer to the proposal to set up an Inter-American Energy and Minerals Fund. Colombia looks on this initiative with sympathy, and the Government will consider a final decision on it once a more detailed plan is available. The Colombia delegation will listen with interest to any suggestions that may be made in this regard either during or after this Meeting.

### *Colombian Economy Strengthens*

As on previous occasions I should like to refer briefly to the economic situation of my country, which has continued to show satisfactory progress. In 1979 the national product increased by about 5.5 per cent, which means that the Colombian economy achieved growth of some 15 per cent in just two years. The average for the 1970s was 6 per cent while that for the 1960s was 5.3 per cent. In per capita terms the increase was even more significant, 2 and 3.5 per cent per year in those decades, owing to the country's favorable demographic evolution. At the same time, we are achieving higher employment rates notwithstanding a sharp increase in the economically active population.

The external sector continues its firm trend toward diversification and consolidation. In 1979 international reserves rose by \$1,624 million, or almost three times the increase for each of the preceding three years. At this time Colombia's international reserves stand at over \$4,400 million, far exceeding the value of one year's imports. The significant growth of the Colombian external sector is clearly apparent from the following foreign trade figures:

### **Colombia, Expansion of Foreign Trade\*** (In Millions of US\$)

<i>Year</i>	<i>Exports</i>	<i>Imports</i>
1973	1,254.2	1,184.6
1974	1,485.0	1,597.0
1975	1,918.1	1,888.0
1976	2,548.9	1,867.2
1977	3,208.6	2,431.6
1978	3,598.8	2,795.5
1979	4,634.3	3,477.0

---

\*Goods and services.

It is worth noting that in 1979 non-coffee exports were 46.2 per cent higher than in the previous year. At the same time, imports, which increased 35 per cent, consisted 40 per cent of capital goods, 52 per cent of intermediate goods and 8 per cent of consumer goods. This breakdown reflects the vigor of the economy and a healthy outlook.

### *Management of External Credit*

The level of international reserves and the noted growth potential which we have enables us to have reasonable recourse to external borrowing to supplement domestic savings in the financing of development.

The administration of President Turbay Ayala wants Colombia to enter the Decade of the 1980s with an ambitious integration plan that will suit the country's economic and social infrastructure to its new dimensions. This plan aims at maintaining investment at rates above 20 per cent of GDP through the implementation of appropriately timed projects in various sectors.

In 1979 the public sector borrowed \$1,313 million abroad, i.e. almost exactly the amount programmed at the time the investment plan was submitted to the Paris Group. Nevertheless, Colombia's public external debt of \$3,508 million is still low and as a percentage of GDP it has decreased from 17 per cent to 16 per cent over the last three years. The same is true of debt service, which at 10 per cent is highly satisfactory in relation to our international reserves. Moreover, the profile of Colombia's external debt is also favorable, with an average term of 12 years and average interest at 10 per cent.

These figures demonstrate the prudence that Colombia has traditionally exercised in its external debt policy and which the present Government intends to maintain rigorously.

### *Policy of Stability*

During 1979 Colombia suffered the impact of accelerating world inflation, and at the same time was obliged to absorb an increase of 112 per cent in fuel prices and to cope with a substantial adjustment in real wages ordered by the Government. Minimum wages were raised by 30 to 42 per cent, as the basic rural wage was brought up to the level of the urban wage. However, the rate of inflation was 28.8 per cent in Colombia in 1979. This is moderate compared to what happened last year in most economies, both within the hemisphere and elsewhere, but was certainly very high in relation to our objectives.

Fortunately, the inflationary trend was brought under control promptly. After a 65 per cent increase in international reserves, which would have caused an intolerable expansion of the money supply, 1979 ended with an increase of only 24.3 per cent in M1, the lowest in the last five years. Over the last 12 months prices have risen by 24.2 per cent, and for the first three months the annually adjusted rate of inflation was 22.4 per cent.

These and other results have been possible thanks to the exercise of strict internal discipline in both the public and private sectors, and the implementation of a stable, consistent economic policy with fiscal surpluses, austere money management and the opening of foreign trade, all within the framework of the National Integration Plan.

In its economic policy Colombia will continue to assign the highest priority to the objective of stability. The Government is convinced that in view of our circumstances it will not be necessary to sacrifice the economic and social development policy embodied in the National Integration Plan, and that therefore it can maintain an adequate rate of economic development together with relative price stability and a high level of employment.

In conclusion, I should like to thank President Ortiz Mena for the support that Colombia has continued to receive from the IDB to help meet its external financing requirements, and to reaffirm our admiration and support for his work as President, and for that of the Board of Executive Directors and the staff.

**Address by Mr. Mauricio Dávalos Guevara,  
Alternate Governor for Ecuador and  
General Manager of the Central Bank of Ecuador**

---

I am honored to address you on behalf of the Republic of Ecuador at this Twenty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, which also marks the beginning of the third decade of the fruitful existence of this institution.

The 1970s have ended and our hemisphere has suffered during this period from various economic and political problems which to a large extent reflect conditions prevailing the world over.

In that decade, Ecuador's economy was given impetus by the addition to its exports of the oil production from its northeast region. It was therefore less affected by the worldwide economic crisis and this resulted in average annual GDP growth, at constant prices, of 7.6 per cent, with inflation averaging 11.8 per cent per year.

The year 1979 was a politically significant one for Ecuador. After nine years of dictatorial governments, it returned to a democratic regime but only after two long and difficult years of struggle to restore political sovereignty to the Ecuadorian people.

Economically, 1979 can be considered satisfactory. In a world of strong inflationary pressures, with serious problems of recession and unemployment, Ecuador had a real GDP growth of 5.3 per cent and a 10.14 per cent inflation rate.

The balance of payments reflected the problems of a developing economy with a strategic export commodity such as oil. The most noteworthy features of the balance of payments were a trade surplus, the growing deficit in the balance of services, and a significant net inflow of foreign capital.

The balance of trade, in FOB terms, showed a surplus of \$199 million in 1979, equivalent to 10 per cent of total exports. This was due chiefly to the favorable export performance of bananas, cacao products and oil.

Imports totaled \$1,945 million in 1979. The structure of imports continued the trend of recent years, with industry accounting for most of the demand for capital goods and raw materials—62 per cent—while agriculture imported only 4.2 per cent of the total. The remaining 33.8 per cent consisted of consumer goods, lubricants, fuels and miscellaneous.

With regard to the origin of imports, there was a slight increase in those from Latin America, and a decrease in the participation of Japan. The United States continued to be the principal supplier with 30 per cent of the total, followed closely by Europe, with a similar percentage.

The movement of goods and services transactions resulted in a current account deficit of \$585 million. This structural trend in the real sector was maintained in 1979.

Ecuador, like other developing countries, needs a net inflow of external resources. In 1979 the inflow of short and long-term capital amounted to \$659 million, with direct investment accounting for only 8 per cent.

Finally, the overall balance of payments for 1979 showed a surplus of about \$30 million. This was reflected in the level of international monetary reserves, which at \$630 million are equal to about four months of exports.

An initial projection of the external sector for 1980 indicates a balance-of-payments surplus of some \$80 million for the year.

The Government of Ecuador has taken appropriate steps to implement the National Development Plan approved last March 8, which is serving as the guideline for its five-year economic program. This plan responds to the commitment assumed by the government of President Roldós with the Ecuadorian people to carry out an economic development program with social justice and consolidation of the democratic system.

It should be noted that to implement the plan, the Government has provided for a well structured coordination of development planning policy under the National Development Council, headed by the Vice President of the Republic, with fiscal policy through the national budget, under the responsibility of the Ministry of Finance, and with monetary and financial policy under the Central Bank. This system of operations planning has been put into effect, and we hope that it will result in adequate control of the implementation of the National Development Plan and harmonization of the country's principal economic and social policies.

When the democratic government took office, it established — for the first time in Ecuador — an energy policy aimed at the coordinated development and use of different sources of energy, and at the rationalization of fuel conditions with significant results expected in the future.

The energy matter must be considered seriously and in depth. For that reason, we believe that the Inter-American Development Bank can do no less than to devote itself to the study of the problems related to investment in this sector in Latin America, the financial resources required for direct loans and perhaps some mechanisms to attract foreign investment to those countries that desire or require it.

Among the efforts being made by the democratic government of Ecuador to achieve better coordination of the financing of public investment, and better utilization of the scarce resources available, is the recent establishment of the Ecuadorian Development Bank. This institution unquestionably will be a financial cornerstone of the National Development Plan.

We hope to receive support from the IDB both for the new financial institution I have just mentioned, and for accomplishment of the objectives of the development plan that we have put into effect.

Latin America has been among the regions of fastest economic growth over the past decade. It has made large investments in industrial development and in construction of infrastructure required for transportation, communications and energy. However, it must be noted that this growth has not been equal among the Latin American countries. In this connection, there is need to reorient the international development institutions with the aim of more equitable distribution of financial resources. One such step is an increase in the resources of the Bank's Fund for Special Operations. There should also be a change in the classification of countries requesting loans from the FSO, in accordance with the economic situation of their population and of the relatively backward geo-

graphical regions of each country. This will help spur the domestic efforts of the governments to integrate marginal sectors of the population into the economic growth process and to ensure more harmonious and balanced development among all sectors of the nation. We believe that this effort is the best means of consolidating the democratic process in our countries.

In this regard, Ecuador has institutionalized a mechanism for the selective allocation of financial and technical resources through the establishment of a fund for rural development of the poor — Fondo para el Desarrollo Rural Marginal (FODERUMA) — within the Central Bank of Ecuador. The purpose of this fund is to alleviate the backwardness and poverty of that third of the Ecuadorian population comprising Indian communities in the countryside, who have remained outside the processes of acculturation and economic and social development.

In this undertaking, we are confident of the technical and financial support of the international financing agencies, and in particular that of the Inter-American Development Bank.

For their part, the Government and people of Ecuador will steadfastly maintain their firm and resolute support for an institution which they consider their own, for it has struck a responsive chord among Ecuadorians and among Latin Americans in general. In this regard, Ecuador is confident that understanding and equanimity will prevail among all the member countries of the Bank in implementing the Fifth Replenishment of IDB resources, so that it may continue its excellent work of 20 years for the economic and social development of the region, in which it has been a positive force.

In this regard, it was gratifying to Ecuador that today we signed an important loan contract with the IDB for the multipurpose Daule-Peripa project which will be vital to the development of an important region of our country. We thank the Bank and its President, Mr. Antonio Ortiz Mena, for this and many other activities in behalf of Ecuador. Furthermore, we consider it timely to underscore the imperative need for the IDB's operating policies to be managed with disregard of all criteria other than technical and financial efficiency, in view of the need to provide resources for the economic and social development of our peoples.

It has been a genuine privilege for Ecuador to serve with Brazil on the Board of Executive Directors of the Inter-American Development Bank since its foundation. In this connection, we should like to reiterate our country's appreciation of the support and cooperation received from the Executive Directors, who have upheld the interests of both Brazil and Ecuador competently and enthusiastically. In particular, we extend special recognition to Mr. José Carlos Fonseca, the present Executive Director for Brazil and Ecuador on the Bank's Board of Directors.

In conclusion, in the name of the government I call upon the countries of the Americas to reflect deeply upon the destiny of our peoples, for only by maintaining political stability within a democratic institutional framework, and by ensuring a more just economic and social order, can we forge a more prosperous tomorrow and a climate of well-being and peace for our peoples.



**Address by Mr. Alfredo César Aguirre, Governor for Nicaragua and Minister Director of the International Fund for Reconstruction, on behalf of the Central American Countries**

---

The Central American countries have conferred upon Nicaragua the responsibility of addressing this meeting on behalf of the countries of the region, and I wish to take this opportunity to express Central America's gratitude to the Bank for the work it has carried out over two decades in support of the integration and development of our countries.

Despite its recent political, economic and social difficulties, Central America maintains unshakable faith in its future and is confident that through its own efforts and the substantial supplementary contributions provided in external aid — especially the aid provided by the Inter-American Bank — it will soon succeed in overcoming the obstacles that have impeded full development of our peoples. This goal will be achieved the sooner we unite in providing — as so aptly expressed by the President of the Bank in his opening address — "... the strong incentive required to accelerate changes" in Latin America.

We are engaged in programs in the entire region to improve educational levels and health — programs that will provide land and decent housing to the greatest number of families. We are striving to increase our agricultural and industrial production to satisfy our economic needs and contribute to the social and cultural development of our peoples. As regards infrastructure, we view with great interest the Bank's cooperation in projects of special regional significance, such as the interconnected electrical system, the integration of railroad networks, the joint utilization of air and marine transportation systems, the improvement of ports and the expansion of the Central American telecommunications network. To these may be added the growth of systems for the storage of agricultural products and for price stabilization, joint development of hydrographic basins, integration of border areas and other projects of a similar magnitude.

In view of this great range of needs, we are concerned that the Fifth Replenishment of the Bank's resources has not yet taken place owing to the delay of the United States Congress in completing the required procedures, although more than one year has now elapsed since this Board approved the Replenishment. If this situation is not remedied, serious damage will be caused to the Bank and to our countries, since important development programs will be hampered that will subsequently thwart the hopes of raising the living standards of the Central American people. This situation is all the more serious in the light of critical problems of inflation, high interest rates, rises in fuel costs and protectionism on the part of the industrialized countries, to mention just a few difficulties.

A particular concern of Central America is energy. Parallel to the support the Bank has been providing to hydroelectric development, many countries are now promoting the use of geothermal energy, and we are hoping for the Bank's continued support in this field, including the identification of alternative sources of energy. We view with great interest the program the Bank is promoting to identify offshore areas with potential for the exploitation of oil and for mobilizing greater resources for energy development.

Today, more than ever before, we are supporting our process of integration for which the Central American Bank for Economic Integration (CABEI) has provided significant support to regional development. The Central American Monetary Council has also demonstrated its usefulness in these times of enormous balance-of-payments problems by providing aid to at least three countries in the region through the granting of an equal number of stabilization loans. Also, with a view toward continuing to provide aid to countries possibly requiring it in the future, it has increased its capital and devised new methods to provide greater flexibility in the system of credits prevailing within the Central American Clearing House. We feel that the collaboration the Central American Bank will receive from international organizations will be definitive in the years to come, and we make a special appeal to the IDB to continue the support it has been providing, particularly in programs and projects that Central America considers to be of regional interest in the field of social and agricultural development, including plant health programs.

As Governor for Nicaragua, now a free country, I wish to make mention of the great amount of cooperation our revolution has received from the IDB since the first day of its victory. We have found in this institution, in its staff members and most particularly in its President, Mr. Antonio Ortiz Mena, the kind of understanding that our people and our Government expect from all those who are genuinely interested in the development of our cherished and oftentimes oppressed Latin America.

We are totally engaged in the reconstruction of our country, the country of the General of free men, Augusto C. Sandino. We have found a destroyed economy, a disastrous financial situation and a people who demand the just claims that have been denied them for such a long time by virtue of the exploitation to which they had been subjected.

Our efforts require international aid, and we are hoping to receive such aid from countries and organizations that wish to contribute to the rebuilding of Nicaragua. We also hope to receive this assistance from commercial banking, specifically geared in realistic terms to our financial situation through renegotiation of the external debt, which is currently under way.

We are part of an international community and we are respectful of our obligations, in the same manner as we claim our rights. Nicaragua has recognized its international financial commitments and is now, within its limited possibilities, seeking the means of meeting these commitments, without strangling its economy.

All that remains to us is a country with a great economic potential, one we must develop efficiently and rapidly, in addition to a people determined to preserve the freedom they have won with their blood. We are indebted to them, and for their sake we are overcoming any problems that may arise on the difficult road of our reconstruction.

We are confident of our success sooner or later. However, it will depend on the aid we receive from all those making up the international community. We trust we will receive a positive response that will enable us to shorten the reconstruction period and solve the great problems of a deserving nation.

**Address by Mr. Klaus Dieter Leister,  
Temporary Alternate Governor  
for the Federal Republic of Germany and  
Head of Department of the Federal Ministry for Economic Cooperation**

---

First and foremost I should like, on behalf of the Delegation of the Federal Republic of Germany, to thank the Government of the host country and the city of Rio de Janeiro for the reception we have enjoyed in this beautifully situated metropolis. Furthermore, I would like to thank the Bank's staff for the excellent arrangements made for this Twenty-First Annual Meeting. I should also like to welcome Portugal as a new member among us.

This Annual Meeting is taking place at a time of great political and economic uncertainty throughout the world. The problems ahead of us show how dependent we all are on one another. They can be mastered only through close cooperation between independent states on the basis of equality. Therefore, the Federal Republic of Germany attributes particular importance to the opening next autumn of the Global Negotiations relating to International Economic Cooperation for Development at the Eleventh Special Session of the General Assembly of the United Nations. It considers this an opportunity to make a fresh start in achieving progress in the North-South dialogue. On the basis of common interests, the states of the North and South are called upon, in the interest of preserving peace and improving the economic situation in many countries in the world, to discuss urgent problems in the field of raw materials, energy, trade, development, money and finance with a view to reaching specific agreements in the foreseeable future.

The success of this new round of the global North-South dialogue will undoubtedly depend in large part on all groups taking an active part in the negotiations and on all issues of importance for the various groups being discussed. In this connection we were particularly interested to note that the five subjects put forward by the Group of 77 for discussion at the Global Negotiations also include energy.

One of the problems which affect the countries of Latin America in particular is the rapidly deteriorating position of external debt threatening the oil-importing developing countries. This debt situation is mainly the consequence of the extremely sharp price increases for oil in the recent past. The resulting deficits on current account this year are expected to exceed \$70 billion in the industrialized countries and \$50 billion in the developing countries. It seems doubtful whether, as risks increase, it will be possible in the future to mobilize private funds to finance these deficits as was the case in the past. The urgent question hanging over the future of the world economy is this: how can the enormous surpluses of the states of the Organization of Petroleum Exporting Countries (OPEC) already \$100 billion in 1980, be recycled internationally, especially to the oil-importing deficit countries? The solution of this problem is crucial for many developing countries as well as for some industrial countries. If none is forthcoming, they will find themselves forced into making disruptive adjustments of their economies. In this connection special importance should be attributed to the ideas set out in a

background paper of the International Monetary Fund on the Fund's financing of increasing payments imbalances and its role in the recycling process.

Mr. Chairman, the Government of the Federal Republic of Germany attaches particular importance to strengthening the self-reliance of the developing countries. The following four instruments are essential, if self-sustained economic and social progress is to be achieved in the Third World:

- Trade in manufactured and semi-manufactured goods.
- Industrial cooperation.
- Development and transfer of technologies.
- Official assistance.

While levels of development in Latin America have been uneven, more and more countries are reaching a stage of relative advancement. That is why German bilateral official assistance is of relatively small importance especially for the already more advanced countries. We note with interest that with the strong growth in foreign trade, the exports of Latin America exceeded imports last year for the first time. This demonstrates the steady improvement in the performance of Latin American export industries. Exports from Latin America to the Federal Republic of Germany also showed a real increase in 1979 over 1978 and, in real terms, were higher in volume than the exports of the Federal Republic of Germany to Latin America.

Industrial cooperation and the activities of German investors in Latin America have risen to a remarkable level. Private investments in Latin America have reached a total of 8.3 billion Deutsche marks which is almost half of German private investments in developing countries as a whole (as of mid-1979). Latin America thus represents the focal point of German private foreign investment in developing countries. Investments in Brazil alone amounted to some 5 billion Deutsche marks.

The market of issues denominated in Deutsche marks, too, plays an important part in the development of Latin America. In the past fiscal year the Inter-American Development Bank raised 27 per cent of its long-term borrowing requirements on the German capital market. In the future, too, my Government will support the IDB as far as possible in further fund raising in the Deutsche mark capital market.

Mr. Chairman, allow me to make a few remarks concerning the Twentieth Anniversary of the Bank which we are celebrating this year.

The Bank has always been very flexible in its activities. It demonstrated this by devising instruments to meet the requirements arising from developments and rapid changes in Latin America. With its greatly increased volume of business, the Bank today plays a major role in the mobilization of external and internal resources for financing development in Latin America. By diversifying membership and doubling the number of members, the capital base was greatly broadened, thereby effecting an increase in the borrowing capacity. IDB has become the largest single source of external financing for the least developed countries in Latin America in the past few years. From the start of its activities it has placed special emphasis on social development in its member countries, especially in the last ten years. We are very satisfied to note this.

Of the innovations introduced by the Bank in the last few years, two instruments are particularly worth mentioning.

One is the complementary financing concept which was introduced in 1975 and has rendered very good service since. We hope that by stepping up public relations work, the Bank will bring this mechanism for mobilizing additional private funds to the attention of a still broader range of interested circles. The other is the program to finance small projects which was initiated in 1978 and is designed to benefit sectors of the population which cannot be reached by the IDB's conventional programs. Even though relatively modest in terms of volume, the small projects program is intended to help further integrate the low-income groups into the socioeconomic development process. The Government of the Federal Republic of Germany is prepared to continue the constructive dialogue and exchange of experience recently started with the Bank in this field.

The past fiscal year brought record results. For the first time, loan approvals passed the \$2 billion mark. Disbursements, too, showed a satisfactory rate of increase compared with 1978. Earnings and loan repayments rose considerably. The Bank's policy performance likewise deserves praise. However, certain decisions have still to be taken which are important or even crucial. If the Bank is to continue on its present path and reach in the next three years the targets agreed in late 1978 in connection with the negotiations on the Fifth Replenishment of the Bank's and Fund's resources, every effort must be made to ensure that the agreement on the Fifth Replenishment which was reached after immense efforts by all concerned, enters into effect as soon as possible.

In view of the particularly difficult situation in the Fund for Special Operations, the lack of commitment authority hits the poorest of the region hardest.

Another subject that was discussed in connection with the Fifth Replenishment namely the denomination of the Bank's capital stock and thus the arrangements for the maintenance of value, has not yet been definitively settled either. The Federal Government is anxious to see these questions settled soon now that the second amendment of the Articles of Agreement of the IMF have been in force for two years already.

Among the subjects which have occupied the Working Group on Functions and Policies in the last few days was the role of the Bank in the 1980s. The agreement on policy guidelines within the framework of the Fifth Replenishment of the Bank's and Fund's resources provided a first pointer to the direction the Bank should take in the new decade. Criteria were laid down for the sectoral allocation of funds, and others were worked out for defining the low-income groups. As far as the energy sector is concerned, 25 per cent may turn out to be too low as a guideline for lending in view of the precarious situation in this sector. Since the Bank will probably have to become more active in this regard, a revision of this figure should be considered.

The Federal Republic of Germany welcomes the underlying objective of the proposal regarding the establishment of a multinational guarantee and insurance scheme in the field of energy and minerals. It is our view that such a scheme can only contribute to mobilizing additional private resources if it brings about an improvement in the investment climate in Latin American countries. In this context some important issues relating to the proposed scheme have to be solved, for example the quality of legal protection of investments guaranteed by the Fund

and the relationship of the Fund to bilateral investment and insurance systems. These and other issues must be solved before any consideration can be given to the possible participation of the Federal Republic of Germany in the scheme.

My Government would be pleased to see the idea of a Multinational Trust Fund for Industrial Development, which has been under discussion since 1977, pursued further and the suggestions made assembled in a revised proposal and forwarded to all member countries. The creation of such an investment facility for the financing of equity participation for the promotion of small- and medium-sized firms in Latin America seems to us to be reasonable.

One question with which the member countries of the IDB and the Management of the Bank will have to deal in the foreseeable future, at any rate in connection with the Sixth Replenishment, concerns the future functions of the Fund for Special Operations in a region which includes countries at a relatively advanced stage of development. Another matter which must be discussed is the structure of voting rights as laid down in the Agreement Establishing the Bank in its present form. An analysis should be made to find out whether the modalities currently applicable are not acting as a brake on the Bank's further development.

Among the proposals made by the North-South Commission under the chairmanship of Willy Brandt, two concerning regional banks seem worth noting here. One is the proposal regarding the promotion of access to bond markets via access to the guarantee power of the IDB. And the other is the proposal to extend the lending activities to program lending. I think that in both areas the Bank should try to be more liberal in the application of the instruments at its disposal within the framework of the statutory requirements. It seems premature to go into these questions and their implications at this point. However, I should like to indicate the willingness of the Federal Republic of Germany to cooperate in working out joint ideas regarding the role of the Bank in the 1980s for the benefit of the Latin American countries.

Mr. President, on behalf of my Government, I should like, finally, to express our thanks and appreciation for the dedication and qualities of leadership you have shown in heading the Bank's business affairs during the past decade. I should also like to thank you, as well as the Bank's staff, for your indefatigable efforts in seeking new fields of activity for the Bank. The Bank's image carries the clear marks of your influence. You have equipped the Bank with the instruments it needs to meet the tasks ahead of it in the 1980s for the social and economic development of the Latin American continent. As a recent member, it is our desire to collaborate constructively in the joint work which lies ahead.

**ADDRESSES**

---

**FOURTH PLENARY SESSION**

**April 16, 1980**

**Address by Mr. Giuliano Monterastelli,  
Alternate Governor for Italy and  
Central Operations Manager, Bank of Italy**

---

Since the Treasury Minister of Italy, Mr. Filippo Pandolfi, was unable to attend this meeting, he entrusted me with the task of transmitting his best wishes for its success. For my own part, I should like to express my deep appreciation to the Government of Brazil for its hospitality in this beautiful city and for the efficiency with which the meeting has been organized.

I wish to join the other delegations in expressing our warm welcome to Portugal as a new member of the Bank.

*Problems and Uncertainty in the International Economy*

Last year in my address to the Twentieth Annual Meeting in Montego Bay I stressed that rising prices of raw materials, especially oil, would have two consequences for the industrialized countries: higher rates of inflation and a worsening in their growth prospects.

And in fact for the OECD countries as a whole, 1979 saw a decline in the rate of growth of real GNP. This slowdown, however, was less sharp than might have been expected, since industrial output in several countries performed well in the second half of the year.

A development of concern was the acceleration in inflation rates. In the leading industrialized countries, consumer prices, as measured by private consumption deflators, rose in the second half of 1979 at an annual average rate of about 10 per cent, compared to a rate of 7.6 per cent in the first half of the year. Prices rose even faster in the early part of 1980.

With the aim of curbing inflationary pressures, monetary policy has become restrictive and interest rates have risen rapidly. In recent weeks short-term rates in the United States have climbed to over 20 per cent, thereby attracting liquid funds and creating serious problems for the sources and instruments of investment finance. In view of the role played by the dollar in world trade and finance, these effects have spread to the markets and currencies of other countries.

Another effect of the increase in oil prices will be the prolongation of the present inflationary climate for the whole of 1980, without the differentials between the inflation rates in different countries disappearing. At the same time there will be a sharp deterioration in the current account balances of both the industrialized and the non-oil-developing countries.

According to the latest available estimates, the former can expect an overall deficit of more than \$80 billion, compared to around \$30 billion in 1979, while that of the latter will be of about \$51 billion, compared to \$32 billion in 1979. Furthermore, it appears inevitable that the worsening in the terms of trade of these two groups of countries will cause a marked fall in the growth rates of their real output and, as a result, in that of world trade.

In short, the situation at the start of the 1980s seems very similar to that in 1973-74, but it is characterized by greater uncertainty. One area in which this is particularly marked is the recycling of financial resources needed to offset the



aforementioned balance-of-payments imbalances in an orderly manner. The intermediation of the commercial banks and international financial markets may be confronted with difficulties as a result of the already high level of indebtedness of many developing countries. In addition, the continuance of inflationary expectations may result in savings being used for the purchase of consumer or hedge goods or kept in highly liquid forms, thus causing, among other things, a reduction in the funds available for investment in developing countries.

In view of these problems it is to be hoped that agreement will be reached at the international level on both recycling and instruments permitting an orderly diversification of reserve assets, namely the IMF substitution facility. Such agreements would help to reduce the uncertainty that undermines the working of the international monetary and financial markets.

### *The Italian Economy*

As for the Italian economy, satisfactory results were achieved in 1979 with regard to the expansion of real output and the balance of payments. In fact, the GDP rose by 4.9 per cent in real terms, compared to 2.6 per cent in 1978, and the current account of the balance of payments recorded a substantial surplus, albeit smaller than in 1978 (around \$5.2 billion as against \$6.4 billion). As in 1978 this surplus made it possible to repay more than \$4 billion of official and private debts that had been contracted in the aftermath of the 1973-74 oil crisis.

Against these positive results must be set the sharp acceleration in the rate of inflation. In the fourth quarter of 1979 wholesale prices rose by more than 20 per cent compared to the same period in 1978, when the corresponding figure had been only 8.8 per cent.

This increase in the rate of inflation could continue in the first part of this year and perhaps have a negative effect on exports; this could both slow down the growth rate of real GDP, which is not expected to be more than 2 per cent, and reduce Italy's balance-of-payments current account surplus.

### *Activity of the Bank*

The year 1979 closed a decade — the second since the establishment of the Bank — during which the Bank saw its operational potential expand considerably and an almost fivefold increase in its lending. In fact, authorized loans rose from \$3.4 billion at the end of 1969 to \$15.9 billion at the end of 1979, with an average annual growth rate of more than 15 per cent. The volume of borrowing on international markets was also substantial — \$409 million in 1979. These funds were raised at a relatively low cost and in good time, in view of the difficult situation that developed on fixed-interest bond markets at the end of the year.

The growth in the Bank's activity is undoubtedly one of the factors that has contributed both to the high rate of growth of income in the Latin American countries in the last few years and to the progress that has been made in certain sectors, such as agriculture and social services in the broad sense.

By helping to build the foundations for steady economic growth and attracting private financial resources through its catalyzing action, the Bank plays a fundamental role. One indicator of the value of this action is the rise in complementary financing, which amounted to \$378 million at the end of 1979, with an increase over the year of \$100 million.

Complementary financing is an important element in the expansion of the IDB's network of collaboration, consisting, at the institutional level, in co-financing arrangements with other international organizations, such as the World Bank, the EEC, the International Fund for Agricultural Development and the OPEC Development Fund. As to export credits, over \$200 million flowed from Italy to Latin America in 1979.

The continuance of high growth rates and the availability of financial resources are among the necessary conditions for a successful attack on the social and economic problems posed by the expansion of the labor force and the trend towards urbanization in the Latin American countries.

These social problems and those related to energy resources could make it difficult to achieve adequate growth and development of Latin America's natural resources in the future. For this reason we feel that the Bank took a step in the right direction when it included in its guidelines for the utilization of the funds that will be raised through the replenishment decided in 1978, the aim of devoting about 50 per cent of its future lending to the creation of productive employment in areas in which social problems are likely to be most serious, and a further 25 per cent to the financing of energy projects. We are also following with considerable interest the project for the creation of a mechanism that will encourage the development and exploitation of new energy and mineral resources.

To conclude, Mr. Chairman, I should like to express the great appreciation of the Government of Italy, as well as my own, for the achievement of this institution, which, in 20 years of activity, has demonstrated that it is able to perform a basic function in Latin America.

The President, Mr. Antonio Ortiz Mena, and the Vice President, Mr. Reuben Sternfeld, deserve our special recognition. With the support of a particularly competent staff they have impressed dynamism and efficiency on the action of the Bank, and have made it one of the leading international financial institutions.

**Address by Mr. Petar Kostić,  
Governor for Yugoslavia and  
Federal Secretary for Finance**

---

In the beginning, joining my fellow governors, I wish to express on behalf of the Yugoslav delegation, our gratitude to the Government of the Republic of Brazil and authorities of Rio de Janeiro, for the extraordinary hospitality and excellent organization of our Annual Meeting.

It also gives me pleasure to welcome the representatives of Portugal — the new nonregional member of our Bank since last month — among us.

The existing situation in international economic relations and the position of the developing countries within them, reaffirms once again the importance of promoting mutual economic collaboration among developing countries.

The ministerial meeting of the Group of 77 in Arusha and the Sixth Summit Conference of Non-Aligned Countries in Havana reiterated that a strategy of collective self-reliance of the developing countries is an integral part of the overall development strategy aimed at restructuring existing international relations. The mutual cooperation of developing countries, as a fundamental and integral element and instrument of necessary structural transformations, aspires for the establishment of new relations based on mutual interests and agreements of all members of the international community.

The role of the international financial organizations is very important at the present time and in the new economic order. That role is especially vital in this and in forthcoming years when a number of developing countries, due to their indebtedness, will not be able to borrow funds in the international private capital markets in the amounts borrowed so far.

The Yugoslav Government has assessed the activities of the Inter-American Bank in 1979 as successful. Last year was the Twentieth year of the existence of this organization. During that time it has become the largest regional financial institution, extending significant support to the economic and social progress of Latin America's developing countries.

The Bank's successful activities in the previous fiscal year are even more outstanding in view of the fact that, aside from problems relating to the continuity in the replenishment of its funds, the Bank for the first time in its history exceeded the \$2 billion mark in loans approved for the countries of the region. The data from the Bank's Annual Report manifest a high degree of efficiency in its activities, especially a satisfactory efficiency in disbursements of authorized loans, which should be further stimulated in future Bank activities.

The sectoral distribution of authorized loans in 1979 is worth stressing. A high priority was given towards directing funds to productive sectors, and infrastructure, especially towards agriculture and energy — the basis for further progress of the developing countries of the region. In this context we think that the least developed countries of Latin America should enjoy preferential treatment to a major extent, particularly in connection with the authorization of loans under specially favorable terms and conditions from the resources of the Fund for Special Operations.

One should also take into account the imperativeness of implementing the target formulated on the occasion of the Fifth Replenishment of the Bank's resources, that a minimum of 50 per cent of the Bank's lending program resources over the 1979-82 period should benefit the lowest income strata of the Latin American population. Thus, the Bank, in the first place, and the more advanced among developing countries should contribute to the faster development of the less developed countries of the region.

In our opinion, the Bank has an increasing role to play as a financial catalyst in attracting additional resources for the development of the region through diversified financial arrangements in which it acts as borrower in the international capital markets, administrator in complementary financing mechanisms or co-financier in parallel financing. In this field the Bank can play a prominent role through its initiatives, creativeness and efficiency in action, which should be an even more prominent and integral part of its future activities. It seems to us that the Bank's disposition to carry out initiatives in this area was particularly vital in the past fiscal year, which was characterized by uncertainty in the inflow of regular funds.

We cannot help but mention our concern over the fact that the Fifth Replenishment of resources has not yet come into effect. We hope that in the framework of the new extended period the countries which have still not voted it, will manage to carry out all the necessary legal procedures and cast their votes for the corresponding resolutions, as well as deposit the instruments of ratification so that the Fifth Replenishment of the Bank's resources can come into effect and thereby prevent adverse consequences in the implementation of this year's lending program activities. In this respect, it is important for the Bank not to slow down its lending program at the beginning of the new decade when it is expected to play a more important role in the development of the region.

Yugoslavia attaches exceptional significance to fostering collaboration with other developing countries. Starting from the decisions and agreements reached at the Conferences of Non-Aligned Countries, such as the Arusha Conference and the Sixth Summit Conference of Non-Aligned Countries in Havana, it sets aside, within its possibilities, a part of its national income for this collaboration. In this regard, Yugoslavia sets aside significant resources for financing investment activities in developing countries and on specially favorable terms and conditions, with a considerable grant element in financing investment projects in the least developed countries. Besides these funds, substantial resources are directed to developing countries through technical assistance and other forms of grants.

Acting in line with a policy of giving support to enhance the resources of international and regional financial organizations and different UN funds, and within the framework of its budgetary possibilities, Yugoslavia is making its contribution to this form of collaboration with other developing countries.

Since Yugoslavia joined the Inter-American Development Bank as a member in 1976, its collaboration with the Bank has been rather modest in attempts to involve Yugoslav organizations in preinvestment activities of the Bank as well as in the implementation of the projects financed by the Bank. Some initial results were achieved last year, and further contacts continued and we expect them to give concrete results. We believe that the collaboration between

Yugoslavia and Latin American countries has perspectives, starting from the complementary aspects of our economies. Yugoslav organizations are engaged so far in the implementation of important development projects in some of the countries of Latin America with Yugoslav credit arrangements in those projects. Still the possibilities of collaboration with the countries of this region in projects financed by the Bank are not fully exhausted. We want to stress here that we are ready to participate with our own funds in different co-financing forms in our future collaboration with the Bank.

Finally, I want to inform the Annual Meeting that Yugoslavia, in the originally foreseen terms, ratified its contribution to the Fifth Replenishment of the Bank's resources and that the Federal Budget for 1980 provides resources to be paid in as the first installment in the Bank's capital and in the contribution to the Fund for Special Operations. The National Bank of Yugoslavia is ready to invest \$1 million in the new one-year short-term bond issue of the Bank. Thus Yugoslavia, in accordance with its possibilities, will contribute to the enhancement of the Bank's resources, which are needed for the implementation of its lending program in the present period.

Mr. Chairman, I would like to take this opportunity to express our recognition to the President of the Bank, Mr. Ortiz Mena, and the Bank's management for the extraordinary results achieved in 1979. Once again, I would like to extend our gratitude to the host country for the excellent arrangements made in connection with the organization of our Annual Meeting and our pleasant stay in Rio de Janeiro.

**Address by Mrs. Annikki Saarela,  
Governor for Finland and  
Financial Counsellor, Ministry of Finance**

---

Allow me first to join my fellow Governors in expressing to Brazil our appreciation for the excellent arrangements and the warm hospitality extended to us here in beautiful Rio de Janeiro. I should like to congratulate you, Mr. Chairman, for your efficient chairing of our meetings and to extend my thanks to the President and the Secretariat for the preparations that have enabled this meeting to be successful. It is a great pleasure for me to welcome the representative of Portugal to our meeting.

This Twenty-First Annual Meeting closes the second decade in the work of the Bank. A look at its activities, development and growth reveals that the Bank has played a significant and catalytic role in the development process of its Latin American member countries. Resources allocated to the development of agriculture, health and other social services, water supply and education have contributed to improving the living conditions of the poor. Lending to the industrial sector has increased production and stimulated further investments as well as created employment opportunities. Lending to infrastructure has strengthened the basis for improving the overall economic situation of its member countries.

During this period the Bank has demonstrated an impressive ability to respond to changing circumstances and sectoral priorities and needs for technical assistance. In this regard we commend it for its initiative and willingness to cooperate.

Mr. Chairman, in our view, the recipient countries' own devotion and their influence on the Bank's policies and decision-making must be recognized as a key element in the Bank's success. For our part, we appreciate frank and open discussions among the member countries and feel that a continuous dialogue will even in the future give the best guidance for steering the institution through the challenges of the 1980s.

Before commenting briefly on the tasks that lie ahead I should like to observe that the negotiations on the Bank's Fifth Replenishment of resources were successfully finalized over a year ago. Nevertheless the replenishment has not yet entered into effect. I want to express our grave concern for the present situation especially as the need for the transfer of resources over and above agreements already negotiated is widely recognized. This is why implementing existing agreements is of vital importance.

Looking ahead, Mr. Chairman, we wish to endorse the new developmental approach outlined by Mr. Ortiz Mena in his opening remarks earlier this week. This involves proceeding simultaneously in three essential priorities: energy and natural resources, food production and creation of opportunities for capitalization and development. I was also pleased to note, that in an earlier speech in Washington, Mr. Ortiz Mena had stated that the betterment of the basic human condition is a *sine qua non* of national progress. This is entirely in line with the urgent priorities we all agreed upon in connection with the Fifth Replenishment. In pursuing the three-pronged development approach, it seems to us that flexible

lending vehicles will be of importance. To this end we are prepared to support increased sectoral lending as well as technical cooperation.

Many speakers have already discussed the President's excellent statement on the question of energy including the far-reaching effects of the energy crises, the vast needs both in terms of research and exploration as well as financing of investments and utilization of the untapped energy resources and possibilities for increasing domestic energy production. We have followed with great interest the various proposals made during the discussion to diversify energy production on this continent. We believe that there is considerable potential available. I should like to confirm our support for the Bank's increasing involvement in the energy sector. In addition to oil resources, this should take into account the need for national energy planning and the use of a wide variety of indigenous energy resources, such as hydro power. Still I should like to add that the efforts to solve the energy problems of rural areas are often intertwined with wider aspects of rural development and other uses of natural resources. Thus an integrated approach will increasingly be needed.

Last year I mentioned forestry as a sector which in our view was in need of special attention in the Bank's lending policy. It appears that our concern is shared by the Bank's recipient countries. We appreciate and fully support the initiatives of the Bank in this regard.

Mr. Chairman, in conclusion, I should like to transmit on behalf of the Government of Finland our congratulations to the Bank, its management and staff, for the achievements of the first two decades. The results achieved are to be admired. The experience gained is valuable. And the Bank has been established as a major force within the Latin American context.

We retain a strong belief in the Bank's ability, with our common effort, to serve the development of the Latin American countries.

**Address by Mr. José Luis Federici Rojas,  
Governor for Chile and Minister of Economy,  
Development and Reconstruction**

---

I would like to express my gratitude and that of the other members of the delegation of Chile for the most warm and generous welcome extended to us.

The Bank has recently completed 20 years of work, and it is unfortunate that on an anniversary such as this, the institution should be in difficult circumstances and without clear prospects for the future.

In the minds of many of us, the most pressing problem is unquestionably the course of the legislative process for the approval of the Fifth Replenishment of resources in one member country.

Without detracting for a moment from the significance of this for the normal progress of the Bank's programs, we believe that there are here certain fundamental questions that have to be addressed.

It is not the fact that a member may agree or not to subscribe a certain amount of capital that concerns us, since that must be the expression of its sovereign will. What does call for considered comment is the fact that the normal continuation of the Bank's activities depends on the will of that member alone. The logical result of not desiring to subscribe, or wanting to subscribe less than one's quota, is that this diminishes one's relative voting power and should not impose a burden on all the others, who might have to reduce the amounts of their new contribution in order that the former party may maintain its dominant voting power in the institution.

The foregoing is nothing more nor less than an imposition that is contrary to the basic spirit of multilateral action which, advocated by that very country, inspires institutions such as this. We firmly believe that, in the lives of individuals just as in those of countries, consistency between words and deeds is the basis for coexistence in respect and confidence.

In defense of this principle of multilateral action, we would note that we do not consider the best solution to be the existence, or much less the proliferation of specific or special funds to be administered by the Bank, whatever their declared purpose. Experience has shown that, on not infrequent occasions, the utilization of a trust fund tends to be strongly influenced by political value judgments of the chief trustor, which are alien to the charter of the Bank. In this way the operations of the fund become the result of bilateral relations between the trustor and the borrower which the former prefers to shelter under the multilateral nature of the Bank and even to finance in some measure with resources contributed by others.

I should also like to stress what my predecessors have said on behalf of Chile at previous meetings. It is desirable for all the member countries and vital for the Bank that it should intensify its efforts to adapt itself to the different economic systems now existing in the region.

When the Bank was established 20 years ago, there was a consensus among our countries as to the economic system under which it should deploy its development work and the Bank was, in its operating concepts, a reflection of that consensus. It could not have been any other way. For some years now there has



been in the region a growing number of countries which have adopted for their development a market system in which the state plays a role that is strictly subsidiary to the activity of private sectors that are dynamic, competitive domestically and externally and not dependent on the Government in their economic decisions. This system operates within the framework of an economy that is commercially and financially an open one and under a fiscal discipline which, if the country is not to be bankrupted, cannot be fundamentally different from that which any responsible private institution must observe.

As some of the Latin American countries develop and improve this economic system, the Bank finds it increasingly difficult to collaborate with them because it is hampered by operational policies and concepts based on a development model that is no longer unanimously accepted in the region. Specific examples are Bank policies on such matters as guarantees, public utility rates, interest rates, various preconditions for loans and disbursements, controls, etc.

Our country, which for 20 years has received the Bank's valuable support and which collaborated in its founding and growth, would like this relationship to become more productive in the future, but within the framework of our system of economic and social development. With a consistent and stable economic and social policy that transcends the individuals who temporarily exercise Government functions but who are united by clearly defined goals and the instruments for achieving them, Chile has managed in seven years to reduce inflation from 1,000 per cent to less than 40 per cent. In the same seven years, it has doubled the historic average annual growth rate of the product recorded in the years following the Second World War. Since 1977 there has been a sharp increase in employment and a dramatic rise in real wages, which so far no one has tried to deny. Our exports have not only expanded but they have been diversified geographically and by product, so that our foreign trade no longer depends, as in the past, on a single market or product. The fiscal sector is no longer in deficit and the autonomous enterprises of the public sector are operating with standards that make their return on investment comparable to that obtained in the private sector.

The social expenditures of the Government, both as a percentage of the total and in absolute figures, surpass any previously recorded. In the area of labor relations, a system of open labor unions has been established serving the interests of workers and not of partisan political interests. Since its implementation last year, it has given concrete evidence of the great benefits that workers and enterprises can derive from collective bargaining in a framework that makes unnecessary the intervention or arbitration of government authorities.

Unless the Bank adapts to these realities, which are shared by other countries of the region, its role as a development institution will be increasingly limited.

We have reserved our final words to pay tribute to Dr. Guillermo Zubarán who, as Executive Director, represented Chile, and whose tragic death occurred last November in the extreme south of this continent. His exceptional understanding of and identification with the reality and objectives of our country in both the economic and social spheres and his outstanding intelligence and ability make his death as great a loss for us as for Argentina.

**Address by Mr. E. C. Burr, Alternate Governor for the United Kingdom  
and Under Secretary, Overseas Development Administration,  
Foreign and Commonwealth Office**

---

I join with earlier speakers in congratulating you on your election to the chairmanship of the Board, in thanking the Government and people of Brazil for their warm welcome to their country and for their hospitality, and in expressing our pleasure that Portugal has joined the Bank.

To congratulate the Bank itself on its Twentieth Anniversary might imply that there had been doubt whether it would live so long. It has had only two presidents and you, Mr. Ortiz Mena, have been its President for nearly half of its life. Its present standing and activity, evidenced most recently perhaps by its passing the \$2 billion lending mark in 1979, must give you great satisfaction.

Your Annual Report and the highlights from these 20 years to which you called our attention in your speech on Monday show how much has happened in Latin America, how much progress has been made. Even those who look only at the pictures in the Report would see that things are happening and perhaps just as important would get the impression that the people themselves are participating in what is happening. Not everything can be done by government nor by inter-governmental organization: in every country progress depends on harnessing the will of the people to help themselves. They have needs — for capital, technical assistance, project preparation and design, major equipment and many other resources — and it is this which the aid-giving countries, whether bilaterally or multilaterally, seek to help to provide. The Bank is obviously doing its share. It has a resources problem at the moment — the manifestations of democracy do not always simplify government — but if I look back to the meeting in Washington in March when the state of the Fifth Replenishment was causing such lively anxiety, I do not now see a Bank which has lost confidence in its future. Its patience is tested but it is going on.

One of the questions to which some of us in particular have given attention in the Working Group on Functions and Policies has related to the role of the Bank in the 1980s. It is natural and right that we should look ahead, and perhaps that we should look a bit further ahead than we can actually see. But I have expressed my doubts whether any of us can believe that the validity of forecasts made now about 1990 justifies diverting our effort from the job actually in hand. One of our poets said, "I do not ask to see the distant scene: one step enough for me." I noted with agreement the remarks made on Monday by the distinguished Governor of France as to the euphoria with which the 1970s began and what had happened by the end of that decade. How little was foreseen. There may in fact be no particular magic in the numbers of the years.

To look at things today is to be warned against complacency. I noted with the greatest interest the remarks made on Monday by His Excellency the President of this country as to the steps which his government is taking to deal with inflation. Some of what he said echoed what my own government is doing — controlling the money supply and public expenditure: it is not resorting to protection. Other countries too are grappling with inflation. The immediate results are painful. The

disease untreated will be far worse, and if complaints are made, as they sometimes are, that the industrialized countries are exporting inflation, it will perhaps be conceded that it will be beneficial to all if they do something about it. Many remedies have been tried. What is now being attempted seems new but in some respects at least it is classical, and my Government is determined to see things through. I am sure that it does not intend that its measures hurt other countries and institutions beyond what the nature of the fundamental trouble may imply. We are not neglecting the less developed world. We still have a major aid program. We must however control inflation if that program is again to expand.

We share the anxieties expressed here already as to the poorest countries and the poorest people and as to the effective maintenance of the agreements relating to the Fifth Replenishment. We also understand that the poorest people and countries can be benefited for instance, by capital works which seem remote from them. But it is generally fairly easy to see who is benefiting and we would not wish to see results so indirect that excessive intellectual effort and econometric algebra were required to prove a small result.

I have been very glad to see here numerous representatives of the banks from the city of London. I know that, beautiful as Rio is, they would not be here if they had not a substantial interest in this continent. I would like to see them followed by British business and industry and to see that industry effectively competing not only for what it might secure in the market generally but for the massive procurement which flows from the Bank's operations. British industry has contributed to Latin America's development and growth in the past. We would like to see it entering into the fresh challenges of today.

Those of us—and I suppose that is all of us here—who in one way or another spend our working lives on the problem of development have again had our attention concentrated by the Brandt report. One asks what resulted from its predecessor, the Pearson report, prepared under the leadership of Canada's renowned Prime Minister. I have it on my bookshelf in my office—"Partners for Development." To ask what it achieved is to ask what Brandt will achieve. Perhaps most of all it helped in a crystallization of opinion, not crystallizing it like some of these magnificent Brazilian gems, but striking a note at a particular time after which people thought differently. Brandt has a different title—"A Program for Survival"—less philosophical, more foreboding. Yet the idea of partnership must remain, and I remark that it is not merely a question of partnership between one group and another or between countries from different groups. There is a need for partnership within the groups so that it is not always necessary to look outside one's group to find a partner. I cannot say this of course without alluding to what OPEC countries are doing, and also for instance to the Conference on Technical Cooperation among Developing Countries. Perhaps there is a model which, within their own capability, more might follow.

I am glad to be here myself. My Minister whose alternate Governor I am had only just returned to England from the Far East when I left London. I shall be able to convey to him and his colleagues an account of an institution that is lively, where there are differences of view which, while concurring on essentials, show its inherent capacity and where the wise leadership of its President is seeking to keep to a course from which the continent and thus the world will benefit. Latin America, after all, is not an island!

**Address by Mrs. Maria Pilz,  
Temporary Alternate Governor for Austria and  
Ministerial Senior Commissioner of the Federal Ministry of Finance**

---

It is a great pleasure and honor for me to attend the Twenty-First Annual Meeting of the Inter-American Development Bank in this wonderful city of Rio de Janeiro. I would like to join other Governors in expressing my gratitude to the Government and people of Brazil for their warm welcome and kind hospitality. Furthermore I want to thank the Government of Brazil and the Bank for the excellent arrangements made for the meeting.

It gives me special pleasure to welcome Portugal which has quite recently joined the Bank as a new member of our Institution.

In 1979 the Bank celebrated its Twentieth Anniversary — an important milestone in its history. This provides a suitable occasion to review the achievements during these two decades and to consider the tasks to be accomplished in the 1980s.

The Annual Report for 1979, for which I especially want to thank President Ortiz Mena and the staff of the Bank, presents us with a review of the Bank's history, its activities since it was established and its impact on the economic development of Latin America in these 20 years. The enormous progress achieved during this period — trebling the gross domestic product, doubling the per capita product — would be unthinkable without the Bank's financial and advisory support. IDB's assistance has been extended especially to those sectors of the economy, such as agriculture, energy and industry, which account mainly for the economic development attained in the period under consideration. The Bank's role in the field of social development has been considerable and should be particularly mentioned. The activities in this area have contributed to a great extent towards the improvement of the living conditions of those parts of the population which are mostly in need of assistance.

Technical cooperation has played a major part in the last two decades and has provided the basis for future lending operations.

One of the most important aspects of the Bank's activities since its establishment is certainly its role in mobilizing external and local resources for the financing of development projects in the region.

Considering the excellent performance of our institution in the past 20 years we trust that the challenge of the coming years will be met by the IDB and that even greater accomplishments can be achieved. The third decade in the Bank's existence begins in an atmosphere of political, social and economic tension. The Board of Governors has clearly recognized the necessity for analyzing the problems with which we will be confronted in the coming years and for defining the part the Bank will have to play in helping to solve them. On the initiative of the Working Group on Bank Functions and Policies a study of this subject is being worked out. My country supports this endeavor and considers an action program for the coming years to be absolutely necessary. We think, however, that this study should be practice-oriented and should give the Bank the necessary flexibil-

ity to adjust its policy to the changing and often unforeseeable circumstances in the next decade.

Let me now turn to the performance of the Bank in the year 1979. We have to note with appreciation that loans of more than \$2 billion have been approved and that special attention has been paid to the needs of the least developed member countries. With respect to the sectoral distribution, the Annual Report shows that high priority has been given to agriculture and rural development.

We have noted with special interest that emphasis has been put on an integrated approach to rural development and that substantial funds have been devoted to integrated rural and agricultural development projects. My Government welcomes such a lending policy which stresses the socioeconomic aspect and thus creates employment opportunities for the rural population and thereby helps to meet the basic human needs.

Financing of energy projects amounted to 20 per cent of total lending. There is no doubt that the growing demand for energy will make it necessary to explore new sources of energy and to allocate a considerable part of funds to this sector. However, financing should not be limited to the supply of energy but also to the development of renewable energy resources. We need alternative energy to supplement fossil oil, since only a small number of countries are in a position to export oil. Others have to rely on their own resources or must use a substantial part of their foreign exchange reserves to import oil. The exploration and exploitation of new energy resources should therefore be accorded high priority. I take special pleasure in mentioning that our host country has been among the first to explore the possibilities of making renewable energy accessible especially in the field of agriculture through a process of distilling alcohol from such surplus agricultural commodities as molasses, cane juice, and cassava. This process, in which Austria too disposes of great experience, might be adopted by other countries thus giving them the possibility of developing their agroindustry and becoming less dependent on oil imports.

Besides exploring new energy resources we should also try to use the available energy in a more efficient way. We cannot overlook the fact that we have been wasting energy in the past. Now that energy has become much more expensive, we must try to find new technologies which should allow us to maintain the same production level through less energy consumption.

On the industrial sector, small- and medium-scale enterprises have received substantial support from the Bank. It seems desirable that this policy be continued. The program for financing small projects initiated in 1978 should be further pursued.

The guidelines for the Fifth Replenishment provide that half of the Bank's lending in the coming years should benefit the low-income groups of the population. In this regard, I would like to point out that Austria welcomes this lending policy and that the efforts of the Bank to adopt a definition of low-income beneficiaries and to put it into practice has been noted with satisfaction.

Another subject on which I would like to comment is technical assistance. I have noted with some concern that the amounts made available for this purpose in 1979 were not even equal to those of the previous year. We consider a wide-ranging technical assistance program indispensable for the promotion of the

absorptive capacity in the recipient countries. We would therefore urge the Bank to allocate adequate funds for this purpose and we hope that a gradual increase of resources for this program can be attained.

With respect to the lending activities of the IDB in 1979, I would finally mention that one important problem, namely the economic integration of Latin America has been receiving due attention. Loans and technical cooperation equivalent to \$100 million have been granted for projects which promote the economic integration of the continent.

It will be of the greatest importance for the IDB to get the necessary funds for its future lending activities. During 1979 the Bank has been able to borrow more than \$400 million on different capital markets. I would like to mention that Austria was one of the countries where the Bank placed an issue.

Austria also supported an increase in the capital of the Bank and the Fund for Special Operations and has voted in favor of the Fifth Replenishment. I am pleased to state that the Austrian Parliament has authorized our participation in this replenishment and that the Austrian instrument of subscription to the inter-regional capital and contribution to the Fund has already been forwarded to the Bank. Payments will be made as soon as the Fifth Replenishment enters into force. My Government is, however, deeply concerned over its delay and hopes that the prevailing difficulties may be overcome so that a suspension of the Bank's lending activities can be avoided.

Another way of mobilizing additional financial resources on which the Bank has successfully embarked in the past is co-financing. We have noted with satisfaction that in 1979 a number of co-financing operations have been carried out with other international organizations such as the EEC, OPEC and IFAD. We hold that besides these arrangements co-financing with export credit agencies and private sources should be encouraged. In my country we are right now working out a system which will allow us to intensify our participation in the co-financing of projects together with the Bank, other financial institutions and interested investors. Within this system we will be able to make available more funds from our export credit schemes.

Allow me now, Mr. Chairman, to say a few words with respect to the role of nonregional members in our Bank. Austria joined the IDB in order to strengthen its ties with Latin America and to play its part in the economic development of the region. At the 1979 Annual Meeting the Alternate Governor for Austria stated that the representation of the nonregional countries on the Board of Directors was unsatisfactory and did not seem adequate to the financial contributions which these countries are requested to make under the Fifth Replenishment. Considering the responsibility the nonregional members have assumed within the Bank, their share in the capital and in the Fund for Special Operations, and last but not least their increased number, we think that the establishment of a third seat would be justified.

Another question to which my country attaches great importance is the employment of nationals from countries outside the region. My Government would support a recruitment policy which includes different forms of employment such as temporary contractual services or junior professional programs. We are of the opinion that the national composition of the staff should reflect the member-

ship in the Bank and thus constitute another means of further integrating the nonregional group.

With respect to the resolution adopted regarding the site of the Annual Meeting of the Board of Governors in the coming years I would like to repeat the offer made by the Austrian Governor in Vancouver two years ago and to state that Austria would be honored and delighted to host such meeting whenever the Board of Governors should decide to hold it in a nonregional country.

Concluding, Mr. Chairman, may I congratulate the President of the Bank, Mr. Ortiz Mena for his outstanding leadership and the management and staff for last year's achievements. At the same time I wish them every success in their endeavors which serve the further promotion of economic progress in Latin America.

**Address by Mr. José António da Silveira Godinho,  
Alternate Governor for Portugal and  
Deputy Secretary to the Minister of Finance and Planning**

---

It is a high honor and a very great pleasure for me to address this Twenty-First Meeting of the Board of Governors of the Inter-American Development Bank and to mark, in the name of my government, the first appearance of Portugal as a full member in this international forum at the beginning of the third decade of the Bank's existence and the ninth decade of this Twentieth Century that is now drawing to a close.

Allow me to express first of all the regret of my Government over the impossibility of arranging earlier Portugal's admission to this important finance institution that is the Inter-American Development Bank.

The fact is that, as might be expected given its historical and cultural ties to Latin America, Portugal participated from the start in the preparation work for the association of various nonregional countries with this organization.

But when those efforts had reached a very advanced stage — just a few months short of the date scheduled for signature of the diplomatic instrument governing the admission of new countries — the Portuguese authorities were assailed by doubts concerning the advisability of assuming new commitments which in the short range, would have negative effects on a balance of payments which was at that time beginning to show signs of the crisis that was to extend until the end of 1977.

Once my country's balance-of-payments position had begun to show signs of being firmly on the road to recovery, the interest which the Portuguese could not fail to evince in drawing closer to Latin America, which could be accomplished through Portugal's participation in the IDB resulted in inquiries to the Bank Secretariat concerning the possible renewal of talks leading to that eagerly awaited admission.

And the Portuguese authorities were greatly pleased to observe the earnest endeavor of the Bank authorities to ensure that Portugal would shortly be counted among its nonregional members.

The fact that admission negotiations officially required eight months and that it has only recently been possible to complete the steps needed for formal membership was not due to either difficulties encountered in those talks or any opposition to Portugal's application.

I am wholly convinced that the negotiations could not have taken place in an atmosphere of greater cordiality or fuller understanding on the part of the institution's negotiators in view of the problems experienced by my country.

The authorities of this organization were indeed so concerned to have Portugal rapidly enlisted in the membership ranks of the Bank that they invited a Portuguese delegation to attend the meeting in Montego Bay, Jamaica, in May 1979, a concern which was, of course, shared by the Portuguese Government.

The same spirit of sincere welcome for this new member candidate was apparent among the member countries during the stage of consideration of our



application by the Bank's Board of Executive Directors and then in the voting of its Governors.

On the part of Portugal once again, political vicissitudes slowed a consideration of the admission process.

However, after the current administration took office, the internal and external processing necessary for rapid implementation of membership stepped up, culminating three weeks ago, on March 25, when Portugal signed in Washington the Agreement Establishing the Inter-American Development Bank. And so Portugal is present now, after a five-year delay, to take an active part, from this day forward, in the work of our international organization.

In formally initiating that participation, I should like to convey to the Chairman of the Board of Governors, the President of the Bank and the Governors, in the name of my government, the most cordial greetings of the authorities and the people of Portugal. Our countries are joined by historical and cultural bonds and by friendly relations developed over centuries of contacts, to which hundreds of thousands of Portuguese emigrants have contributed, giving their best efforts to achieve the economic development of the respective country, which attests to the deep community of interest shared by Latin America and Portugal.

At this time, you will certainly understand my addressing, special words of greeting and friendship to the Brazilian authorities and people in view of the special fraternal ties between our two countries and our two peoples. It is for my government a source of special satisfaction that the first IDB meeting in which Portugal is participating as a full member should take place in this great and dynamic country of Brazil, whose abundant natural resources and rapid pace of economic development we so greatly admire. Like the delegates who have preceded me here I am conveying to our hosts, in the name of my delegation and on my own behalf, our most sincere appreciation for the warm hospitality and cordial welcome we have received in this enchanting city of Rio de Janeiro and for the excellent organization arranged by the Government of Brazil to ensure an efficient work schedule, as we have all seen. I should also like to express my gratitude for the kind expressions of welcome I have received as the representative of the newest member country of the Bank.

Mr. Chairman: Since this is the first time that a Portuguese delegate has addressed the meeting of Governors of the Inter-American Development Bank, mine could not be expected to be a long speech. The Portuguese authorities are reserving for other occasions of this type their observations on the activity of the institution and on its regional and international context.

I must not omit a mention of the importance assigned by the Portuguese Government to the strengthening of international technical, economic and financial cooperation as an instrument of balanced development of nations and a factor in improving the well-being of their respective populations, in accordance with their own capacities and talents. This is one of the factors that led to Portugal's membership in the Inter-American Development Bank, becoming one more support for the bridge linking Europe to America and providing better living conditions whereby Portuguese companies can participate in projects financed by Bank loans, especially in the industrial and in infrastructure sectors. Actually, the experience, ability and caliber of Portuguese technicians in engineering services

and production of capital goods — already demonstrated in certain projects carried out in countries in Latin America — indicate that my country will, through such membership, contribute to and at the same time benefit most advantageously from development of the countries covered by operations of the Inter-American Development Bank.

Before ending, I should like to submit for consideration by the member countries the advisability of reclassifying the nonregional member countries into three groups, leading to the creation of a third position on the Board of Directors, which is justified by the large number of countries located outside of the Americas which have joined the Inter-American Development Bank in the recent past.

I shall now conclude these brief statements of mine by conveying to the Chairman of the Board of Governors and to Dr. Antonio Ortiz Mena my respects and by expressing here my best wishes for the continuation of their work and my profound hopes for the success of this organization — I might even say of “this family” — to whose destiny Portugal is very proud to be irrevocably committed and in whose activities it will participate with the greatest enthusiasm. May I use this occasion to extend now an invitation by the Portuguese Government to have my country’s capital, Lisbon, serve as the site of a forthcoming Annual Meeting of the Board of Governors to be held on the “Old Continent” of Europe.

**Address by Mr. Jean Robert Estimé,  
Temporary Alternate Governor for Haiti and  
Under Secretary of State for Finance and Economic Affairs**

---

The Governor for Haiti of the Inter-American Development Bank, His Excellency Mr. Herve Boyer, Secretary of State for Finance and Economic Affairs, has instructed me to represent him at the Twenty-First Annual Meeting of the Board of Governors of the Bank and to restate the deep attachment of the Republic of Haiti to our dynamic institution. He has also asked me to transmit in his name his wishes for success in the important work to be done during these sessions.

I should first of all like to thank the Government of Brazil for the unforgettable hospitality accorded us in this magnificent city of Rio de Janeiro. I would also like to take this occasion to congratulate the Brazilian Minister of Finance, His Excellency Mr. Ernane Galvêas, on his appointment as Chairman of this Twenty-First Annual Meeting. We have witnessed his experience and skill in conducting the discussions during the various sessions.

The Haitian Delegation would also like to congratulate the President of the Inter-American Development Bank, Mr. Antonio Ortiz Mena, and all of the people who work with him for the outstanding organization of this meeting and the quality of the documents given to us. The Republic of Haiti also wishes to join the other member countries of the Bank in welcoming Portugal as a member of the Bank.

The Bank is celebrating its first 20 years of existence. During those 20 years the Bank has generated an impressive flow of funds to finance the economic and social development of the countries of Latin America. The figures that have already been cited at this meeting are sufficient proof, so we need not elaborate further on this point.

In connection with activities in Haiti, we are pleased to point out that the Bank has endeavored since 1961 — at a time when we were receiving very little assistance from the international community — to focus on our economic and social problems and has helped us to solve them. The total amount of loans extended to the Republic of Haiti to date is more than \$150 million, exclusively from the Fund for Special Operations.

We hope, however, that this relatively small amount will be increased greatly in the future and that over the next three years the \$180 million appearing in the latest projections will be made effective. In this connection, the loan contract signed yesterday between the *Banque de la République d'Haïti* and the Inter-American Development Bank to finance a rural water supply project augurs well for the future. We take this opportunity to express our gratitude to the officials of the institution.

The Haitian economy has experienced sustained development over the past decade. The gross domestic product (GDP) has grown in real terms at an annual rate of 4.5 per cent, due above all to the good performance of the secondary and tertiary sectors. In this overall context, it is encouraging to note that the unceasing efforts of the Haitian Government have resulted in the establishment of a genuine infrastructure. The major road networks of the country have been built, telecom-

munications have been modernized, port facilities have been improved and a vast program of construction of schools and health centers has been started.

Furthermore, despite an almost structural deficit in the balance of trade, international payments transactions have shown an overall surplus for the fourth consecutive year. External cooperation has helped ease the current account balance, while remittances from Haitians living abroad, as well as foreign exchange earnings from tourism, and the assembly industries have attenuated the effects of the deterioration in the terms of trade.

Important measures have also been undertaken to intensify the mobilization of human and financial resources, while at the same time essential institutional reforms have been carried out. The centralization of collection of public revenue, the elimination of special taxes, the unification of the budget and the improvement in the procedures for committing and paying public expenditures have provided a complete and accurate overall view of State revenues as well as better control over public sector spending. The splitting up of the former *Banque Nationale de la République d'Haïti* into a central bank, the *Banque de la République d'Haïti*, and a government commercial bank, the *Banque Nationale de Crédit*, should also be mentioned.

It should be emphasized above all that political stability and social peace have been and will continue to be the key elements in our socioeconomic development. The Government of President Jean-Claude Duvalier has been able to create a propitious and harmonious climate within a spirit of open dialogue, within a climate of respect for the inalienable rights of man and genuine national values. It is not surprising, therefore, that an increasing flow of investment is being directed towards the Republic of Haiti to take advantage of its monetary stability and a legislation of particularly attractive incentives.

The Government of the Republic of Haiti is determined to continue in this course and to accelerate its growth process, assigning priority to the agriculture sector, education and decentralized industrial development. In doing so, the Government is relying essentially on domestic savings and financing obtained from bilateral or multilateral organizations on advantageous terms. External debt is relatively small, and the Republic of Haiti expects to resort to the international capital markets with caution. In doing so it will seek to preserve a fundamental but delicate balance between the guidelines of financial management recommended by certain international institutions — often very conservative — and the enormous needs for external resources required by the implementation of development programs.

In this context, it can be easily understood why the Republic of Haiti has followed the implementation of the resolutions regarding the Fifth Replenishment of the Bank's resources with particular interest. We hope, particularly in the light of the statements of the representative of the Governor for the United States, that this Fifth Replenishment will become a reality on the scheduled date in view of the hopes that have been placed on its utilization and its special importance for the less developed countries of the region.

Along this same line of thinking, it might be useful to recall here that our socioeconomic development necessarily depends on a rapid and effective solution to the energy problem. It would be illusory and vain to minimize the dramatic impact of the cost of oil and countries such as ours that do not produce this

resource and that are in critical phase of their economic takeoffs. Thus, the Republic of Haiti supports without reservation the proposal of the Republic of Argentina to establish a Fund for Energy and Minerals that will make it possible for the oil resources of member countries to be evaluated properly.

## **ADDRESSES**

---

### **FIFTH PLENARY SESSION**

**April 16, 1980**

### **CLOSING SESSION**

**Remarks by Mr. Antonio Ortiz Mena,  
President of the Inter-American Development Bank**

---

At the end of three days of intensive activity, we close our Twenty-First Annual Meeting today confident that Latin America will decisively face the uncertainties surrounding the evolution of its regional development process. In the face of this challenge, it will mobilize its major resource: its commitment to internal effort and to integration.

I venture to say that the international monetary and financial situation which served as backdrop to our deliberations and which was referred to in each of the addresses made by the Governors, has emphasized the maturity of a region that does not expect all of its problems to be solved by others.

The concepts of domestic effort and regional integration emerged at the very start of our Meeting, in the words of His Excellency the President of Brazil, when he mentioned "the efficacy of concerted efforts to solve common problems," while at the same time pointing to Brazil's interest in participating in bilateral and multilateral institutions and programs designed, on the regional level, to achieve "a more equitable distribution of the wealth produced by the work of man."

That Latin American decision will be of the greatest importance in dealing with the proposals made by our region at international forums where new means must be devised, with all urgency, for developing a consistent and equitable international economic order.

It is a real pleasure for me that our Meeting has provided the opportunity to the industrial countries to put on the record their recognition that they have a principal responsibility in the search for global solutions and that the success of those solutions is closely related to the development of Latin America.

It is a source of great satisfaction to point out that on this occasion our attendance totaled 3,060, the largest number of participants, including representatives from governments, banks and institutions involved in the economic and social development of Latin America, that has ever attended our Annual Meeting. As the Governor for Canada noted, this has provided a unique opportunity for a wide-ranging dialogue.

As many of the Governors remarked, the interdependence of the world economy is a fact that goes beyond regional differences or the public or private character of economies and financial resources. Our task is to ensure that such interdependence actually becomes "the community of interests" mentioned by the Governors for Japan, the Netherlands and Sweden.

The unanimous praise so generously bestowed on the Bank for the task it has fulfilled and the conviction expressed regarding the great significance of the role the Bank will be called upon to play in the difficult years ahead, are most inspiring.

Allow me now to offer certain comments on the main topics on which this meeting has focused.

*Latin America in the Framework of the International Crisis*

Some of the symptoms of international economic developments in 1979 and at the beginning of 1980 appear to echo the 1974-75 experience. Once more unease is

insistently being expressed regarding the recycling of the monetary surplus through the international financial system, both public and private. However, there are significant differences between the two situations. These were duly noted at this meeting, especially by the Governors for Brazil, France, Germany, Italy and Mexico.

On the one hand, the difficulties confronting many deficit countries in continuing to accumulate debt at the same rate as they did over the past five years, particularly when uncertainty exists with respect to the outlook for their exports, were pointed out.

On the other hand, the operating limitations confronting international private banks in continuing to expand their placements and the risk entailed in the concentration of their loan portfolio were also highlighted.

In short, the vital concern for most of the Latin American countries is to have availabilities of external financing on appropriate conditions, which will enable them to solve their growing balance-of-payments deficits and to satisfy internal social and political demands by maintaining their pace of development.

Beginning in 1974, the impact of higher fuel prices on the balance of payments of net oil-importing countries, far from being offset by an increase in exports, could only be absorbed by the timely recycling of available international liquidity. If that recycling is not possible on this occasion, the situation will be very serious indeed.

We are greatly honored by the confidence expressed by the Governors regarding what the Bank can do in this emergency. The Governor for Belgium very graphically noted the "financial credibility of the IDB" as a basic factor in mobilizing external financing for purposes of development and adjusting the balance of payments of the Latin American countries. In that regard we take careful note of the support offered to the Bank in connection with the expansion of its complementary financing transactions and its cofinancing arrangements with other international organizations and the industrial countries themselves. In particular, we listened most attentively to the statements of the Governors for Austria and Yugoslavia offering to cooperate with their own funds in various types of cofinancing.

### *The Domestic Effort and Social Development*

Latin America's willingness to "help itself" was apparent in each of the statements of the Governors of the region. That willingness is unrelated to the differences in ideological or economic policy with which each country approaches its development. There is a unanimous conviction that we can no longer be the continent of the future but must make every possible effort to improve our situation today. In this connection, we have all heard with great interest the account given of major achievements in the struggle against inflation, the generation and preservation of savings and the increase in the productive effort in Argentina, Brazil, Chile, Colombia and Peru.

In this general framework I should like to make special reference to the creation of specific new instruments to promote development, such as the Forestry Fund and the Mining Fund in the Dominican Republic; the Fund for Marginal Rural Development and the Development Bank in Ecuador; and the National



Integration Fund in Colombia, which Governor García Parra particularly stressed in his address.

It has also been made very clear that the internal effort of each country cannot be focused on without taking into account the complementarity of economic growth with social development, which has been the best defined feature of the IDB's innovative undertakings. For that reason we are pleased with the comments made by the Governors for Austria, Belgium, Canada, Ecuador, Germany, Italy, Japan, the Netherlands, Nicaragua, Panama, Spain, Switzerland and the United States on the way in which the Bank is implementing the directives of the Fifth Replenishment to allocate at least 50 per cent of our resources to low-income sectors.

### *Regional Integration*

The Governors for Austria, Canada, Mexico, Nicaragua and Spain quite clearly interpreted the general feeling in urging that the process of Latin American integration be accelerated and the Governor for Argentina made specific reference to the steps being taken in order to revitalize the Latin American Free Trade Association.

We listened with satisfaction to the reaffirmation made by the Governor for Nicaragua regarding the flourishing spirit of integration prevailing in Central America. Along with the five Central American countries and their integration organizations, the Bank will immediately seek to identify programs which may be implemented with funds supplementary to those that these countries are obtaining from the Bank for national projects. In addition, we shall continue to support the Central American Bank for Economic Integration.

Also pertinent in this vein is the suggestion made by the Governor for Mexico regarding the expansion of systems for financing exports to supplement the action of BLADEX and for linking such systems adequately with national export promotion plans.

We have taken due note of the statement of the Governor for Jamaica regarding the situation of the economies of the countries of the Caribbean Group, to whom we shall continue to provide maximum support.

### *Food*

I am very satisfied by the near unanimity shown by the Governors regarding the urgent need to assign maximum priority to food production. In my initial address to this Meeting, I pointed out that this required political decisions that our member countries are indeed willing to take, judging from what we have heard in this room. The goal of doubling Latin American agricultural production based on increased productivity of traditional agriculture is no longer just an empty statement. It is an objective that I am sure Latin America will achieve long before the year 2000.

### *Energy*

Also evident at this meeting has been the concurrence of our countries regarding the energy strategy I outlined in my first address. It is of the utmost importance within this strategy, to mobilize resources additional to those the Bank is able to provide. We will therefore seek to comply as soon as possible with the request

made to the Management and the Board of Executive Directors regarding the studies and proposals made to ensure that Latin America as a whole, and particularly the small- and medium-sized countries, will have access to the internal and external resources required for energy development.

### *Bank Resources*

The absolute unanimity of the Governors regarding the need for the resources of the Fifth Replenishment to become available as soon as possible met with appropriate response in the statement of the Governor for the United States to the effect that the Administration of that country was intent on obtaining the pending legislative approval. The reiteration by the Governor for Venezuela that the delay in obtaining his country's approval by no means implied any impairment in the exemplary solidarity of that country with its sister nations, suggested that the totality of the contributions by the regional countries will be obtained.

### *Relations with Nonregional Countries*

This Meeting of our Board provides us with the opportunity to reiterate our gratitude to the nonregional countries for the support they are providing, particularly through access to their financial markets, as emphasized by the Governors for Germany and Switzerland.

On this occasion, we are pleased that the Governors for Belgium, Denmark, Spain, the Netherlands and Yugoslavia have spoken of the improvement in the information they receive from the Bank so that their products and technologies can be offered to borrowers on competitive conditions, thus benefiting the projects to be carried out. We intend to continue to send periodic information missions to the nonregional countries so that their public will be provided with a more accurate idea of what the Bank is and what the Bank does. We are therefore pleased at the frankness with which the Governor for Sweden has reiterated the support of his Government for the Bank and the need for the doubts of the opposition to be cleared up, something we are sure we will be able to do.

We are also seeking to increase the participation of those countries in our technical personnel both at headquarters and in our field offices. The topic of their representation in the Board of Executive Directors will certainly be deserving of special attention on the occasion of the next replenishment of resources.

I should like to reiterate our gratitude to the Swiss Government for its initiative regarding a Fund for Technical Cooperation and Small Projects. I also wish to thank the Government and private foundations of Germany for their interest in joining in the work we are carrying out with our Small Projects Program. The Bank will also take special note of the suggestions made by the Governor for Israel regarding that country's experience in the use of solar energy and the transfer of technology which enabled agriculture of a subsistence level to progress to an economy of greater productivity, and of the suggestions of the Governor for Denmark regarding programs to bring about greater integration of women in the development process.

### *Bank Policies*

I feel it my duty to mention the outstanding work of the Working Group on Bank Functions and Policies of the Committee of the Board of Governors. As the

Governor for Sweden appropriately noted, a development bank does not constitute an end in itself. We have always been of this opinion in the IDB, and we have adapted our policies to the changing situations emerging from the very process we are promoting. In this context, we have listened with the great interest to the points of view of the Governors for Argentina, Bolivia, Chile, Guatemala, Haiti, Panama, Paraguay, Peru and Venezuela on various aspects of the Bank's policies.

In this respect, it should be recalled that since our institution is a multilateral organization, its sphere of action represents the consensus of the countries composing it. In the same fashion, its policies cannot impinge upon national jurisdiction. In a region in which the very dynamism of development has not been sufficient to attenuate the prevailing economic and social cohesion and has consequently led to the adoption of varying economic policies, the Bank's activities must continue to be founded upon an achievable consensus. We are consequently pleased that the Governor for Bolivia has praised the IDB's action for its objectivity and its dissociation from political considerations or ideological influences.

In this same context, I must recall the words of the Governor for Nicaragua when he said that he had found in this institution and in its staff members the kind of understanding that his people and his Government expected from all those genuinely interested in development.

Distinguished Governors, we have completed another stage in the history of the Bank. We are honored by your expression of confidence, and we wish to convey to Governor Galvêas our sincerest thanks to his great country, whose aspirations toward development renew our faith in the future of Latin America.

**Address by Mr. Ernane Galvêas, Governor for Brazil,  
Minister of Finance and Chairman of the Board of Governors**

---

I should like to begin by saying once again that it has been an honor and a great pleasure for Brazil and its Minister of Finance to host this Twenty-first Annual Meeting of Governors of the Inter-American Development Bank. If we should apologize for some organizational shortcomings, perhaps we can justify them on the grounds that, as our President just told us, this meeting was attended by 3,600 persons, most of them from abroad.

I should also like to mention two happy events that came together at this meeting. The first was the initial attendance, as a member of the Inter-American Development Bank, of Portugal, a country bound to Brazil by profound historic ties. The second was the commemoration, also here in Brazil, in Rio de Janeiro, of the twentieth anniversary of the Inter-American Development Bank. The words of the Governors here at this meeting bear the best witness to the outstanding work of the Inter-American Development Bank over its twenty years of activities.

In truth, the Inter-American Bank has brought about a profound transformation in the economic and social structure of this continent. Today the Latin American countries are much better organized, much more aware of their possibilities, much more confident, much more prosperous, and much happier than they were twenty years ago, and I should like to say to my fellow Governors and to the President of the Inter-American Bank that the work of the Bank has been a significant factor in these changes. I should also say that we received with great concern, a concern we already felt, the statements of many of the Governors here at this meeting concerning the difficult situation in the world today. These statements have made it very clear that inflation and recession in the world result not only from the sudden increases in the prices for oil and for most of the raw materials bought and sold in international trade, but also from the lack of discipline and orderly international monetary arrangements.

The crisis of 1974, which culminated in the world depression of 1975, was quickly brought under control by the major industrialized countries, essentially by increasing the volume of their exports and the prices of their exportable products. There is no question at all that the heaviest burden fell on the developing countries, which for want of adequate assistance found it necessary to resort to foreign indebtedness in the Eurodollar market to finance the gap in their balance-of-payments. The international financial situation at the start of the eighties is very similar to that which existed in 1973 to 1975. However, if on the one hand excess monetary liquidity continues to exist on the international markets, on the other there are no appropriate mechanisms for using that liquidity, not only for recycling it in an orderly way but also, and particularly, for using it to meet the urgent requirements of the developing countries. As we have seen, here we are facing a serious crisis with unforeseeable consequences and, instead of a general movement to mobilize all efforts to solve the crisis, what we are witnessing, unfortunately, is a situation in which certain large industrialized countries are limiting the system of recycling, the possibilities of solving these problems and are restricting the access of the developing countries to the capital and financial

markets at a time when they are overburdened with balance-of-payments and external-debt commitments.

But we have also seen at this Twenty-first Annual Meeting of the Board of Governors here in Rio that the countries of Latin America are not simply biding their time and waiting for magic solutions that may never come. We have seen here, in the statements of the Governors, who are the most authoritative spokesmen for their Governments, that the crisis of 1979-1980, like that in 1973-1974, will find—indeed is finding—the Latin American countries resolutely working to solve the difficulties that stand in the way of a solution to our problems. Here we are working hard and mobilizing the will of all our people, we are sparing no effort to mobilize the mechanisms and means of production, we are endeavoring to build up our exports, all in an effort to find an adequate solution to our problems.

But, unfortunately, there is no question at all that the western world has yet to realize the full seriousness of this situation. In a few days we shall be meeting in Hamburg with the group of countries that is discussing, under the auspices of the International Monetary Fund, problems and solutions relating to the international financial order. It is up to us, as members of various Governments, as participants in various international private institutions, to work even harder and with even greater determination so that in the coming meeting, as indeed in all the agencies and forums at which these problems are raised, the decisions will be based on the high spirit of understanding and brotherhood most assuredly needed if an extensive part of the world, a part of the world in which more than two thirds of the world's population live, is to be relieved of the problem of hunger, the problems of disease, and the shortage of housing; and if hope is not to be lost, if the despair in which so many people live today, and which dominates so many countries in this hour of uncertainties, is not to be fed. What I ask at this time is that God help us and inspire us to find the best paths.

Mr. President, fellow Governors, once again I wish to express the satisfaction and pleasure of the Brazilian Government because this meeting has been held in Brazil, in Rio de Janeiro. And in the name of my Government I ask the Governors, the delegates and all who have come to this meeting of countries, some closer and some farther away, but all friends, to take back to their countries, their Governments and their people our embrace of understanding and gratitude for having held this meeting in Brazil and in Rio de Janeiro and for having contributed to the progress and growth of brotherly feelings among our peoples.

**RESOLUTIONS APPROVED  
BETWEEN THE TWENTIETH AND  
THE TWENTY-FIRST ANNUAL MEETINGS**

---

## **Resolution AG-9/79**

### **Admission of Portugal to Membership in the Bank**

#### **WHEREAS:**

The General Rules Governing Admission of Nonregional Countries to Membership in the Bank have entered into force;

Portugal has applied for admission to membership in the Bank; and

Pursuant to Section 11 of the By-laws of the Bank, the Board of Executive Directors, after consultation with representatives of the Government of Portugal has made recommendations to the Board of Governors with regard to the application of Portugal for admission to membership in the Bank;

The Board of Governors

#### **RESOLVES:**

1. That Portugal shall become a member of the Bank when the President shall have declared that Portugal has fulfilled all the following requirements:

- (a) It shall have subscribed to 414 shares of the inter-regional capital stock of the Bank, each having a par value as provided in the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the "Agreement"), divided into 42 paid-in shares and 372 callable shares, on the following basis:
  - (i) The amount subscribed to the inter-regional paid-in capital stock of the Bank shall be subject to the following conditions:
    - (1) The subscription price per share shall be the par value of each share as provided in the Agreement.
    - (2) Payment shall be made in four equal, or nearly equal, annual installments. The first installment shall be paid within thirty days after the date on which the instrument of acceptance or ratification is deposited in accordance with Section 1(d) of this resolution. The remaining three installments shall be paid one, two, and three years, respectively, after such date of deposit.
    - (3) Each installment shall be paid entirely in the currency of Portugal, which shall make arrangements satisfactory to the Bank to assure that such currency shall be freely convertible into the currencies of other countries for the purposes of the Bank's operations.
    - (4) 50 % of each installment shall be subject to the provisions of Article V, Section 1(b)(i), of the Agreement and shall be paid in cash. With respect to the remaining 50% of each installment, Portugal shall give assurances satisfactory to the Bank substantially in accordance with Article III of the Declaration of Madrid of December 17, 1974. Unless Portugal elects to make payment of all of such remaining 50% in cash, the Board of Executive Directors shall establish a schedule pursuant to

which any non-negotiable, non-interest-bearing promissory notes or similar securities accepted pursuant to Article V, Section 4, of the Agreement, shall be paid to the Bank.

- (ii) The subscription to the callable inter-regional capital stock shall be in four annual installments of 93 shares each, effective, respectively, on the dates for payment of the installments of the paid-in inter-regional capital stock. The callable portion of the subscription shall be subject to the provisions of Article IIA, Section 3(c), of the Agreement.
- (b) It shall have undertaken to contribute to the Fund for Special Operations of the Bank with a quota of the equivalent of US\$4,994,262, payment of which shall be made on the following conditions:
  - (i) The contribution shall be made in four equal, or nearly equal, annual installments, which shall be paid on the same dates as for payment of the installments of the paid-in inter-regional capital stock, pursuant to Section 1(a)(i)(2) hereof.
  - (ii) The contribution shall be entirely in the currency of Portugal which shall make arrangements satisfactory to the Bank to assure that such currency shall be freely convertible into the currencies of other countries for the purposes of the Bank's operations.
  - (iii) The entire amount of the contribution shall constitute national currency to which the provisions of Article V, Section 1(c), of the Agreement, shall be applicable. Except to the extent that Portugal may elect to make payment of its entire contribution or any part thereof in cash, the Bank, pursuant to Article V, Section 4, of the Agreement, shall accept for each installment non-negotiable, non-interest-bearing promissory notes or similar securities, for which the Board of Executive Directors shall establish a schedule of encashment. With respect to its contribution Portugal shall give assurances satisfactory to the Bank substantially in accordance with Article III of the Declaration of Madrid.
  - (iv) Each payment of Portugal shall be in such an amount as, in the opinion of the Bank, is equivalent to the full value, in terms of the current United States dollar on the date when the payment is due.
  - (v) Currency of Portugal held by the Bank which is derived from these contributions shall be subject to the maintenance of value provisions of Article V, Section 3, of the Agreement, but the standard of value set for this purpose shall be the current United States dollar at any given time.
- (c) Its duly authorized representative shall have signed the original of the Agreement deposited with the General Secretariat of the Organization of American States.
- (d) It shall have deposited with the General Secretariat of the Organization of American States an instrument setting forth that it has accepted or ratified, in accordance with its law, the Agreement and all the terms and conditions prescribed in the General Rules Governing Admission of Nonregional Countries to Membership in the Bank and in this resolution, and that it has taken the steps necessary to enable it to fulfill all of its



obligations under the Agreement; the General Rules, and this resolution.

- (e) It shall have represented to the Bank that it has taken all action necessary to sign the Agreement and deposit the instrument of acceptance or ratification as contemplated by Section 1(c) and (d) of this resolution and it shall have furnished to the Bank such information in respect of such action as the Bank may have requested.

2. Portugal may accept the conditions and fulfill the requirements established for membership until December 31, 1979, provided, however, that if extraordinary circumstances are deemed by the Board of Executive Directors so to warrant, the Board may postpone such date.

3. The provisions of Section 7(b) of the General Rules Governing Admission of Nonregional Countries to Membership in the Bank shall apply to this resolution, with the same force and effect as if fully set forth herein.

(Approved September 5, 1979)

## **Resolution AG-10/79**

### **Place and Date of the 1980 Annual Meeting**

The Board of Governors

#### **RESOLVES:**

That the Twenty-first Annual Meeting of the Board of Governors be held in the city of Rio de Janeiro, Brazil, from April 14 to 16, 1980.

(Approved October 12, 1979)

## **Resolution AG-11/79**

### **Remuneration of Executive Directors**

#### **WHEREAS:**

The Committee of the Board of Governors designated pursuant to Resolution AG-2/72 has examined the situation with respect to the remuneration of the Executive Directors and their Alternates and made recommendations in that regard,

## **The Board of Governors**

### **RESOLVES:**

To accept the recommendations of the Committee and to stipulate, pursuant to Article VIII, Section 2(b)(v), of the Agreement Establishing the Bank, that, effective July 1, 1979, the Executive Directors and their Alternates shall receive, net of national taxes:

- a) a remuneration at the rate of US\$46,800 per annum for an Executive Director and at the rate of US\$36,800 per annum for an Alternate Executive Director, and
- b) an allotment, not computable for pension purposes, at the rate of US\$5,400 for an Executive Director and at the rate of US\$4,300 for an Alternate Executive Director.

(Approved November 8, 1979)

## **Resolution AG-1/80**

### **Designation of Outside Auditors**

## **The Board of Governors**

### **RESOLVES:**

That, pursuant to Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, the firm Price Waterhouse & Co. is selected with respect to the fiscal year 1980, to serve as outside auditors to certify to the general balance sheet and the profit and loss statement of the Institution, in accordance with Section 10 of the By-Laws.

(Approved January 14, 1980)

**RESOLUTIONS APPROVED  
AT THE TWENTY-FIRST ANNUAL MEETING**

---

## **Resolution AG-2/80**

### **Financial Statement of the Ordinary Capital Resources**

#### **WHEREAS:**

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have certified the general balance sheet and the statement of profit and loss of the Bank,

The Board of Governors

#### **RESOLVES:**

That the financial statement of the Bank with respect to the ordinary capital resources for the fiscal year ended December 31, 1979, containing the general balance sheet and the statement of profit and loss, is approved.

(Approved April 14, 1980)

## **Resolution AG-3/80**

### **Financial Statement of the Inter-Regional Capital Resources**

#### **WHEREAS:**

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have certified the general balance sheet and the statement of profit and loss of the Bank,

The Board of Governors

#### **RESOLVES:**

That the financial statement of the Bank with respect to the inter-regional capital resources for the fiscal year ended December 31, 1979, containing the general balance sheet and the statement of profit and loss, is approved.

(Approved April 14, 1980)

## **Resolution AG-4/80**

### **Financial Statement of the Fund for Special Operations**

#### **WHEREAS:**

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have certified the general balance sheet and the statement of profit and loss of the Bank,

## **The Board of Governors**

### **RESOLVES:**

That the financial statement of the Fund for Special Operations for the fiscal year ended December 31, 1979, containing the general balance sheet and the statement of profit and loss, is approved.

(Approved April 14, 1980)

## **Resolution AG-5/80**

### **Amendment of the Regulations of the Board of Governors**

#### **The Board of Governors**

### **RESOLVES:**

1. That the text of Section 2(e) of the Regulations of the Board of Governors is amended to read as follows:

“2(e) In the course of any regular meeting of the Board of Governors, the Board may incorporate subjects into, or remove subjects from, the agenda at the request of a Governor or a group of Governors. However, before the Board of Governors takes action on any such request, the Chairman of the Board shall transmit it to an appropriate body, which shall study it and report thereon to the Board with such recommendations as it deems appropriate.”

2. That the word “agenda” be substituted for “programa” wherever it appears in the Spanish text of Section 2 of the Regulations.

3. That the word “subjects” be substituted for “items” wherever it appears in the English text of Section 2 of the Regulations.

4. That the words “sujets” be substituted for “matières” and “points”, “supplémentaires” be substituted for “additionnelles” and “publiés” be substituted for “publiées” wherever they appear in the French text of Section 2 of the Regulations.

(Approved April 14, 1980)

## **Resolution AG-6/80**

### **Mobilization of External Resources for the Energy and Mineral Sectors**

### **WHEREAS:**

Special attention should be assigned to the mobilization of resources for the energy and mineral sectors, particularly in the light of the current international

situation, which is characterized by significant and persistent imbalances in the balance of payments, especially in the developing countries that do not export oil; and

It is also advisable to make a study of the volume of resources channeled toward the various sectors of the economy of the developing countries in the region with the objective of identifying the sectors most lacking in resources and establishing a method for determining distortions that might adversely affect their economic and social development,

The Board of Governors

**RESOLVES:**

1. To request the Management of the Bank to prepare and submit to the Board of Executive Directors whatever studies may be necessary to identify the sectors in the developing countries most requiring international financial assistance, with special emphasis on a study of the volume of resources available to the mining and energy sectors and on the causes limiting the procurement of greater resources for countries lacking them.

2. To instruct the Board of Executive Directors, on the basis of technical studies prepared by the Management of the Bank, to propose to the Committee of the Board of Governors the measures required to mobilize the resources considered necessary to attend to regional needs for investment and financing in the energy and mining sectors.

(Approved April 16, 1980)

**Resolution AG-7/80**

**Date and Place of the Annual Meetings of the Board of Governors in 1981, 1982 and 1983**

**WHEREAS:**

The Governors for Austria, Bolivia, Colombia, Spain and Uruguay have invited the Board of Governors to hold Annual Meetings in their countries, and

In the light of these invitations, it is considered advisable to select the sites for the Annual Meetings for the period 1981-1983 at this time,

The Board of Governors

**RESOLVES:**

1. To express its thanks for the invitations extended by the Governors for Austria, Bolivia, Colombia, Spain and Uruguay.

2. To instruct the Board of Executive Directors, following the procedure for determination of the site of the Annual Meetings, approved by Resolution AG-1/76, to present its recommendations to the Board of Governors in due course, in accordance with the terms of reference appearing in Document AB-762.

(Approved April 16, 1980)

**DECISIONS ADOPTED BY  
THE BOARD OF GOVERNORS**

---



## **Decisions Adopted by the Board of Governors During the Twenty-first Annual Meeting**

---

An account of the decisions adopted by the Board of Governors at the Meeting is presented below.

### *Election of the Chairman of the Board of Governors*

At the Inaugural Session, Mr. Ernane Galvão, Governor for Brazil and Minister of Finance, was elected Chairman of the Board of Governors to preside over the work of the Meeting.

### *1979 Annual Report of the Bank*

At the Inaugural Session the President of the Bank presented to the Board of Governors the report on activities of the Bank during 1979.

At the second Plenary Session the Governors approved the financial statements for the ordinary capital resources, the inter-regional capital resources and the Fund for Special Operations for the fiscal year ended December 31, 1979, as set forth in Resolutions AG-2/80, AG-3/80 and AG-4/80, respectively.

### *Agenda of the Board of Governors. Proposed Amendment of Section 2(e) of the Regulations of the Board of Governors*

At the Second Plenary Session the Governors approved the recommendation of the Board of Executive Directors on amendment of Section 2(e) of the Regulations of the Board of Governors, which deals with modification of the agenda of a regular meeting of the Board of Governors and incorporation into or removal of subjects therefrom on the terms set forth in Resolution AG-5/80. This resolution also includes minor changes in the language of Section 2 which are intended to harmonize its text in the various official languages of the Bank. The report of the Board of Executive Directors appears on page 185.

### *Report by the Committee of the Board of Governors on Action Taken Since the Last Annual Meeting*

At the Second Plenary Session the Board of Governors took cognizance of the report presented by the Chairman of the Committee of the Board of Governors on its activities since the Twentieth Annual Meeting of the Board of Governors.

The report, which appears on page 191, refers to the progress of the work with respect to the evaluation of Bank functions and policies, which the Committee was requested to study in Resolution AG-9/78.

### *Mobilization of External Resources for the Energy and Mineral Sectors*

At the Preliminary Session, the Board of Governors agreed to include in the Meeting Agenda the item on mobilization of external resources for the energy and mineral sectors, as a result of a proposal put forth by the Governor for Argentina. A Working Group was appointed to study the proposed resolution. The Group was chaired by the Governor for Ecuador and included also: Argentina, Bar-

bados, Bolivia, Brazil, Canada, Colombia, Costa Rica, the Dominican Republic, the Federal Republic of Germany, France, Guatemala, Mexico, Spain, the United States of America and Venezuela. At the Fourth Plenary Session, the Board of Governors approved the proposed resolution submitted by the Working Group, on the terms set forth in Resolution AG-6/80.

*Places and dates for the Annual Meetings for the Board of Governors in 1981, 1982 and 1983.*

At the Fourth Plenary Session the Board of Governors approved Resolution AG-7/80 on the places and dates for the Annual Meetings of the Board of Governors in 1981, 1982 and 1983 and expressed appreciation for the invitations extended by the Governors for Austria, Bolivia, Colombia, Spain and Uruguay.

*Other Questions Raised by the Governors*

TWENTIETH ANNIVERSARY OF THE BANK

The Governors made special mention of the Twentieth Anniversary of the Bank, referring to the circumstances of its establishment and to its significant contribution to the economic and social progress of Latin America over the intervening years. The work of the Board of Executive Directors and Management of the Bank was recognized.

## **Report of the Board of Executive Directors on the Amendment of Section 2(e) of the Regulations of the Board of Governors**

---

During the Twentieth Annual Meeting of the Board of Governors, held recently at Montego Bay, a number of delegations informally expressed interest in the possible revision of the regulations governing preparation of the agenda for the Annual Meeting, with particular regard to the incorporation of new items during a meeting. This concern was also specifically expressed by the Governor for the United States in a letter addressed to the Bank.

Section 2(e) of the Regulations of the Board of Governors, with reference to the inclusion of new subjects or the removal of subjects from the agenda of a regular meeting of that Board, provides that:

“Section 2(e). Agenda of the Board of Governors

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

As may be seen, no provision is made in this clause nor in any other section of the Regulations for the procedure that should be followed in considering any proposal to incorporate into, or eliminate items from, the agenda. This has given rise to the application of different formulas at regular annual meetings when proposals are made that are not directly related to any of the topics on the agenda. The Secretariat has reviewed the Proceedings of the annual meeting held since 1970, and has found that in every year except 1972 and 1974, the Board approved resolutions on subjects that did not appear on the respective agendas. In some instances, the new topic proposed was submitted to the Committee of the Board of Governors for study prior to its consideration in plenary session. In other cases, a Working Group of the Board was established for the specific purpose of issuing an opinion on the topic proposed. In two cases — one of which concerned the continuity of operations of the Institute for Latin American Integration (INTAL), and the other, establishment of the International Group for Agricultural Development and Food Production in Latin America (IGAD/LA) — the Board of Governors took direct action by approving Resolutions AG-3/71 and AG-8/75, respectively, without referring the topics to any other organ for prior study. An Annex is attached (page 187) which contains a list of the resolutions approved by the Board of Governors with regard to items that did not appear on the agenda of the respective regular meeting at the time they were presented, with an indication of the body that dealt with them in the first instance.

Response to the concern thus expressed by those Governors called for amendment of the aforesaid Section 2(e) of the Regulations of the Board of Governors. To that end, the Board of Executive Directors takes the liberty of making the following observations:

1. It is observed that Section 2(b) of the Regulations authorizes any Governor to request the inclusion of additional topics on the agenda of a meeting, provided that the President of the Bank is notified thereof at least 15 days prior to the date of the meeting. There should nevertheless be enough flexibility to allow

the Board of Governors to accept the inclusion of new items on the agenda of a regular meeting, or the removal of items already appearing thereon, when proposed by a Governor or group of Governors in the course of a meeting.

2. In the event that it is considered advisable to incorporate into Section 2(e) an additional provision requiring that, before any action is taken on any proposal made during a meeting that items be included on or removed from the agenda, the Board of Governors receive a report on such proposal, it could be provided that any such proposal be transmitted by the Chairman of the Board to the appropriate body of the Board so that it may study the proposal and submit a report thereon with pertinent recommendations.

3. It could also be understood that any request for a change in the wording of an item on the agenda would be treated, depending on the nature thereof, as a proposal for removing items from the agenda, adding new items to it, or both.

4. While this matter is undergoing review, it would also be expedient to revise the text of Section 2 of the Regulations for the purpose of making it uniform in the various official languages of the Bank, and it is suggested in this connection that the word "agenda" be used to replace the word "programa" in the Spanish text; "subjects" in place of "items" in the English text; and "sujets" in place of "matières" and "points", "supplémentaires" in place of "additionnelles" and "publiés" in place of "publiées" in the French text.

To facilitate the study of the suggested changes in Section 2 of the Regulations in the manner indicated, the following proposed resolution is submitted for the consideration of the Board of Governors:

### **Proposed Resolution**

#### **Amendment of the Regulations of the Board of Governors**

The Board of Governors

#### **RESOLVES:**

1. That the text of Section 2(e) of the Regulations of the Board of Governors is amended to read as follows:

"2(e) In the course of any regular meeting of the Board of Governors, the Board may incorporate subjects into, or remove subjects from, the agenda at the request of a Governor or a group of Governors. However, before the Board of Governors takes action on any such request, the Chairman of the Board shall transmit it to an appropriate body, which shall study it and report thereon to the Board with such recommendations as it deems appropriate."

2. That the word "agenda" be substituted for "programa" whenever it appears in the Spanish text of Section 2 of the Regulations.

3. That the word "subjects" be substituted for "items" wherever it appears in the English text of Section 2 of the Regulations.

4. That the words "sujets" be substituted for "matières" and "points", "supplémentaires" be substituted for "additionnelles" and "publiés" be substituted for "publiées" wherever they appear in the French text of Section 2 of the Regulations.

## ANNEX

RESOLUTIONS APPROVED BY THE BOARD OF GOVERNORS AT REGULAR MEETINGS ON SUBJECTS THAT DID NOT APPEAR ON THE RESPECTIVE AGENDA AT THE TIME THEY WERE PRESENTED, WITH AN INDICATION OF THE BODY THAT CONSIDERED THEM IN THE FIRST INSTANCE

1970-1978

- 1970—*Resolution AG-3 /70*. Composition of the Board of Executive Directors.  
Considered by: *Ad hoc* Working Group.
- 1971—*Resolution Ag-3 /71*. Continuity in the operations of the Institute for Latin American Integration.  
Considered by: Board of Governors.  
*Resolution AG-7 /71*. Preferential treatment for Economically Less Developed Countries and Countries of Insufficient Market.  
Considered by: *Ad hoc* Working Group.
- 1973—*Resolution AG-6 /73*. New Policy Guidelines of the Fund for Special Operations. Rules on Local Contribution.  
Considered by: *Ad hoc* Working Group.  
*Resolution AG-7 /73*. New Policy Guidelines of the Fund for Special Operations. Proposal of the Governor for Paraguay.  
Considered by: *Ad hoc* Working Group.  
*Resolution AG-8 /73*. Export Financing.  
Considered by: *Ad hoc* Working Group.
- 1975—*Resolution AG-6 /75*. Criteria for Differentiation among Countries in the use of the Resources of the Fund for Special Operations.  
Considered by: Committee of the Board of Governors.  
*Resolution AG-8 /75*. International Cooperation Group for Agricultural Development and Food Production in Latin America.  
Considered by: Board of Governors.  
*Resolution AG-12 /75*. Remuneration of the Executive Directors.  
Considered by: Committee of Governors appointed pursuant to Resolution AG-2/72.
- 1976—*Resolution AG-5 /76*. Study on Operating Policies of the Bank.  
Considered by: *Ad hoc* Working Group.
- 1977—*Resolution AG-7 /77*. Composition of the Board of Executive Directors.  
Considered by: Committee of the Board of Governors.
- 1978—*Resolution AG-9 /78*. Evaluation of Bank Functions and Policies.  
Considered by: *Ad hoc* Working Group.

**REPORT OF THE CHAIRMAN OF THE COMMITTEE  
OF THE BOARD OF GOVERNORS ON ITS ACTIVITIES  
SINCE THE LAST ANNUAL MEETING**

---

## **Report of the Chairman of the Committee of the Board of Governors on its Activities Since the Last Annual Meeting**

---

In the period that has elapsed since the Twentieth Annual Meeting of the Board of Governors, the Committee of the Board has continued to consider the matters entrusted to it pursuant to Resolution AG-9/78, together with other topics assigned to it in connection with general policy aspects of the Fifth Replenishment.

During that period the Committee met on two occasions: in Madrid, on September 19, 1979, and in Rio de Janeiro, on April 12, 1980, in order to consider the reports submitted to it by the Working Group on Bank Functions and Policies.

At those meetings, the Committee considered the following items:

*1. Policies on allocation of resources and conditions of Bank loans by country group, by sector and by type of funds*

The Committee agreed with the Working Group that Document FP-22-1 containing alternative criteria for determining the amortization terms appropriate to loans chargeable to the ordinary capital and inter-regional capital resources of the Bank did not offer sufficient bases for reaching a decision and asked the Bank Management and the Board of Executive Directors to continue study of that topic. It also concurred with the recommendation that, whenever the Board of Executive Directors should reach a satisfactory conclusion on the matter, it would not be necessary to continue consideration of the topic but would suffice for the revised document to be submitted for its information.

*2. Definition of low-income groups*

The Committee took note of the proposed methodology for the definition of low-income groups and asked the Management to consult the authorities of borrower countries in an effort to define low-income levels in those countries. At its last meeting the Committee took note of the status of consultations with the respective countries to determine the levels classified as low income. In view of the fact that those levels are expressed in the currency of each country, it recognized the advisability of updating those figures periodically. Finally, it agreed that the Management should begin to implement, on a provisional basis, the methodology proposed for determining the impact of loans on low-income sectors as of January 1, 1980. With regard to formulation of the methodology for estimating indirect benefits to be utilized for the economic analysis of projects financed by the Bank, the Committee concurred in the opinion that Document FP-47 on that subject constitutes a sound basis for the project analysis and restated the importance of endeavoring to identify those benefits.

*3. Financing of direct and indirect costs in foreign exchange and local costs with foreign exchange*

Since an agreement was reached on the definition of low-income groups and the methodology for measuring the impact of Bank loans on such groups, the Com-

mittee stated for the record that there was no longer any impediment to implementation of the system proposed in Document FP-33-1 on the financing of direct and indirect costs in foreign exchange and of local costs with foreign exchange.

#### *4. Decision-making by the Board of Executive Directors and the multilateral nature of the Bank*

The Committee took note of the fact that the Working Group had considered Document FP-23-1 containing background material on the multilateral nature of the Bank and the two-thirds majority of the total voting power of the countries required pursuant to Article IV, Section 9, of the Agreement Establishing the Bank for the approval of all Bank resolutions concerning operations of the Fund for Special Operations. In that regard, the Committee agreed that, because of the Bank's evolution since the time of its establishment, it might be advisable to make certain changes in the decision-making system of the Fund for Special Operations. It was acknowledged, however, that this topic should be discussed on the occasion of a new increase in the Bank's resources, and the consensus was that the Management and the Board of Executive Directors should be requested to prepare a study showing the evolution of the increases in the institution's resources and the voting power of the member countries of the Bank.

#### *5. The role of the Bank in Latin America in the 1980's*

Inasmuch as important agreements had been reached regarding general policy matters related to the Fifth Replenishment of the Bank's resources, the Committee felt that the first phase of activities carried out by the Working Group on Bank Functions and Policies should be regarded as concluded, and that the second phase should be initiated with the objective of defining the Bank's problems and policies for the next decade. In this connection it was noted that study of the topics originally assigned to the Committee should be combined with those pertaining to the proposed study on the role of the Bank in Latin America in the 1980's with a view toward preparing a single study in which examination of the principal development problems and priorities of the Latin American countries would be combined with the action of the Bank in terms of its functions and policies.

The Committee agreed with the Working Group's guidelines regarding the outline of the study to the effect that its scope and the period it would cover should be limited, and also requested the Management to begin the study and to present it to the Board of Executive Directors.

In its last meeting, held in Rio de Janeiro on April 12, 1980, the Committee took note of the information furnished by the Management of the Bank regarding measures adopted to initiate the study. It agreed that in order to obtain guidelines that will make it possible to present the study to the Board of Executive Directors in mid-December 1980 and to the Committee in January 1981, Management would submit a progress report to the Board and to the Committee for consideration by mid-October 1980, providing as much information as possible on the first two chapters of the study, and possibly on part of the third chapter.



*6. Report on the activities of the Working Group on Bank Functions and Policies since its establishment*

The Committee took note of the report by the Chairman of the Working Group on Bank Functions and Policies on the activities of that Group since its establishment and considered that it had accomplished the mandate entrusted to it fully and in a very satisfactory manner. In thanking the Chairman of the Group and its members for the work done, the Committee agreed that the activities of the Group would come to an end. All matters relating to the study on "The Role of the Bank in Latin America in the 1980's" would now become the responsibility of the Committee of the Board of Governors itself.

*7. Place and date of the next meeting of the Committee*

It was agreed that the Twenty-fifth Meeting of the Committee would be held in Rio de Janeiro on April 16, 1980, immediately after the Closing Session of the Twenty-first Annual Meeting of the Board of Governors.

## **PARTICIPANTS**

---

## OFFICERS

---

### CHAIRMAN OF THE BOARD

Ernane Galvão  
Governor for Brazil

### PRESIDENT OF THE INTER-AMERICAN DEVELOPMENT BANK

Antonio Ortiz Mena

### EXECUTIVE VICE PRESIDENT

Reuben Sternfeld

### SECRETARY

Enrique Pérez-Cisneros

## DELEGATIONS

---

### Argentina

#### *Governor*

José Alfredo Martínez de Hoz  
Minister of Economy

#### *Alternate Governor*

Adolfo César Diz  
President  
Banco Central de la República Argentina

#### *Advisors*

Francisco Soldati  
Director  
Banco Central de la República Argentina  
Enrique Folcini  
Director  
Banco Central de la República Argentina  
Alberto Solá  
Executive Director  
International Bank for Reconstruction and Development  
Guillermo Félix Blanco  
National Director of External Financial and Economic Policy  
Ministry of Economy  
Martín Braun Lasala  
Deputy Secretary for Institutional Affairs  
Ministry of Economy  
Raúl Salabarrén  
Minister of Economy  
Province of Buenos Aires  
Adolfo Gabino Salas  
Minister of Finance and Public Works  
Province of La Rioja  
Manuel González Abad  
Vice President  
Banco Nacional de Desarrollo

Jorge Hernández  
Director  
Banco Nacional de Desarrollo  
Héctor Ghirlanda  
General Manager  
Banco Nacional de Desarrollo  
Julio Miguel Costa Paz  
Director  
Banco de la Nación Argentina  
Jorge Raúl de Prat Gay<sup>1</sup>  
Second Vice President  
Banco de la Nación Argentina  
Carlos Fabián Etcheverrigaray  
International Counselor to the Board of Directors  
Banco de la Nación Argentina  
Dante Simone  
Financial Representative for Europe  
Ministry of Economy  
Juan Carlos Iarezza  
Financial Representative in the United States and Canada  
Domingo Toreta Paz  
Advisor  
Ministry of Economy  
Marcio Arana  
Advisor  
Ministry of Economy  
Horacio Nadale  
Advisor  
Ministry of Economy  
Pedro Camilo López  
General Manager  
Banco Central de la República Argentina  
Alberto Patricio Huergo  
Director  
Banco Hipotecario Nacional

---

<sup>1</sup>Also represented the Latin American Export Bank

Armando Florentín  
Deputy General Finance Manager  
Banco Hipotecario Nacional  
Mónica Merlo  
Division Chief  
International Agreements and Agencies  
Department  
Banco Central de la República Argentina  
Roberto Daniel Nappo  
Press and Publications Coordinator  
Ministry of Economy

### **Austria**

#### *Temporary Alternate Governor*

Maria Pilz  
Ministerial Senior Commissioner  
Federal Ministry of Finance

'Also representative of the Latin American  
Export Bank

### **Bahamas, The**

#### *Alternate Governor*

Ethelyn C. Isaacs  
Financial Secretary  
Ministry of Finance

### **Barbados**

#### *Governor*

J.M.G.M. Adams  
Prime Minister and Minister of Finance and  
Planning

#### *Alternate Governor*

Stephen E. Emtage  
Director of Finance and Planning  
Ministry of Finance and Planning

#### *Advisor*

Charles A.T. Skeete  
Executive Director  
Inter-American Development Bank

### **Belgium**

#### *Temporary Alternate Governors*

Emiel Kestens  
Director General of the Treasury  
Ministry of Finance  
Robert Puttemans  
Executive Secretary  
Ministry of Finance

#### *Advisors*

Jan Hendrickx  
Special Plenipotentiary Ambassador  
Ministry of Foreign Affairs  
Charles Maskens  
Counselor  
Office of the Minister of Finance  
Rene Debeaune  
Chief, Development Banks Section

General Administration for Development  
Cooperation

### **Bolivia**

#### *Governor*

Adolfo Aramayo Anze  
Minister of Finance

#### *Alternate Governor*

Wenceslao Alba  
President  
Banco Central de Bolivia

#### *Temporary Alternate Governors*

Hugo Duchén Centeno  
Deputy Secretary for Monetary, Banking and  
Credit Administration  
Ministry of Finance  
Milton Paz  
General Manager  
Banco Central de Bolivia  
Jaime Rossell  
External Finance Manager  
Banco Central de Bolivia

### **Brazil**

#### *Governor*

Ernane Galvêas  
Minister of Finance

#### *Alternate Governor*

Carlos Geraldo Langoni  
President  
Banco Central do Brasil

#### *Temporary Alternate Governors*

Oswaldo Roberto Colin  
President  
Banco do Brasil S.A.  
Gil Gouvea Macieira  
President  
Federal Economic Bureau  
Luiz Antonio Sande de Oliveira  
President  
Banco Nacional do Desenvolvimento Econômico  
Eduardo de Castro Neiva  
Vice President, International Resources and  
Operations  
Banco do Brasil S.A.  
José Carlos Madeira Serrano  
Director, External Area  
Banco Central do Brasil  
Benedicto Fonseca Madeira  
Director, Foreign Trade Office  
Banco do Brasil S.A.

#### *Advisors*

José Carlos P.M. da Fonseca  
Executive Director  
Inter-American Development Bank  
Carlos Augusto Proença Rosa  
Chief, Economic Department  
Ministry of Foreign Affairs

Luiz Felipe Palmeira Lampreia  
 Minister Counselor  
 Embassy of Brazil in the United States of America  
 Pedro Paulo Pinto Assumpção  
 Chief, Financial Policy Division  
 Ministry of Foreign Affairs  
 José Botafogo Gonçalves  
 Secretary, International, Economic and Technical  
 Cooperation  
 Planning Secretariat  
 Office of the President  
 Osvaldo Moreira de Souza  
 Planning Secretariat  
 Office of the President  
 Eduardo Pereira de Carvalho  
 Secretary General  
 Ministry of Finance  
 José Antonio Berardinelli Vieira  
 Chief, Office of the Finance Minister  
 Lauro Barbosa da Silva Moreira  
 Chief, Coordination of International Affairs  
 Ministry of Finance  
 Hugo Peixoto Pacheco  
 Advisor  
 Ministry of Finance  
 Eimar de Andrade Avillez  
 Assistant Coordinator of International Affairs  
 Ministry of Finance  
 Regina Celia Motta do Carmo  
 Advisor  
 Coordination of International Affairs  
 Ministry of Finance  
 Francisca Mendes de Menezes  
 Advisor  
 Coordination of International Affairs  
 Ministry of Finance  
 Aloysio Silva de Assis  
 Advisor  
 Ministry of Industry and Commerce  
 Jayme Costa Santiago  
 Advisor  
 Ministry of the Interior  
 Angelo Calmon de Sá  
 Member  
 Conselho Monetário Nacional  
 Nestor Jost  
 Member  
 Conselho Monetário Nacional  
 Orlando Otto Kaesemodel  
 Member  
 Conselho Monetário Nacional  
 Alexandre Kafka  
 Executive Director  
 International Monetary Fund  
 Antonio Augusto dos Reis Velloso  
 Director of Administration  
 Banco Central do Brasil  
 Antonio Chagas Meirelles  
 Director, Banking Area  
 Banco Central do Brasil  
 Hermann Wagner Wey  
 Director, Capital Market Area  
 Banco Central do Brasil  
 José Kleber Leite de Castro  
 Director, Rural and Industrial Credit and Special  
 Programs  
 Banco Central do Brasil  
 Dilson Sampaio da Fonseca  
 Chief, Office of the President  
 Banco Central do Brasil  
 Anuar Kalil  
 Chief, Exchange Department  
 Banco Central do Brasil  
 Daphnis Rodrigues Valente  
 Chief, International Operations Department  
 Banco Central do Brasil  
 Luiz Aurelio Serra  
 Chief, Foreign Capital Records and Audit  
 Department  
 Banco Central do Brasil  
 Luiz Barbosa  
 Head of the Department for International  
 Organizations and Agreements  
 Banco Central do Brasil  
 Antonio Luiz Marchesini Torres  
 Deputy Executive Director  
 Fundo Financeiro para o Desenvolvimento da  
 Bacia do Prata  
 Clovis Langer de Almeida e Albuquerque  
 Alternate Executive Director  
 African Development Fund  
 Banco Central do Brasil  
 Carlos Alberto Amorim, Jr.  
 Chief, International Agencies Division  
 International Agencies and Agreements  
 Department  
 Banco Central do Brasil  
 Claudio Simões Rosado  
 Coordinator  
 Banco Central do Brasil  
 Dalmir Sergio Louzada  
 Economist  
 Banco Central do Brasil  
 Paulo Cesar Lage Barbosa  
 Economist  
 Banco Central do Brasil  
 Cesar Dantas Bacellar Sobrinho  
 Director, Exchange Operations  
 Banco do Brasil S.A.  
 Fernando Baptista Martins  
 Director, Administrative Resources  
 International Area  
 Banco do Brasil S.A.  
 Antonio Machado de Macedo  
 Director, Foreign Operations  
 Banco do Brasil S.A.  
 Paulo Yokota  
 President  
 Instituto Nacional de Colonização e Reforma  
 Agrária  
 Jorge Leonel Sant'Anna

Technical Assistant to the Executive Director  
Inter-American Development Bank

## **Canada**

### *Temporary Alternate Governors*

John Evans  
Parliamentary Secretary to the Minister of  
Finance  
Keith Bezanson  
Director  
Financial Institutions  
Multilateral Programs Branch  
Canadian International Development Agency

### *Advisors*

William Kilfoyle  
Director General  
Financial Institutions and Corporate Liaison  
Branch  
Department of Industry, Trade and Commerce  
John Robinson  
Deputy Director  
Development and Export Financing Policy  
Division  
Dick Davis  
Senior Economist  
International Programs Division  
International Trade and Finance Branch  
Brian Northgrave  
Alternate Executive Director  
Inter-American Development Bank  
Marc Lemieux  
Consul and Trade Commissioner  
Canadian Consulate in Brazil  
David Iwaasa  
Technical Assistant to the Executive Director  
Inter-American Development Bank

## **Chile**

### *Governor*

José Luis Federici Rojas  
Minister of Economy, Development and  
Reconstruction

### *Advisors*

Adolfo Goldenstein  
Manager  
Administration of Reserves  
Banco Central de Chile  
Benjamín Mira Montt  
Alternate Executive Director  
Inter-American Development Bank

## **Colombia**

### *Governor*

Jaime García Parra  
Minister of Finance and Public Credit

### *Alternate Governor*

Rafael Gama Quijano  
General Manager  
Banco de la República

### *Temporary Alternate Governors*

Germán Rodríguez Fonnegra  
Ambassador of Colombia to Brazil  
Eduardo Wiesner Durán  
Chief  
Departamento Nacional de Planeación  
Leonor Montoya de Torres  
Director of Public Credit  
Ministry of Finance and Public Credit  
Max Rodríguez  
Director of National Taxes  
Ministry of Finance and Public Credit  
Hernán Mejía J.  
Deputy Secretary of External Financing and  
International Agencies  
Banco de la República  
Jorge Enrique Garavito  
Commercial Counselor  
Embassy of Colombia in Brazil

## **Costa Rica**

### *Governor*

Hernán Sáenz Jiménez  
Minister of Finance

### *Temporary Alternate Governors*

Manuel Gómez Villegas  
General Banking Auditor  
Banco Central de Costa Rica  
Rafael Díaz A.  
Director, Finance Department  
Banco Central de Costa Rica

### *Advisors*

Raúl Fernández Bianchi  
Director of Foreign Financing  
Ministry of Finance  
Otto Kikutt  
Director of Economic Affairs  
Banco Central de Costa Rica

## **Denmark**

### *Governor*

Kaj Repsdorph  
Under Secretary of State  
Ministry of Foreign Affairs

### *Temporary Alternate Governor*

Erik Hedegaard  
Head of Section  
Ministry of Foreign Affairs

### *Advisor*

Jorgen D. Siemonsen  
First Secretary  
Embassy of Denmark in the United States of  
America

## **Dominican Republic**

### *Governor*

Eduardo Fernández Pichardo  
Governor  
Banco Central de la República Dominicana

### *Advisors*

Sócrates Lagares S.  
Member, Monetary Board  
Banco Central de la República Dominicana  
Luis Aquiles García Recio  
Deputy Secretary of Finance  
Carlos Despradel  
Economic Advisor  
Banco Central de la República Dominicana  
Eduardo García Michel  
Assistant to the Governor  
Banco Central de la República Dominicana

### **Ecuador**

#### *Alternate Governor*

Mauricio Dávalos Guevara  
General Manager  
Banco Central del Ecuador

#### *Advisors*

Ricardo Crespo Zaldumbide  
Ambassador of Ecuador to the United States of America  
Pablo Concha Lederberger  
General Manager  
Banco de Desarrollo del Ecuador  
Juan Casals  
Manager, Technical Division  
Banco Central del Ecuador  
Luis Jacome  
Technical Consultant  
Banco Central del Ecuador  
Pedro Aguayo Cubillo  
President  
Financiera de la República  
Carlos Julio Manzur Emen  
President  
Comisión de Estudios para el Desarrollo de la Cuenca de Río Guayas  
Rodrigo Pérez Serrano  
Representative of the Ministry of Finance  
Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas  
Oscar Llor Risco  
Executive Director  
Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas

### **El Salvador**

#### *Governor*

Pedro Abelardo Delgado  
President  
Banco Central de Reserva de El Salvador

#### *Alternate Governor*

Roberto Salazar Candell  
Minister of Planning and Coordination of Economic and Social Development

#### *Temporary Alternate Governor*

Roberto Alvergue Vides  
Minister of Finance

### *Advisors*

Rafael Antonio Coto  
Chief, External Financing Department  
Ministry of Planning of Coordination of Economic and Social Development  
Mauricio A. Gallardo  
Advisor  
Banco Central de Reserva de El Salvador

### **Finland**

#### *Governor*

Annikki Saarela  
Financial Counsellor  
Ministry of Finance

#### *Temporary Alternate Governor*

Pertti Ripatti  
Commercial Counsellor  
Embassy of Finland in the United States of America

#### *Advisor*

Jorma Paukku  
Ministry of Foreign Affairs

### **France**

#### *Alternate Governor*

Jean-Yves Haberer  
Director of the Treasury  
Ministry of Economy

#### *Temporary Alternate Governor*

Henri Pezant  
Financial Counsellor for Latin America  
Ministry of Economy

#### *Advisors*

Philippe Jurgensen  
Deputy Director for Multilateral International Affairs  
Ministry of Economy  
Raymond Floc'h  
Director of Exchange  
Banque de France  
Jean-Jacques Rosec  
Commercial Counsellor  
General Consulate of France  
Economic Expansion Section  
Rio de Janeiro

### **Germany, Federal Republic of**

#### *Temporary Alternate Governors*

Klaus Dieter Leister  
Head of Department  
Federal Ministry for Economic Cooperation  
Ursula Schaefer  
Assistant Division Chief  
Federal Ministry for Economic Cooperation

#### *Advisors*

Siegfried Schumm  
Head of Section  
Federal Ministry of Finance

Kurt Andreas  
 Head of Department  
 Deutsche Bundesbank  
 Karl-Heinz Kuntzschmann  
 Counsellor  
 Federal Ministry for Economic Cooperation  
 Ernst Racky  
 Consulate-General of the Federal Republic of  
 Germany in Rio de Janeiro  
 Heinz Gieseke  
 Consulate-General of the Federal Republic of  
 Germany in Rio de Janeiro

## **Guatemala**

### *Governor*

Hugo Tulio Búcaro García  
 Minister of Finance

### *Advisors*

Antonio Blanco  
 Chief, Financial Studies Department  
 Ministry of Finance  
 Hugo Raciél Mendez  
 Advisor  
 Ministry of Finance  
 Marco Antonio Aparicio Rendón  
 Director, Exchange and International and  
 Financial Agencies Department  
 Banco de Guatemala  
 Carlos González  
 Advisor  
 Ministry of Finance  
 Julio Noriega  
 Advisor  
 Banco de Guatemala

## **Guyana**

### *Governor*

Franklin E. Hope  
 Minister of Finance

### *Temporary Alternate Governor*

Ivan S. Hamilton  
 Deputy Secretary of the Treasury  
 Ministry of Finance

### *Advisor*

Derryck E.W. Small  
 Technical Assistant to the Executive Director  
 Inter-American Development Bank

## **Haiti**

### *Temporary Alternate Governors*

Jean Robert Estimé  
 Deputy Secretary for Finance and Economic  
 Affairs  
 René Lafontant  
 Director General  
 Banque de la République d'Haiti

## *Advisors*

Michel Bonnet  
 Bureau Director  
 Secretariat of Planning  
 François Boyer  
 Counsellor  
 Ministry of Finance and Economic Affairs  
 Alix Pompee  
 International Economic Counsellor  
 Ministry of Finance and Economic Affairs

## **Honduras**

### *Governor*

Carlos Manuel Zerón  
 Minister of Economy and Commerce

### *Alternate Governor*

Praxedes Martínez Silva  
 President  
 Banco Central de Honduras

### *Temporary Alternate Governor*

Valentín Mendoza  
 Minister of Finance and Public Credit

### *Advisors*

Rigoberto Pineda Santos  
 Advisor  
 Banco Central de Honduras  
 J. Virgilio Cáceres Pineda  
 Executive Secretary  
 Consejo Superior de Planificación Económica

## **Israel**

### *Governor*

Arnon Gafny  
 Governor  
 Bank of Israel

### *Alternate Governor*

Ben-Ami Zuckerman  
 Commissioner of Capital Markets, Insurance and  
 Savings  
 Ministry of Finance

### *Temporary Alternate Governor*

Channa Weinberg  
 Economic Advisor  
 Bank of Israel

### *Advisors*

Yaakov Gotal  
 Consul General  
 Consulate of Israel in Rio de Janeiro  
 P. Afik  
 Consul (Economic Affairs)  
 Consulate of Israel in São Paulo

## **Italy**

### *Alternate Governor*

Giuliano Monterastelli  
 Central Operations Manager  
 Bank of Italy



### *Temporary Alternate Governor*

L. Fernanda Forcignano  
Senior Director  
Ministry of the Treasury

### *Advisor*

Luigi Pompili  
Division Chief  
Bank of Italy

### **Jamaica**

### *Governor*

Ronald Hugh Packer Small  
Minister of Finance and Planning

### *Temporary Alternate Governor*

Owen Jefferson  
Deputy Governor  
Bank of Jamaica

### *Advisors*

Norman Girvan  
Chief Planning Officer  
Ministry of Finance and Planning  
Masie Plummer  
Director  
Ministry of Finance and Planning  
Richard L. Bernal  
Advisor  
National Planning Agency  
Ministry of Finance and Planning  
Ernest George Goodin  
Advisor  
Bank of Jamaica  
Hopeton S. Dunn  
Advisor  
Office of the Prime Minister

### **Japan**

### *Temporary Alternate Governors*

Michiya Matsukawa  
Special Advisor to the Minister of Finance  
Ministry of Finance  
Susumu Murayama  
Deputy Director-General  
International Finance Bureau  
Ministry of Finance

### *Advisors*

Hiroshi Watanabe  
Deputy Director  
Overseas Investment Division  
International Finance Bureau  
Ministry of Finance  
Nobuhiko Matsuno  
Counsellor, Embassy of Japan in the United States of America  
Hajime Osakada  
Consul  
Consulate-General of Japan in Rio de Janeiro  
Hiromitsu Matsuda  
Consul  
Consulate-General of Japan in Rio de Janeiro

Yoshihito Miyairi  
Multilateral Cooperation Division  
Economic Cooperation Bureau  
Ministry of Foreign Affairs

Akira Kanno  
Deputy Director of the Foreign Department  
Bank of Japan

### **Mexico**

### *Governor*

David Ibarra Muñoz  
Secretary of Finance and Public Credit

### *Alternate Governor*

Gustavo Romero Kolbeck  
Director General  
Banco de México, S.A.

### *Temporary Alternate Governors*

Jorge Espinosa de los Reyes  
Director General  
Nacional Financiera, S.A.  
Octavio A. Hernández  
Director General  
Banco Nacional de Obras y Servicios Públicos, S.A.  
Oscar Levin Coppel  
Director General of Credit  
Department of Finance and Public Credit  
Bernardo Sepúlveda Amor  
Director General of International Financial Affairs  
Department of Finance and Public Credit  
Alfredo Phillips Olmedo  
Deputy Director for International Affairs  
Banco de México, S.A.  
Francisco Suárez Dávila  
Director of Financial Programming  
Nacional Financiera, S.A.

Jesús Rodríguez y Rodríguez  
Director General  
Instituto para el Depósito de Valores  
Heriberto Galindo Quiñones  
Director General of Communications  
Department of Finance and Public Credit  
Napoleon Gómez Urrutia  
Director, La Casa de Moneda  
Department of Finance and Public Credit  
Rodrigo Sánchez Salido  
General Manager  
Banco Nacional de Obras y Servicios Públicos, S.A.

Pedro Galicia Estrada  
General Manager, Official Financing  
Nacional Financiera, S.A.  
Patricio Ayala  
Executive Director  
Inter-American Development Bank  
José Angel Gurria  
General Coordinator of External Financing  
Department of Finance and Public Credit

Luis Manuel Martínez Loaeza  
Private Secretary to the Secretary of Finance and  
Public Credit

Ricardo Peñaloza Webb  
Deputy Manager for External Financing  
Banco de México, S.A.

Fernando Villarreal y Puga  
Deputy Manager  
Banco de México, S.A.

Germán Sandoval Faz  
Deputy Manager for International Agencies  
Nacional Financiera, S.A.

Susana Mignón Sevilla  
International Affairs  
Department of Finance and Public Credit

Guillermo Vega Pérez  
Deputy Director  
General Office of Communications  
Department of Finance and Public Credit

Aleida Ponce Walraven  
Assistant Secretary to the Secretary of Finance  
and Public Credit

## **Netherlands**

### *Governor*

Fons van der Stee  
Minister of Finance

### *Advisors*

A.H.E.M. Wellink  
Treasurer-General  
Ministry of Finance  
Johan A. Weyers  
Advisor  
Investment and Banking Bureau  
Ministry of Foreign Affairs

## **Nicaragua**

### *Governor*

Alfredo César Aguirre  
Minister-Director  
Fondo Internacional de Reconstrucción

### *Alternate Governor*

Alfredo Alaniz  
President  
Banco Nacional de Desarrollo

### *Advisors*

Pier Peñalba C.  
Vice-Minister  
Fondo Internacional de Reconstrucción  
Richard S. Weinert  
Financial Advisor  
Leonel Argüello Ramírez  
Executive President  
Instituto Nicaragüense de Seguros y Reaseguros

## **Panama**

### *Governor*

Gustavo R. González  
Minister of Planning and Economic Policy

## *Advisors*

Francisco Bustamante  
Executive Manager  
Banco Nacional de Panamá  
Vitelio Espino  
Legislator  
Consejo Nacional de Legislación

## **Paraguay**

### *Governor*

César Barrientos  
Minister of Finance

### *Alternate Governor*

César Romeo Acosta  
President  
Banco Central del Paraguay

### *Advisors*

Oscar Jacinto Obelar  
Deputy Secretary of Finance  
Julio Regis Sanguina  
President  
Banco Nacional de Fomento  
Augusto Colman Villamayor  
Manager  
Banco Central del Paraguay  
Crispiniano Sandoval  
Director  
Economic Studies Department  
Banco Central del Paraguay  
Alberto Cáceres  
Director  
Development Department  
Banco Nacional de Fomento  
Julio C. Gutiérrez  
Alternate Executive Director  
International Monetary Fund

## **Peru**

### *Temporary Alternate Governor*

Rodolfo Abram Cavalerino  
Senior Director of Finance  
Ministry of Economy and Finance

### *Advisors*

Fernando Reus Salinas  
Director General of Public Credit  
Ministry of Economy and Finance  
Manuel Moreyra Loredó  
Chairman of the Board and Executive President  
Banco Central de Reserva del Perú

## **Portugal**

### *Alternate Governor*

José Antonio da Silveira Godinho  
Deputy Secretary of State for Finance and  
Planning

### *Advisor*

Alberto Alves de Oliveira Pinto  
Vice Governor  
Bank of Portugal

## **Spain**

### *Alternate Governor*

José Ramón Álvarez Rendueles  
Governor  
Banco de España

### *Temporary Alternate Governor*

Luis María Linde de Castro  
Technical Secretary General  
Ministry of Commerce and Tourism

### *Advisors*

Eduardo de Zulueta  
Permanent Ambassador Observer of Spain to the  
Organization of American States  
Antonio J. Sánchez-Pedreño M.  
Director General  
Banco de España

Fernando Javier Vallaure  
Ambassador of Spain to Brazil  
Juan de la Mota y Gómez Acebo  
Technical Vice Secretary General  
Ministry of Commerce and Tourism

Fernando Varela Parache  
Deputy Director General for Foreign Financing  
Ministry of Economy  
Juan Sainz Muñoz  
Deputy Organizational Director  
Office of the President

Jesús Sainz  
Director of Economic Cooperation  
Instituto de Cooperación Iberoamericana  
Javier Valero  
Commercial Counsellor  
Embassy of Spain in Brazil

## **Sweden**

### *Governor*

Ulf Dinkelspiel  
Under-Secretary of State  
Ministry of Commerce

### *Alternate Governor*

Bo Kjeleen  
Deputy Under-Secretary of State  
Ministry of Foreign Affairs

### *Advisors*

Caroline Fleetwood  
First Secretary  
Ministries of Foreign Affairs and Commerce  
Olof Allgärth  
Counsellor  
Embassy of Sweden in the United State of  
America

## **Switzerland**

### *Governor*

Klaus Jacobi  
Ambassador, Delegate of the Federal Council for  
Trade Agreements  
Division of Commerce  
Département Federal de l'Economie Publique

### *Advisor*

Roger Grossenbacher  
First Secretary  
Embassy of Switzerland in the United States of  
America

## **Trinidad and Tobago**

### *Temporary Alternate Governor*

Euric Bobb  
Deputy Governor  
Central Bank of Trinidad and Tobago

### *Advisor*

Joyce Alcantara  
Permanent Secretary  
Ministry of Finance

## **United Kingdom**

### *Alternate Governor*

E.C. Burr  
Under-Secretary  
Overseas Development Administration  
Foreign & Commonwealth Office

### *Advisor*

G. Crabtree  
Advisor  
Overseas Development Administration

## **United States of America**

### *Temporary Alternate Governors*

Robert Carswell  
Deputy Secretary  
Department of the Treasury  
Arnold Nachmanoff  
Deputy Assistant Secretary for Developing  
Nations

Department of the Treasury

John Bushnell  
Deputy Assistant Secretary for Inter-American  
Affairs

Department of State

Leah Wortham  
Deputy Associate Director for Policy and Budget  
International Development Cooperation Agency

### *Advisors*

Ralph A. Dungan  
Executive Director  
Inter-American Development Bank  
E. Jay Finkel  
Alternate Executive Director  
Inter-American Development Bank  
Mary Elizabeth Kehler  
Office of Multilateral Development Banks  
Department of the Treasury  
Carl Loehmann  
Financial Attache  
Embassy of the United States of America in Brazil  
Deirdre Maloney  
Technical Assistant to the Executive Director  
Inter-American Development Bank

Van Dyne McCutcheon  
Office of Multilateral Development Banks  
Department of the Treasury  
Eva Meigher  
Attorney Advisor  
Office of the General Counsel  
Department of the Treasury  
Llewellyn P. Pascoe  
Financial Attache  
Embassy of the United States of America in  
Mexico  
Dave Pierce  
Office of Development Finance  
Department of State  
John V. Sweeney  
Office of Developing Nations Finance  
Department of the Treasury  
Thomas M. Timlen  
First Vice President and Chief Administrative  
Officer  
Federal Reserve Bank of New York  
Stephen Verdier  
Staff Member  
Committee on Banking Finance and Urban  
Affairs  
House of Representatives

## **Uruguay**

### *Temporary Alternate Governors*

Julio Legris  
Director, International Cooperation Division  
Department of Planning, Coordination and  
Dissemination

Luis Pigurina  
Advisor on International Agencies  
Ministry of Economy and Finance

### *Advisor*

Joaquín Labat  
Advisor  
Ministry of Economy and Finance

## **Venezuela**

### *Governor*

Leopoldo Díaz Bruzual  
Minister of State  
President of the Fondo de Inversiones de  
Venezuela

### *Temporary Alternate Governors*

Antonio Casas González  
Vice President  
Petróleos de Venezuela  
Luis Hinestrosa Pocatererra  
Director  
Fondo de Inversiones de Venezuela

### *Advisors*

Héctor Hurtado  
Advisor  
Aquiles Vilorio Vilorio  
Manager, International Financial Cooperation  
Fondo de Inversiones de Venezuela  
Rubén Chaparro Rojas  
Secretary of the Board  
Fondo de Inversiones de Venezuela  
Carlos Emmanuelli  
Advisor

## **Yugoslavia**

### *Governor*

Petar Kostić  
Federal Secretary for Finance

### *Temporary Alternate Governor*

Toma Granfil  
President of the Managing Board  
Yugoslav Bank for International Economic  
Cooperation  
Kole Casule  
Ambassador of Yugoslavia to Brazil

### *Advisors*

Danica Ostojic  
Senior Advisor  
Federal Secretariat for Finance  
Predrag Vuckovic  
Manager  
Yugoslav Bank for International Economic  
Cooperation  
Milica Borlja  
Senior Associate  
Federal Secretariat for Finance  
Tatic Radoje  
Counsellor  
Embassy of Yugoslavia in Brazil

## Executive Directors of the Inter-American Development Bank Who Attended the Meeting

---

Patricio Ayala<sup>1</sup>

Manuel R. Aristy

*Dominican Republic and Mexico*

Ralph A. Dungan<sup>1</sup>

E. Jay Finkel<sup>1</sup>

*United States of America*

Desiderio Enciso

Angel René Ríos

*Bolivia, Paraguay and Uruguay*

José Carlos P.M. da Fonseca<sup>1</sup>

*Brazil and Ecuador*

Brian A. Northgrave<sup>1</sup>

*Canada*

Juan Pablo Pérez Castillo

Reinaldo Decerega

*Panama and Venezuela*

Alberto Pico

Jean-Pierre Beguin

*Austria, France, Israel, Japan, Spain, Switzerland  
and Yugoslavia*

Luis Prieto-Ocampo

César Atala

*Colombia and Peru*

Angus Rae

Johan S. Hilbers

*Belgium, Denmark, Finland, Germany, Italy,  
Netherlands, Sweden and United Kingdom*

Rodolfo Silva

Benjamin Vides Deneke

*Costa Rica, El Salvador, Guatemala, Haiti,  
Honduras and Nicaragua*

Charles A.T. Skeete<sup>1</sup>

Trevor DaCosta

*Bahamas, Barbados, Guyana, Jamaica and  
Trinidad and Tobago*

Christián José Zimmermann

Benjamín Mira Monti<sup>1</sup>

*Argentina and Chile*

<sup>1</sup>Also member of his country's delegation.

## OBSERVERS FROM NON-MEMBER COUNTRIES

---

### Korea

Choong Hoon Cho

Vice-Minister

Ministry of Finance

Young Euy Chung

Director General

Finance Bureau

Ministry of Finance

Hyung Sup Shim

Director

International Finance Division

Ministry of Finance

### Norway

Peter Michael Motzfeldt

Ambassador of Norway to Brazil

### Romania

Vasile Zamfir

Economic Counsellor

Chief — Commercial Office

Embassy of Romania in Brazil

## OBSERVERS FROM INTERNATIONAL INSTITUTIONS

---

### **African Development Bank**

C. Kerdoudi Kolali  
Vice President  
Benjamin N. Unachukwu  
Executive Director  
K.K. Dei-Anang  
General Counsel  
Arnold H. Weiss  
Advisor

### **Andean Development Corporation**

Julio Sanjinés Goytia  
Executive President  
Enrique Roldán  
Vice President for Finance

### **Andean Reserve Fund**

Fernando Gaviria  
Executive President  
Claudio de Blois  
Secretary General

### **Asian Development Bank**

S. Stanley Katz  
Vice President

### **Bank for International Settlements**

Kurt Spinnler  
Deputy Manager

### **Caribbean Development Bank**

Neville V. Nicholls  
Vice President and General Counsel

### **Center for Latin American Monetary Studies**

Jorge González del Valle  
Director

### **Central American Bank for Economic Integration**

Alberto Galeano M.  
President  
Carlos Solís  
Vice President, Director  
Francisco J. Mayorga  
Director  
Victoria A. de Díaz  
Financial Manager  
Felix Martínez Docosta  
Legal Counsellor

### **Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee)**

Richard King  
Executive Secretary

### **European Economic Community**

Peter Kalbe  
Head, Santiago Office  
Latin American Delegation  
Commission of the European Communities

### **Fund for the Development of the River Plate Basin**

Roberto Ancarola  
Executive Secretary

### **Inter-American Council of Commerce and Production**

José Represas  
Hemisphere President

### **Inter-American Regional Workers' Organization**

Héctor López  
Representative in Brazil  
São Paulo

### **International Monetary Fund**

E. Walter Robichek  
Director  
Western Hemisphere Department  
L. Rubén Azocar  
Assistant to the Director  
Information Office

### **Islamic Development Bank**

Mohamed Kada  
O&M Officer

### **Latin American Association of Development Finance Institutions**

Tomas A. Pastoriza<sup>1</sup>  
President  
Carlos Garatea Yori  
Secretary General  
Santiago Freundt Cruz  
Chief, Financial and Administrative Department  
Felipe S. Tami<sup>2</sup>  
Special Advisor

### **Latin American Economic System**

Carlos Alzamora  
Permanent Secretary

### **Latin American Energy Organization**

Gustavo Rodríguez Elizarrarás  
Executive Secretary

### **Latin American Export Bank**

Arthur Giraldi  
Executive Vice President

### **Nordic Investment Bank**

Bert Lindström  
President

**OPEC Special Fund**

Mehdi Garadaghipour  
Assistant Director General

**Organization of American States**

Gilvandro Raposo  
Executive Officer, Executive Secretariat for  
Economic and Social Affairs  
Luiz Serrano  
Administrative Officer  
Office of the General Secretariat of the OAS in  
Brazil

**Inter-American Institute of Agricultural Sciences**

Rodolfo Martínez Ferraté  
Associate Deputy Director General for External  
Coordination  
José Irineu Cabral  
Director  
Rio de Janeiro

**Pan-American Health Organization**

José María Salazar B.  
Chief, Office of Liaison with International  
Organizations

**Permanent Secretariat of the General Treaty for Central American Economic Integration**

Dante Gabriel Ramírez García  
Deputy Secretary General

**Preinvestment Information Center for Latin America and the Caribbean**

Emmanuel Martínez P.  
Executive Secretary (Acting)  
Carlos Jaramillo M.  
General Coordinator  
Manuel Varas S.  
Technical Secretary  
Raul do Valle  
Advisor

**United Nations****Economic Commission for Latin America**

Enrique V. Iglesias  
Executive Secretary

**Food and Agricultural Organization**

Martha Aida Eid  
Deputy Director of the Investment Centre

**International Labour Organization**

P. Monteiro de Souza  
Director, Brasilia, D.F.  
A. Travers  
Deputy Director, Brasilia, D.F.

**United Nations Conference on Trade and Development**

Alfonso Inostroza  
Inter-Regional Advisor

Division for Trade Expansion and Economic  
Integration

**United Nations Development Programme**

Gabriel Valdés  
Assistant Administrator and Regional Director  
for Latin America  
Luis María Ramírez-Boettner  
Resident Representative in Brazil

**United Nations Educational, Scientific and Cultural Organization**

Herschelle S. Challenor  
Senior Liaison Officer  
Washington, D.C.

**United Nations Industrial Development Organization**

José F.R. Barbosa  
Consultant  
São Paulo  
Ulrich Loeser  
Industrial Development Officer

**United Nations Children's Fund**

Shob Jhie  
Officer in Charge  
Brasilia, D.F.

**International Fund for Agricultural Development**

Domingos Donida  
Director  
Latin America Division  
Project Management Department

**World Bank Group****International Bank for Reconstruction and Development****International Development Association  
International Finance Corporation**

Nicolás Ardito Barletta  
Regional Vice President  
Latin America and the Caribbean  
International Bank for Reconstruction and  
Development

Carlos Quijano  
Special Advisor to the Vice President  
Latin America and the Caribbean  
International Bank for Reconstruction and  
Development

Gordon F. McClure  
Vice President  
International Finance Corporation

José M. Ruisanchez  
Director — Department of Investments  
Latin America and Caribbean II  
International Finance Corporation

<sup>1</sup>Also represented Compañía Financiera  
Dominicana, S.A.

<sup>2</sup>Also represented Banco Unido de Inversión

## **SPECIAL GUESTS**

---

The Twenty-first Annual Meeting of the Board of Governors was attended by 1,207 special guests from 40 countries.





00321143

---

GO-Meeting-Annual Proceedings  
GO - 21st Meeting Board of 1980 -1980  
Rio de Janeiro, Brazil, 1980

SEC/SEC

---

