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The ALLIANCE for PROGRESS: its SECOND YEAR

1962
1963

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INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL

Volume I

The ALLIANCE for PROGRESS: its SECOND YEAR 1962-1963

Second report on the progress of economic and social development in Latin America and prospects for the future

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GENERAL REPORT

Chapter I

THE ECONOMIC AND SOCIAL SITUATION IN LATIN AMERICA IN 1962

A. GENERAL CONDITION OF LATIN AMERICAN ECONOMY IN 1962

1. Gross National Product and Capital Formation

It would be premature to expect the effects of the vast effort of the Alliance for Progress to be felt upon large aggregates--such as the gross product or capital formation of the Latin American economy--in the relatively short period that has elapsed since the signing of the Charter of Punta del Este. Such aggregates, though important, are only partial indicators of the development of the Alliance. Of equal importance is the progress achieved in structural reforms, whether in the fiscal or public administration fields, in agrarian reform, or in the formulation and execution of cohesive and realistic development plans. The fact that during 1962 the gross product of the region rose less than the annual average that was set as the goal in Punta del Este, must be looked at in the light of its general role.

It should still be a matter of concern, however, that during 1962 the increase in regional product only resulted in a slight improvement in the product per capita. This result was less favorable than that of the previous year when the total growth was 2.7 percent (see Table I-1.)

Naturally, in the weighted average the figures for two or three countries whose product is very high, as compared to the others, have a sizeable influence. Thus the drop in gross production in Argentina and the lessening of the product growth rate in Brazil were important causes of the falling off of regional economic activity during 1962, since these two countries account for more than half of total Latin American product. Nevertheless, in 1962 the gross product per capita increased at a greater rate than in the previous year in 13 of the 16 countries for which information is available.

Furthermore, ten countries exceeded the goal of a minimum annual growth rate of 2.5 percent per capita called for in the Charter of Punta del Este. Five of these ten countries are among the six that submitted development plans to the Panel of Experts before the end of 1962; in the majority of the five countries the rates planned were still higher than those that were achieved in 1962.

/Table I-1

Table I-1

ANNUAL CHANGES IN THE DOMESTIC PRODUCT, 1961 AND 1962
(in percent)

Country	Population growth rate	Change in gross domestic product over the previous year		Change over the previous year in the product per capita
		1961	1962	
Argentina	1.8	6.8	-3.4	-5.1
Bolivia	2.2	4.8	5.0	2.7
Brazil	3.2	7.7	3.5 - 4.5	0.3 - 1.3
Chile	2.4	4.4	5.2	2.7
Colombia	2.3	4.7	5.8	3.4
Costa Rica	3.9	2.7	3.0	-0.9
Dominican Republic	3.5	9.7	...	...
Ecuador	3.2	3.4	5.0	1.7
El Salvador	3.4	-2.1	7.2	3.8
Guatemala	3.2	-0.5	2.0	-0.8
Haiti	2.9	-1.6	6.8	3.8
Honduras	3.0	3.6	5.7	2.7
Mexico	3.1	3.5	5.0	1.8
Nicaragua	3.4	7.9	10.8	7.2
Panama	2.8	7.5	8.1	5.2
Paraguay	2.5	2.4	...	...
Peru	2.6	8.3	5.3	2.6
Uruguay	1.2	2.7	...	...
Venezuela	3.1	0.4	7.1	3.9
Latin America	2.9	6.0	3.5 - 3.8	0.5 - 0.9

Sources: National reports presented to the Inter-American Economic and Social Council, October 1963; and OAS, Economic and Social Survey of Latin America, 1962, Washington, D.C., Pan American Union (CIES/299), 1963, Table 79.

/For a better

For a better understanding of the apparent discrepancy between the economic standstill of the region as a whole and the increased activity of many of the countries thereof, the most pertinent fact is, perhaps, that about 45 percent of the total population is in those countries where the gross product rose more in 1962 than 1961, while the remaining 55 percent is in those countries where the development of economic activity in 1962 compared unfavorably with that of the previous year. In this regard it should be stressed that although the setbacks in Argentina and the difficulties of Brazil during the past year dominated the over-all average, since they represent more than 50 percent of the total product, these two countries also comprise more than half of the total population. However, only 13 percent of the total population lives in those countries in which the product per capita dropped sharply in 1962. In the case of the remainder, some improvement was achieved, and 28 percent of the population lived in those countries where the gross product per capita equalled or exceeded the minimum target set by the Alliance--an increase of 2.5 percent per year.

In Argentina the shrinkage in the gross product was brought about by a general decline in economic activity during 1962, with the exception of agriculture, forestry and mining.

The reduced growth rate noticed in the Brazilian economy also reflected the general conditions that affected almost all production sectors. The most unsatisfactory development took place in the agricultural sector, which after rising eight percent in 1961--exceeeding the goal by almost six percent--was almost stationary in 1962.

In Peru agricultural production recovered almost completely from the drop in the previous year, while the manufacturing sector continued to expand substantially in 1962, though not at the high rate of the year before.

Of the countries where the product-population ratio improved in 1962, Mexico had a general recovery of economic activity; it involved all sectors except the production of petroleum by-products, which fell after having risen rapidly in the previous years.

Venezuela, too, showed a marked increase in gross product that can be attributed to intensified activities throughout its economy. As called for in Venezuela's development plan,agricultural product showed a strong increase while growth in the petroleum sector was much more moderate.

In Ecuador, agricultural production continued to increase more than industrial.

There was no substantial change in the rate of industrial growth in Colombia or Chile in 1962, where, in both cases, it continued to exceed the population growth rate. Colombia, however, increased its agricultural output by five percent, a rate higher than forecast in its development plan. Chile, as Venezuela,

/has planned

has planned a considerable expansion of its agricultural sector over the next few years, but was not able to achieve this in 1962, remaining at the same level as the previous year.

For Latin America as a whole, the slow growth in agricultural output reflects the low technological level that still prevails in agriculture in the region. However, it is encouraging to note that in some instances more advanced techniques are being employed. Although the use of fertilizers, insecticides, agricultural machinery, and other modern innovations and practices are adopted slowly, certain improvements can be noted in the yield of some crops, such as wheat and rice in Venezuela, or coffee in Costa Rica, which indicates that efforts have been made to raise productivity.

With regard to Latin America's over-all manufacturing output, in 1962 the break in this sector was more important than the small drop in the growth rate of the agricultural sector. It should be stressed, however, that the not-very-satisfactory advancement of the manufactured product has been mainly the consequence of the setbacks undergone by Argentine industry, which heavily influences the total products. If the Argentine part is subtracted from the regional totals, a growth rate of about 6.5 percent results, which is nearer to the coefficient for the previous year which, if Argentina is again excluded, leaves a rate of 7.6 percent. There are indications that there has been some recovery in Argentine industrial output during the first few months of 1963. Although less active in 1962 than in 1961, Brazilian industry continues to be one of the most dynamic in the development of Latin American manufacturing. In Peru the growth rate of the manufactured product dropped during 1962, though it was still higher than the regional rate. Venezuelan industry, meanwhile, recovered strongly from the standstill of the last two years; and Mexico industry speeded up the lagging rate of the previous year, especially in industries that produce intermediate production equipment and goods. In Peru, also, such industries were the ones that were most dynamic. In the other countries that have a strong influence on the regional rate, there were no substantial changes in the over-all rate of industrial output (see Table I-2).

Nevertheless, there has also been some change in the make-up of the total product as compared with the previous year (see Table I-3). In the largest branches of manufacture in the region, petroleum refining increased most rapidly in 1962. Less active than in the previous year, but still showing relatively high growth rates were the manufacture of automotive vehicles, raw and finished steel and cast iron; the manufacture of cement maintained the seven percent growth rate it had shown for the last three years. The pulp and paper industry which has generally been one of the most active, had only a mild upward trend in 1962, dropping from 10 to 5 percent. With regard to current consumer goods, the slow expansion in recent years has been largely due to the loss of some possibilities to substitute certain imports in those countries that have the major role in the regional output of such goods.

/Table I-2

Table I-2

CHANGES OVER THE PRECEDING YEAR IN THE AGRICULTURAL AND MANUFACTURING PRODUCT IN 1961 AND 1962

(in percentages)

Country	Agricultural Product		Industrial Product	
	1961	1962	1961	1962
Argentina	3	1	14	-5
Brazil	8	1	11	7
Chile	-5	-3	5	4
Colombia	0	5	7	6
Ecuador	6	7	2	2
El Salvador	2	13	-2	2
Guatemala	-2	5	0	2
Honduras	4	1	3	4
Mexico	3	5	4	6
Nicaragua	8	16	13	22
Panama	9	4	4	20
Peru	-10	7	9	5
Venezuela	2	11	6	12
Total 13 Countries	4	3	9	4

Sources: National reports presented to the IA-ECOSOC, October 1963, and OAS, op. cit., Table 79.

Table I-3

GROWTH OF LATIN AMERICAN MANUFACTURING BY SELECTED INDUSTRIAL PRODUCTS, 1960-1962[a]

(percentage rates of increase)

	1960	1961	1962
Current consumer goods	4.1	4.1	2.3
Cellulose pulps b/	9.0	10.6	5.6
Paper and cardboard	5.0	9.8	5.1
Petroleum refining c/	7.1	6.8	12.3
Cement	7.7	5.1	6.6
Pig iron	24.3	15.7	7.1
Raw steel	14.5	11.3	9.7
Finished steel	15.0	11.0	7.4
Motor vehicles	...	25.4	12.7

a. These data are given by way of illustration and cannot be taken as representative with respect to the total for the sector because the respective weighing are unknown.
b. For paper and cardboard.
c. Including Venezuela.

Source: OAS, op. cit., Table 88.

/Capital formation

Capital formation

The little information available for 1962 shows that although fixed investments increased, the rate was lower than in 1961, owing to a drop in the growth rate of internal investment--public and private--and foreign (see Table I-4).

This seems to have been partly due to the lack of public funds to promote the basic work of economic development or to sustain the pace of the large expansions begun in 1961.

Table I-4

CHANGES IN FIXED-CAPITAL FORMATION 1961 AND 1962

(percentage change over previous year)

	1961			1962		
	Total	Private	Public	Total	Private	Public
Argentina	6	6	6	-	-1	1
Brazil	11	...	...	5	...	...
Chile	28	...	...	14	5	23
Colombia	7	...	...	3	...	...
El Salvador	-1	-20	8	4	...	...
Honduras	-88	...	...	15	...	...
Mexico	9	-1	22	4	3	4
Nicaragua	12	27	-12	15	6	43
Peru	29	22	73	15	11	20
Venezuela	-14	...	...	7	...	...
Total 10 Countries	8	...	...	5	...	...

Source: National reports presented to the Inter-American Economic and Social Council, October 1963, and OAS, op. cit., Table 80.

/This problem

This problem also influences the monetary situation, since the financing of government deficit was in many instances the chief factor in Latin American monetary expansion. In general, inflationary pressures persisted in the past year and in many cases were more intense. In a number of countries, efforts are being made to remedy the lack of public funds by rationalizing tax and public expenditure systems. However, before results are achieved there is a serious problem to the development of the countries, inasmuch as savings in the private sector are not sufficient to finance their share of the total investment, whether because of a lack of confidence on monetary stability or because of lack of incentives to save. In some instances inflationary pressures have been connected with the flight of private capital and this, though difficult to gauge, appears to have increased in 1962.1/

The total net contribution of foreign capital to the Latin American economies both official and private diminished substantially in 1962 as compared with the previous year, from $875 to $207 million (see Table I-5). This was because the shrinkage brought about by changes in the flow of private capital was too great to be offset by the increased net aid received from international institutions.

The flow of external aid to Latin America under the Alliance for Progress during 1962 was approximately at the same rate as in the preceding year. The noncompensatory net contribution (net disbursements) made by the United States remained more or less equal to the previous year, around $500 million, though there were significant structural changes (see Table I-6). The loans and donations made by the Agency for International Development and the Social Progress Trust Fund showed a marked increase, while the funds disbursed by the Export-Import Bank and those disbursed in compliance with Public Law 480, showed a marked decrease. Since the International Development Association was especially created to meet the needs of the less-developed countries, its increasing importance as a loan institution represents a positive step toward the sound financing of economic growth in Latin America.

The net disbursements of the loans granted by international institutions (after deducting the amounts contributed by the Latin American countries and loan repayment installments) also showed a marked increase during 1962 (see Table I-7).

With regard to the make-up of external aid there has been a notable change in the emphasis given to the sectors for which it is intended (see Table I-8).

While decreasing amounts were directed to investment in the economic infrastructure during 1961 and 1962, the other directly productive sectors gained more attention. The increased percentage of the total earmarked for the social sectors has been more impressive, both housing and water-supply, and sewerage systems having received priority attention. This gives practical effect to the Act of Bogotá and reflects in large part activity of the Social Progress Trust Fund, administered by the Inter-American Development Bank.

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1. OAS, op. cit., pp. 42-43.

/Table I-5

Table I-5

LATIN AMERICA: COMPOSITION OF NONCOMPENSATORY CAPITAL MOVEMENTS, 1960-1962

(in millions of dollars)

	1960	1961	1962[b]
A. Grants and Noncompensatory Capital from the United States Government (net total)	245	504	492
B. Direct Investments and Transactions in Foreign Securities from United States Private Sources (net total)	189	195	3
C. Financial Transactions with International Institutions (net total)	5	-10	70
D. Other Capital (net total)[a]	198	294	-152
E. Total Noncompensatory Capital and Official Grants (A+B+C+D)	637	983	413
F. Private Donations (net total)	-113	-111	-120
G. Net Over-all Balance of Noncompensatory Capital and Grants (E+F)	524	872	293

a. Includes noncompensatory private loans from the United States, noncompensatory transactions with other countries on private and official account and short-term capital movements including privately owned assets by Latin Americans.

b. Preliminary.

Source: OAS, op. cit., Table 58, and the national reports presented to the IA-ECOSOC, October 1963.

/Table I-6

Table I-6

COMPOSITION OF NONCOMPENSATORY CAPITAL RECEIPTS AND GRANTS FROM THE UNITED STATES GOVERNMENT, 1960-1962

(in millions of dollars)

	1960	1961	1962[a]
A. Official nonmilitary grants (disbursed)	119	167	194
B. Loans by the Agency for International Development (net disbursements)	25	107	186
C. Loans from the Social Progress Trust Fund (net disbursements)	---	1	22
D. Loans under Public Law 480 (net disbursements)	48	78	33
E. Development loans by the Export-Import Bank (net disbursements)	...	113	32
F. Other official capital (net)	25	38	25
G. Total grants and noncompensatory capital from the United States Government (A+B+C+D+E+F)	245	504	492

a. Preliminary figures.

Source: OAS, op. cit., Table 59.

/Table I-6a

Table 1-8a

TOTAL ECONOMIC ASSISTANCE FROM THE UNITED STATES GOVERNMENT TO LATIN AMERICA, 1960-1962 a/

(grant and loan disbursements, in millions of dollars)

Year	Agency	Grants	Loans	Total
TOTALS				
1960	Agency for International Development	59.2	24.9	84.1
	Export-Import Bank		164.4	164.4
	Food for Peace			
	Title I Total value (70.6)			
	Title I Country uses 55.4 b/			
	Title II Authorizations -			
	Title III Grants 21.1 d/			
	Other e/	8.2		8.2
	TOTAL	143.9	189.3	332.2
1961	Agency for International Development	92.8	107.7	200.5
	Export-Import Bank		487.3	487.3
	Food for Peace			
	Title I Total value (157.9)			
	Title I Country uses 128.5 b/			
	Title II Authorizations 0.1 c/			
	Title III Grants 33.8 d/			
	Social Progress Trust Fund	0.1	0.9	1.0
	Other e/	10.5		10.5
	TOTAL	265.8	595.9	861.7
1962	Agency for International Development	86.9	190.6	277.5
	Export-Import Bank		309.7	309.7
	Food for Peace			
	Title I Total value (76.2)			
	Title I Country uses 62.0 b/			
	Title II Authorizations 9.2 c/			
	Title III Grants 46.4 d/			
	Title IV Credit sales	0.6	10.8	10.8
	Social Progress Trust Fund		21.9	22.5
	Other e/	8.0		8.0
	TOTAL	213.1	533.0	746.1

/Note: Detail

Table I-6a (continuation)

Note: Detail may not add to totals due to rounding. These figures are gross, i.e., reimbursements and amortizations have not been deducted, and they include compensatory financing by the Import-Export Bank. Therefore, totals differ from those shown in Table I-6.

a. Excludes: (1) Military assistance.
(2) Export-Import Bank debt re-scheduling and consolidation credits.
(3) U.S. Treasury compensatory financing.
(4) Value of goods delivered under Title I, PL-480 estimated to result in generation of local currency for U.S. uses.
(5) U.S. subscription to IDB (1960, $80 million; 1961, $110 million; 1962, $60 million.)

Includes: Export-Import Bank short-term credits (short-term transactions seldom exceed 10 percent of Ex-Im lending in any period).

b. Title I The value of commodities received by the country is taken as the basic measure of the transaction. The second stage operations, or uses to which the local currency generated is put, is considered secondary to the main purpose of the Title I program, to make food available for consumption. Title I is therefore listed as a grant. By convention, however, when computing economic assistance, total commodities under Title I are reduced by excluding that portion of total commodities which will result in generation of local currency for U.S. uses. Total value, including ocean freight, of Title I goods delivered is shown in parenthesis.
Title I is partially estimated by applying factors to delete U.S. uses and to include ocean freight.

c. Title II Transfer authorizations for emergency relief and for child feeding and economic development programs.

d. Title III Donations of surplus foods to voluntary relief agencies. Does not include ocean freight. Title III is partially estimated for 1960.

e. 1960-1963 Inter-American Highway. 1962-1963 Peace Corps.

Source: Report to the Inter-American Economic and Social Council presented by the Government of the United States of America (CIES/317).

/Table I-7

Table I-7

MAKE-UP OF OFFICIAL CAPITAL RECEIVED FROM INTERNATIONAL INSTITUTIONS, 1960-62

(in millions of dollars)

	1960	1961	1962
Inter-American Development Bank (net disbursements)	-	5.1	32.8
Social Progress Trust Fund (net disbursement) a/	-	(0.9)	(22.3)
International Bank for Reconstruction and Development (net disbursements)	28.7	55.1	94.3
International Development Association (net disbursements)	-	0.6	6.0
International Finance Corporation (net disbursements)	12.4	5.2	12.4
Total net disbursements	41.1	66.0	145.5
Subscriptions b/	-36.0	-76.0	-75.0
Net balance of loans and subscriptions	5.1	-10.0	70.5

a. The loans (net disbursements) made by the Social Progress Trust Fund administered by the Inter-American Development Bank on behalf of the United States government, are included in the total of Table I-6, under bilateral financial aid provided by the United States. They do not appear in this table, I-7.

b. Only subscriptions in foreign exchange, whereof the greater part went to the Inter-American Development Bank.

Source: Organization of American States, op. cit., September 1963, Table 63.

/Table I-8

Table I-8

LATIN AMERICA: DESTINATION, BY SECTORS, OF THE OFFICIAL EXTERNAL FUNDS FOR DEVELOPMENT, 1960-1962 a/
(in percentages)

	1960	1961	1962
Agricultural and Industrial Sectors	9.7	14.2	16.6
Farming and cattle raising	1.9	7.0	8.2
Industry, fishery, and mining	7.8	6.4	8.0
Agro-industrial projects	0.0	0.8	0.4
Economic Infrastructure Sectors	48.6	23.0	26.8
Power and communications	20.6	3.4	20.2
Transportation	28.0	19.6	6.6
Social Infrastructure Sectors	3.1	15.2	21.0
Health, water-supply and sewerage	1.2	6.2	8.5
Housing and community development	0.9	7.9	9.5
Education b/	1.0	1.1	3.0
Technical Assistance c/	0.4	0.5	1.6
Food for Peace	12.1	7.2	14.3
Others d/	26.1	39.9	19.7
TOTAL	100.0	100.0	100.0

a. Includes loans and grants for development, approved by agencies of the United States Government, the Inter-American Development Bank, Social Progress Trust Fund (administered by the Inter-American Development Bank), the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation.

b. Includes training activities under the Technical Cooperation Program of the Organization of American States.

c. Includes the United States Peace Corps. The total technical aid received by Latin America is under-estimated here since numerous aid missions of the United Nations have been excluded. Inclusion thereof would raise the percentage to 1.5 in 1961.

d. Includes aid provided by the United States for labor, public administration and internal security purposes, as well as general support of national development programs. It likewise includes loans made by the Inter-American Development Bank to intermediary entities which will channel such funds to private enterprise.

Sources: Report presented by the government of the United States of America to the IA-ECOSOC, 1963 (CIES/317); Inter-American Development Bank, Annual Reports 1961 and 1962; International Bank for Reconstruction and Development, Statement of Loans; International Development Association, Statement of Development Credits; International Finance Corporation, Statement of Operational Investments and Standby and Underwriting Commitments and Sixth Annual Report 1961-1962; OAS, Department of Technical Cooperation, Annual Reports; Pan American Union, OAS Program of Technical Cooperation, 12 years of activities 1951-1962; and Pan American Union, Program and Budget, 1963.

/2. Balance of

2. Balance of Payments

The total capacity of Latin America to import (exports plus balance on services plus noncompensatory capital balance) rose in 1962 to $8 180 million, a reduction of $169 million over the previous year. This resulted from the fact that the reduction of the total balance in the capital account, especially in Argentina, Brazil and Chile, exceeded the increase in exports, in which almost the entire region shared, except for Brazil, Uruguay and Paraguay. Although imports of the region increased by only $107 million, the balance of payments deficit rose considerably, from $557 million in 1961 to $899 million in 1962.

a. Current accounts

The evolution of Latin American foreign trade was not so unfavorable in 1962 as in other recent years. The total value of the exports of the region increased 7 percent, exceeding for the first time the level reached in 1957 by more than $500 million. However, although exports in 1962 showed a marked improvement over the conditions of immediately previous years, they still have not recovered the vigorous growth of the early 1950's. In most cases the increase in the value of exports in 1962 was very moderate and was caused more by an increase in the volume imported than by an improvement in price levels.

The export prices of various basic products of importance to Latin America continued to drop, but since mid-1962 a partial recovery has been noted in the prices of some products, while those of others tended to remain stable. The total volume exported showed a notable increase in 1962. The terms of trade of the region continued to worsen in 1962, but in the first months of 1963 they seem to have improved (see Table I-9.)

/Table I-9

Table I-9

LATIN AMERICA: VALUE, VOLUME, AND UNIT PRICE OF FOREIGN TRADE, 1960-1963

(indices: 1961 = 100)

	Exports			Imports			Terms of Trade
	Value	Unit price	Volume	Value	Unit price	Volume	
1960	98	101	97	97	100	97	101
1961	100	100	100	100	100	100	100
1962	107	99	108	104	102	102	97
1961							
I	100	100	100	92	99	93	101
II	101	101	100	98	101	97	100
III	98	101	97	103	101	102	100
IV	100	98	102	108	101	107	97
1962							
I	107	102	105	98	102	96	100
II	107	101	106	99	102	97	99
III	106	97	109	107	102	105	95
IV	106	97	109	110	102	108	95
1963							
I	109	98	111	91	102	89	96
II	...	101	...	...	102	...	99

Notes: The unit prices for exports, with the exception of the figures for Peru and Venezuela, have been computed on the basis of the figures for value and the Laspeyres de quantum indices of the Monetary Fund, thereby obtaining Paasche indices for 16 countries. The unit values for imports are based on figures for nine countries. The quarterly variations for these nine countries were obtained by making an adjustment, on the basis of the unit value of world exports of manufactured products shown in the June 1963 edition of the Bulletin mentioned below.

The 1963 export indices show the variations in the International quotations for 16 principal products, weighed according to their exported value in 1961. These variations were incorporated in the last quarter of 1962.

Sources: Official information in the cases of Peru and Venezuela; in the others, by the United Nations, Monthly Bulletin of Statistics, and the International Monetary Fund, International Financial Statistics. Although mentioned in the sources, Cuba is not included in this table.

/Within the

Within the over-all growth picture for 1962, some unfavorable trends continued to evidence themselves, both in regard to markets for several products of much importance to Latin America--such as the coffee and in the total value of exports of a few individual countries. In addition, prospects for a continuation of the improvement noted in the prices and in the volume of some export products seem quite uncertain when it is considered that they depend to a large extent on the level of economic activity in the industrialized countries and on the application of trade restrictions and preferential treatment by the European Economic Community, the impact of which has not yet been fully felt in Latin America.

The chief element in the improvement of Latin American exports in 1962, in terms of both prices and volume, was without doubt the continued economic expansion of the industrialized parts of the world. Both in the United States and in most of Western Europe, total import demand showed a notable increase, from which Latin America profited less than other exporting regions in the United States market but relatively more than other suppliers in the countries of the European Economic Community.

However, it should be noted that, as to prospects for Latin American exports to industrialized countries, in the United States these depend chiefly on advances in the manufacturing industry, which provides the bulk of the demand, and on mineral and petroleum exports traditionally furnished to that country by Latin America. However, the pace of the economic recovery begun in the United States after the 1960/61 recession tapered off in the second half of 1962. For 1963 as a whole, continued expansion is expected, although on a more moderate scale than during the previous year.

In 1962 Latin American exports to the European Common Market increased notably due to the expansion of sales of cotton, beef, corn, wheat, coffee, and a few other products (see Table I-10). It should be noted, however, that the pace of economic growth of the European Community slackened in 1962, and it seems that an important element in the notable increase in imports by that region in that year was an accidental and transitory event, the poor harvest of 1961. This could indicate that the prospects in this market are not for continuation of expansion of imports after the fashion of 1962. As for the trade policy of the EEC, the renewal of the agreement of association between the Community and 18 African countries and territories has implications of great importance, although still quite uncertain, for the Latin American countries that export tropical products; while the as yet undetermined extent of self-sufficiency sought by the EEC with respect to temperate-zone agricultural products also constitute a serious threat to the exporting countries of Latin America. With reference to tropical products, the recently signed agreement of association not only maintains the preferential treatment granted to the associated countries but also advances by 5 to 6 years the date when these countries will enjoy the full tariff advantages proposed. The degree of possible tariff discrimination, however, has been somewhat lessened, owing to the reduction in customs duties in the common external tariff of the EEC applicable to imports of coffee, cacao, and some other products from third countries.

/Table I-10

Table I-10

LATIN AMERICA: EXPORTS
BY PRINCIPAL REGIONS OF DESTINATION, 1960-1962

	Millions of dollars	Indices 1960 = 100		Percentages of the total		
	1960	1961	1962	1960	1961	1962
United States	3 600	90.8	93.9	41.8	37.7	37.7
Canada	145	110.3	120.7	1.7	1.8	1.9
Western Europe	2 720	101.5	112.5	31.6	31.8	33.3
European Economic Community	1 580	101.3	114.6	18.3	18.5	19.7
European Free Trade Association	1 010	97.0	102.0	11.7	11.3	11.2
Other Western European Countries	130	138.5	169.2	1.5	2.1	2.4
Japan	240	141.7	139.6	2.8	3.9	3.6
Other Asian countries	36	197.2	161.1	0.4	0.8	0.6
Soviet Union	135	255.6	277.8	1.6	4.0	4.1
Eastern Europe	130	123.1	146.2	1.5	1.8	2.1
Continental China	41	185.4	243.9	0.5	0.9	1.1
Africa	75	101.3	122.7	0.9	0.9	1.0
Latin America	680	83.8	91.2	7.9	6.6	6.7
Others a/	808	104.2	100.9	9.4	9.7	8.9
Total	8 610	100.7	106.8	100.0	100.0	100.0

a. Most of these figures are for exports of crude petroleum from Venezuela to the Netherlands Antilles.

Source: United Nations, Monthly Bulletin of Statistics, June 1963.

/With respect

With respect to other markets, some of the Latin American countries have also managed to expand their exports to centrally planned economies in 1962. The products involved were mainly coffee, cacao, cotton, wool and hides. The values, however, were relatively small.

Latin America's intraregional trade in 1962 registered an increase of 12 percent over the 1961 figure, thus recovering partially from the loss suffered in the latter year. The 1961 drop in intraregional trade was due chiefly to Venezuelan exports. In 1960 these had constituted more than half of that trade, but Venezuelan petroleum sales to Cuba and Argentina ceased in 1961. The increase in 1962, however, was due mainly to the expansion of Mexican exports to other countries within LAFTA and to the continuation of the vigorous growth of intra-Central American trade.

Uncertain as the outlook for Latin American exports may be in the latter part of 1962 and the early part of 1963, as already stated, there was an at least partial interruption of the downward trend taken by the prices of various products of interest to the region in recent years. Increases were clearly evident at the outset of 1963, especially in sugar, cacao and wool prices, and that of silver continued to rise. The price of sugar began to rise on the world market in the second half of 1962. Sugar exports of certain Latin American countries to the United States also benefited in 1962 from greater participation in the United States market after the redistribution of the Cuban sugar quota to other countries, although total exports of the region dropped considerably, reflecting substantial decreases in the volume exported by some of the most important producing countries. In the case of cacao, world prices in mid-1962 registered the lowest levels since 1949, only to recover later. The fall in prices, however, was accompanied in 1962 by a notable drop in the volume exported from Latin America, which reduced the income of the region from this product to exceedingly critical levels. As for wool, the prices of fine qualities improved somewhat in the course of 1962, but the volume exported from Argentina and Uruguay was lower than that of the preceding year.

For another group of basic products exported by Latin America prices were more or less stable during the course of the year. Among these are petroleum, which plays a very important part in the over-all foreign trade statistics of the region, wheat, copper and tin. The volume of petroleum exports registered a notable increase in 1962 in Venezuela and Mexico, while exports from Colombia and Peru declined sharply, owing in part to the trend of internal consumption to increase faster than the production capacity. In the wheat market, prices for the Argentina product were only slightly strengthened in 1962, but the country's export volume increased considerably. As for nonferrous metals such as copper and tin, the prices of which did not show much change, the volume of copper exported from Chile and Mexico increased considerably while tin production and export continued to recover in Bolivia.

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Aside from the products mentioned above, there is a group whose prices continued to drop in 1962: bananas, cotton, lead, zinc and, especially, coffee, which affects the foreign exchange earnings of 14 countries of the region. The continued decline of coffee prices almost neutralized, in terms of total value, the whole of the considerable increase in export volume registered by most of the Latin American producers, Brazil excepted.

In spite of the continued drop in prices during the greater part of the year, the increase in total value exported in 1962 by Latin America benefited to some extent almost all the countries of the area (see Table I-11). However, drops were experienced by four countries, including Brazil, where increases in other items could not compensate completely for losses occasioned by the lowered price and volume of coffee exports.

The total value of imports and services in Latin America changed very little from 1961 to 1962. There were reductions in four countries, of which only those of the Argentine Republic and Chile could be considered large.

Owing to the fact that import values increased but slightly and the deficit in the interchange of services dropped somewhat, the increase of exports in 1962 succeeded in reducing by almost 40 percent the deficit in current account of the regional balance of payments with respect to the previous year. But this improvement to a large extent refers to Argentina, Chile, and Mexico. Argentina and Chile reduced their great deficits of 1961 by notable decreases of imports, as well as by increases in exports; and Mexico, through a great expansion of its exports, was able to convert the previous year's deficit into a positive balance of an appreciable size in 1962. Colombia and Haiti also reduced their 1961 deficits, while a gradual improvement continued in the trade balance of Paraguay. Venezuela and Honduras further increased their favorable balances in current account (see again Table I-11).

b. <u>The financing of external deficits</u>

Approximately 55 percent of the total external deficit in 1962 (see Table I-12) was financed by drawings on gold and exchange reserves. Another third was financed by foreign lending institutions other than the International Monetary Fund and the Eximbank; and the rest, by those two institutions, in contrast with the previous year, when the Monetary Fund and the Eximbank contributed almost 90 percent of the compensatory capital needed.

The loss of monetary reserves in 1962 occured almost entirely in Argentina, Brazil, and Colombia, although Brazil also had to postpone some payments for imports, to contract a loan with the Eximbank, and to enter into a foreign exchange "swap" operation. For Chile and Uruguay external credits granted by agencies other than the IMF and the Eximbank were of special importance, while the Eximbank financed Venezuela's deficit.

/Table I-11

Table I-11

BALANCE OF PAYMENTS ON CURRENT ACCOUNT

	Exports of goods		Imports of goods		Balance of services		Balance on Current Account	
	1961	1962	1961	1962	1961	1962	1961	1962
Argentina	964	1 210	1 460	1 350	-75	-104	-571	-244
Bolivia	60	62	82	104	-5	-3	-27	-45
Brazil	1 405	1 214	1 460	1 475	-236	-148	-291	-409
Chile	443	484	614	554	-116	-94	-287	-164
Colombia	477	492	580	586	-37	-27	-140	-121
Costa Rica	83	90	109	116	6	1	-20	-25
Dominican Republic	138	173	81	152	-15	-11	42	10
Ecuador	133	140	117	133	-41	-37	-25	-30
El Salvador	119	136	109	125	-12	-13	-2	-2
Guatemala	114	114	137	140	-7	-8	-30	-34
Haiti	32	42	42	45	0	2	-10	-1
Honduras	74	82	66	74	-3	-2	5	6
Mexico	804	899	1 431	1 451	565	632	-62	80
Nicaragua	70	90	59	79	-14	-21	-3	-11
Panama	116	133	200	224	52	61	-32	-30
Paraguay	44	40	55	47	-2	-2	-13	-9
Peru	511	556	461	533	-43	-53	7	-30
Uruguay	175	153	208	230	19	7	-14	-70
Venezuela	2 500	2 565	1 218	1 178	-824	-879	458	508
TOTAL	8 262	8 672	8 489	8 596	-788	-699	-1 015	-621

Sources: National reports presented to the IA-ECOSOC, October 1963, and OAS, op. cit., Tables 53 and 55.

/Table I-12

Table I-12

BALANCE ON CURRENT ACCOUNT, MOVEMENT OF NONCOMPENSATORY CAPITAL AND TOTAL NET BALANCE, 1961 AND 1962

	Balance on Current Account (a)		Net Balance of Noncompensatory Capital (b)		Balance of Compensatory Capital			
					Total Net Balance (a + b)		Errors and Omissions (c)	
	1961	1962	1961	1962	1961	1962	1961	1962
Argentina	-571	-244	350	47	-221	-291	-11	...
Bolivia	-27	-45	31	55	4	10	-2	-14
Brazil	-291	-409	394	158	103	-251	-2	-137
Chile	-287	-164	203	116	-84	2	-47	71
Colombia	-140	-121	-16	54	-156	-67	-9	-3
Costa Rica	-20	-25	11	23	-9	-2	-2	6
Dominican Rep.	42	10	-15	33	27	43	-41	-31
Ecuador	-25	-30	13	39	-12	9	-3	3
El Salvador	-2	-2	13	6	11	4	-18	4
Guatemala	-30	-34	26	16	-4	-18	-2	1
Haiti	-10	-1	15	-3	5	-4	-3	-2
Honduras	5	6	-7	4	-2	10	-1	2
Mexico	-62	80	285	264	223	344	-247	-240
Nicaragua	-3	-11	11	20	-1	-4	-2	-3
Panamá	-32	-30	12	18	-20	-12	13	11
Paraguay	-13	-9	17	14	4	5	-1	-6
Perú	7	-30	24	46	31	16	4	-3
Uruguay	-14	-70	-4	-20	-18	-90	-36	...
Venezuela	458	508	-491	-553	-33	-45	-11	...
TOTAL	-1 015	-621	872	293	-143	-328	-417	-483

Sources: National reports presented to the IA-ECOSOC, October 1963, and OAS, op. cit. Tables 53 and 55.

/B. SOCIAL

B. SOCIAL PROBLEMS AND TENSIONS IN LATIN AMERICA IN 1962

1. The General Outlook

An over-all view shows that the causes of social conditions in Latin America and in the most critical areas of tension as they were enumerated in the Alliance for Progress: Its First Year, 1961/1962, have continued along the same general lines. They continue to show similar characteristics in population growth, rural-urban migration, composition of the labor force, and its differential participation in production and consumption, distribution of wealth, and the divergent cultural systems that coexist in most of the countries of the region.

This does not imply that the result of efforts made up until now have been minimized in practice. It should be kept in mind that a change in the basic structure of a society is quite slow. Moreover, the combined action called for in the Charter of Punta del Este has not yet reached its most intensive phase since it has been necessary to prepare adequate instruments in advance. Considerable progress has been made in this respect in 1962, both in the organization of planning and in the knowledge of the problems to be solved.

Although the objectives established in the Charter of Punta del Este have been fully recognized, appropriate means to achieve them are still being studied and reconsidered, while the planning effort is being completed and experience is gained. During the year, the attention of the planners has included both the problems to be solved and the causes of such problems. The different orientations that can be seen in the existing national development plans show the diversity of approaches.

As stated in The Alliance for Progress: Its First Year, 1961/1962, there continues to be a lack of systematic information that makes it possible to ascertain the nature of processes that determine spontaneous social changes in Latin America. This information would make it possible to evaluate the effects of the change resulting from a planned development effort and, ultimately, to embody into it the dynamics of spontaneous change. An evaluation of the induced change cannot be limited to inventories and costs of completed works, since it is necessary to know the effects of these achievements on the socioeconomic processes of each country. However, it is important to point out, within the framework of a lack of information, the efforts that national agencies and international organizations have made to analyze the existing information.

Paragraph 72 of the Alliance for Progress: Its First Year, 1961/1962 pointed out the generally inadequate integration of the urban and rural sectors which is important because Indian culture is prevalent in the latter. This

/heterogeneous

heterogeneous characteristic was recognized by the United Nations when they classified typical Latin American society as unevenly developed and not underveloped. In the same country, advanced forms of modern industrial society exist along with the most elementary forms of primitive Indian society, with a large intermediary area in which traditional society is found in varying degrees of transition.

The existence of three social systems has been described: urban, rural and Indian. This is because the modern, traditional and primitive social forms focus on and tend to coincide with the urban, rural and Indian areas. These systems, even though different, are not isolated and function interdependently. Therefore, it is not possible to rely on the harmonious evolution from primitive to traditional forms, and traditional to modern industrial forms, as would be the case in homogeneous societies.

In beginning the process of economic growth, a situation such as that described produces not only uneven development, but also antagonism between the two systems. In the increasingly extensive zones of contact between them, so-called social problems or critical areas are liable to be generated, where misery and social disroganization are more clearly visible. It is in precisely such areas, where persons of widely different cultural up-bringing, motivation and material means have to compete for the same opportunities, that result in different potentials for economically productive action.

On top of this situation there is the impact of the population growth that in some countries, Venezuela and Costa Rica for instance, is as high as 4 percent per year. The demographic growth overflows the structures of the modern, traditional, and primitive systems and affects them in very different ways. It is reasonable to say that the traditional and primitive systems maintain their integrity up to a certain point by means of internal migration. When this migration affects the modern system, which is predominantly centered in urban areas, it is channelled toward the economically lower strata or isolated in the service sector, where it forms residual nuclei. The great supply of unskilled labor results in unemployment and underemployment and, in addition, brings wages down. In the traditional and primitive systems, predominantly agricultural, the demographic pressure has contributed to rural unemployment and to dwarf-holdings oriented to a subsistence economy.

The spontaneous structural change that arises from the coexistence and interrelationship between the three systems and their unequal growth that results from incipient economic development, carries with it a certain degree of deterioration of institutional forms. Internal migration transferring great blocks of the population from rural to urban areas, means that certain institutions of the original systems are abandoned without being replaced by those of the new system. The means for job-training, finding and filling jobs, are greatly affected. Moreover, it should be borne in mind that the Latin American population is young.

/In the

In the eyes of the younger generation when today's institutions no longer serve today's needs and aspirations, they have no validity or reason for being. They then seem to be institutional forms that engender structures and organizations that are incompatible among themselves and incompatible with economic development. The social stresses that arise from these incompatibilities have not been extensively studied and demand solutions that are much more complex than might seem. The lack of suitable and socially acceptable channels for filling the need to feel one is participating in the solution of individual and general problems, which is made all the more acute by the social contradictions set up by a disjointed institutional system, has resulted in tension and crisis--generally diagnosed as political-- which have had their effect on the economic growth.

It is well known that the decision to invest is based on a series of expected behavior, not only in the markets but also in the society in which they function. Institutions, in determining the channels of social and economic conduct of people, makes this behavior predictable. Upon these predictions are based the economic expectations of individuals and of undertakings. The more predictable the institutional system, the more predictable the future of economic actions, and the greater the predictability of economic actions, the greater the confidence of private investors. The opposite is also true: when the future of a society is less predictable, investment lags, especially in the long-term transactions that are basic to economic growth.

The social factors that give rise to these phenomena are being studied with the object of finding an effective remedy for them. Up to now traditional solutions have been limited to the creation of incentives or the promulgation of laws, decrees and orders. It should be remembered that incentives are based on the social structure. If that structure lacks solidity and is unpredictable, then the incentives will be as ephemeral as their bases. It may be that the emphasis first given to the purely economic aspect of incentives concealed the necessity of studying their social determinants. However, there is no doubt that this type of social problem demands as much attention as those which, at the other end of the social panorama, have to be faced as problems of the critical standards of living.

Social action has been focused, to a degree, on certain critical areas where poverty, malnutrition, deplorable housing conditions, a lack of basic services and family disorganization flourish openly. But one of the main tasks in the social field has also been the assessment of deficit and the programming of suitable steps to be taken in areas such as housing, health, social security, etc. An integral study of Latin American societies has shown that these critical areas are the consequence of deep-seated structural maladjustments. The distinction between basic social problems, generally latent and confined to the social structure and processes, and primary social problems, which are most intensive in the critical areas, is enabling planning action to be directed toward the former so as to help avoid the latter.

/The inequalities

The inequalities in the potential of management action, and, in general, productive action, that characterizes the members of the modern, traditional and primitive systems, and that can be seen in the differences between the urban, rural and Indians, characterize the basic social problems of Latin America. The processes that lead to the production and distribution of goods are so different among the systems that they engender great inequalities in consumption. It is necessary to bear in mind that the institutions of the primitive and traditional systems are unlikely to meet the needs for education, housing, town-planning, health and the organization and compensation of labor that are demanded by the modern system. On the other hand, the modern system includes a relatively small sector of population, even when it may contain a much larger one. Mainly it rests on the traditional and the primitive, despite the fact that these systems, as said before, fail to produce the means required by the modern system. This deficit, which has dramatic features in the critical areas, is usually offset by public expenditure. It remains to be seen, however, to what extent the public sector, even with international cooperation, can solve crucial social problems such as health, housing and education, without diverting funds that are needed for infrastructure projects such as communications and public power. Nor is it clear if the public sector can meet the requirements of large sectors of the population that, having shifted their position in the social scale, are unable to support themselves.

These questions become increasingly urgent as it becomes evident that the rise in the standards of living called for in the Charter of Punta del Este cannot be attained exclusively by efforts of the public sector, even if it were possible to rely on far more international cooperation than at present. Government effort in social matters, even though it generally amounts to a considerable percentage of the public expenditure, represents a relatively low gross outlay per capita. Thus, while all the Latin American countries, except one, earmark more than 20 percent of their budget for social improvements, eight of them as much as 30 percent; and two 40 percent; the fact is that one of these last two spends, per capita, no more than $4.40, on the basis of the exchange rate in force at the beginning of this fiscal year. In another case, where the social expenditure accounted for 28.2 percent of the whole budget, the outlay per capita stood at $2.30.

The measures designed to mitigate the extremely low standards of living in the critical areas are desirable insofar as they serve as a palliative for human suffering and contribute to the structural change. But if at the same time they fail to modify the structural bases, they might be harmful since they will tend to stabilize, through subsidizing them, certain forms of social organization that spontaneously engender critical areas. Hence, it may be perceived that the final way of eliminating social deficit consists of remedying their causes in the

/critical areas

critical areas themselves and in the basic structure of the developing society. This was the sense of the warning in The Alliance for Progress: Its First Year, 1961/1962 (paragraph 54) to the effect that "the social policy enunciated by the Latin American governments cannot be reduced to, or confused with, a series of partial and fragmentary social welfare measures, no matter how necessary or urgent they may be."

The phenomenon of the heterogeneity of the Latin American societies creates serious difficulties for planning. The modern systems are found in relatively advanced stages of development; this is not true of the traditional and primitive systems, which are in much earlier stages. Latin American planning is faced with the twofold problem that the measures conducive to development are not the same for each of these stages and an evolutional relationship from the less-developed to the more developed system cannot be put into practice owing to their asymmetrical interdependence.

When a large proportion of the population lives under the traditional and primitive systems that are usually found side by side with agriculture and small individual business, concentration of efforts on industrial growth exclusively can reduce, and even displace, the obsolete production processes employed by these two systems; and modern industry cannot offer new employment to those who have thus been displaced. Relative and even absolute deterioration in rural areas, moreover, encourages mass migration to industrial areas. The advantages in the national product and the balance of payments derived from the growth of the industrial sector, can be nullified by the formation of critical areas in urban-industrial centers, the consequent demand for utilities and social services, and the pressures which a population uprooted from its usual environment may cause.

Agricultural development plans have centered around the problem of agrarian reform. In general, the main objective of an agricultural development program might be the growth of agricultural production, in which case the most adequate measures are those which tend to introduce modern methods of production in agriculture. The difficulty lies in the fact that while this solves many problems it also creates new ones. Indeed, the systems would provide employment to a smaller number of people, and, if carried to extremes, would prevent those who do not belong to the modern system or possess its resources from enjoying the advantages to be derived from the reform itself. The alternative is a program which centers attention on the redistribution of land, the reduction of large landed properties, and resettlement. It should be borne in mind that if these measures are not accompanied by others designed to provide the means for production, this trend would lead to unproductive dwarf-holdings, subsistence agriculture, and to a decline in food production. Herein lies the vital importance of measures directed toward making farming economically viable, such as agricultural credit, technical information and advice on practices, selection of crops and the opening of markets.

/The problem of

The problem of incorporating substantial portions of the population still living under marginal economic conditions to the production process calls for special planning. Experience shows that centralized sectoral planning is not always enough to deal with the problems arising from the multiplicity of social and cultural phases in unevenly developed countries. In such cases, the production sectors are not continuous, and their various segments require different solutions. The wide differences between the regions and the territories they cover, show clearly the need for regional planning. In the majority of the Latin American countries, the region is a genuine physical, social, and economic unit, on a scale and having a degree of integration that permits a rapid and detailed study, on the basis of which an adequate development strategy can be planned. In addition, it permits constant supervision, thus making it possible to re-evaluate the effects of such a program. Regional programs do not exclude domestic development programs; rather, they complement each other.

On the other hand, a domestic program without corrective regional planning may tend to aggravate existing regional differences and, at the same time, given the degree of abstraction resulting from its generalization, may tend to disregard solutions which would open up new alternatives for small enterprises, which would benefit larger and more modern business enterprises.

The need to reorganize those societies that are to be developed economically is evident upon confirmation of the relationship between institutional maladjustment and social tensions. Actions to reorganize require a systematic knowledge of social processes and a multiple effort in order to readjust them. In short, it can be said that upon facing the problem of raising the standard of living of their peoples, the Latin American countries have met with a series of problems, as yet unexplored, the solution of which can hold the key to the success of the pacific revolution advocated by the Alliance for Progress.

2. Some Specific Aspects of the Social Situation in Latin America in 1962

It is evident that the majority of the Latin American countries are aware of the scope and magnitude of the social problems they are confronted with. In general, it has been observed that these problems are being met with a considerable, but as yet inadequate, effort. One of the limitations to a more massive action in this field is the magnitude of the financial resources required to make the necessary investments. Furthermore, since these investments generally are self-liquidating only on a very long term, their financing is usually the exclusive responsibility of the public sector, whose resources also are limited.

Another very evident hindrance to more efficient action in the social field is the absence of an adequate institutional framework in the public as well as in the private sector. This hampers channeling of resources toward this field, even in cases where these resources are available to the national economy.

a. Housing

A specific example is the field of housing, in which institutions such as mutual institutions and savings and loan associations are, in general, at the initial stage.

Likewise, the public sector institutions in charge of solving housing problems for low-income groups, in many cases lack the experience and resources necessary for a large-scale effort. During 1962, however, several governments have taken positive measures to overcome these obstacles and it is expected that in the coming years these efforts will bear fruit.

The international financial institutions--especially the Inter-American Development Bank--and those governments offering financial assistance, are also aware of the necessity of improving housing conditions. An example of this awareness is the action of the Social Progress Trust Fund, which in 1962 assigned 44.7 percent of its loans to the financing of low-cost housing programs.

In 1962, almost all the countries in the region were formulating or executing regional housing programs. Savings and loan institutions for housing are also functioning now in the majority of the countries. Public funds for this purpose have also increased considerably in most countries and many governments are giving serious consideration to the creation of mechanisms to stimulate the flow of private capital to this sector. From September 1961 to the end of 1962, six countries established special national agencies to tackle the low-cost housing problem, and another nine have brought about important institutional changes in existing agencies. Some examples of this trend are given below:

In Argentina, although construction activities were virtually halted due to a general depression in economic activities, the Banco Hipotecario Nacional granted loans for a total of 2 254 million pesos for the construction of 8 550 new units. Other institutions granted smaller loans, and the Inter-American Development Bank has approved a loan of $30 million for the end of 1963 for construction of 1 500 new units between 1963 and the middle of 1965.

In Brazil, the efforts made to reduce the inflationary impact of the public deficit adversely affected allocations for low-cost housing. The "Caixa Econômica Federal," however, granted credits totalling 5 300 million cruzeiros for such constructions. In the state of Guanabara 2 200 new units were built.

/In Colombia,

In Colombia, the Instituto de Crédito Territorial made a considerable effort to complete 42 500 units before the end of 1963. The Inter-American Development Bank and the Agency for International Development gave assistance to this project. Thirty-two thousand units were already under construction toward the end of 1962, and a rural housing program was being carried out. In this respect, it is interesting to note the joint participation of national capital, which is receiving the benefit of guarantees extended by the Agency for International Development.

Six new housing savings and loan associations were credited in Chile. This gave considerable impetus to the national effort in this field. It is estimated that 40 000 units were constructed in 1962 through the national housing program. In the same year, the Banco Central authorized credit lines to private banks and the Banco del Estado up to 10 million escudos for financing this type of construction, from which further results can be expected.

For 1962-64, the immediate action plan in Mexico forecasts a 200 percent increase in investments over those made in 1959-61. The public sector constructed 9 833 units in 1961-62, as against 8 132 in the preceding period. Furthermore, the private sector has had an important role, especially after the liberalization of credit policies, which now permit various financial institutions to make loans of up to 80 percent of the value of the guarantees on these loans.

b. Health, water and sewerage

A recent survey by the Pan American Sanitary Bureau indicates that aproximately 70 percent of the Latin American population living in towns of from 2 000 to 10 000 inhabitants does not have any potable water. Likewise, the majority of this population is in need of sewerage services. In view of the social implications of this situation, the priority that the solution of water and sewerage problems deserves is evident.

Many countries have also become aware of this need. In 1962, nine countries created the necessary mechanisms to centralize the agencies responsible for providing potable water and sewerage service; several other countries have already improved existing mechanisms.

In Argentina, for example, measures were taken to mobilize local resources and to increase the contributions of users for installation and maintenance costs. Around 1 149 million pesos were assigned to this sector last fiscal year.

Several measures were taken in Brazil to increase the efficiency of sanitary services, and the budgetary allocation was increased by 140 percent over the previous year.

/Budgetary resources

Budgetary resources for this field were also increased in Colombia, and in Ecuador preliminary studies were completed for a new potable water system for the capital. At the same time, the Inter-American Development Bank granted a loan to the municipality of Quito for improvement of its sewerage service. In Guatemala, 28 communities were provided with potable water under a program of the Comité Nacional de Agua Potable, to which the Inter-American Development Bank also contributed.

In Mexico, the Inter-American Development Bank assisted the Nacional Financiera with 60 percent of the cost of a $15 3 million program, the object of which is the construction of 12 potable water and sewerage systems in the Yucatan Peninsula. The over-all program will benefit approximately 277 000 persons.

Six countries completed integrated health plans during 1962 [illegible] would be pointed out that it is indispensable to overcome the present scarcity of doctors, nurses and trained health technicians in order to carry out these plans. It is also evident that the health problem will not be solved solely by the provision of medical services; it is essential to improve the population's nutrition standards. No data are available to evaluate recent trends in matters of nutrition standards, but there is indication--coming from information on agricultural production and on foreign trade--that the low level of nutrition in the hemisphere is not improving substantially.

In short, in 1962 progress achieved in some of the social sectors was moderately satisfactory. Action taken indicates a constantly increasing awareness of the importance of finding solutions for the symptoms, and in some cases the causes, of the more evident social maladjustments. However, in view of the magnitude of what still has to be done, the progress achieved so far can only be considered a first step.

It is gratifying to note that special attention is being given to institutional improvements that will create the proper atmosphere for further progress in the social field. This is possibly the most positive result obtained in 1962. It is to be expected that the bases have been established so that in the future faster improvement will be accomplished according to the objectives of the Alliance for Progress.

/Chapter II

Chapter II

ADVANCES MADE AND PROBLEMS ENCOUNTERED IN SPECIFIC ASPECTS OF DEVELOPMENT

A. PLANNING AND PROJECT FORMULATION

The concept of planning has only recently won wide acceptance in Latin America. Only a small number of countries had plans in preparation prior to the Charter of Punta del Este that could be classified as general development programs.

These countries included Bolivia, Chile, Colombia, and Venezuela. Partial planning efforts were under way in certain other countries, such as Brazil (regional) and Mexico (sectoral).1/ It is not surprising that, with few exceptions, these are the countries in which planning is farthest advanced. In most of the countries, however, notable efforts are being made to institute the administrative reforms needed to promote development through over-all planning. Nine countries have already drawn up over-all development plans, and most of the others are actively engaged in the preparation of plans and programs.

It is encouraging to note that all countries in the region already have planning bodies, though in some cases steps must be taken to institutionalize them. This shows that not all have progressed at the same rate and that there has been insufficient time to carry out the profound structural reforms in government which are required for implementing a plan.

1. Status of Development Planning

a. Scope of plans

Most of the countries in the region are now either carrying out an economic development plan or are in the process of preparing one (see Table II-1).

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1. For several years Mexico has had plans covering public investment, private investment and specific activities in different regions, but coordination of these at the national level is a recent phenomenon. Brazil has had a special Development Bank since 1952, and since 1959 a more comprehensive development agency for Northeast (SUDENE). Also, the "Corporación de Fomento de la Producción" (CORFO) of Chile, created in 1939, has been approaching the aggregate planning stage gradually over a number of years; in Colombia work on a national development plan was initiated in the latter half of the nineteen fifties; and in Ecuador the "Junta Nacional de Planificación" published in 1958 the Bases y Directivas para Programar el Desarrollo Económico del Ecuador. In Venezuela, the "Oficina de Coordinación y Planificación Económica" (CORDIPLAN) had been working on a national plan since 1958.

/Table II-1

Table II-1

DEVELOPMENT PLANS PREPARED OR IN PREPARATION

Plans prepared	Planning Institution and Date of Creation	Period of Plan	Scope[a]	Name of Plan
Bolivia	Junta Nacional de Planeamiento (October 1960)	1962-71	global[b]	Plan de Desarrollo Económico y Social, 1962-71
Brazil	Ministério de Planejamento (1962) Coordenação de Planejamento Nacional (July 1963)	1963-65	global	Plano Trienal de Desenvolvimento Econômico e Social, 1963-65
Chile	Comité de Programación Económica y Reconstrucción (1961) y Corporación de Fomento (1941)	1961-70	global	Programa Nacional de Desarrollo Económico, 1961-70
Colombia	Consejo Nacional de Política Económica y Planeación (November 1958)	1961-70	global	Plan General de Desarrollo Económico y Social, 1962-70
Ecuador	Junta Nacional de Planificación y Coordinación Económica (May 1954)	1964-73	global	Plan General de Desarrollo Económico y Social del Ecuador
El Salvador	Consejo de Planificación y Coordinación Económica (April 1962)	1964-65	public investment[c]	Programa Bienal de Inversiones Públicas, 1964-65
Guatemala	Consejo Nacional de Planificación Económica (November 1954)	1960-64	public investment	Plan de Inversiones Públicas, 1960-64
Haiti	Conseil Permanent d'Action de Libération Economique de la République d'Haiti	1964-65	global	Le Démarrage
Honduras	Consejo Nacional de Economía (February 1955)	1963-64	total investment	Plan Nacional de Inversiones Públicas, 1963-64
Mexico	Dirección de Planeación Nacional (August 1961) y Comisión Intersecretarial de la Secretaría de la Presidencia y de la Secretaría de Hacienda y Crédito Público (March 1960)	1962-64[d]	global	Plan de Acción Inmediata, 1962-64
Panama	Dirección General de Planificación y Administración (June 1959)	1963-70	global	Programa de Desarrollo Económico y Social, 1963-70
Venezuela	Oficina de Coordinación y Planificación Económica (December 1958)	1963-66	global	Plan de la Nación, 1963-66[e]
In preparation	**Planning Institution and Date of Creation**	**Period of Plan**	**Scope[a]**	**Expected Date of Termination**
Argentina	Grupo del Planeamiento del Consejo Nacional de Desarrollo y Consejo Federal de Inversiones	November 1963-67	global	End of 1963
Costa Rica	Oficina de Planificación	ten years	global	August 1964
Dominican Republic	Junta Nacional de Planificación y Coordinación (January 1962)	-	-	-
Nicaragua	Oficina Nacional de Coordinación y Planeamiento Económico y Social (December 1961)	1964-69	global	June 1964
Paraguay	Secretaría Técnica de Planificación del Desarrollo Económico y Social (April 1962)	-	-	[f]
Peru	Instituto Nacional de Planificación (October 1962)	1964-66 1962-71	public investment global	End of 1963 Under review
Uruguay	Comisión de Inversiones y del Desarrollo Económico (January 1960)	-	-	[g]

a. Global refers to comprehensive coverage, including sectoral plans as well as aggregate plans and with both the public and private sectors included in total investment.
b. A two-year investment program is being prepared by Bolivia to implement the over-all plan.
c. A plan of global scope is being prepared.
d. This plan is now being revised to incorporate the year 1965 and to take into account the results of 1962.
e. Each year the plan is extended for one more year.
f. On the recommendation of an OAS/IDB/ECLA mission, a diagnosis of the Paraguayan economy and a short-term plan are being prepared.
g. A diagnosis of the Uruguayan economy, which will serve as a basis for its development plan, has recently been completed by a tripartite mission of OAS/IDB/ECLA.

/To date

To date, eight countries have presented development plans to the Panel of Experts for evaluation. The respective ad hoc committees have reported on six, those of Bolivia, Chile, Colombia, Honduras, Mexico and Venezuela, having completed the evaluation of the last three in 1963. The plans of Panama and Ecuador, which were submitted in 1963, are still under study by the Panel. In Peru and Paraguay, as in Uruguay and the five Central American countries, national plans are being drawn up with the aid of the joint assistance missions of the OAS/IDB/ECLA Tripartite Committee. In the case of Central America, this joint mission likewise provides assistance in including regional integration aspects in national plans.

With the exceptions of El Salvador, Guatemala and Honduras, all plans which have been drafted or are in the process of preparation are over-all in nature and hence cover both public and private sectors. Nevertheless, generally speaking, where the private sector is concerned, only a rough projection is made of expectations in this area, whereas for the public sector specific plans of action are given.

The plans for Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama and Venezuela include political and economic measures which, to same extent, are to encourage, guide or directly influence the private sector. Several plans also embody fundamental institutional changes, such as fiscal reforms in Chile, Colombia and Honduras, and agrarian reforms in Bolivia, Chile, Colombia, Ecuador and Venezuela. All of them also outline administration reforms.

In view of the within-country regional differences between the several countries of Latin America, it is quite natural that very different methods have been employed as regards regional planning. In Brazil, for instance, initial planning efforts were undertaken precisely at the regional level when, at the beginning of the last decade, attempts were made, by means of vigorous government action, to develop the Northeast of the country. In Argentina, the central planning body has been permanently linked to the regional body, which is entrusted with promoting investments for the sake of achieving a more balanced geographic spread thereof.

In some countries, such as Panama, the planning office is also in charge of regional planning, but the setting up of regional planning offices is a more common feature. Thus, in Venezuela the Corporación de Guayana and the Comisión Promotora del Desarrollo de los Andes are operating to foster development of the south and west of the country, respectively. In Ecuador, the Centro de Rehabilitación de Marabí is in charge of irrigation, drainage and town-planning tasks in the respective region. Likewise in Peru, there are several regional development boards, some of them set up after serious natural disasters, such as earthquakes and droughts, but they are not planning offices in the proper sense of the term. In many other countries there are

/programs under

programs under way which have a regional basis, but in such cases the central government intends soon to assign regional priorities, which will take into account the natural and human resources of each region, with a view to offsetting the great differences in income level between the various regions.

In those countries where regional level planning still receives little attention, it would be advisable to take steps to foster it, tying it to national planning.

b. Planning methods

While the Charter of Punta del Este provides a basic framework,1/ it is left to each country to establish its own priorities and to choose the policy tools that seem most appropriate to its own particular circumstances. Even so, there are a number of methodological features common to most of the plans that have been prepared to date. In most cases the general method of projecting available resources has been to first project the amount of investment necessary to obtain the desired rate of per capita growth in product by applying an estimated capital output ratio for the economy as a whole; and then to compute, on the basis of past experience and the expected results of fiscal reform, the amount of private and public savings available and consequently the net amount of foreign financing necessary. Projections of exports and imports together with the expected inflow of foreign direct investment suggest the quantity of new loans needed, to which must be added the amortization and interest costs of such foreign borrowing.

Once the magnitude of the investment program is determined, investment priorities are established according to the needs of each country. Although these often include private investment, the core of the action program usually is public sector investment, leaving the flow of private investment to the voluntary operation of the market mechanism and to the results of general incentive policies. Based on the experience of the first two years of the Alliance, more emphasis is now being placed on incorporating an inventory of investment projects under way or planned, and on including specific projects worked out in sufficient detail to allow prompt action once financing has been arranged.

In some countries the planning bodies operate without having the general outline of priorities that an over-all plan provides. Since, in general, the planning bodies are responsible for approving investment programs, in such countries this approval must be given on the basis of very general priorities established by the political authorities.

c. Administrative aspects of plans

To date, the administrative system most commonly used has been to establish the planning agency as an executive organ of the government, with authority to revise the budgets of the ministries and suggest changes to the cabinet. In Mexico, central coordination of public investment is legally established.

1. See Charter of Punta del Este, Title II.

/Costa Rica

Costa Rica has solved the coordination problem by assigning direct responsibility for drafting the national budget to the planning agency. In most of the countries, however, the preparation and execution of the fiscal budget has not yet become a part of the planning process, consequently it is not possible to guarantee that the items necessary for fulfilling the annual targets of the plan will be included in the budget. Some countries have already adopted measures which, once they are put into practice, will make integration of the budget with the planning system possible.

2. The Execution of National Plans

The widely differing historical contexts in which planning has arisen in individual countries, and the differing priorities which governments have assigned to the various aspects of planning, have resulted in plans in which not only do specific targets vary widely, but also the length of the planning period, the scope of the sectors covered, the degree of detail regarding specific targets and projects, and the institutional and policy instruments to be used for their achievement; in short, the general methods and approaches adopted are by no means uniform. This heterogeneity can be explained partly by the enormous differences among countries in their economic and social conditions, and by the general lack of experience in successful over-all planning. In spite of these differences, however, there are also many similarities concerning the specific goals pursued. A broad basis is provided by the Charter of Punta del Este, which sets a per capita growth rate of 2.5 percent as the minimum needed to achieve the over-all aims of the Alliance for Progress, and includes among fundamental goals a more equitable distribution of income and wealth--particularly of landed property. Among the tools--other than land and tax reform, for which a commitment also exists--are, domestically, an increase in the rate of investment and savings, and a reasonable degree of price stablity, and, in the international sector, strengthening of the process of regional economic integration and stabilization of prices of basic products.

The over-all quantitative aspects of the various plans differ considerably, ranging, for instance, from a 5.5 percent annual growth rate in per capita product in Bolivia, to a rate of 2.5 percent in Colombia, Honduras, Mexico and Panama (see Table II-2). The targets that some countries have set themselves in connection with capital formation are rather ambitious, and usually reflect the long-range growth targets they have elected. Thus, within a 10-year period Bolivia expects to raise its income coefficient from a pre-plan level of 14.7 percent to 19.6 percent; Chile, from 13.7 percent to 21.0 percent in eight years; and Colombia from 18.4 percent to 26.8 percent in four years. Some idea of the magnitude of these programs can be gained by noting that if the planned investments were distributed equally each year, the eight countries for which data are available in Table II-2 would alone require foreign investment and credits amounting to almost $1.8 billion in 1963 in order to finance an investment program of close to $10 billion. Deducting amortization payments from the foreign resources required, however, it may be seen that the ambitious investment programs contemplated are intended to be achieved largely through domestic efforts, with

/Table II-2

Table II-2

PLANNED GROWTH OF GROSS DOMESTIC PRODUCT AND THE NECESSARY INVESTMENT, COMPARED WITH THE MAGNITUDES REALIZED IN 1961 AND 1962

		(1) Gross Domestic Product - Per Capita Constant Prices (% per annum)	(2) Ratio of Gross Domestic Investment to GDP (%)	(3) Total Investment of Plan Period (Millions of US$)	(4) Total Foreign Resources Necessary (Millions of US$)	(5) Total Foreign Resources as Proportion of Total Investment (4-3) (percent)	(6) Net Balance of Foreign Capital as Proportion of Total Investment a/ (percent)
Bolivia	1961	2.5	14.7*				
	1962	2.7	...				
	Planned 1962-71	5.5	19.6	1 294 b/	376	29	13
Brazil	1961	4.4	16.3				
	1962	0.3-1.3	16.0				
	Planned 1963-65	3.9	18.2	7 782 c/	1 830	24	7
Chile	1961	2.0	13.7				
	1962	2.7	...				
	Planned 1963-70	3.0	21.0	7 666 d/	1 757	23	14
Colombia	1961	2.3	18.4**				
	1962	3.4	...				
	Planned 1962-65	2.5	26.8	5 832 e/	1 079	18	15
Ecuador	1961	...	...				
	1962	1.7	...				
	Planned 1964-73	3.2	20.4	2 707 f/	585	22	18
Honduras	1961	0.6	13.5				
	1962	2.7	14.8				
	Planned 1963-64	2.5	20.3	181 g/	71	39	36
Mexico	1961	0.4	15.5**				
	1962	1.9	...				
	Planned 1962-64	2.3	18.4	6 400 h/	1 600	25	...
Panama	1961	4.6	16.4**				
	1962	5.2	19.0***				
	Planned 1963-70	2.5	17.5	908 i/	518	57	53
Venezuela	1961	-3.6	18.6*				
	1962	3.9	...				
	Planned 1963-66	4.7	20.3	8 415 j/	1 125	13	2

* 1958; ** 1960; *** 1961.

a. Total foreign capital inflow less amortization and in the case of Venezuela, less private capital outflow. See column (4) of table II-3.
b. Plan Table 21. 1958 prices.
c. At the assumed rate of $1.00 = 450 cruzeiros, as implied in Tables 13 and 14 of the Plan. See also Social Progress Trust Fund, Second Annual Report, 1962, pp. 431-2. 1962 prices.
d. At the assumed rate of $1.00 = 1.47 escudos, as applied in the evaluation of the Plan. 1961 prices.
e. At the assumed rate of $1.00 = 7.00 pesos, as applied in the evaluation of the Plan. 1961 prices.
f. At the current official rate of $1.00 = 15.15 pesos. 1960 prices.
g. At the current official rate of $1.00 = 2.00 lempiras. 1960 prices.
h. At the current official rate of $1.00 = 12.50 pesos.
i. 1961 prices.
j. At the official rate of $1.00 = 3.35 bolivars. 1960 prices.

Notes: The Mexican figure refers to GNP. Guatemala and El Salvador have not been included as their plans are concerned only with public investment. El Salvador plans a public investment of 235 million colones in 1964-1965. In Guatemala, for the four-year period 1960-1964, planned central government investment totals 170.5 million quetzales, 83 million of which correspond to the latter two years, 1962/63 and 1963/64. Of that figure, 16 million, or 19 percent, are expected to be needed in the form of foreign loans.

Sources: See Table II-1. All data for Chile and Colombia are based on the evaluation of their respective plans by the Committee of Nine, and for Venezuela all data are based on the May 1963 edition of their Plan. 1961 and 1962 rates of growth of GDP are from OAS, Economic and Social Survey, 1962, Chapter 3, and the national reports presented to IA-ECOSOC, October, 1963.

/domestic savings

domestic savings expected to supply approximately 95 percent of the over-all savings needs. In all the countries, the investment program contemplated for the plan period will require increases in domestic savings--so large that the plan should contain detailed policies to bring them out. Long-run measures to increase exports have been combined in the plans with immediate measures to limit the current expenditures of the public sector and to mobilize the savings of the private sector, through the expansion of banking facilities and improvement of the capital market, and by transferring a larger portion of private resources to the government in the form of taxes; for, while the greatest proportion corresponds to the private sector, the increase in investment will occur largely on the initiative of the public sector (see Table II-3.)

Other targets in the aforementioned plans relate to the elimination of structural imbalances in the economy by accelerating the rate of growth of the industrial sector and thus increasing its share in the total gross product, and to a sharp rise in some basic services. Industrial production is scheduled to expand at an annual rate of about 11 percent in Brazil and Venezuela and nearly 10 percent in Bolivia, as compared with annual rates of 6.8 and 6 percent, respectively, for agricultural output in these countries (see Table II-4.) In Brazil and Venezuela the high rates of growth for industry represent a continuation of the direction in which the composition of output has been moving for several years,1/ but for Bolivia the high rate of growth in industrial production projected in the plan will require an effective policy of industrialization. Chile and Colombia also plan rates of growth of industrial production higher than those of primary production or services, but in these two countries the difference is less marked. Ecuador expects to change the structure of production by expanding industry at a faster rate than agriculture.

Within the general grouping of services, rapid increases are planned in those basic services constituting the infrastructure of an economy. The increase in provision of electricity, gas, and water is greater even than the rate of growth of industry in Venezuela and Colombia, and transport and communications are or special importance in Brazil.

Whereas Bolivia, Chile and Colombia plan an expansion in mineral production in excess of that in agriculture, in Venezuela this pattern is reversed. Agricultural production is to increase as a share of the total product while the petroleum sector will increase at only four percent annually, with total mineral production expanding only slightly faster.

To achieve these output targets, considerable reliance is being placed on substantial increases in private investment, which continues to be considerably larger than public investment in most of Latin America. The large

1. See OAS/ECLA Economic Survey of Latin America, 1961 (Pan American Union, 1962), Chapter V.

/Table II-3

Table II-3

THE FINANCING OF PLANNED INVESTMENT, COMPARED WITH RECENT REALIZED INVESTMENT

	Gross Domestic Investment: Average Annual Total (millions of local currency units, constant prices)		Gross Domestic Investment: Undertaken by: Public Sector (in percent)	Gross Domestic Investment: Undertaken by: Private Sector (in percent)	Savings (percent of gross domestic investment): Gross Domestic Savings: Total	Gross Domestic Savings: Public	Gross Domestic Savings: Private	Foreign Savings (balance of payments on current account)
Bolivia a/	1958	489	...	...	37	...	...	63
Planned	1962-66	1 040			62	...	...	38
	1967-71	1 418	...	...	106	...	...	- 6
Brazil a/	1958	711	...	...	76	...	...	24
Planned	1963-65	1 167	...	...	93	...	...	7
Chile	1961	634	53	47	58			42
	1962	726	57	43	77	...	...	23
Planned	1963-65	1 034	56	44	86	44	42	14
Planned	1966-70	1 633	51	49	94	51	43	6
Colombia	1959	4 952	23	67	100 b/	24	76	--
Planned	1962-65	10 206	30	70	85	20	66	15
Ecuador	1960	2 081	43	57	84	23	61	16
Planned	1964-73	4 101	44	56	82	36	46	18
Honduras	1961	110	19	81	101	17	86	- 3
	1962	127	24	76	95	10	85	5
Planned	1963	168	40	60	65	9	56	35
Planned	1964	195	39	61	63	9	54	37
Panama	1960	72	13	87	51	...	...	49
	1961	92	22	78	71	...	...	29
Planned	1963-70	113	48	52	47	...	...	53
Venezuela	1960	4 917	45	55	102	34	68	- 2
Planned	1963-66	7 048	36	64	98	40	58	+ 2

a. Investment in billions.
b. 1957-1960 average.

Sources: See Table II-1.
Bolivia: 1958 prices, Plan Tables 21, 22, 29 and pp. 110,111.
Brazil: 1962 prices, Plan Tables X, XI, XIX; 1958 investment converted to 1962 prices by index of wholesale prices excluding coffee. Foreign savings share computed using exchange rate of 450 cruzeiros = $1.00.
Chile: 1961 prices, report to the IA-ECOSOC (CIES/314), July 1963, and Tables 5, 12, 13, 16 of plan evaluation.
Colombia: 1961 prices, Plan Tables 1, 4, 33, 55. 1959 data converted to 1961 prices by index of home and import goods prices.
Ecuador: 1960 prices, Plan Tables II-7 and II-8.
Honduras: Current prices, Plan Tables 18, 38.
Panama: 1961 prices, report to the IA-ECOSOC (CIES/323), July 1963 and Plan Tables V-4, VI-1.
Venezuela: 1960 prices, Plan Tables III.2, III.5.

/Table II-4

Table II-4

PLANNED ANNUAL INCREASES IN PRODUCTION, BY SECTORS, IN SIX COUNTRIES
(in percent)

	Bolivia	Brazil	Chile	Colombia	Ecuador	Venezuela
	1958-71	1961-65	1961-70	1959-65	1964-73	1963-66
Average annual increase in:						
Agriculture, forestry	6.3	5.7	5.5	3.5	7.0	7.5
Mining	8.5		6.0	6.5	...	4.4
Industry	9.5	11.2	6.5	6.9	8.6	11.3
Manufacturing	8.4		6.5	6.4		12.3
Construction	17.4		6.9	8.7		8.0
Services	5.0	...	5.1	4.8	...	6.2
Commerce	5.3	8.2	...	4.7	...	5.0
Transport, communications	5.5	8.8	...	5.5	...	7.0
Electricity, gas, water	6.7	...	...	12.5	...	17.0
Housing property	...	...	2.7	4.5	...	6.0
Other	3.5	3.0	5.5	2.8	...	6.0
Government	...	4.8	2.5	5.4	...	7.0
Other	--	3.5	--	--	...	--

Sources: See Table II-1 for list of country sources.

Bolivia: Plan Table 25.
Brazil: Plan Table XV.
Chile: CORFO, version of Plan submitted to Committee of Nine, Table 3.
Colombia: Plan Table 2.
Ecuador: Plan Tables II-6, II-36.
Venezuela: Plan Table I-1.

/increases planned

increases planned in public investment are distributed among public works, industrial activities and social services in the proportions believe most conducive to maximum productivity of all investments, both public and private. This criterion does not necessarily conflict with the desire to improve the health and living conditions of the population, since over longer time periods the distinction between economic and social investments takes on less importance; nevertheless, the shortage of investment resources does place a limitation on those projects whose contribution to production is recovered only in the long run. For investment to increase at the planned rate, the major share of projects has to be of the variety which generate an immediate rise in income from which the further increases in investment may be drawn. Among the eight countries which present a sufficiently detailed breakdown of their investment plans the share of public investment in the more specifically social sectors of health and sanitation, education and housing represents from 26 to 32 percent of the total planned public investment, with the exception of Guatemala (16.5 percent) and El Salvador (where the high investment in housing raises this figure to 40 percent.) The balance of from two thirds to three fourths of the total is allotted to economic investments (see Table II-5.) Investment in transport, communications, fuel and power is to absorb from 30 to 52 per cent of total public investment, ranging from 30 percent in Panama to more than half of the total in Guatemala and Honduras. In most of these countries, investment in agriculture, manufacturing and mining is to remain largely the responsibility of private investors, supplemented by public investment to the extent of from 10 to 20 percent of the latter's total commitments. In Venezuela and Mexico, however, where 17 percent of total public investment is to be employed to carry out the government's agrarian reform program, this share rises to 24 percent and 32 percent, respectively, and in Chile, where more than half of total gross domestic investment is undertaken by the public sector, the proportion is 30 percent. Again the largest share--in this case more than one fifth of total public investment--will go to agricultural development, since Chile has recently become a net importer of agricultural products.

Export expansion is of course a goal shared by all (see Table II-6), since for the time being the necessary capital goods must be to a large extent imported, even in those countries where import substitution has been under way for some time. Bolivia plans an extensive program of import substitution, especially of processed foods. For Brazil, Chile, Colombia and Venezuela, however, where import substitution has been pursued for a much longer period, it may proceed at a slower rate in the future; for Honduras, and possibly Panama, it must await an expansion of the market accompanying the progress of Central American economic integration. In general, the plans are moderately optimistic regarding the possibilities of increasing earnings by exporting larger volumes of mineral products, livestock and a few agricultural commodities such as cotton and shellfish, but do not predict price increases. Expectations about the future of exports to the United States and Japan are more favorable than the projection of future exports to the European Economic Community.

/Table II-5

Table II-5

THE DISTRIBUTION OF PLANNED INVESTMENT BY SECTORS IN THE PLANS OF TEN COUNTRIES
(in percent)

	Brazil	Chile	Colombia		Ecuador		El Salvador	Guatemala	Honduras	Mexico	Panama	Venezuela	
	Total investment (1963-65)	Public (1963-70)	Public (1963-65)	Private (1963-65)	Public (1964-73)	Private (1964-73)	Public (1964-65)	Public (1963-64)	Public (1963-64)	Public (1962-64)	Public (1963-70)	Public (1963-66)	Private (1963-66)
Agriculture	8.4	22.0	9.6	16.2	8.8	17.5	14.2	19.1	8.0	17.8	8.9	16.9	6.4
Mining	7.6	0.4	1.0	9.9	0.4	1.4	...	...	--	...	...	2.2	16.5
Manufacturing	18.6	7.9	1.0	29.8	0.7	19.4	5.8	d/	8.9 f/	15.3	5.6	5.4	27.3
Construction	...	25.3	--	--	...	...	21.2	...	--	...	13.9	14.0 i/	26.5 i/
Housing	12.4	18.1	13.1	21.2	9.1	17.6	20.2	3.6	4.8 g/	6.2	10.1	--	--
Other a/	...	7.2	--	--	...	...	1.0	...	--	...	3.8	--	--
Commerce	...	--	1.6	0.5	...	...	...	...	f/	...	...	0.8	12.5
Transport and Communications	29.0	19.8 b/	27.5	15.5	26.6	15.2	28.8	42.4	39.8	28.6	22.2	25.2	2.5
Fuel and Power	13.7	15.5	16.4	0.7	8.8	6.2	8.1	12.6	12.1	13.4	8.1	9.9	2.6
Water Supply	...	c/	8.2	--	9.5	4.1	...	2.4	5.9	...	...	k/	k/
Health	...	c/	2.8	2.3	4.1	1.8	...	8.1	5.5	...	9.0	(10.0) e/	...
Education	...	c/	8.0	--	2.6	1.1	12.7	2.4	10.1	...	6.7		...
Urbanization	...	b/	--	--	...	...	...	...	g/	...	...	j/	j/
Administration	...	--	10.8	4.0	...	...	...	--	5.0	0.9	...	25.5 l/	...
Other	10.3	--	--	--	29.4	15.7	...	9.5	--	17.8 h/	25.7 i/	--	5.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a. Where not specified, expenditure on construction is included in the investment of the various sectors.
b. Transport and communications includes urbanization.
c. Not yet available; in preparation. In the IBRD review of the original plan for 1961-70, these items amounted to 8.5 percent of total gross investment.
d. Industrialization of agricultural products is included under agriculture.
e. Estimated. See Sources.
f. Commerce is included in manufacturing.
g. Urbanization is included in housing.
h. Of which 17.2 percent was alloted to social welfare works.
i. Not yet programmed.
j. Urbanization is included in construction.
k. Water supply is included in fuel and power.
l. Health, education are included in government.

Sources:

Brazil: Plan Table 13
Chile: Plan Table 7; report to IA-ECOSOC, October 1963
Colombia: Plan Table 6
Ecuador: Plan Table II-5
El Salvador: Direct information
Guatemala: Plan Table 1; refers only to planned investment of 1962-63 and 1963-64
Honduras: Plan Table 21
Mexico: Report to IA-ECOSOC, October 1963, p. 34
Panama: Plan p. 196
Venezuela: Plan Table III.2. Public investment in education and health is estimated on the basis of the sectoral programs, deflated from 1962 to 1960 prices by the price index of home and import goods, as given in International Financial Statistics, August 1963.

Table II-6

PLANNED FOREIGN TRADE

		Balance of Payments on Current Account (millions of dollars, constant prices)					Composition of Merchandise Exports and Imports (percent of total value)							
		Exports (F.O.B.) Goods and services	Imports (F.O.B.) Goods and services	Balance of Trade	Remittances	Balance on Current Account	Exports: Agricultural	Exports: Mineral	Exports: Industrial	Exports: Other	Imports: Capital goods	Imports: Raw Materials and Fuels	Imports: Consumer Goods	Imports: Other
BOLIVIA	1958	58	90	...	...	-32	7	82	a/	11	37	26	37	-
Planned	1966	111	122	...	...	-11	13	81	6	-	42	31	27	-
	1971	195	162	...	...	+33	19	68	6	7	47	29	25	-
Planned annual rate of increase	1958-71	9.8%	4.6%								All manufactures		(Food and Live Animals)	
Average annual increase	1953-61 b/	0.8%	0.4%											
BRAZIL	1962 c/	1 312	1 721	-409	+ 1	-408	70	7	...	23	62	22	12	-
Planned	1963	1 502	1 705	-203	-	-203	70	9	...	21	55	21	13	11
	1965	1 666	1 785	-159	-	-159	66	11	...	22	50	23	13	14
Planned annual rate of increase	1963-65	5.3%	2.3%											
Average annual increase	1953-61	0.9%	2.1%											
CHILE	1962	575	660	-85	-80	-165	8	88	4 d/	-	38	28	44	-
Planned	1963	630	639	-9	-96	-105	5	79	17 d/	-	44	32	21	3
	1965	740	695	+45	-126	-81	5	74	21 d/	-	45	31	20	3
Planned annual rate of increase	1963-70	5.8%	3.0%											
Average annual increase	1953-61	4.8%	8.4%											
COLOMBIA	1962	595	716	-121	+ 1	-120	81	15	...	4	56	37	7	-
Planned	1962	591	699	-108	-44	-152	71	23	...	6	52	37	11	1
	1965	699	864	-165	-97	-262	70	24	...	6	56	34	10	1
Planned annual rate of increase	1962-65	5.8%	7.3%											
Average annual increase	1953-61	-1.5%	2.1%											
ECUADOR	1956-61 e/	880	837	-43	-106	-64	...	...	...	...	...	...	...	...
Planned	1964-68 f/	978	1 104	-126	-127	-253	93	...	7	...	...	...	...	...
	1968-73 g/	1 288	1 416	-128	-165	-293	84	...	16	...	...	...	...	...
HONDURAS	1962	85	82	- 3	- 5	- 8	86	3	1	9	24	33	44	-
Planned	1963	85	108	-23	- 6	-29	86	4	1	10	34	29	37	-
	1964	88	118	-30	- 6	-36	84	4	1	11	36	29	35	-
Planned annual rate of increase	1962-64	1.8%	7.0%											
Average annual increase	1953-61	2.0%	1.3%											
PANAMA	1961 h/	194	224	...	...	-32	90	...	...	10	35	11	54	-
Planned	1963	170	218	...	...	-48	89	...	...	11	36	11	53	-
	1970	230	307	...	...	-77	84	...	...	16	39	11	50	-
Planned annual rate of increase	1963-70	4.4%	5.0%											
Average annual increase	1953-61	9.2%	9.2%											
VENEZUELA		Merchandise			Balance of services						Investment Goods	Other Manufact. items	Agricultural Products	Others
	1960	2 356	1 157	+1 199	-1 177	+22	1	97	a/	2	23	62	5	10
Planned	1963	2 713	1 258	+1 455	-1 514	-59	2	97	1	-	29	58	3	10
	1966	3 100	1 288	+1 812	-1 759	+53	2	96	2	-	42	45	5	10
Planned annual rate of increase	1963-66	4.5%	0.8%											
Average annual increase	1953-61	7.1%	6.2%											

a. Less than 0.6 percent.
b. The average of annual variations over the period 1953-61.
c. The composition of exports is based on 1961 data.
d. Includes processed copper.
e. Current prices.
f. 1964.
g. 1968.
h. The composition of exports is based on 1960 data.

Sources: For country sources, see Table II-1.
Bolivia: Plan Tables 21, 22; 14-17, 28.
Brazil: 1962 data from SUMOC, Boletim, March 1963. 1963-65 data from Plan Tables XIX, XXII, XXIV; Table XXIV was grouped as follows: (a) imports of machinery, chemicals, manufactures and semi-manufactures; (b) petroleum and metals; (c) wheat--which may not correspond exactly to the SUMOC classification used for 1962.
Chile: 1962 data based on report to IA-ECOSOC (CIES/314), October 1963; 1963-65 Plan Table 16 and pp. 163, 169, 172, 175; rates of growth in exports and imports 1963-70 pp. 169, 175.
Colombia: 1962, Balance of Payments Yearbook, Vol. 15; 1963-65 Plan Tables 14, 18, 22.
Ecuador: Plan, Table II-5.
Honduras: Tables 18, 14, 17.
Panama: Report to IA-ECOSOC (CIES/323), October 1963, Tables VII-4, VII-6, VII-7, VII-10.
Venezuela: Plan Tables II-7, III-11.

/within the

Within the limited opportunities for export expansion, the plans seek maximum diversification. In mineral exporting countries, agricultural, and in the case of Chile, industrial exports are to increase faster than the traditional exports, while in agricultural countries the mineral and, in the case of Ecuador, industrial export sector is expected to be more dynamic. It should be noted that this large category breakdown conceals the extent to which new products enter the export trade, for in the relatively short period of time covered by these plans the major effects of diversification will occur within the presently dominant export sector, be it of agricultural, industrial, or mineral products.

There are also targets incorporated in nation plans, which it has not been possible to assess quantitatively because governments lack the necessary statistical data. However, this does not mean that less importance is assigned to such objectives merely because they are expressed in qualitative terms. In some cases special efforts are being made to orient the choice of specific projects in such a way that they may have a favorable impact on the attainment of these objectives, among which are those relating to employment and income distribution.

3. Problems and Obstacles in the Field of Planning

a. Human resources

It is increasingly urgent that planning for the use of human resources in the development process be carried out on a priority basis. In a majority of the countries where development plans or investment programs for the public sector have been prepared, insufficient or no consideration has been given to personnel requirements on the various levels of skills necessary to execute plans and introduce new services in a consistent and efficient manner. The evaluation and enumeration of such personnel needs should be aimed at initiating very specific training programs, while at the same time a policy should be evolved that would reconcile estimated needs with national programs of higher and technical education. Panama is at present negotiating with the International Labour Organisation on a technical assistance program designed to solve this problem. Likewise, a Coordinating Committee on Programming of Human Resources Development has been created in Venezuela. Attention should be called to the noteworthy effort that is being made by the Inter-American Planning Institute, assisted by UNESCO and the ILO, to promote planning in the area of human resources.

The Latin American countries find it very difficult to secure the services of planning experts, a problem that some of them are trying to solve by isolated efforts to train personnel both at home and abroad. The shortage of experts is currently creating a serious problem, especially for planning organizations and for those agencies responsible for project preparation. This

/situation is

situation is accentuated by the steady absorption of government experts by the private sector, which offers greater economic incentives. This places the public sector in competition with the private sector, making it difficult for the former to retain the staff it has trained, usually at considerable cost. In view of this circumstance, Brazil is carrying out a massive training program designed to create an adequate supply of trained personnel to meet the requirements of both the public and private sectors. In some countries, the experts do not have sufficient guarantees of job tenure, and a new administration automatically implies their dismissal. Except for the top political posts, experts employed by the organizations responsible for planning and project preparation should unquestionably be assured of tenure in their positions, since lack of such guarantee is currently causing serious disturbances in the planning efforts of several countries.

b. Information on natural resources and other basic data

The countries must possess a duly evaluated inventory of their natural resources, since this will permit preparation of more adequate development plans. Similarly, they needed broadly based, up-to-date economic and social statistics.

Several have planned ambitious projects for the evaluation of natural resources. The five countries in the Central American integration zone are working on a project to be financed by the Central American Integration Bank and AID, which is also financing a similar program in Panama. In Peru, studies under way are being financed by the United Nations Special Fund and other international credit agencies and Chile is carrying out a large-scale aerial photographic study. Ecuador also is initiating preliminary studies in this field with AID funds. Finally, a forestry inventory in Mexico has already provided the basis for large-scale industrial plans. The majority of the countries are also making great efforts to improve compilation of basic statistical data, as there is still a great shortage of this type of information.

The Fourth Inter-American Statistical Conference, held in November 1962 following the First Annual Meetings of the Inter-American Economic and Social Council, concerned itself mainly with examining the factors that affect the development of statistical activities in America and the measures that may be used to insure that these activities satisfy economic and social planning needs. The Conference adopted an integrated series of proposals directed to the governments of the member states, for the purpose of eliminating or reducing the above mentioned unfavorable effects (see Doc.CIES/354 These proposals may provide a general framework for action programs directed toward solving the difficulties to which attention was called above.

/c. Project

c. Project preparation

There is a general awareness of the need to keep up a continuous current of sectoral programs with their specific projects, in order that plans can be formulated on a realistic basis and put into execution. These programs and projects should normally be drawn up at the level of the operating agencies. In this respect, serious deficiencies can still be observed in most countries. It is therefore imperative to search for rapid and effective solutions. Among the main causes for the deficiencies are the already-mentioned lack of specialized personnel and the difficulty encountered by the public sector in retaining their services.

It is not necessary for projects to include engineering plans, but, rather, economic feasibility studies that will allow precise evaluation of their worth. This would permit the cost of final engineering plans to be included in the credit application.

There are countries in the area that have already taken steps to solve this problem by organizing offices for carrying out such studies within the various ministries and public entities. In some cases, such as those of Agentina, Peru and the Central American Bank for Economic Integration, overall credits have been obtained for economic feasibility studies. Such credits have been applied to set up recoverable revolving funds, so that once a feasibility study has been accepted and the project implemented, the costs are reimbursed. In this way, the countries adopting this system guarantee the continuing availability of funds for this purpose. It is considered advisable to extend this system so that all the countries can have flexible, overall credits readily available.

Notwithstanding the previous considerations, it should be noted that the lack of projects and their respective economic feasibility studies continues to be one of the obstacles to stepping up the flow of capital into the area. In other cases, it has also been noted that despite the existence of projects and credits, countries such as Panama do not have sufficient operating capacity to absorb the total credits available.

Technical assistance is one of the instruments of action of the Alliance for Progress; however, in spite of its evident usefulness, in some countries certain deficiencies are being observed in its operation, which may be easily remedied. They are due fundamentally to frequent delays in processing requests for assistance, and in some cases to unsuitability of the experts selected, inaccuracy and inconsistency in requests, and lack of local facilities to make full use of the technical assistance provided by the experts. In order to make possible the true assimilation of the new techniques provided by foreign experts, the desirability of training their national counterparts was also pointed out.

/There is

There is an obvious need to analyze the structure of investment in the region in order to evaluate precisely the possibilities of attaining the economic and social goals set in Punta del Este, with a view to preventing future reductions of capital formation due to current expenditures connected with investments now being planned. It is also clearly important to point out that if social investments are carefully selected they can have long-term productive effects.

d. Administrative aspects of planning

Continuing close contact between the central planning offices and the executive organs of the governments is essential. Nevertheless, in many countries this principle has not yet been put fully into practice. However, in a number of countries, including Argentina, Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Peru, and Venezuela, serious efforts are being made in this direction, especially through the establishment of planning units in the ministries and executive departments of the governments. At the same time, some countries, for example Guatemala, have formed joint study and planning groups with members drawn from the various departments of the public sector.

It is also possible to create institutional mechanisms for linking the central planning office with the general statistics bureau, besides establishing statistical information services not only in the central planning office but also in planning units at the ministerial level, in autonomous entities, etc.

In general, planning offices in Latin America serve in an advisory capacity to the executive branch. Most of them advise the president of the republic directly and, in some cases, for example in Costa Rica, they are headed by cabinet ministers. In Brazil, the recent constitutional change from a parliamentary to a presidential system induced the government to set up a national planning authority.

However, central planning offices do not always have sufficient authority to promote the necessary coordination and control of the various programs of the public sector.

e. Need for national support of development programs

There are two important prerequisites for obtaining the support of broad segments of the population for the development program. First, the economic and social development program must have general aims and objectives acceptable not only to the main political parties but also to the masses. In order to obtain the support of large sectors of the population, it will be necessary to emphasize time and again that one of the principal objectives of the development program is a greater measure of social justice and the achievement of a

/society that

society that will actively promote the ideal of equality of economic opportunity. The economic and social program will take on this character if it is brought into line with the aims of the Charter of Punta del Este. The second condition is that subjective recognition of the importance of future benefits must be supplemented by immediate and visible proof of the results of full cooperation by the people in the improvement of the economy. Thus, enthusiastic cooperation will require prompt completion of a number of social projects that can be planned quickly, such as public housing, dispensaries, etc.

A constant exchange of information between the government and the public will be essential. Detailed information on the long-term objectives, short-term aims, and immediate goals of each program should be made available to the general public and to special-interest groups.

f. Cooperation in the preparation of development programs

Although there must be a steady flow of information between government and public, it is absolutely essential that the private sector, including both employers and employees, take an active part not only in support of the program but also in the initial stages of preparation.

It is especially encouraging to find that most of the countries recognize in principle the need for having the different groups in the private sector participate in the preparation of plans either as consultants or in some other role. In a few countries, such as Peru, there is a legally established advisory board composed of representatives of the private sector. In Brazil, the private sector participates informally in the preparation of plans. In Mexico, the private sector has set up a special office with a view to adopting a common position with respect to development plans.

Although active cooperation will largely take the form of support by small committees or by representatives of various interested groups, direct appeals to large groups might fill a need in some instances. Although it will be difficult to bring such groups together for the specific purpose of discussing and obtaining their support for the development plan, it might be possible to take advantage of traditional occasions for mass gatherings. On such occasions, local authorities might supply information on economic questions affecting the daily life of the region and report on what the development program is doing to develop their region and to improve living conditions.

In studying possible mechanisms for enlisting the cooperation of the industrial, commercial, and trade union sectors in the preparation and execution of development programs, special consideration should be given to the establishment of advisory committees representing the private sector. Other methods of consultation between the planning offices and private industries that are interested in one or more specific aspects of the program should also be explored.

/B. AGRICULTURAL

B. AGRICULTURAL DEVELOPMENT AND AGRARIAN REFORM

Among the obstacles impeding agricultural development and the attainment of the objectives of the Charter of Punta del Este are the following: lack of specialized personnel at various levels; lack of financial resources for implementing programs; social and political forces opposing reforms and structural changes that are needed to speed up agricultural development; lack of sufficient information to serve as a base to agricultural programming; incomplete research carried out and nonapplication of the findings of such studies.

1. The Status of Agrarian Reform in Latin America

The greatest obstacle to efficient development of the agricultural sector in various parts of Latin America is the existing system of land tenure. Where this is the case, land tenure should be rapidly and substantially changed in order to create suitable conditions for a more vigorous development of agriculture. Although it is true that the basis of any agrarian reform program is the redistribution of rights to own and cultivate land, certain indispensable changes in institutions and services (credit, technical assistance, price policy, transportation and storage, etc), will be required to assure the success of the reform program.

Recognizing the need for these changes, ten countries of the Hemisphere have passed legislation on agrarian reform, as indicated in Table II-7 since the signing of the Act of Bogotá in 1960. Prior to that date, four countries had legislation in force and were carrying out programs of agrarian reform, although only Mexico had such laws and programs prior to the 1950 decade. Almost all the countries had legal provisions for settlement and property title, as well as other measures which have brought about a gradual transformation of the agrarian structures of these countries. At present, there are three countries--Brazil, Ecuador and Uruguay--that have legislation pending in this field.

With respect to the implementation of agrarian reform programs in countries that have recently passed laws on this subject, it is worth noting that most of them have not shown substantial progress in land redistribution programs. This is partly due to the fact that it has only been a few months since the laws were issued and the specialized institutions responsible for applying them organized.1/ These institutions need to go through a period of organization and preparation of basic studies before they can fulfill their primary functions. For example, in Honduras the National Agrarian Institute, whose first task was to draw up an agrarian reform law put into effect November 1962, has distributed only 4 150 hectares to 304 families so far in 1963.

In Panama, the recently created (March 1963) Agrarian Reform Committee is making an inventory of state and privately-owned lands and natural resources, drawing up a rural cadaster, and taking a census of the squatter population, which presently makes up 90 per cent of the farmers in the country. In 1963 the Committee expects to distribute 20 000 hectares among 1 200 families.

1. Table II-8 gives data regarding such institutions.

/Table II-7

Table II-7

SUMMARY OF SOME OF THE ELEMENTS INCLUDED IN LATIN AMERICAN AGRARIAN REFORM LAWS

Countries	Law in effect	Implementing agency	Lands affected: Determining criteria	Lands affected: Exempted portion	Lands affected: Bases for valuation	Lands affected: Form of payment	Units to be created: Type	Units to be created: Criteria establishing size	Units to be created: Form of payment	Units to be created: Granting of title	Further obligations
CHILE	La of Agrarian Reform N° 15020 of 1962	The Agrarian Reform Corporation	Abandoned farms, notoriously mismanaged, those indispensable for development programs, part of lands irrigated by public works, minifundia and latifundia, the latter defined as 20 "economic units	10 to 20 economic units according to the number of farmer's children	Set by resolution of decree of expropriation; no guidelines given. Owner may request appraisal, which result shall become the fiscal valuation in the event the Agency desists from purchase	30% cash and the rest in no less than 10 equal installments, outstanding balance readjustable to the same index used to adjust parcel's price	Owner-operated family farms	Sufficient to secure the households vital needs and prosperity when rationally operated by the farmer and his family	In installments for a term of no less than 20 years nor longer than 30. Only the outstanding balance may be readjusted	No provisions	The president shall issue the necessary resolutions
COLOMBIA	Social Agrarian Reform Law 135 of 1931	Colombian Agrarian Reform Institute	Public lands; private, when indirectly or inadequately farmed, beginning with farms larger than 2 000 ha.	Up to 200 hectares according to land capability	Assessment by appraisers. No guidelines given for appraisal	Idle lands paid with 25 year bonds, others part cash and the rest in installments	Owner-operated family farms; rental arrangements also	Sufficient to provide the farm family an adequate standard of living when land is farmed with reasonable efficiency, with hired labor required only occasionally	15-year term to pay for the price of the plot	No provisions	Not transferable until the parcel becomes fully paid for. May only be sold to persons meeting prescribed qualifications
COSTA RICA	Law of Lands and colonization N° 2325 of 1961 as modified by Decrees 3033 and 3042 of 1962	Lands and Colonization Institute	National reservations, and public estates. Land indirectly farmed, latifundia, minifundia and in general those not filling a social function	To be determined by the Institute in accordance to the characteristics of each zone	Cannot exceed valuation for fiscal purpose	In cash or bonds at the Institute's discretion	Family owner-operated farm, rental arrangements or profit-basis also considered	Sufficient to assure farmer's economic emancipation while being an efficient contribution to the growth of the national output	30-year term; 3 year grace period. The price shall cover a proportional part of the land's acquisition value, improvements and the first year's operating cost	Full title after a prescribed minimum of the land has been cultivated and other obligations are fulfilled	May be transferred after 15 years provided all obligations are fulfilled. The Institute maintains privilege of purchase in the event that the sale leads to excessive concentration or subdivision
DOMINICAN REPUBLIC	Law of Agrarian Reform N° 5879 of 1962	Dominican Agrarian Institute	Assigned public lands and large farms falling into public domain. No definition of "large farms" and no specification as to how they may fall into public domain	No provision	No provision	No provision	Owner-operated family farms. Alternatively, the Institute is entitled to operate directly large farms, distributing among workers a share of net profits in addition to wages	Sufficient to provide to the needs of the farmer's family and with enough productive capability to permit a continuous and progressive development of the household	No provisions	After the parcel becomes fully paid for	No restriction after granting complete domain
GUATEMALA	Law of Agrarian Transformations Decree N° 1551 of 1962	National Institute for Agrarian Transformation	Public lands, public farms and private lands when idle	The Institute shall determine exemptions upon the owner's request, in each case of a General Plan of Regional Development	Appraisers shall consider all elements, circumstances and conditions which may affect valuation without regard to fiscal assessment or any other pre-existing document	Five equal installments payable in currency	Owner-operated family farm	According to the characteristics of each region but in no case smaller than 20 hectares	For the land and the home, 10% cash and the remaining in 10 equal installments; the livestock and productive items, in the equal yearly installments	After full payment of the homestead	Transferable with the approval of the Institute if the acquirer agrees to farm the parcel himself, and registers this in the Real Estate Registry
HONDURAS	Law of Agrarian Reform Decree N° 2 of 1962	National Agrarian Institute	Public lands, "ejidales," private lands not filling a social function, latifundia and minifundia	Up to 50 hectares of irrigated land or equivalent in other land classes	Fiscal assessment, estimated productivity in prior period of no less than 3 years nor longer than 6 and value of useful improvements	Previous and cash	Owner-operated family farm	No less than 10 hectares of irrigated land nor larger than 20 or equivalent in other land classes	In installments for a term of no less than 10 years nor longer than 20, with one year of grace	At the payment of the last installment in the case of onerous grant; after one year in the case of gratuito grant if the land is cultivated with care and effectiveness	Transferable only with the approval of the Institute. Parcels may not be subdivided
NICARAGUA	Law of Agrarian Reform Decree N° 797 of 1963	Agrarian Institute	Public and municipal lands; private lands not filling a social function	Up to 500 hectares of first class land or equivalent in other land classes	Location and potential value of production plus improvements, the latter according to real worth	No provisions	Owner-operated family farm	Sufficient for the vital needs of the household and for the improvement of its economic and social condition when operated by the farmer and his family	In installments for a term of no less than 15 years nor longer than 20, with 2 years grace	After payment of at least 25% of the purchasing price and all other obligations have been fulfilled and the whole parcel is under cultivation	May not be transferred without the consent of the Institute
PANAMA	Agrarian Code Law 37 of 1962	Agrarian Reform Commission	Public lands, primarily those nearest to urban centers and private lands not filling a social function	Up to 100 ha. if the owner has no other source of income but agriculture or cattle breeding	Cadastral assessment, average productivity, price of the estate in recent transactions and price of similar lands. Compensation shall not exceed the average cadastral assessment	In cash or bonds bearing 4% interest subject to owner's choice	Owner-operated or rented family farms	Sufficient to secure the family's subsistence plus a reasonable profit, as well as allowing for the increase of the farm's capital assets	In no more than a 20 year term for land alone extendible to 30 years if the parcel includes a home and other costly improvements	Immediate for parcels of less than 50 hectares and provisional for larger, which shall be made definitive if evidence exists that they fulfill a social function	May not let nor convey the parcel without the commission's approval
PARAGUAY	Laws 622 and 662 of 1961, and 852 and 854 of 1963	Rural Welfare Institute	Public and private lands with de facto occupation, latifundia, minifundia and not rationally farmed	No provisions	Sales contracts and fiscal assessment of the last 15 years	In a 10-year term	Ownership	From one half to 8 000 hectares according to purpose: suburban orchard, grange, cash crop, forestry farm or ranch	Up to 15 installments with a 15% reduction if paid cash	At the settlement of the debt	Not transferable except with consent of the Institute
PERU	Decree-law on "Bases for the Agrarian Reform" N° 14238 of 1962 1/	Institute for Agrarian Reform and Colonization	Owned by legal persons, private lands when deficiently or indirectly operated and concentrated in excess	Shall be determined in each case by law	As a function of productivity	No provisions	Owner-operated family farms	No provisions	No provisions	No provisions	No provisions

1. The form of payment for the acquisition of lands, the criteria establishing the size of units to be created, the granting of title and further obligations of grantees shall be determined by means of a law for each region where the Agrarian Reform will be applied. This has been the case with Law N° 14444 which institutes a Pilot Project of Agrarian Reform in the Valleys of Convención and Lares, although article 37 states that this law shall not be necessary precedent for other projects

Table II-8

FIELDS OF ACTION OF THE AGRARIAN REFORM AND COLONIZATION AGENCIES CREATED SINCE THE ACT OF BOGOTA

	Chile	Colombia	Costa Rica	Dom. Rep.	Guatemala	Honduras	Nicaragua	Panama	Paraguay	Peru 6/
Basic studies	*	*		*		*				*
Zoning for Agrarian Reform and Rural Development	*	*	*		*	*	*			*
Coordination among different institutions	*				*	*		*		
Cadastral survey		*	*	*	*	*		*		*
Administration of public lands		*	*		*	*		*		
Natural resources 1/		*	*			*			*	*
Agrarian legislation			*			*		*		
Colonization 2/	*	*	*					*	*	*
Settlement of immigrants							*			
Internal migration 3/					*		*	*		
Indian communities			*				*			*
Labor relations 4/					*	*		*		*
Cooperatives		*	*	*		*		*		*
Public works (roads, irrigation, reclamation)		*	*		*	*	*	*		*
Rural housing			*		*	*	*		*	
Technical assistance	*	*		*	*		*	*	*	*
Financial assistance	*	*	*	*	*		*	*	*	*
Social assistance (education, health, etc.)		*	*	*	*	*	*	*	*	*
Supply of inputs 5/			*		*	*	*			
Rural electrification					*		*			
Marketing					*		*	*	*	
Processing of farm products			*	*	*		*			
Research							*	*		*

1. In the case of Paraguay and Costa Rica it includes the creation of National Parks.

2. In the case of Costa Rica, Paraguay, and Peru it includes dealing with private colonization projects.

3. In the case of Nicaragua it includes the creation of new population centers.

4. In the case of Honduras and Panama it includes the organization of a farm insurance system and "dignification of the rural worker"; in Guatemala, only social security.

5. In the case of Honduras, Nicaragua, and Guatemala it includes farm machinery stations.

6. According to both the Supreme Decree No. 09 of 1961, creating the Institute for Agrarian Reform and Colonization, and the Decree-Law on Bases for the Agrarian Reform, No. 14238 of 1962.

/In Peru

In Peru the settlement of San Lorenzo is being carried out and of the total 45 000 hectares 1 690 have been assigned to date, in 248 lots. Studies are also being made on the settlement of the Apurímac, Convención, and Lares valleys. In the Amazon jungle 1 372 lots, totaling 29 500 hectares, have also been assigned.

Also in the Dominican Republic, where the Agrarian Reform Institute after having turned over some land during its first year of operation (3 500 hectares to 738 families) chosed to reorganize its structure in order to avoid overlapping of functions with other state agencies. During the past two months 440 families have been settled; the goal set for December 31, 1963, is to settle 3 000 families in an area of 24 000 hectares. The cost of settling each family has been reduced from the initial figure of 2 500 to 500 pesos.

In Chile, where the Agrarian Reform Law has been in force for four months 568 000 hectares have been distributed among 1 365 new owners. Provisional or final deeds have been granted to 4 495 occupants in an area of 597 800 hectares.

In general terms, it can be said that the activities carried out in recent years have been oriented toward dividing public lands into plots and granting deeds to squatters or new settlers, rather than toward splitting up large privately-owned properties, or putting together small, uneconomical holdings. Such activities are often based on older laws which have now come to be considered as agrarian reform measures, thus making data comparison rather difficult.

With respect to the division of lands and the issuance of deeds, the work carried out in Paraguay should be noted. In that country, between January 1962 and June 1963, 11 253 deeds covering 271 204 hectares were issued. Between 1961 and 1963, 671 660 hectares were distributed among approximately 32 000 families. Of that, 442 562 hectares were divided and settled by some 6 000 families under settlement programs sponsored by private enterprise.

In Argentina, on the other hand, provincial agencies distributed 89 500 hectares to 601 families between 1961 and 1963, while the National Agrarian Council limited its activities during the same period to issuing deeds to persons who were already settled, and conducting settlement studies on irrigated lands. Under Law N° 14451 on Agrarian Transformation, between 1958 and 1962, around 8 500 lease-holders were able to buy 1 100 000 hectares. However, owing to the lack of funds for credit in the "Banco de la Nación Argentina," application of this law was suspended in 1962.

In contrast to what has occurred in countries where agrarian reform legislation is quite recent, in Mexico and Venezuela, land distribution has been emphasized more; in Mexico, 10.4 million hectares or 21 percent of all the land distributed since 1915, were distributed between 1958 and 1962. In Venezuela the National Agrarian Institute distributed 167 283 hectares to 14 603 families in 1962. These represented approximately 25 percent of all the families receiving land between 1959 and 1962.

/Regarding the

Regarding the transformation of the present agrarian structure, two aspects are especially important: to determine the most suitable tenure systems, that is, what systems should be established as a result of reform programs; and to carry out reform programs in the face of such obstacles as insufficient financial resources, lack of information, shortage of personnel, and socio-political resistance.

Although the new land tenure structure is of the utmost importance apparently it has not received enough attention in Latin America. The present complex of latifundia, dwarf holdings, communities, and other tenure forms can give way to various other forms of agricultural operations or combinations. However, the form of organization to be created must be seriously examined and defined before the reform program is started, if optimum results are to be achieved.

When a heterogeneous tenure system is established, one type will probably predominate. In this sense family units are the most desirable, since they will probably be the most efficient and productive form of agricultural organization, and should constitute the main tenure system. In fact, as shown in Table II-7 most Latin American legislation tends to establish this type of unit. Nevertheless, legal provisions must be flexible enough to allow for other forms of farm operation, such as rental contracts, units operated with hired labor, cooperatives, crop share contracts, and others. In any case, it is essential to achieve a more equitable distribution of farm income.

With respect to the size of agricultural units, there should be flexibility in the way in which they are adapted to different types of agriculture, soil and climate. The ideal size should allow the occupant to attain an adequate income level, provided the families have, in addition to the land, the kind and amount of resources they need for their agricultural activities.

In order to overcome social-political resistance hindering the implementation of agrarian reform, the positive aspects of these structural changes should be made known, in order to incorporate the land owners into the reform process and make them share in the responsibility of the national effort implied by such a plan. It is likewise necessary to channel the just demands of the landless peasants so as to keep the process of structural changes within the juridical framework. Land owners on surrendering ownership of part of their holdings will not necessarily suffer a decrease in their income, since by concentrating their efforts in a smaller area they can obtain higher output. They will also benefit from infrastructural projects sponsored by the government and from increased land values.

/Furthermore, the

Furthermore, the high cost attributed to the process of redistributing land ownership is held to be an obstacle to the execution of agrarian reforms, even though there are ways of meeting or lowering it. The real costs of the reform to the governments can be reduced if a charge is made to the new owners of the land, after allowing them a reasonable amount of time to become settled, in the form of installments scaled to their income. Another recourse, in resettlement programs, is to make maximum use of the contribution of the grantees of lands themselves and of the rural population, in order that the greatest possible number may have the opportunity of improving their situation by means of hard work. Besides, the need for the governments to buy lands, and, hence, the costs, may be diminished if measures are adopted to allow family units to be rented with option of purchase. Finally, the reform may be carried out on a regional basis, so as to concentrate the limited financial and human resources, employing them more efficiently, and on a smaller scale, as opposed to executing it on a higher-cost, nation-wide basis.

Furthermore, a change should be made in the system usually employed in reckoning the costs of agrarian reform, so as not to include therein outlay that is inherent to any agricultural development program, such as for topographical reconnaissance and surveys, administration, personnel training, and auxiliary services. By these changes in accounting, it is easier to avoid duplication of services, promoting at the same time collaboration by all government agencies that may take a hand in carrying out agrarian reform.

A third important measure is to obtain foreign credit and technical assistance that will make it possible to carry out agrarian reform programs faster and on a larger scale. Efforts should be made to have this credit extended on an adequate and timely basis. Some progress has been made, as can be seen in Table II-9 which shows the loans the organizations participating in the Alliance for Progress have granted for agrarian reform projects during the period between July 1962 and June 1963.

2. The Development of Agricultural Production

a. Agricultural credit

Credit is an essential instrument for efficient agricultural production. However, the present kind and volume of loans presently granted by agricultural credit programs in most of the Latin American countries are inadequate. As a result credit is not available to the majority of those producers who need it most. This is shown by the figures on agricultural credit granted in some of the Latin American countries during recent years and by the calculations made by these countries regarding their needs.

In Argentina, the amount of bank loans for agricultural activities increased until 1961 when they reached a total of $497 million and decreased thereafter; in 1962, loans amounted to $341 million. This decrease is due to

/Table II-9

Table II-9

LOANS/GRANTS TO LATIN AMERICAN COUNTRIES FOR AGRARIAN REFORM PROJECTS, TO MAY 1963

Country	Lending Agency	Borrowing Agency	Date of Loan	Purpose	Amount in Dollars Authorized
Latin America	Agency for International Development	University of Wisconsin	1962	A contract to conduct an extensive study of land reform in Latin America has been awarded to the University of Wisconsin.	1 250 000
Central America	Social Progress Trust Fund	---	1961	Study regarding the ownership and occupancy of land	25 000
Argentina	Inter-American Development Bank	Province of Río Negro (Instituto de Desarrollo del Valle Inferior del Río Negro)	1962	A loan to help finance the first part of a broad program for the development of the lower Viedma valley, including settlement and intensive agricultural and industrial development of an area of 8 700 hectares.	5 544 000
Bolivia	Inter-American Development Bank	Corporación Boliviana de Fomento	1962	To provide for the settlement of approximately 8 000 families.	9 100 000
Brazil	Inter-American Development Bank	Companhia Agricola, Imobiliaria e Colonizadora (São Paulo)	1962	To help finance a farm mechanization project which is part of a general agrarian reorganization plan being carried out by the state.	4 500 000
Brazil	Food for Peace	---	1962	An economic development project to provide for the resettlement of 1 500 farm families over a five to seven year period. 1 500 metric tons of food will take care of 600 families during the next two years.	---
Chile	Inter-American Development Bank	Corporación de Fomento de la Producción	1962	A technical assistance loan to finance an aerial photogrammetric and field survey of agricultural lands in Chile.	2 100 000
Colombia	First National Bank of Boston	Corporación Finaciera Colombiana de Desarrollo Industrial; United Fruit Company	1962	A vast tropical rain forest near Turbo in northwestern Colombia will be cleared and cultivated soon for scientific banana growing.	6 000 000
Dominican Republic	Agency for International Development	Agrarian Institute of the Dominican Republic	1962	To help subdivide rural estates formerly owned by Dictator Rafael Trujillo and settle Dominican farm workers on the land. The Institute's initial project will be to settle 500 agricultural workers and their families on farms of approximately 10 acres each in the Province of La Vega.	
Ecuador	Social Progress Trust Fund	Instituto Nacional de Colonización	1963	To help finance a land resettlement project in northern Ecuador and a rural development program in the highlands--the Sierra Andina.	4 415 000
Honduras	Social Progress Trust Fund	Instituto Nacional Agrario	1961	To send a group of experts to assist the Instituto Nacional Agrario in the preparation of an agrarian reform law and a law relating to the registry of property titles.	17 000
Mexico	Inter-American Development Bank	Nacional Financiera S.A.	1962	A loan to help finance a plan to raise agricultural productivity and income in the southern part of the state of Yucatan.	
Paraguay	Inter-American Development Bank	Instituto de Bienestar Rural	1962	A loan including a technical assistance grant to help finance the first stage surveys and studies of a settlement project in the Alto Parana region.	879 000
Peru	Development Loan Fund	---	1961	A loan to support agrarian reform and resettlement (and to finance highway construction).	10 800 000
Venezuela	Inter-American Development Bank	Instituto Agrario Nacional	1962	To finance a farm settlement development plan.	2 700 000

a reduction in the volume of deposits, as a result of compliance with minimum cash balance provisions. It has been considered necessary to request foreign loans amounting to $191 7 million for the technification of agriculture and the improvement of agricultural marketing. Other countries have had to take similar measures (see Table II-10.)

In Chile, the amount of credit granted to agriculture, in comparison with over-all credit figures, was 33 percent for the 1946-1955 decade, which grew to 36 percent during the five-year period from 1956 through 1960. However, it is estimated that the total demand for agricultural credit is way above the financial capacity of the credit institutions; which have had thus to reject between 25 and 40 percent of the applications for loans during the past few years. Thirty-one percent of the volume of credit extended to agriculture is provided by commercial banks, which do not benefit small and medium-scale farmers. Aside from the above, the major part of the credit extended by official institutions is provided by the Agriculture Department of the Banco del Estado, which during the 1951-60 decade extended 30 percent of the farmers of the country. In general it should be noted that the larger part of agricultural credit in Chile is extended on a short-term basis, so that numerous investment needs of the farmers are not met. To offset this deficiency 801 409 escudos have been expended in carrying out a program of supervised agricultural credit that will benefit approximately 10 000 small-scale farmers. In addition, the Government has made agricultural emergency loans totaling 300 000 escudos. This year a program is under way which involves some 31 000 small-scale farmers in 100 different areas of the country, at an approximate cost of 12 million escudos.

In Costa Rica, the total amount of loans made to small-scale farmers through the Juntas Rurales de Crédito Agrícola increased from 32.9 million colones in 1959, to 61.4 million in 1962, 86.6 percent during a four-year period. However, the amount of credit extended to agriculture during the same period increased by only 25.9 percent, from 341.8 million colones to 430.4 million. In other words, credit extended to small-scale farmers increased from 9.6 to 14.3 percent of the total loans granted to agriculture.

In Ecuador, the percentage represented by agricultural credit within the total credit granted by government and private banks is very low, declining from 12.5 percent in 1958 to 11.7 percent in 1961.

Although in Mexico the amount of credit granted by private institutions to the agricultural sector has increased from 1 252 million pesos in 1951 to 6 687 million in 1961, it is estimated that this amount has been insufficient and that the shortage of credit is a limiting factor to the expansion of agriculture. In effect, approximately 12.5 billion pesos in credit is required for national agricultural development.

/Table II-10

Table II-10

LOANS GRANTED TO LATIN AMERICAN COUNTRIES FOR AGRICULTURAL CREDIT PROJECTS, TO MAY 1963

Country	Lending Agency	Borrowing Agency	Date of Loan	Purpose	Amount in Dollars Authorized
Brazil	Inter-American Development Bank	Caixa Economica do Estado de Minas Gerais	1962	To help finance a supervised agricultural credit program for about 10 000 low-income farm families of the state of Minas Gerais. The loan will also help finance construction of 1 500 rural homes and the improvement of another 2 700.	6 400 000
	Inter-American Development Bank Social Progress Trust Fund	——	1963	To help finance rural credit project in the state of Espírito Santo, Brazil's fourth largest coffee-producing state.	2 000 000
Chile	Social Progress Trust Fund	——	1961	To help finance improved land use through a system of supervised agricultural credit to 10 000 small-scale farmers.	10 000 000
Colombia	Social Progress Trust Fund	——	1961	A study and preparation of working documents for the Seminar on Financing of Agrarian Reform and Supervised Agricultural Credit, held in Bogotá from December 4 to 9, 1961.	10 000
Costa Rica	Agency for International Development	——	1963	To promote agricultural production and processing by providing credit for capital improvements to existing farms and basic needs for new farms to be opened under the country's land reform program.	5 000 000
Dominican Republic	Social Progress Trust Fund	Banco Agrícola de la República Dominicana	1962	To help finance a program of rural credit to benefit low-income farmers.	3 000 000
Ecuador	Inter-American Development Bank	Sistema de Crédito de Fomento	1962	To help finance a $12 million agricultural and industrial development program.	6 000 000
El Salvador	Social Progress Trust Fund	Federación de Cajas de Crédito	1961	To extend the lendable resources available to the 32 constituent, rural credit cooperatives of the Federación de Cajas de Crédito, a private enterprise.	2 000 000
	Social Progress Trust Fund	Federación de Cajas de Crédito	1961	To employ an expert in agricultural credit to advise on the development of policies and practices of the Cajas and to assist them in the more effective administration of a credit program for small farmers.	10 000
	Social Progress Trust Fund	Central Reserve Bank	1961	To help finance credits administered by the Central Reserve Bank, mostly of medium and long-term duration to small-scale farmers.	2 000 000
Guatemala	Social Progress Trust Fund	——	1963	To help finance rural credit program being developed by Servicio Cooperativo Interamericano de Crédito Agrícola Supervisado (SCICAS), a rural credit agency of Guatemala's Department of Agriculture.	2 500 000
Honduras	Inter-American Development Bank	Banco Nacional de Fomento	1962	To help finance a rural credit program designed to raise agricultural productivity.	2 500 000
	Inter-American Development Bank	Banco Nacional de Fomento	1962	To help finance livestock, agricultural and industrial development.	6 000 000
Mexico	Agency for International Development	Nacional Financiera S.A.	1962	To be combined with public funds and private Mexican resources to provide long and medium-term credit for small farmers.	20 000 000
Nicaragua	Social Progress Trust Fund	Banco Nacional de Nicaragua	1962	To help raise agricultural production in Nicaragua through the expansion of the country's rural credit program.	2 500 000
Peru	Social Progress Trust Fund	National Federation of Cooperatives	1961	To expand the lending operations of the 248 non-governmental local credit cooperatives affiliated with the National Federation of Cooperatives.	1 000 000
Venezuela	Eximbank	Government of Venezuela	1962	A loan to the Government of Venezuela for relending to small farmers, enabling them to purchase U.S. farm machinery.	2 500 000
	Agency for International Development	Banco Agrícola y Pecuario	1962	To help farm families obtain credit through the Banco Agrícola y Pecuario.	10 000 000

/In Panama

In Panama, credit to the agricultural sector increased by 304 percent between 1958 and 1962, from 2.2 million balboas to 8.9 million; however, this amount only covers 10 percent of the producers.

In Venezuela, the Banco Agrícola y Pecuario (Agriculture and Livestock Bank), which extends most of the agricultural credit in that country, has reduced the total amount of credit extended from 230.1 million bolivars in 1959 to 226.9 million in 1962. Also, according to estimates made by the Ministry of Agriculture in 1961, agricultural financing needs amounted to 600 million bolivars.

In Honduras, agricultural credit is mostly granted by the Banco Nacional de Fomento (National Development Bank), which grants equipment credit with terms of up to ten years. Credit destined for production receives special treatment. Supervised credit existed in Honduras as of 1950, but was later eliminated because it was felt the cost of administering it was too high.

In Paraguay, state-granted agricultural credit is channeled through the Banco Ncional de Fomento (National Development Bank), which was created in November 1961, the Crédito Agrícola de Habilitación (Agricultural Equipment Credit) and the Instituto de Bienestar Rural (Rural Welfate Institute), founded in 1963. In 1962 the first of these institutions granted credit amounting to 55.6 million guaranies to only 4 427 farmers. The second, which grants supervised credit, cut its loans from a maximum of 57.3 million guaranies divided among 9 790 borrowers in 1953/54, to a minimum of 2.1 million guaranies granted to 5 000 borrowers in 1961/62. This decrease is partly due to the low recovery index, which in some years has been under 30 percent. The total volume of credit extended by official and private banking institutions amounted to 87.4 million guaranies in 1961 and 158 million in 1962.

Peru had a similar experience with supervised credit which, owing to the high costs involved has disappeared altogether. It has been replaced by "credit with technical assistance," which serves operators of dwarf holdings. Under this new system, two different organizations lend the money and provide the technical assistance, coordinating and complementing each other's activities; so far the results have been highly satisfactory. As to other forms of credit, in Peru private banks serve primarily large-scale farmers, that is, export farmers. At any rate, private banks have reduced their contributions to agricultural credit from 62 percent in 1955/56 to 47 percent in 1960/61. The state banks operating through the Banco de Fomento Agropecuario (Agricultural Development Bank), deal both with small and medium-scale farmers. Small-scale farmers obtain a volume of loans ranging between 20 and 23 percent of the total. Nevertheless, in 1960/61, only 9.4 percent of loans to small producers were long term, while such loans to medium and large-scale farmers represented 17.6 percent. It is felt that the Agricultural Development Bank cannot adequately serve the agricultural sector because of insufficient assets, which now amount to 400 million soles; Peru actually needs at least two billion soles of agricultural credit.

/In order

In order to achieve maximum results in agricultural development, credit must be made available to all segments of the rural sector. In Latin America where many small farmers' families are almost on the fringe of the market economy, credit programs must be adopted to reach these groups and not only the well-developed commercial sector.1/

The following general considerations may help orient credit policies in accordance with specific circumstances and the needs of the different groups of producers within the agricultural sector.

Commercial and development credit to well-developed farming enterprises is more important from the standpoint of total output, since the major part of production comes from commercial farms and any measure, such as providing increased capital resources, which will lead to greater efficiency in the commercial sector, will have a great impact on the total volume of production. Because an objective of national development is to increase agricultural production an adequate amount of this type of credit should be made available to commercial producers. As has been observed, in Latin America there are usually adequate credit institutions serving this group of farmers. The problem is one of how to allocate additional credit resources between the commercial and non-commercial sectors; the decision must be taken according to the particular circumstances in each country. This credit should be supported by a reasonable amount of technical assistance insuring proper use of resources. When extending credit to small producers, an effort should be made not to reduce the volume of credit needed by the commercial sector.

Agricultural credit to small (low-income) producers is more important from the social point of view, even if its impact on total output may be smaller at a given time. Because its major impact consists in raising the well-being of small-scale farmers by providing them not only with more capital resources but also with technical knowledge, this credit should be within their reach. Consequently, from the point of view of improving incomes and integrating all sectors of the rural population into the economic, social, and political life of a country, a credit program with technical assistance, supervised credit if necessary, can be an extremely valuable instrument and should play an important role in the development plans for the agricultural sector.

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1. In order to clarify this distinction in this document agricultural credit is subdivided into the following groups:
   a. Commercial credit, at short terms and standard bank interest rates, for working capital;
   b. Development credit, at medium and long terms and moderate interest rates, for improvement and expansion of activities;
   c. Credit to small producers jointly with technical assistance and low-interest rates;
   d. Low recovery subsistence or emergency credit, which is granted to small farmers for emergencies and has characteristics of a state subsidy.

This subdivision has been made merely for information purposes. The use of terminology that might lead to confusion owing to discrepancies in usage in the different countries has been avoided.

/Unfortunately, as

Unfortunately, as has been noted, supervised credit is still practically nonexistent in Latin America; and the establishment or extension of this type of credit will demand greater effort, more innovations and more financial and technical resources.

Agricultural credit programs for small-scale farmers should be closely associated with agricultural extension services; this would increase the effectiveness of both of these activities. In particular taking into account that extension service recommendations are adopted slowly owing to the lack of understanding on the part of farmers, it seems advisable that the extension of credit be dependent upon the adoption of improved production techniques. From this point of view, supervised credit is important not only as financial assistance but also as an effective means for encouraging the use of better production techniques and thus raising the standards of living of the rural population.

The total cost of managing, providing technical assistance, and supervising agricultural credit should not be charged to credit services, inasmuch as at least part of such costs should be classed as a social service which each country ordinarily contributes to its agricultural development, and therefore should not necessarily be paid by those who benefit from such assistance.

Subsistence or emergency credit should be clearly differentiated from what has just been discussed. It has the characteristics of a special state subsidy because of its limited recovery and should not be regarded as agricultural credit.

Long-term agricultural credit, a type of development credit, as can be seen has not been adequately developed in Latin America, or in some cases it has deteriorated because of inflation. It is important that ways be found to extend and improve the granting of this type of credit, for long-term mortgage credit may stimulate and facilitate the orderly transfer of land through voluntary sales, and thereby lessen considerably the need for forced sales through an agrarian reform agency. In this regard, it is important to establish priority and eligibility for the granting of this type of credit. For example, it may be desirable to make loans available preferably for the purchase of family-sized owner-operated units; this would insure that loans were made only the those who directly work the land. Thus, a more simple distribution of property will be encouraged and it will be possible to avoid the use of credit facilities only by persons who already have access to them. A method should be developed that could be incorporated into the regular procedure for granting credit whereby the real value of loans is guaranteed and in which the interests of both borrower and lender are protected.

b. Marketing of agricultural products

In general, most of the efforts made in Latin America to accelerate agricultural development have been aimed at increasing the total volume of production and resource productivity at the farm level, either through increased yields or by expanding the area under cultivation. In contrast, relatively little effort

/has been

has been made to improve the marketing of agricultural products, thereby resulting in considerable losses, both in quantity and quality of such products. These losses influence the increase of prices paid by consumers and reduce the income of producers.

The deficiencies that exist in the method of marketing agricultural products in Latin America, such as the lack of suitable price policies, of permanent means of communication, of classification and standardization of products, etc., need to be corrected if agricultural development is to be furthered. This does not mean that nothing at all has been done to improve the marketing system, but rather that the measures taken have usually been inadequate in relation to the magnitude of the problem.

A brief analysis of the improvements made in some Latin American countries during 1962/63 and the years immediately preceding gives the following picture of the progress made in agricultural marketing.

Among the recent innovations made in Argentina is a new meat classification system, the purpose of which is to achieve in a shorter time high quality "steers" (novillos) that will be more to the taste of foreign markets. An experimental classification system was also adopted for cows (novillos, terneros, toros, torunos.) The main change in the grain marketing policy was the encouragement of bulk sales, which it is hoped, will totally replace the traditional system of bag marketing. Storage facilities--present capacity 5 800 000 tons--are being expanded throughout the country. In 1962 the National Cotton Board which develops and markets cotton and controls the government's storage network--capacity 130 000 bales--created new grade and color standards for Argentine cotton that will be applied during the 1962/63 season.

In Costa Rica, as part of the process of Central American economic intregration, the Central American classification standards for grains--rice, beans, corn, sorghum, sesame, etc.--were adopted as agreed upon at the meetings of the price stabilization institutes of the region. A private firm, the Beef Products Company, has nearly finished its new plant, which will increase the present capacity for processing and storing frozen and refrigerated meat. The National Production Council joined the marketing information program sponsored by the price stabilizing agencies in Central America. Also, during the past year a noteworthy innovation has been made in consumer distribution of agricultural products through the expansion of supermarkets, which have introduced new marketing practices, especially for grains and vegetables.

In June 1963 the Chilean Ministry of Economy, Development and Reconstruction officially adopted classification standards for horticultural products, the application of which is closely connected with the Marketing News Service which has been operating since 1957. The lack of storage facilities presents a serious problem, and the Empresa de Comercio Agrícola (ECA) estimates that warehouses and silos are needed to raise the storage capacity of 513 000 metric quintals available

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at the end of 1960 to 3 500 000 metric quintals. To achieve this work was continued in 1962/63 on previous projects while new projects were started, representing an increase of 440 000 quintals of storage capacity and an investment of 827 000 escudos. Likewise, work on the modernization and construction of refrigeration equipment and establishments was continued in 1962; an investment of 1 200 000 escudos to expand refrigeration in 1963 is being studied.

In El Salvador, during 1962, silos for wheat and other cereals were built and the government continued work on its highway program.

In Honduras, efforts have been made to introduce the classification of corn, rice, and beans in accordance with the grain classification standards for Central America and Panama. Three meat packing plants have also been established to supply international markets.

In Panama, an access-road construction program is under way and classification system for agricultural products are being prepared.

Paraguay has grain silos with a capacity of 15 049 tons of which six (4 116 tons) are unfinished or in need of repair. Also, in recent years 1 000 kilometers of roads have been built to facilitate the transportation of agricultural products.

Peru included the amount of 3 675 097 soles in its 1962 budget for the first stage of a grain silo construction program.

Venezuela is operating a daily information program on wholesale prices for the main agricultural products on the Caracas market. Initial steps are also being taken toward a project for classifying agricultural products; it is hoped that this will create an awareness of the importance of such a service to the marketing of farm products. Through the Agricultural and Livestock Bank the government has carried out a study on the location of a new network of silos, storehouses, and refrigeration units in the most strategic areas of the country to be added to the present storage capacity of 250 000 tons. This program will be implemented with national resources and foreign financing amounting to ten million dollars. Nearly 6 000 kilometers of roads have been put into service during the last four years.

As in the case of credit, in programs for the improvement of the marketing system, it is useful to make a distinction between the commercial and the subsistence sectors. It is certain that a larger over-all economic impact will be made by improving the marketing system for commercial farmers, since they produce the greater part of the present volume of production.

In any case, the importance of small-scale farm producers must be emphasized. In addition to the improvements made and the services and measures taken to benefit producers in general, specific programs need to be developed

/that meet

that meet the special needs of small farmers; for example, long-range education programs, the granting of supervised credit, and creation of marketing cooperatives in order to improve the competitive position of small farmers in relation to middlemen or buyers. To this end, it is worth mentioning the cases of Costa Rica, El Salvador, and Panama, where the creation of agricultural marketing cooperatives was stimulated during 1962.

Before specific measures to improve the marketing system can be developed, it is necessary to know with reasonable accuracy how the over-all system is presently functioning as well as the performance of individual commodity markets. This knowledge is necessary in order to identify the weakest parts of the marketing system. In addition, the analysis is needed in order to determine the comparative advantage of making certain improvements, so as to obtain the greatest benefits for society from the resources available. Unfortunately, very few marketing studies have been made in Latin America,1/ with the result that for some countries there is virtually no information available on the marketing of certain agricultural products, nor are there quantitative data on the extent of losses, profit margins of middlemen, etc. Therefore, the first step in a program of market improvement should be a project to obtain suitable information that can serve as the basis for preparing specific projects which can be carried out within the financial limitations of each country.

Ecuador recently undertook such a project when with the cooperation of the OAS it contracted the services of a consultant firm to draw up an agricultural development project that would include a study of marketing problems.

c. Coordination of agrarian policies and planning for the agricultural sector

It may be said that most Latin American countries do not really have what is generally understood as agrarian policies in the sense of a group of measures linked by common purposes. Many economic measures are adopted on the spur of the moment in order to solve certain specific immediate problems, but they are frequently uncoordinated and even tend to contradict the objectives of development, both of the agricultural sector and of the economy as a whole.

For example, the establishment of import duties on elements that are essential to agriculture--fertilizers, pesticides, tools, spare parts for agricultural machinery, etc.--increases the costs of production; means are then sought to neutralize such measures by subsidizing the sale of some products. Another example is the application of high taxes on the exportation of agricultural products, thus discouraging production for foreign markets. At the

1. This point is brought out in an ICAD report, Inventory of Basic Information for Agricultural Programming in Latin America: Regional Report.

/same time,

same time, however, the governments try to stimulate this very type of production through favorable credit policies, technical assistance and other measures.

Such situations indicate that certain measures can and must be taken at this time to improve and integrate agrarian policies in many Latin American countries, so as to make them more consistent with the goals of development. An obstacle to the formulation of such coordinated agrarian policies is the lack of systematic knowledge of regulations related to agricultural production and marketing, which is essential for preparing and implementing regional programs. Planning has been adopted as an effective means of overcoming this deficiency and of promoting a vigorous development of agriculture in Latin America. Several countries have already created planning boards or committees to prepare regional, sectoral and national development programs.

Almost half of the countries have already prepared their development plans, including agricultural projects, while others are in the process of preparing them.1/

d. Technical assistance

In view of the growing need for technical assistance as regards different aspects of agricultural and livestock activities, it is advisable to coordinate the work of international agencies granting aid and that of national programs requiring aid in each country, which could be achieved through a specific national agency. Through the creation of the Inter-American Committee for Agricultural Development measures have been taken to coordinate the efforts of the principal international organizations operating in the field of agricultural development and agrarian reform. These measures must be continued and strengthened in the most appropriate manner. By the same token, greater coordination among the different advisers working with the technical programs in each country is advisable.

In certain cases, the experts sent do not meet the exact needs expressed by the countries while in others, their activities have been impeded by a lack of cooperation or concrete information on the part of the governments or the requesting agencies regarding the specific tasks the experts are to perform. It is important to emphasize the advisability of having the foreign experts work as part of the organizations requesting technical assistance and cooperate in their respective programs along with the national officials responsible for implementing the programs.

With respect to the training of technicians in each country, it is necessary to intensify national efforts in order to raise the technical level of available human resources, and to draw up a program of specific needs. This program should contain a scale of priorities that will serve as a basis for the establishment of a fellowship program to be coordinated with the contribution made by foreign experts, in order that local technicians may in due time take charge of the respective programs.

1. See section A, Planning and Project Formulation of this Report, page 31.

/Concerning technical

Concerning technical assistance, the countries of the Hemisphere have shown a special interest in the OAS/Chile Aerial Photography Project as well as of the different benefits derived therefrom and related to land reform and rural development. For this reason, it is desirable to make the other countries aware of the experience obtained in carrying out that program.

e. The problem of foot-and-mouth disease

Foot-and-mouth disease is a constant menace affecting all South America and causing enormous losses of livestock, estimated at $300 million per year, not counting the indirect harm to exporting countries which, because of this disease, cannot compete in valuable international markets that are free of the disease.

All of South America shows a common interest in combatting the disease. Venezuela since 1952, Argentina since 1960, and Ecuador since 1961, have been carrying out national campaigns. The remaining countries have plans, which are in different stages of study or execution, involving various types of external financial aid. In this regard, it is indicated that a program for combatting foot-and-mouth disease based on vaccination and complementary measures would cost approximately $0.50 yearly per head of cattle, that is, around one hundredth of the net income per head.

Due to the fact that foot-and-mouth disease spreads rapidly, is highly contagious and due to livestock-geographic relationships, no country can fight it successfully by itself. Therefore, four regional groups have been established: one, consisting of Venezuela, Colombia and Ecuador; another, of Peru and Bolivia; a third, of Chile, Argentina, Paraguay, Uruguay, and the southern states of Brazil; and a final one covering the remainder of the latter country.

The region of Central America, Mexico and Panama is fortunately free of foot-and-mouth disease. However, the increased communications, and especially the development of the jungle areas between Colombia and Panama have increased the danger of its being introduced in this area. This would mean, among other things, that many of these countries would automatically lose their foreign markets for livestock and meat.

The Pan American Foot-and-Mouth Disease Center, created in 1952 by the OAS and administered by the Pan American Sanitary Bureau, deals with research, training and planning and with promoting the establishment and execution of campaigns to fight foot-and-mouth disease in South America and to prevent its spreading to the disease-free areas of the hemisphere. In the latter case, in Central America it cooperates with OIRSA (Inter-Regional Organization for Agricultural and Livestock Sanitation.)

Foot-and-mouth disease presents a problem with serious economic consequences to Latin American countries. Because of their special characteristics, this and similar diseases cannot be successfully combatted by the countries independently of each other; therefore, regional action is required. The need for common action is emphasized by international agencies and recognized by the countries themselves, especially in view of the prospect of channeling possible foreign aid requiring a guarantee of achievement of the objectives proposed.

C. FISCAL AND FINANCIAL POLICIES AND ADMINISTRATION

1. Progress in Tax Reforms

The examination of progress achieved in the adoption of tax reforms is outlined below:

a. Public sector resources

There can be noted, in general, a great effort to procure the necessary resources by increasing allocations of ordinary revenue to finance economic and social development without handicapping total investment, including the private sector, and without producing any disadvantageous fluctuation in price.

In spite of efforts made to date, it has not been possible to eliminate or reduce the defficit to the degree desired by the countries. However, all signs seem to indicate that reforms designed to achieve this aim will be continued in the future and that there is a broad area in which the countries wish to make improvements. By continuing these reforms it will be possible within the next few years to eliminate or reduce the government deficit to a degree that will neither hinder total investment nor produce any substantial price fluctuation. It must also be noted that strong pressures of every sort are hampering a solution to the chronic problem of tax deficit.

Thus in Panama, for example, as a result of tax reforms introduced in both tax structure and administration, ordinary revenue has increased in the last three years at a rate of 11 percent a year, which is slightly higher than the 10 percent rate of growth in expenditures. Nevertheless, the deficit continues to be substantial, and it is believed that this may possibly have limited investment by the private sector, although it has not perceptibly altered the price level.

To obtain needed revenue, Honduras raised the income tax rate on July 1 of this year by levying a supplementary tax of 20 percent on annual net incomes of 20 000 lempiras or more. A tax of 5 percent was levied on the sales prices of some automotive vehicles formerly tax exempt, and a progressive-rate tax was established for forestry and sawmill industries.

Guatemala is currently faced with a considerable deficit. To remedy this situation, an income tax was established on July 1, 1963 which was supplemented by increases in other levies, particularly the stamp tax affecting sales and legal acts. In addition, the real estate tax was reformed by establishing a 300 percent increase in the declared value of property that had not been reassessed within the last fifteen years, and a tax was also levied on the export of cotton and some essential oils, with a view to adjusting to the world market scale.

/Chile has

Chile has adopted, and has under discussion by the congress, reforms designed to obtain a greater volume of revenue, among which are the following: reorganization of tax brackets and more progressive rates in the over-all supplementary income tax; as well as substitution of tax credits for deductions in the same tax; establishment of a tax on capital gains; elimination of income tax exemption for profits invested by partnerships, and of the right to make estimates on various incomes, to be replaced by compulsory declaration of actual income; periodic reevaluation of real estate; change in tax brackets and rates on donations and inheritance; and inclusion of all the taxpayer's property, both at home and abroad, for inheritance tax purposes; and administrative reforms in the internal revenue service.

Since 1958 Costa Rica has had a serious tax deficit problem, created in part by the large volume of resources required to finance operations of the autonomous agencies. This crisis was aggravated by a difficult balance of payments position that made it necessary to take steps to discourage nonessential imports, and by the many incentives granted in accordance with the law for industrial protection and development. Furthermore, there has recently been a decline in import tax revenue; owing to a replacement of imports resulting from the industrialization policy. This situations has still not been resolved, and the following measures have been adopted, in an effort to balance the budget: under Law No. 3020 of August 16, 1962, the national banks are compelled to pay property and income taxes; improvements have been introduced in the income tax designed to prevent fragmentation, improve the system of witholding the source, facilitate tax payments on a quarterly basis, and set up an administrative tax court; and there has been established a progressive tax on idle lands based on area.

Moreover, it has been proposed to the congress that a tax be levied on the salaries of workers in the public sector and that other taxes be applied to domestic manufacturers in order to compensate for the exemptions granted by the law for industrial protection and development.

The Colombian Government, aware of the urgent need for taking steps to provide the resources required for economic and social development, requested that the legislature grant it special powers to make reforms along the following lines:

1. To change the structure, functions, methods, procedures, and organization of decentralized and autonomous institutes in order to eliminate duplication and improve their organization and operation.

2. To reform tax administration procedures.

3. To change the system of appraising intangible assets and that of exemptions and rates applied to companies that do not distribute profits in the country.

/4. To improve

4. To improve system of real estate valuation.

5. To levy taxes on the sale of finished goods.

6. To strengthen the departmental and municipal treasuries, improving the structure and administration of taxes for which they are responsible.

7. To establish a special surcharge amounting to 20 percent of the income tax.

8. To create a tax of 30 pesos on each import license. In addition, gasoline consumer tax was established, amounting to $0.25 per gallon, to be used exclusively for road building and maintenance.

The government of Argentina has made significant efforts to carry out a reform program, with a view to securing a substantial increase in ordinary receipts. It has also succeeded in reducing the deficit from an estimated $40 billion at the beginning of the fiscal year to about $5 billion.

With reference to taxes on incomes and other profits:

The regular income tax was strengthened by a surcharge of 20 percent levied on taxpayers with incomes above a certain level; taxes on special profits were suspended; a tax on capital of 2 per thousand was established and subsequently repealed; the basic income tax rate applicable to all brackets was reduced from 9 to 8 percent. The progressive table, with a 45 percent maximum remained unchanged, and the special personal deduction for salaried workers was raised from 126 000 to 240 000 pesos a year; the right to deduct acquired assets from net income, which had been allowed for purposes of incentive, was withdrawn from industrial and commercial firms, but retained for agricultural enterprises; subsequently, in February 1963, these incentives were partially reinstated authorizing deduction of 50 percent of investment provided they represent at least 10 percent of the increase in assets during each fiscal year; the tax on earnings from sales of subdivided property (lots) was raised from 5 to 10 percent and that on gambling winnings from 5 to 20 percent; an income tax incentive was granted for ranching operations, and the income tax deduction on corporate legal reserves was eliminated, excluding profits derived from the regular buying and selling of chattel goods, which are now liable to a special tax of one percent.

With reference to other taxes:

A provisional tax of 5 percent effective during the fiscal year 1963, was levied on farm commodities, affecting meat, wool, grain, and oleaginous seeds, and an additional tax of 5 percent was levied on all imports, with the exception of newsprint, medicines, plant-health products and imports from the member countries of LAFTA. The list of exemptions was subsequently extended to cover

/imports for

imports for activities with high national priority; a tax of 5 pesos per liter was levied on lubricants; in February 1963, this charge was raised to 10 pesos per liter; with certain exceptions, a tax of 5 000 pesos was levied on new passports and renewals; the tax on the buying and selling of automotive vehicles was increased by 50 percent; the general sales tax rate was reduced from 13 to 10 percent, except on luxury and nonessential items. A 3 percent sales tax was established for previously exempt articles; changes were made in the regulations governing the reimbursement of taxes paid on nontraditional export items, and, as an emergency measure, a provisional domestic tax was levied on gasoline at the rate of one peso per liter.

In Nicaragua, reforms were undertaken, partly to obtain necessary revenue, consisting principally of substantial increases in: the tax on inheritance and donations; the personal property tax, which increased from six and a half per thousand to one percent; the real estate tax from one per thousand to five per thousand on residences and from six and a half per thousand to one percent on urban and rural properties. To expedite administration, a distinction was made in the tax on capital between personal property and real estate. The rate on buying and selling of real estate was also raised. Finally, certain items under the stamp tax were increased and consolidated.

In the last three years, Mexico has shown a significant increase in ordinary revenue, although not enough to cancel the deficit in the public sector. This increase derives mainly from the income tax, whose yield rose by 12 percent from 1960 to 1961 and by 15 percent from 1961 to 1962; in the first quarter of 1963, the increase amounted to 17 percent over the first quarter of 1962. Moreover a new tax of one percent on salaries and fees, earmaked for secondary and higher education will yield 500 million pesos a year. It also charges employers an additional one percent on payrolls.

The tax on use and ownership of automobiles, established on January 1 1962, was improved. Changes in the income tax are being studied, with a view to establishing a tax on over-all company profits to replace the tax schedule now in effect for such profits. Consideration is also being given to reorganizing the supplementary tax on accumulated income.

In El Salvador, changes in the law governing inheritance and donations are envisaged, as a means of increasing treasury receipts. Reforms will also be made in the administration of taxes on income, roads, and inheritance and donations.

In Peru, laws were enacted in an effort to balance the budget by raising the rates of various taxes and establishing new ones. Subsequently, these laws were repealed or modified, during a period of tax readjustment, but it was possible to balance the budget to a considerable extent by raising the prices of the principal export items. For example, the tax on sardines was replaced by increased tax rates on the export of fish flour amounting to 11 percent as payment on account of the tax on profits or to a final payment of 6.5 percent when the export price exceeds a specific limit. Taxes were lowered on industrial

/and commercial

and commercial profits, and the supplementary tax on personal income was cut back to the rate prevailing in December 1962. The tax on income from credit operations transacted in Peru by companies located abroad was reduced by 16 percent. The stamp tax on recorded sales was reduced from 4 to 3.5 percent. A reduction of 30 percent was made in the tax rate on uninvested or undistributed profits in each fiscal year, which is considered as payment on account rather than final payment. Lastly, reforms are being made in tax administration, with the assistance of international counsel.

In Ecuador, the most important reform has been the tax law on total income. The old law was repealed and although the new legislation retains the earlier schedules in order to utilize accumulated experience in this area its aim is to add to the over-all tax. Administrative changes are also being introduced, especially to improve income tax organization, procedures, and regulations.

The Brazilian Government has made an effort to improve the effective use of taxation instruments for the purpose of reducing inflation. In addition to reforming public administration in general, the government has sent to congress a tax reform bill consistent with development aims and with the use of highly productive taxation methods, limiting the tax burden in each area with a view to the social and economic consequences. The compulsory loan approved by the congress affects all types and brackets of income capable of absorbing this charge without difficulty. It is based on 20 percent of the income tax for corporations, on profits from porperty, and on all taxes collected at the source except on wages and salaries. Taxes on public services were readjusted to avoid excessive subsidies, particularly in the transportation and communications sector. The income tax was readjusted by raising rates and increasing deductions for family responsibilities. A progressive supplementary tax was established on income from bearer instruments in order to encourage the identification of beneficiaries. In addition, the tax on consumption was adjusted, in accordance with the essential nature of the products affected.

Recently the executive sent to Congress several bills intended to eliminate the 1963 deficit and to balance the budget for 1964. These bills cover: unification of the stamp tax; creation of a 10 percent ad valorem tax on merchandise purchased abroad and an additional 10 percent tax on sales of luxury articles; establishment of a land tax at the rate of one thousandth of the value of property; the right of corporations to reinvest undistributed profits and unassigned reserves--accumulated up to December 31, 1959--whenever they exceed 24 percent of paid capital, a 10 percent tax to apply to such reinvestment, while any part not reinvested will be subjeted to a 5 percent supplementary tax; increase of up to 40 percent in tax rates on commercial and industrial profits and in the progressive rates of the complementary tax and of the tax on dividends on bearer shares and registered stock; unification of registration and property-transfer taxes, and elimination of the tax on profits from real estate transfers.

Paraguay has begun studies with a view to adopting reforms that will probably come into effect at the beginning of next year, one of the objects of which is to increase public revenue.

Ordinary revenue in Venezuela in 1962 showed an increase in comparison with previous years. This can in part be attributed to tax reforms initiated in 1961. It is hoped that the increase will be greater in future years with the introduction of programs for income administration and budget administration.

Uruguay faced an important deficit resulting from a temporary economic recession and from the slow rate of collection of income taxes established in 1961. However, certain adjustments in fiscal administration and in income-tax structure, for which provision has been made, and the establishment of a capital tax--to be paid only once--permit expectation that public revenue will return to normal in 1964.

b. Equitable taxation

The information currently available is insufficient to permit a complete evaluation of the progress made in equitable distribution of tax responsibility. The efforts of the countries have concentrated chiefly upon strengthening the income tax, so that it can gradually be transformed into a broadly based unit or over-all, personal and progressive system of taxation. It should be acknowledged that this process can only be achieved gradually, by degrees, and that the change-over from schedule tax on income to an over-all tax requires first of all a reduction in the number of schedules in order to avoid a substantial reduction in tax revenue, whether because the over-all personal tax requires more efficient administrative machinery, or because the structure of existing rates under the schedule tax requires changes that lead to revenue losses.

Thus, an improvement has been made in the area of tax equity, a characteristic that is essential if the system is to become a dynamic element in achieving better income distribution, and, as noted above, such efforts have concentrated mainly on strengthening the income tax in order to transform it gradually into a broadly based unit or a global personal and progressive tax. In like manner, many countries have succeeded in improving the equity of the system as well as through increased rates and adopting measures designed to systematize deductions and other related aspects.

The chief advance reported by Guatemala, for example, was the introduction of a progressive income tax with reference to both personal income and company earnings. The personal income tax does not affect those with income of less than 150 quetzales a month, and deductions are authorized for educational expenses, insurance premiums, professional service costs, etc., so that taking into account personal and family exemptions, 70 to 80 percent of employees are unaffected.

In Chile, the reforms mentioned previously are making a substantial contribution to greater over-all equity in taxation, particularly by strengthening the income tax. However, administrative reforms are also being undertaken in the internal revenue service in order to improve income tax control. In addition, the tax on dividends, which represented double taxation, was abolished.

/In Argentina,

In Argentina, the reforms adopted have to a great extent been geared to achieving equitable taxation. Of special significance is the increase for certain income levels entailed by the emergency tax, which will be in effect for three years, signifying a 20 percent surcharge on total income tax obligations. The lowest brackets on the scale are not affected by this tax since individuals with an income of less than 50 000 pesos a year are exempt from income tax. The tax rate on capital gains has been raised, while the legal reserve requirement for such profits has been eliminated. Furthermore, there has been a reduction in certain indirect taxes most directly affecting the lowest income sectors. In this respect, the general sales tax rate has been cut back from 13 to 10 percent, and the consequent loss of revenue has been compensated for by applying a rate of 3 percent to a limited number of articles previously exempt from taxation; basic commodities remain exempt. Another indication of progress toward equitable taxation has been a change in the basic income tax rate, which has been lowered from 9 to 8 percent; this measure favors small taxpayers who are not subject to the progressive tax scale. In addition, family deduction for the income tax purposes have been increased in order to exempt the lowest income groups.

In Panama, the progressive aspect of the system has been emphasized by means of the following reforms: increase in the income tax rates for medium income brackets, and the establishment of a 10 percent surcharge applicable to income from wages and salaries and an increase in the tax on income from capital from 20 to 40 percent; increase in real estate tax rates, and the determination of a minimum value of 30 balboas per hectare for farm property and a tax of 0.50 balboas per hectare for unregistered farms.

In Costa Rica, improvements were made in the administration of the income tax and customs duties. The property tax was generalized and the General Finance Administration was established.

In Honduras, the previously mentioned surcharge on the income tax will make the tax system more equitable. Furthermore, notice was given of termination of the agreement with the United States of America in order to avoid double taxation and to prevent income tax evasion. It is expected that a new agreement will be negotiated, to provide the Government of Honduras with greater control and increase collection of taxes.

Mexico modified the income tax on salaries and wages, replacing the monthly base with the annual base customarily used for all other legal schedules. In no case does the reform increase the workers' taxes, while it actually lowers the rate for individuals with variable monthly incomes. The tax on income from real estate operations was made general by ending the discriminatory treatment, accorded owners of industrial property, hotels and theaters. The procedure for verifying purchases by businessmen, industrialists, and farmers was simplified and made more realistic.

/In El Salvador,

In El Salvador, the tax system was made more equitable by administrative reforms. In general, this procedure has been applied to tax administration and has led to better control over the taxpayers.

In Ecuador, the establishment of a new income tax substantially contributes to the aim of equitable taxation.

In Brazil, the aforementioned reforms have helped to make taxation more equitable and have especially strengthened the income tax. Another effort has been the establishment of a system of tax reimbursement which recognizes the taxpayer's right to such reimbursement regardless of whether the payments concerned were made during the preceding or the current fiscal year. In addition, electric power charges were consolidated in a single rate applicable to all consumers.

A bill in Peru would exempt profits of less than 20 000 soles from the tax on commercial and industrial profits.

Tax reforms instituted in Uruguay at the end of 1961, establishing the income tax as the system's principal element, are an important step toward a more equitable tax system. Adequate margins of tax-exempt income and moderately progressive rates have been set.

c. Effectiveness of the tax system

Efforts to establish an effective tax system are highly important not only in themselves but as a means of reaching the further objectives of procuring revenue and ensuring tax equity, as evidenced by the analysis of progress achieved.

In some countries this has been one of the fields to which they have devoted their best efforts, since both the establishment of new taxes and the increase in existing rates would have unfavorable repercussions on total receipts. It has been verified that many countries have carried out administrative reforms in the tax field, including modifications of legal texts and of regulations on tax sanctions.

In general, with respect to the effectiveness of the tax system as means of generating public resources, most of the countries have indicated that their greatest efforts have been conducted in this field, with noteworthy results.

In Chile, for example, administrative reform relating to domestic taxes has led to a more funtional organization and regional decentralization. In addition, a personnel training program has been undertaken, a manual on procedures and supervision has been prepared, and an office for prosecuting tax fraud has been set up. Furthermore, the possibility of simplifying the inheritance tax is being studied with a view to reducing the number of degrees of relationship to which different rates are applicable. Finally, the income tax reform mentioned previously will help to increase the effectiveness of the tax system.

/In Argentina,

In Argentina, the changes mentioned above have helped to improve tax collection and to reduce tax evasion. To the same end, a progressive modernization and improvement of tax administration has been achieved.

In Panama, the following administrative reforms were introduced in order to increase the effectiveness of the tax system: initiation of an interministerial aerophotogrammetric project designed, among the purposes, for rapid evaluation of rural properties formerly beyond the scope of the real estate tax; elimination of the obligation to prove intent to deceive in connection with penalizing tax violators; initiation of a campaign to publicize the scope of the tax system; creation of additional facilities for tax payments, utilizing the offices of the National Bank of Panama located throughout the country; negotiations with the United States Government to arrange for withholding at the source the income tax of Panamanian employees in the Canal Zone; and initiation of a personnel training program and preparation of a manual on tax procedures.

Nicaragua issued a decree on ordinary tax legislation for the purpose of improving legal texts. In addition, a cadastral survey is being undertaken with a loan from the Central American Bank, and an active effort is being made to improve tax administration, with the help of advisors from the joint tax program of the OEA/IDB/ECLA, and from the United States.

In Costa Rica, a bill has been submitted to congress that would deny certain public services to those who fail to declare their income or real property. This step was motivated by the conviction that there is still a margin of noncompliance with tax obligations and that, consequently, heavier penalties must be imposed on tax evaders.

Honduras has issued a decree empowering the Executive Branch to impose fines which, if not duly paid, are collected by court order through seizure, appraisal, and auction of the debtor's possessions by the common courts, and a law was enacted to control exemptions from customs duties, and reforms were made in administrative procedures with a view to improving collection. Finally, on a basis of accumulated administrative experience, the regulation of direct and indirect taxes has been improved.

In Colombia, the special powers requested from congress, as mentioned previously, foreshadow a fundamental change in tax administration which will undoubtedly make the tax system much more effective.

In Guatemala, a technical committee has been organized to undertake a thoroughgoing reform of the tax system. In accordance with current legislation, however, the government already has the authority to demand payment of taxes, contributions, rates, etc., by exercising economic pressure, and the Ministry of Finance maintains a specific legal section for this purpose, making it possible to take legal action against delinquent tax payers.

/Mexico has

Mexico has made improvements in its legal texts; in this connection, various legal precepts have been changed in order to solve problems of technique or interpretation. Since the services of experts provided by firms located abroad have been used as a means of siphoning off profits or royalties and evading progressive taxes, the tax rate on income received by these firms was raised from 10 to 20 percent. Reforms have also been drawn up for the by-laws of the income tax law. Furthermore, there has been an improvement in tax administration. The main effort in this direction has been concentrated on enrolling income tax payers in a new federal register which currently lists 3 500 000 names. This register will be the future basis for control measures, primarily in connection with the personal income tax. According to present plans, tax standardization will be completed and, beginning with the 1962 declarations, the taxpayer himself will determine his taxable income, with the tax administration reserving the right of revision and establishment of responsibility, and a complete body of legislation has been drawn up with reference to sanctions for noncompliance with the tax laws.

In Ecuador, important changes are currently being introduced, including a tax code, a new stamp tax law, a law on sales and consumption, and new by-laws for the income tax law.

In Peru, a tax amnisty was granted until January 15, 1963, for the benefit of those who have failed to declare their income or pay their taxes. It was felt that in order for this measure to be fully effective, the system of sanctions would have to be reorganized. Accordingly, a single integral instrument, Law No. 14816, classified tax violations and established penalties. Such penalties may entail fines or loss of liberty. The fines range from 500 to 500 000 soles and are applied by the tax administration. Confinement involves prison terms of from two to six months meted out by the Judicial Branch. Consideration is also being given to the possibility of charging interest on overdue tax payments. The same provision covers the violations and misdemeanors of which tax administration officials may be guilty and provides for the corresponding penalties. In Peru a permanent numerical record has also been established, which must figure in all sworn declarations, balance sheets, and tax payment forms. An Intelligence Division was formed to investigate cases of evasion, and, furthermore, the government has assumed the collection task, formerly in the hands of a private organization.

In Brazil, in order to prevent tax evasion through the distribution of profits among firms belonging to a single financial entity, taxes on dividends or any other bonuses paid on registered stock held by corporations were withheld at the source. The effectiveness of the tax system was also improved by the aforementioned measure, which created a tax on income from bearer instruments.

A program entitled "Income Administration" will be put into effect in Venezuela in relation with the national development plan. This program proposes to modernize all the systems and procedures utilized for collection, inspections, and control of the state's income, especially internal revenue, income taxes, and customs receipts. There is also another program, entitled "Budget Administration," which contemplates the substitution of the program budget technique for budgeting by administrative units. Finally, another program comprises technical selection, classification and remuneration, training, and promotion system for tax administration personnel.

/d. Systematization

d. Systematization of the tax structure

In considering that one of the fundamental objectives of tax reform is to systematize the structure by reducing the number and simplifying the application of taxes, it is acknowledged that this cannot be a short-term goal, for various reasons, including the need to maintain an adequate level of revenue. Nevertheless, some progress has been made, at least insofar as organizing a more systematic structure is concerned, but much remains to be done. There are still a number of small taxes that are expensive to collect and that fail to meet even the minimum conditions of equity. They should, therefore, be eliminated.

With reference to this objective, it was generally recognized that the process is one which by its very nature requires a longer period of time. Therefore, less progress was achieved here than in the case of other objectives.

Committees are already working in Brazil, Guatemala, Argentina, Peru, and Ecuador to formulate complete revisions of the tax structures. Because of the individual differences between indirect taxes, it was recognized that it would not be possible to simplify them in some countries. It was also recognized that through its tax studies, the joint tax program of the OAS/IDB/ECLA has made a substantial contribution toward systematizing the tax structure.

Honduras, with the help of the OAS, has prepared a careful study that will serve as a bases for revising its present tax structure, which will be replaced by a more equitable, modern, and efficient system designed to generate a larger volume of tax revenue and to improve distribution of the national income. In this connection, Honduras has asked the OAS to provide further technical assistance in preparing the specific bills, which will be presented to the national congress at its next session.

The preparation of the 1964 budget in Uruguay will permit the introduction, in the next few months, of important improvements in fiscal administration. It will also allow adjustment of the tax structure instituted in 1961 on the basis of results obtained so far.

It should also be pointed out that tax administration reforms are under study in Paraguay.

e. Incentives

The tax incentives have been widely employed in many cases to encourage the channeling of resources into those activities that have the highest economic and social priority. On the whole, there is concern regarding the heavy losses in tax revenue that can result from certain incentives as compared to their potential benefits. It was emphasized that systems of tax incentives must be made more efficient and that agreements must be reached to prevent competition between the Latin American countries, which could only work to the detriment of their treasuries. It was recognized that resources, equitable taxation, and the effectiveness and systematization of the tax structure cannot be sacrified for the purpose

/of offering

of offering incentives of doubtful consequence. Nevertheless, there is certainty that it is possible to establish a set of over-all incentives that do not conflict with other aims of tax reform and economic development programs.

Moreover, there was put into relief the need for modifying and coordinating existing systems in order to avoid distortions in the channeling of foreign capital resources deriving from excessive incentives, taking into consideration as well tax treatment by the capital exporting countries of their investments in Latin America.

In this respect, Argentina has reorganized its incentive system to benefit those activities and specific geographical areas whose development it wishes to promote.

The member countries of the Central American Common Market have approved, or are in the process of approving, the Agreement on Uniform Central American Incentives.

A draft bill in Panama is being studied covering new incentives, whose principal aims are the following: to systematize incentives and thus channel the discretionary power of the authorities; to provide incentives to new branches of industry and not merely to new industries; to grant such incentives on the basis of the ratio between the revenue forfeited by the state and the aggregate value generated by the new activity; and to provide equal incentives automatically to enterprises in equal circumstances.

Chile is studying a plan for improving the incentives system and has already made a proposal to the national congress, that emphasizes the use of accelerated depreciation as a means of providing inducement to industries considered by the Development Corporation to have high priority.

The Mexican income tax law makes it possible for manufacturers to use methods of accelerated depreciation and reinvestment of profits, which do not affect the tax on corporate profits, but only that on distributed earnings. Tax exemptions have been established for exports, amounting to 50 percent of the income tax on profits derived from the annual increase in exports.

The United States is considering a proposal for extending credit against tax obligations on a percentage of investments made in the Alliance countries. Furthermore, it should be noted that the President of the United States proposed to Congress a new tax legislation that would greatly discourage the exportation of United States capital to other developed countries by taxing the purchase by United States citizens of stocks and bonds issued by foreign companies.

In Brazil, Law 4239 of June 27, 1963, provides tax and financial benefits, in addition to those granted by article 34 of Law 3995 of 1961, which established financial incentives and tax exemptions for enterprises located in Northeast Brazil.

/Uruguay is

Uruguay is considering some legal measures to create incentives to industrial production for export. Also under study is a system of tax refunds to export industries, based on the extent of their impact on national production.

In September of the present year a Committee on Foreign Economic Policy was created in the Chilean Ministry of Foreign Affairs. The main objective of this Committee will be to formulate and coordinate the country's foreign economic and trade policy in all its aspects, and to carry out studies for the promotion of national exports.

f. Common markets

The importance was recognized that from the outset there must be emphasis on the need for coordinating tax systems, eliminating irregularities resulting from existing differences, in order that changes in the tax structure will enable the common markets to operate effectively and will permit more efficient use of production resources. The committee recognized, however, that very little has been done in this field, owing in part to the lack of technical studies specifying the reforms required to create appropriate tax conditions within a common market. Therefore, it is necessary to begin these studies as soon as possible in Central America, efforts along these lines have already been begun.

g. Structure of public expenditures

Generally speaking, steps have been taken toward the adoption of a policy designed to increase total expenditures for consumption more closely to the level of strict necessity, and reduce superfluous expenses. It should be noted that important advances in this field may be seen.

In Chile, for example, public investment increased in proportion to total public expenditure. Spending for education, housing, and health have also increased substantially.

In Argentina, the 1963 budget represents an effort to overcome current economic and financial difficulties. Although expenditures were drastically reduced, consideration was also given to social factors.

In Nicaragua, the planning office has been reorganized and has been made responsible for modifying the bases of public expenditures establishing essential priorities and controlling expenses.

In Panama, capital expenditures increased from 9 percent of the total for the public sector in 1960, to 21 percent in 1961 and 23 percent in 1962. This expansion was achieved at the expense of a reduction in current expenditures, since allocations remained constant.

A planning office was set up in Costa Rica at the end of 1962 which is currently preparing public investment programs within an economic development plan.

/The initiation

The initiation of a short-term plan in Honduras has required a considerable increase in investment expenditures.

In Guatemala, the 1963/64 budget calls for an allocation of 36 percent of the total to public investment in development programs; operational expenses have been eliminated insofar as possible, but wages and salaries remain unchanged.

The economic and social development plan now in effect in Colombia has led to a maximum effort to limit expenditures for consumption and to increase those for investment.

h. Financial control instruments

The complexities of contemporary public administration and economic development programming require substantial changes in the instruments and processes of financial control so that they can be used for management of the entire public sector and allow for continuous appraisal with a view to facilitating government decisions, areas in which important advances may be noted.

In this respect, Chile has improved the mechanism for analyzing and preparing the annual budget, by studying the public sector in its entirety, establishing close coordination between the planning administration and the budget administration, and preparing a budget and consolidated balance sheet for the public sector as a whole. Statements of cash balances are also being prepared each month to show government receipts and expenditures, as well as a statement of domestic and foreign public indebtedness.

In Guatemala, there is a certain problem involved in controlling the entire public sector, since autonomous agencies have their own resources. Notwithstanding, the central government assigns budget funds for either current expenses or investment.

In Panama, no specific measures have yet been instituted, but the following possibilities are being studied: transfer of accounting responsibilities from the Office of the Comptroller General, which is part of the Legislative Branch, to the Ministry of Finance and the Treasury; reorganization of the government accounting system in order to analyze the comportment of the public sector; and complete revision of national accounts.

Costa Rica faces a crisis because of the fact that funds have been assigned to a number of autonomous agencies on an inflexible basis and cannot be adjusted to government priorities and to the amount of funds available.

In Colombia, a budget has been drawn up by programs and incorporated within the development plan.

/In Peru

In Peru and Ecuador, work is underway on reorganization of the budgetary system.

In Brazil, substantial changes have been made in the procedure for financial control of the entire public sector, with the aid of modern mechanical data processing equipment. In addition, regulations have been established to govern the preparation and implementation of budgets in order to convert the budget into an instrument for effective execution of the three-year development plan.

2. Principal Aspects of a Tax Reform Program

Taking into consideration the general guidelines adopted in the Act of Bogotá and the Charter of Punta del Este, the objectives of tax reform and the measures required for their attainment must be clearly defined primarily in order to facilitate the adoption of such reforms by the member states.

A determination of these objectives will greatly expedite the analysis and evaluation of progress in the fiscal reforms to be carried out in compliance with the mandates of the Charter of Punta del Este. It will also serve to provide the countries with general guidelines for making the changes required in the Latin American tax systems in order to hasten economic and social development.

It is necessary to integrate tax policy closely with economic and social development programs, in order that the measures adopted will be in line with the general principles of these programs and will effectively contribute to compliance with the objectives and aims set forth therein.

It is most important to take into consideration that, in the great majority of cases, the capacity for fulfilling the objectives of development programs is limited by balance of payments problems and by low levels of domestic savings; consequently, tax policy should insofar as possible gear itself to solving these problems.

It is also essential to point out the importance of coordinating tax policy with monetary and international trade policies, so that the entire economic policy will constitute a coherent system that will effectively help to accelerate development of the Latin American countries.

With specific reference to tax measures, the merits of the entire tax system must be considered, taking into account the effects on the economy of these measures as a whole, rather than the effects of each separate tax. Furthermore, in setting forth the objectives of tax reform and the measures to be adopted for this purpose, it should be borne in mind that some of these conflict with each other and that for this reason special emphasis should be placed on achieving proper balance among the fiscal reform measures adopted, with a view to optimum results, in line with the socioeconomic characteristics of each country.

The objectives of a fiscal reform should be geared to:

First: PUBLIC SECTOR RESOURCES.
To secure the resources needed to finance economic and social development programs, the objective should be to obtain adequate revenue without hindering total investment, including the private sector, and without inducing damaging changes in the price level.

The volume of public revenue to be generated will be determined by the amount of public investment specified in the development programs. For this purpose, the state should take full advantage of non-tax income, which can be done by establishing adequate price for public enterprise goods and services.

In adopting measures designed to attain this objective, special consideration should be given not only to obtaining more funds but also to organizing the tax system so that it will have the flexibility required to maintain collection levels and ensure equitable treatment of taxpayers, two aims that could be frustrated by changes in the general economic situation, as for example, inflation. Without attempting to list all possible measures for making the tax system more flexible, the following must be considered: readjusted assessments, collection by withholding at the source, fewer taxes stated in fixed amounts, etc. As an effective means of achieving this objective, the need must be emphasized for eliminating tax evasion.

Second: EQUITABLE TAXATION
To distribute the tax burden justly and equitably, so that the larger income groups will pay more and the lower income groups less. This aim will be achieved when taxpayers in equal circumstances bear an equal tax burden and when total tax obligation increases in proportion to the taxpayer's financial position.

To this end, organization of the tax system should be based primarily on direct taxation. In this connection, the income tax, which by its very nature is more likely than are other taxes to provide fair treatment for the taxpayer, should be given a preferential place within the tax system. Similarly, the reorganization of indirect taxation for the purpose of levying a higher tax on luxury items would be a significant contribution toward this aim.

Especially important is the improving of tax administration, since full payment of tax obligations is essential to tax justice.

Third: EFFECTIVE COMPLIANCE WITH TAX OBLIGATIONS
To ensure full payment of taxes through improved legislation and tax administration legislation.

One suitable means of attaining this objective is to codify all tax legislation setting forth provisions in a clear, specific, and coherent manner. An efficient system of sanctions is decisive in obtaining full payment of taxes.

/Changes designed

Changes designed to systematize the tax system regulations by reducing the number of specific taxes, for example, are a vital factor in simplifying administration, making it easier for the tax officials to do their job and for the taxpayers to fulfill their obligations.

An important step toward this goal would be to coordinate tax systems of the various government levels (central, state, and local governments, etc.).

The most important measures to achieve efficient administration are, for example: codifying tax laws improving tax statistics, reorganizing tax administration offices; properly staffing these offices with technical personnel; providing extensive training programs; enacting laws designed to guarantee job tenure and adequate remuneration for tax officials.

It is vital that the governments be supplied with adequate, timely, and rapid technical assistance and that they take advantage of the facilities for technical assistance already available, particularly those offered by the joint tax program of the OAS/IDB/ECLA and the Agency for International Development (AID), in cooperation with the U. S. Internal Revenue Service.

Fourth: INCENTIVES

To adopt a sound efficient policy of tax incentives designed to channel investments only to activities with high economic and social priority or to specific geographic areas, while discouraging investments in other non-essential activities, all in accordance with respective development plans.

In adopting tax inducement, an effort should be made to see that these interfere as little as possible with the primary objective, which is to generate public revenue.

In connection with the proper operation of an incentives system, the tax treatment of investments in Latin America by capital exporting countries is important. In this respect, such treatment should entail general and impartial benefits, for the various economic activities, whenever this is possible within the tax systems of those countries.

Fifth: COMMON MARKETS

To promote the effective operation of common markets by endeavoring to coordinate the tax systems in order to avoid distortions in production and trade structures of the member countries induced by tax considerations.

This field requires complete studies of the implications of tax coordination, in both the Latin America Free Trade Association and the Central American Common Market.

To achieve this objective the effects of taxation on costs and prices must be balanced out in each of the member countries. Unless this is done, there is

/a danger

a danger that resources within the common market will not be used to best advantage.

Another way to achieve this objective is to harmonize the tax incentives with investments in all the member countries. Otherwise, costly competition will result which will lead to a needless decline in public revenue.

The common markets need to conclude agreements designed to eliminate double taxation. Emphasis must also be given to the need for standardizing legal concepts in order to bring the entire tax policy into line. Laws often fail to make clear differences in actual tax levies based on conflicting definitions of taxable income, deductions, exemptions, etc. Therefore, initial studies should begin by fully setting forth the complete tax systems of the member countries.

An essential part of the mechanisms designed to promote effective operation of the common markets will be the definition and determination of common policy with regard to the countries that do not belong to the market.

Sixth: STRUCTURE OF PUBLIC EXPENDITURES
To limit public expenditures to strictly essential items, eliminating those that are unnecessary or superfluous and increasing the percentage of total expenditures allocated to infrastructure and to other economic investments, as well as to social development programs within the context of general development plans.

The policy for public expenditures should be an essential part of the economic and social development program of each country. Within this program, a determination should be made of the amounts to be invested in infrastructure and in other economic projects, as well as the expenditures required for education, public health, housing, community development, etc., in order to achieve social objectives. The strict distribution of public expenditures, in accordance with the priorities adopted by each country, must be encouraged.

To achieve this end, subsidies having no clear economic or social justification must be eliminated.

As an integral part of this goal, prices of goods and services furnished by public enterprises should also be set, so that their yield will insofar as possible, be equal to that received by private enterprises after taxes.

Seventh: CONTROL PROCESSES AND INSTRUMENTS
To establish processes and instruments making possible a more efficient use of public resources and an adequate knowledge and control of public sector activities. Such processes and instruments should cover all receipts and expenditures, including those deriving from central government indebtedness and from other state agencies forming the public sector, at both the national and local levels.

/This requires

This requires an efficient and effective system for preparing budgets and plans which will translate the economic and social development program into an operational budget for each fiscal year. In this respect, a program budget would be one of the most useful of all measures. Along the same lines, in order to assign resources of the public sector more efficiently, adequate mechanisms must be set up to prepare and evaluate projects and to systematize procedures and methods.

In this connection it would be desirable to establish an effective system of transferring personnel from one part of the public sector to another of maintaining comparable costs for the purpose of analyzing and evaluating development of the several government programs. It was also stressed that a qualitative and quantitative improvement in statistics public sector, statistics including data on the public debt, income, and expenditures, was essential.

It is important to maintain a certain uniformity within the entire public sector with reference to accounting systems and to classification of receipts and expenditures.

There is also a need to establish an instrument for incorporating monetary estimates within the budgets with a view to using the banking system, on a non-inflationary basis to finance economic and social development programs.

Importance must also be given to the desirability of obtaining tecnical assistance in this field, both from the traditional sources of such assistance and through an exchange between the Latin American countries.

In reorganizing existing tax systems to attain the aforementioned objectives, specific measures, in addition to the general ones already described, should be included in the reforms, although these should be adapted in every case to the particular characteristics of each country. Such measures may be summarized as follows:

1. The share of public revenue deriving from income and property taxes should be increased.

2. The tax on individual income should not vary according to the source of the income; it should be personal and progressive, and include taxes on capital gains.

3. The income tax should include a charge on corporate profits. Tax rates on corporate income might be proportional or moderately progressive. Gains resulting from disposal of corporate assets should also be subject to income tax.

/4. It is

4. It is advisable to establish a tax on net property, as a supplement to the income tax. Efficient administration and improved techniques for determining assessments are indispensable to proper application of this tax.

5. A general statement of assets and liabilities should be required, in order to facilitate the establishment of administration of the proposed taxes.

6. A progressive tax on inheritance should be established, supplemented by a similar tax on gifts.

7. Tax revenue should not be based fundamentally on indirect taxes except insofar as indicated by an over-all study of the system on the basis of the tax potential. Actually, it would be desirable to reduce the ratio of indirect taxes and to simplify the structure of these inasmuch as, because of their greater impact on the poorest sectors, their application is unjust and the great many separate items of such taxes makes for a complex tax and administrative mechanism, while at the same time basically affecting prices of consumer articles, thus lowering the purchasing power of the masses. It is desirable, however, to raise taxes on luxury and non-essential articles.

8. With reference to taxes on imports and exports, although their structure is determined by the nature of each country's trade policy, they should be adapted insofar as possible, to the general objectives of tax reform set forth previously and to those of economic development.

D. PUBLIC ADMINISTRATION

1. The Present Situation

During the 1962-63 period noteworthy improvements were made in the efforts of the Latin American governments to put into practice administrative methods in keeping with the requirements of economic and social progress, especially where the speedy implementation of development plans and programs is concerned.

Such efforts acknowledge the urgent need for technical competence within public agencies, both for the preparation and especially for the execution of these programs. They are the result of ten years of work by technical assistance agencies and national and international research institutes, who have helped to lay the groundwork for the adoption of scientific principles of organization and administration in the public sphere.

In addition to the improvement of methods and systems of work, remarkable advances were made in structural reforms, which are being adopted in order to provide public administration with the institutional framework, the authority and the dynamic qualities required for accelerating development and attending to the new responsibilities of the government.

Personnel training is another generally recognized important aspect. Without exception, all the countries have intensified their efforts to raise the levels of preparation of their personnel. Progress in this field is nevertheless slow and very unequal, being affected in each case by various factors. The brief details given below are representative of these efforts and the determination of the governments in the area to overcome the evident weakness of administrative machinery in most of the countries of Latin America.

It may also be noted that the creation of the new institutes which are already or will soon be in operation, for training and study in the administrative field are in many cases regional in scope and have been set up in a spirit of Inter-American cooperation, in keeping with the thinking and the objectives of the Alliance for Progress.

In Argentina many noteworthy measures have been adopted to simplify administrative procedures in areas considered critical for the development of economic activities. Furthermore the Instituto Superior de Administración Pública (ISAP) has authorized the establishment of an ad hoc service called "Centro Regional de Estudios de Administración del Desarrollo," for the purpose of meeting, training and research needs in this field, in cooperation with the efforts of the "Consejo Nacional de Desarrollo" and the "Consejo Federal de Inversiones." The Ford Foundation, which has already granted the ISAP a subsidy of US$100 000, will cooperate with the Center, as will the OAS programs of Technical Cooperation and Administration for Development.

/Bolivia has

Bolivia has included within its plan for Economic and Social Development certain activities designed to improve the administrative system. In mid-1963 the "Comisión de Reforma Administrativa" prepared, with the help of the Organization of American States, a long technical report which is being acted upon by the government. The most important measures adopted up to the present aim at strengthening the authority of the high-level agencies responsible for the execution of the Plan. The General Secretariat of the Office of the President was reorganized.

Among other functions, it now embraces the "Dirección General del Servicio Civil," the "Servicio de Organización y Métodos," the "Instituto Superior de Administración Pública (ISAP)," and the coordination of administrative activities in general. The Secretariat for Planning was likewise put under the Office of the President and its functions were raised to ministerial level. The ISAP, which is primarily intended for training and research, was planned as a joint endeavor of the Government of Bolivia and the OAS and AID technical assistance programs, with the participation of other international agencies. This is the first example of such cooperation and coordination in the field, and in line with the principles adopted in the Charter of Punta del Este.

Brazil is one of the countries which have been most concerned with the advancement of administrative science in the field of public administration. For many years it has made available to the other countries of Latin America its specialized training institutes and its experience in the area of administration, and it has continued and recently intensified its efforts to make such methods more widely known and employed. In addition to the Brazilian School of Public Administration, of the Getulio Vargas Foundation, which AID and the University of Southern California are currently assisting, similar institutes have been organized in Rio Grande and in Bahia, and plans are under way for another in Fortaleza which is to specialize in development administration and be set up in collaboration with the University and the Bank of the Northeast, under the auspices of the Organization of American States. Besides these efforts in the field of training, mention should be made of the creation of the Ministry of Administrative Reform, which is responsible for suggesting the changes required in the administrative mechanism, primarily to achieve the joint operation and integration of all the bodies engaged in the planning, financing and implementation of development plans and programs. One of the first high-level agencies created as a result of this effort and for the purpose stated was the National Planning Coordinating Committee, which will supervise all administration planning.

In Chile, the "Instituto de Organización y Administración (INSORA)" has intensified its cooperation with centralized and decentralized administrative agencies and with the "Contraloría General," in order to hasten the adoption of more rational methods of organization and operation. It likewise takes part in the training of specialized personnel and in the preparation of studies, such as the one recently undertaken on the simplification of export procedures and the one dealing with technical personnel needs in the various administrative services. Similar noteworthy progress has been made in work connected with budget application by program. In addition to INSORA, the University of Chile has other institutes engaged in public administration training, in order to meet the growing demand for duly equipped personnel at the intermediate and higher levels.

/In Colombia,

In Colombia, following upon the general administrative reform, the "Escuela Superior de Administración Pública" has been carrying on significant activities. This school was created by the Colombian Government to train the personnel required to reach the targets set in connection with budgetary matters, planning, organization and the rationalization of administration. In April 1963 this school, with the help of the Ford Foundation, the United Nations, the Organization of American States, and other technical assistance programs held a Latin American conference on public administration for the developing countries, which produced a valuable exchange of experience in this field. In July of the same year, this school, together with three other agencies of the Colombian Government, took part in the Seminar on Government Purchases and Supplies held in Bogotá and organized by the United Nations.

Costa Rica, mainly through the activities of the "Dirección General del Servicio Social," the University, and its participation in the "Escuela Superior de Administración Pública de América Central (ESAPAC)," continued to work toward achieving better levels of personnel training and also took an active part in the seminars and research on administration for development that were organized by ESAPAC together with the other countries of Central America.

In Ecuador during this period, the "Escuela de Administración Pública," of the Central University, with the cooperation of the University of Pittsburgh, of the United States, and AID's technical assistance program, intensified its personnel training activities and its studies on administrative matters. Furthermore, the Government has undertaken administrative reforms in connection with its Plan for Economic and Social Development, including the creation of a Secretariat for Administration at the ministerial level, to enable the administrative mechanism to function more expeditiously.

In El Salvador, besides the enactment of the Civil Service Law, the Government and its planning and coordinating institutes have been increasingly concerned with the need to adjust administration to development requirements, with emphasis being placed on the need to intensify personnel training, above all at the intermediate level.

In Guatemala the "Centro para el Desarrollo de la Administración Pública," organized with AID support, has extended its field of action to cover all levels of administration. Together with ESAPAC, and like the other republics of Central America, it is carrying out intensive training that is aimed principally at those aspects which are practical and readily useful for the improvement and strengthening of the system of administration.

In Haiti, as in other countries, the need to intensify the training of civil service personnel became evident, and activities in this regard were initiated both at the Polytechnic School and the Haitian Institute of Statistics.

In Mexico both the "Escuela de Ciencias Políticas y Sociales" of the University and the "Instituto de Administración Pública," as well as other administrative agencies have offered training courses for public employees and made available broad opportunities for the training of Latin American fellows.

/Besides contributing

Besides contributing to and participating in ESAPAC, Nicaragua has created the "Instituto de Fomento Nacional," within which it is setting up a training center designed to meet the requirements of the country with regard to development administration.

In Panama, the University has added special courses to its regular training programs, in order to turn out qualified personnel for specific fields such as the budgetary, statistics, etc., in order to meet planning and economic and social development needs.

Paraguay has continued to intensify the activities of "Escuela Paraguaya de Administración Pública" and the "Centro de Adiestramiento en Servicio" with the help of AID and the United Nations. The National University of Paraguay, likewise is providing advanced training in this field.

In Honduras training activities and cooperation with ESAPAC were continued, and steps were taken to facilitate budget appropriations by program.

In Peru the "Instituto Peruano de Administración Pública" has intensified its activities through a program expanded with the assistance of AID in order to meet training requirements at all levels of administration. A program-budget law was enacted and has already been put into force as regards the activities of the central government, but it will later apply to all activities in the public sector, including those of local government. During this period the "Universidad Nacional del Centro" organized special courses in administration in its "Facultad de Administración Pública," which has been designed to meet development requirements.

In the Dominican Republic, activities have been undertaken for the training of specialized personnel, particularly in the budgetary and tax administration fields.

In Uruguay, the "Universidad de la República" has continued its studies of problems of administration at the "Facultad de Ciencias Económicas y de Administración" and recently expanded its activities to include specialized training by setting up the "Escuela de Administración." Important changes in the 1964 budget are planned for the purpose of benefiting the operational side of its administration. Other changes provide for, among others, the reshuffling of the functions of the ministries, the chief of these being the changing of the "Ministerio de Instrucción Pública" into the "Ministerio de Cultura y Justicia" and the changing of the "Ministerio de Industria y Trabajo" into the "Ministerio de Industrias, Comercio y Comunicación" and that of the "Ministerio de Trabajo y Previsión Social." The "Instituto Nacional de Previsión Social" will be created as a part of the latter and will deal with all matters connected with retirement, pensions, family allowances, sickness insurance, etc., which are currently uncoordinated services. The "Ministerio de Trabajo y Previsión Social" will also include the "Servicio Nacional de Empleo," which will be responsible for the regional and sectoral aspects of unemployment. A "Junta Nacional de Crédito Público" will work toward channelling public savings toward direct financing of development plans and coordinate the activities of the various

/agencies working

agencies working in this field. These innovations also cover the planning mechanism, institutionalizing the economic planning advisory service at a higher level, setting up similar departments in public agencies, and establishing the "Comité de Presupuesto" for the purpose of bringing public budget policy in line with development plans. To this end, the planning body will be represented on the aforesaid committee. The 1964 budget will make a distinction between current expenditure and "investments" and, although it will maintain its former structure as regards primarily administrative sectors, it establishes an operational model budget by program for which quantifiable aims and objectives can be set, as in the case of health, education, power, agriculture, and public works programs.

In Venezuela the "Comisión de Administración Pública" continued to work on administrative reform, and the "Escuela de Administración Pública" commenced its activities with specialized courses for the training of public administrative employees. Furthermore, the "Centro de Estudios de Desarrollo", together with the "Universidad Central de Venezuela" and the "Oficina Central de Coordinación y Planificación", is carrying out studies and holding courses for the training of high-level specialists in problems connected with the formulation and execution of development plans and programs.

2. Obstacles and Limitations to be Overcome

In addition to the previously noted limitations and deficiencies of Latin America with regard to the government employee's level of preparation, especially at the intermediate level, for whom the necessary steps have been taken in all the countries toward in-service training and the training of future qualified administrators, there are still some obstacles of an essentially operational nature which the governments are striving to overcome by creating, in most cases, adequate services for the organization and rationalization of operations.

The survey conducted by the OAS to determine to what extent the present state of administrative machinery in Latin America would be useful in accelerating the implementation of development plans and programs reveals that, besides the public employment and civil service field, mentioned above, there are at least three critical areas where the technical assistance efforts of government and international organizations must be intensified in order to adapt mechanisms and administrative systems to development needs.

These areas are budget administration, organization and functions of higher administrative levels in the determination of policy coordination, supervision and evaluation, and legislation.

Efforts to improve budget administration should be intensified, as has already been done in some countries, to make possible the translation of plans and programs into regular and adequate budget formulas so as to avoid delays in the completion and utilization of the works and projects programmed.

/The criteria

The criteria for the assignment of functions and mechanisms for the determination of policy or decision-making should also be studied so that they may be adapted to the particular administrative needs and characteristics of each country. Rarely has it been possible, for example, to apply satisfactory formulas for the decentralization or division of administrative work without affecting the unity of administrative action and its correlative functions of coordination and supervision.

Finally, there is the problem of unnecessary or antiquated juridical, legal or procedural red tape, a matter which has repeatedly been noted in most of the Latin American countries, where there already is a keen awareness of the need for legal reform or simplification, and for procedures to speed up and lower the cost of civil and commercial transactions involving the use of water, mines, rural administrations, etc., which are the material bases of the development being sought.

3. Criteria for a Program of Action for the Improvement of Administrative Mechanisms and Systems

It is the view of the Latin American officials and technicians consulted that, for the most part, what is most important to the attainment of the goals of the Alliance for Progress and to the adaptation of administrative machinery to development needs is the support that can be given to local institutions and local talent to enable the countries to become self-sufficient as regards the technical personnel and the development of criteria for direction and execution required for the programming and acceleration of economic and social progress.

Administrative reform is considered necessary in most of the countries of the region. The urgency of a united attack on the problems of bureaucracy and on inefficiency in the administrative arm of government is patent.

However, although opinion among Latin American officials generally favors reform and expresses the desire that such reform be extensive and cover all sectors and procedures of administration, this by no means implies a desire for change of a political and institutional nature but rather for a technical and juridical adjustment (covering regulations and procedures) that would impart to government machinery greater flexibility, dynamism, capacity for action, stability and in a word, efficiency all along traditionally democratic lines.

The meaning of the expression "over-all reform"--even in cases in which this reform is qualified as "basic" to the goals of economic and social development--should be interpreted as a total adaptation or modernization of the administrative machinery and its component parts, both personal and material, to stamp it with the rhythm, cohesion, capacity, authority, and prestige required for such an important social institution, one that is called upon to play such a decisive role in carrying out development problems.

The consultation also confirmed that, without prejudice to their providing any other type of direct technical assistance that the member states may consider necessary, technical assistance agencies cooperating in the Alliance for Progress should concentrate their efforts on working out a cooperative basis of mutual assistance among the countries and specialists of the region, by promoting and facilitating collaboration whenever possible in coordinating and pooling Latin American resources in pursuit of this common objective.

According to this line of thinking, on the one hand projects of interchange, communication, and integration should be promoted, thus facilitating cooperation between Latin American specialists and their colleagues in the Hemisphere and stimulating solution of the problems of the region through direct knowledge thereof. On the other hand, as has already been stated, an effort should be made to promote the establishment and growth of local, national, and regional institutions which would insure continuity of the changes that are sought through the effort of the member states and the creation of the elements and conditions required in each country.

Similarly, at least at the beginning, it will be necessary to satisfy specific, immediate needs for advice and training, including, among others, the following: a) Experts in budget administration, administration planning, personnel administration, office organization, supervision and evaluation of programs and projects, public relations, and local administration; b) instructors and researchers for local and regional training centers; and c) grants for training instructors and technicians for local training and research centers.

E. INDUSTRIAL DEVELOPMENT AND FINANCING OF THE PRIVATE SECTOR

Industrial production in 1962 continued to register an increase, but its rate of growth has been lower than that achieved in previous years. Since the the mid-1950's, industry has generally been the main dynamic factor in the expansion of Latin America economies. Indeed, the rates of growth for this sector in most countries exceeded by a considerable margin those of the total economy. In the period 1956 through 1961, while manufacturing rose at an annual rate of nearly 8 percent, gross national product rose by only 4 percent.1/ Similarly in 1962, preliminary data indicate a generally more rapid expansion in manufacturing than in total output, although in this particular year, development of the region as a whole was particularly affected by a decrease in economic activity in Argentina. However, manufacturing rose by 5 percent (excluding Argentina, 7 percent) while gross product increased by about 3.5 percent.

But if these figures demonstrate the dynamic force which manufacturing has tended to impart to the Latin American economy, they also emphasize the need to accelerate that rate of growth. It will be recalled that at the end of World War II the structure of these economies exhibited numerous imbalances which have required readjustments; thus, the region had a higher per capita income than other less developed areas but this level was based upon expanding and prosperous primary activities largely oriented toward exports. As the post-war rehabilitation and reconversion among the principal importing countries came to an end, these activities lost their dynamism. It is becoming increasingly clear that if the region is to attain the minimum rate of growth in per capita income established in the Charter of Punta del Este, a lion's share of the burden must fall on industrial development. In essence, therefore, the question which must be asked in considering industrial growth in Latin America in the last few years is what factors have prevented manufacturing from accelerating its rate of growth. This distinction, it is believed, makes it possible to focus on specific bottlenecks in this process.

Account must also be taken of the influence of developments in one or two countries during the period under review. On the one hand, the rather steady expansion of industry in Brazil, which represented 19 percent of regional industrial output in 1948 but 35 percent in 1960, has provided strong upward pressure on the index for the region as a whole. On the other hand, sharp fluctuations in manufacturing activity in Argentina during the same time span has resulted in a number of shifts in the regional index. It is significant to note, however, that in 1962, when there had been a decline in activity in Argentina, most of the other countries of the region showed important increases in manufacturing output, approximating their highest rates of growth in the last decade.

1. The index for manufacturing covers all countries in the region while the estimate of gross national product is based upon several major countries; a comparable manufacturing index for the latter sample shows a somewhat lower rate of growth.

/In general,

In general, the main emphasis in industrial growth in this period has been in the direction of import substitution. Thus, by the end of the 1950's, almost two-thirds of the region's available supplies of industrial goods were met from domestic production, which represented a considerable rise since the beginning of the decade. A considerably higher percentage of basic consumer goods was produced within the region, while in the case of mechanical and electrical engineering industries, the share of supplies locally produced was considerably lower.

One of the significant developments in this respect has been increased industrial integration in a number of countries, noticeably Brazil, Mexico and Argentina. This integration is characterized by an increase in the degree of local processing of more complex products and by local manufacture of capital goods. In other countries, however, the limited market, stemming not only from population size but also from the level and skewness of distribution of personal income, has tended to restrain the growth of large industrial complexes.

These changes have mainly resulted from conscious policies adopted by governments in the region. Tariff and other forms of protection, in particular, have been utilized to provide incentives for expansion in selected branches. Other measures have included allocation of foreign exchange for equipment and raw material imports where official exchange restrictions have persisted, and fiscal and financial incentives to promote private investment.

While these measures have tended to stimulate production for the domestic market, it is evident that such output, at least initially, is often obtained at a higher cost than that prevailing in other producing areas. The well-known characteristics of underdevelopment obviously play a major role in this situation. Nevertheless, it would appear that the persistence of tariff protection in some instances, as well as its indiscriminate use at times, has tended to reduce incentives to lower costs or to produce industrial products for export. Some countries that have completed their initial phase of industrialization are now taking measures to enforce more competitive practices.

Another of the significant developments in this period has been the continued low level of exports of industrial products from the region. The bulk of current manufactured exports is composed of primary products for which the region has natural advantages and which have been subject to relatively simple processing. With regard to more advanced manufactures, while it is true as noted above that regional requirements exceed output, nevertheless, the almost total absence of intraregional trade in such products suggests that the pull of local demand has not been the only factor tending to limit exports of these items. The growing concern of Latin American governments with this particular problem derives largely from an awareness of the need to expand and diversify exports in the face of stagnant world demand for primary products. In adopting measures to stimulate trade in manufactured items it may be necessary, among other steps, to review the structure of policies designed to promote industrial development, in order to stress the achievement of competitiveness in world markets in the shortest possible time. It should also be noted that, in many instances, Latin American exports of industrial products are discouraged by high tariff levels in the major advance countries which would be the principal markets for such goods.

/It hardly

It hardly seems necessary in this review to elaborate on those factors which tend to create higher cost conditions for industrial products in the less developed countries. A number of these factors have already been mentioned. Thus, scale of production due to size of market remains a major element in expansion of the mechanical industries as well as of other branches of advanced manufactures. In this regard, activities aimed at creating a regional market may be expected to play an increasingly important role in overcoming such difficulties.

The supply of skilled labor and management similarly remains a critical element in accelerating industrial growth, and considerable efforts are being made at national and international levels to increase the supply of these vital resources. The problem is particularly acute for the smaller countries of the region, where the scale of the necessary education and training facilities poses a major stumbling block. In this connection, it is important to note various regional projects now under consideration, including in particular the Central American University Program.

The development of technical expertise must of course be primarily dependent upon domestic endeavors, including those affecting advanced education and training as well as those designed to promote the advancement of technical knowledge through technological research institutions. But a significant impact can be obtained particularly in the short run from a direct transfer of know-how from advanced countries. Thus, it should be noted that foreign industrial investment, through such techniques as joint ventures involving use of foreign managerial and related personnel, also provides access to technological processes and information previously unavailable to less developed countries. In this regard it might be also of great importance to promote socially and politically acceptable formulas which would help to transmit institutionally the technical experience accumulated by private enterprise in the industrialized countries to the developing nations.

Finally, it is necessary to consider the problems of industrial financing. It would appear that one problem in this regard is the channeling of domestic savings toward industrial investment. The experience of the international financial institutions which stand ready to assist in financing industry in these countries suggests that often there is no marked lack of external funds for this purpose if the project is sound and well elaborated, although at times an excessively rigid definition of "soundness" may itself prove to be a limiting influence on the amount of available resources. In the same connection, it should be noted that in the past decade, while the total inflow of foreign capital has been subject to wide fluctuations and has dropped sharply in recent years, there has been a substantial increase in foreign investment in manufacturing activities. On the other hand, a number of factors have tended to restrict the flow of domestic funds into this sector. In part, this reflects the absence of suitable domestic financial instruments, but other structural deficiencies, including in some instances inflationary conditions, have led to the channeling of a portion of domestic capital into less productive sectors.

/Almost all

Almost all the countries of the region are currently implementing or preparing economic development plans. The incorporation of the industrial sector within such plans varies to some extent, although there is, in general, considerable similarity between the over-all objectives stated in accordance with the principles established in the Charter of Punta del Este. The plans acknowledge, explicitly or implicitly, the need to accelerate the industrial growth rate in order to eliminate structural imbalances and raze other barriers hindering an increase in per capita income.

Thus, in the case of Venezuela, it is expected that between 1962 and 1966 manufacturing activities will expand 1.68 times more than the growth rate for the economy as a whole, that is, 13.5 percent annually as compared to 8 percent. Industry's share in the national income is expected to increase from 16.1 percent to 19.6 during the same period. Similarly, Brazil's current three-year plan for the 1963-65 period calls for a growth rate of 11 percent a year in manufactures, as compared to 7 percent for the over-all economy. Colombia's plan for the 1961-70 period proposes an annual growth rate of 5.6 percent for the entire economy and 7.6 percent for the industrial sector, while the 1962-66 Bolivian plan calls for an annual increase of 9.2 percent in national output and 18 percent in industry. Under a three-year investment program, Mexico plans a growth rate of 8 percent in industrial production and 6 percent in total output. With respect to the Chilean development plan, industrial growth until 1966 is estimated at approximately 7 percent annually; in order to achieve this rate it will be necessary to triple by the end of the period the rate of fixed capital formation in this sector.

In some cases, national plans fail to cover every sector of the economy or to provide specific goals for the industrial field. Honduras, for example, which has also prepared a public investment program, is currently implementing an industrial program, taking into consideration recent events that have increased manufacturing activities by 1.6 times the growth rate for the gross domestic product. The economic development program of Panama for the 1963-70 period contains certain general objectives for the industrial sector. This program emphasizes effective use of national wealth and creation of additional employment opportunities.

In some cases, the goals of national plans have also been formulated in terms of industrial employment. For Venezuela, the annual increase in the number of industrial jobs for the period of the plan has been estimated at three times the increase achieved during the 1950-60 period, illustrating the importance attached to this goal. Mexico's program of activities calls for a total increase of about 20 percent over the current level industrial employment during the three-year period.

The Chilean plan foresees a gradual change in the make-up of the economically active population. The proportion represented by manufacturing industry is expected to rise from 18 percent in 1960 to 19.8 percent in 1975.

/Also in

Also in some cases, one of the main objectives is to promote the industrial development of those parts of the countries that have lagged behind with respect to the general rate of development of the respective economies.

Finally, plans giving detailed consideration to the industrial sector have stressed the need for structural changes. The Brazilian plan, for example, emphasized an increase in the production of intermediate and capital goods.

The information presented with regard to progress during 1962 indicates that there are variations in the way in which the above objectives were achieved. However, it should be noted that no evaluation of the extent of achievement can be made at this time, since 1962 was basically in almost every case an initial year for execution of medium- and long-term plans. In such circumstances, the objectives of the plan have been expressed in terms of annual growth rates; consequently, it does not seem reasonable to evaluate the progress of a single year.

1. Participation by the Private Sector in the Formulation and Execution of Development Plans

a. Role assigned to the private sector

Participation of the private sector in national industrial development plans is fundamental to the execution thereof. While planning is essentially a government responsibility, participation by the private sector--which should always bear the national interest in mind--greatly facilitates achievement of the goals set by the governments, which represent the collective will of the people. Industrial development has taken place in Latin America along these lines, adapted in each case to existing circumstances, characteristics and organization of the private sector in each country.

The role assigned to the private sector in industrial development, in general, is a broad one, with no limitations other than those derived from either a lack of resources for undertaking basic works within the economic development plans or a lack of interest in such works, or from the reservation of certain investments to the governments.

It is important to understand clearly that the private sector includes farm and labor groups, industrial and commercial entities, cooperatives, and many other voluntary societies of citizens who work together or have common economic interests.

The public sector restricts the field of its investments to the specific area of infrastructure, encouraging the private sector to earmark its investments for industrial development itself. However, there have been some cases of government investment in that area, as for example in Brazil and Mexico, more with a view to executing industrial projects considered to be urgent or strongly in the national interest not undertaken by the private sector, than with the thought of invading or disrupting the private sphere of activities. This is particularly true in Brazil, where the government has invested in the steel industry because

/of insufficient

of insufficient resources in the private sector. Investments by the Mexican Government in the industrial field also reflect the need for ensuring adequate rates of capital formation in the basic sectors, as well as to create competitive conditions in order to stabilize prices of manufactured goods. On the other hand, owing to different circumstances, in cases such as that of Argentina, the government has given to the private sector title and responsibility for investments previously made by the public sector in the field of industrial development.

b. Private sector participation in planning

It is advisable for the private sector to participate actively, even if only in an informal manner, in deliberations relating to the formulation of national industrial development plans. An increase has been noted in the number of measures taken by the governments to insure such participation, but additional efforts are required. It is particularly interesting that in some countries the private sector itself has undertaken to create mechanisms whereby it is assured of a more active participation in the planning process.

Some countries have achieved progress in securing participation by the private sector in the preparation of economic development plans. In certain cases, this has been the result of a gradual awareness within the private sector of the advisability of preparing such plans not only as a means of rapidly achieving a better standard of living for the Latin American peoples, but also as an efficient instrument in broadening prospects for benefiting itself within the process of economic and social development. In other instances, the governments have intensified their efforts to facilitate private participation in the formulation of such plans.

In this connection, special attention has been given to the establishment or improvement of the national institutions responsible for economic development plans, through private participation in one form or another. In Peru and El Salvador, for example, national planning agencies have been set up with the collaboration of representatives of the private sector, including members of industrial, agrarian, mining, trade union, university and other groups. In Mexico, a National Congress of Industrialists has been convoked for the purpose of preparing and signing the Mexican Economic Charter, which will reflect the active participation of the private sector in national industrial development and the extent and nature of its cooperation in preparing the respective plans. The private sector includes groups representing trade unions and rural workers, the middle class and the professional class. In other countries, such as Ecuador, Venezuela, Brazil, Honduras, Colombia and Panama, different procedures have been established which provide for formal or informal participation by the private sector, in a consultative capacity, in development plans. However, in some of the countries listed earlier this participation has not yet been implemented because of serious problems relating to the authority of legitimate sectoral representatives. In other instances, as in El Salvador and Nicaragua, government action tends to encourage maximum participation by the private sector in industrial development and confines itself to active planning coordination through continuing consultation.

/c. Planning

c. Planning initiatives in the private sector

As a result of the growing concern of the governments for the preparation and implementation of industrial development plans, the private sector has shown greater interest and has played a more active part in such plans. These private activities are reflected in increasing efforts to convince representative sectoral associations of the need and advisability of a deeper knowledge of all aspects of economic development, through the initiation or amplification of discussion on this point. Starting from this preliminary approach and progressing through the preparatory stage of studying specific problems, the private sector has arrived at the stage of execution, particularly with regard to regional integration within LAFTA and the Central American Common Market.

2. Measures Designed to Assist the Private Sector and Industrial Development

The activities of development financing institutions, industrial development banks or corporations, have in many countries of the region strengthened the trend to extend to small and medium size industry development credits on increasingly longer terms, as well as to seek and apply types of technical assistance promoting maximum industrial efficiency. In general, the volume of credits granted by public and semiofficial financing institutions for investment in private activities is dependent more on the number of eligible projects presented to them than on the limitations of their funds. Occasionally, the shortage of eligible projects is much more pronounced than the supply of resources available. Although in many cases one of the difficulties is the fact that the credit terms are not long enough to encourage the presentation of a greater number of projects, a major cause of this situation is the current difficulty in financing preinvestment studies in the private sector.

It is generally agreed that the volume of projects already prepared or currently under consideration in the industrial field is insufficient if the rate of investment is to rise to the necessary level. This is particularly the case for small and intermediate industries. Various means of stimulating the flow of financing applications from both domestic and external sources may be considered. Note should be taken of the financing of preinvestment studies by international financial institutions. A number of national development agencies have recently undertaken similar activities within the limits of their available resources. It may also be pointed out that the shortage of trained personnel for preparation of the necessary feasibility studies has played an important role in this connection.

Therefore, steps must be taken to facilitate preinvestment activities, especially with respect to an evaluation of existing studies on natural resources, which were found to be still highly deficient in most countries; market research designed to determine current consumption and future needs for manufactured goods that could be produced in Latin America; the identification of intermediate products best suited to local production; projections of industrial input requirements, and, finally, technological research adapted to the needs of the industrial sector ensuring a constant, close relationship between research and application.

/The difficulties

The difficulties encountered in project preparation are closely related to matters concerning information on the availability of manpower and natural resources in the area. National and international entities have recently increased their activities of exploring, determining, and evaluating natural resources, but it is nonetheless true that important gaps exist in this information. Likewise, although some countries have presently initiated steps toward a more efficient utilization of human resources and a systematic evaluation of present availabilities of, and future demands for, specialized manpower in the industrial sector, in general deficiencies in this area are still great.

There is general consensus concerning the need for giving special attention to the requirements of small and intermediate industries. Reference was made earlier, in connection with project preparation, to the measures undertaken to finance feasibility studies for such enterprises, but it would appear that broader and more intensive assistance is needed. Such assistance would include aid in project formulation; cost and budget analysis; market surveys, sources of equipment, materials and labor; amounts and types of credit required, and guidance regarding sources of credit and shareholding. Besides, constant assistance of a similar nature, technical or other, is needed for already-established firms.

In some cases, this assistance could be more efficiently provided by the creation of specialized entities having enough staff and branches outside the capital cities to cover large areas of the countries. Whenever advisable, and whenever private enterprisers have not taken the initiative, these entities should also engage in promotional activities. In other cases, already established private financing institutions should be empowered to offer these services to potential borrowers.

A further negative factor contributing to this situation in some countries is the lack of sufficient individual and institutional entrepreneurial spirit and capacity for promotion of more rapid industrial development.

This indicates the urgent need, on the local level, for intensive training programs with a view to increasing both capable administrative and technical personnel and skilled labor. Such intensive programs should include the broadest possible access for the greatest number of individuals to centers of technical and higher education and the organization of continuing training courses at the level of the work centers themselves, as well as any other measure conducive to this end, such as the furnishing of direct technical assistance by the credit institutions and development corporations to the credit users, especially in small and intermediate industry. Several countries have given special attention to this aspect of industrial promotion. In Peru, private initiative has taken the lead in securing a law establishing the National Service of Apprenticeship and Industrial Training (SENATI). The purpose of this Service, which is completely financed by the private sector, is to improve the technical level of labor; it includes simultaneous training programs in special training centers and in the industrial plants themselves.

/It is also

It is also highly important to create the facilities required to prepare as many industrial projects as possible. Although a more thorough knowledge of existing natural resources and a larger supply of experts capable of preparing projects are essential conditions for accelerating the industrial development process, there is an obvious need to study a formula for the financing of investment projects, even though the amounts invested in projects which, for one reason or another, are never executed, would have to be written off.

With regard to the financing of private industrial activities by public and semi-official financing institutions, various procedures have been followed in expanding the sphere of activities of such institutions and steps have been taken to facilitate greater participation by the private banks in the financing of industrial projects.

There is general concern over the fact that scarcity of capital, especially working capital, has constituted a decisive obstacle in some countries to expansion of investment in the manufacturing industry. In financing industrial development projects, national and international institutions should consider the total financial needs of the project, including working capital, in order to insure that it will be carried out efficiently. In order to help promote private initiative, particularly at the level of small and intermediate industry, it is essential to study formulas for the financing of projects, to provide direct technical assistance to the credit users, and, fundamentally, to furnish working capital for struggling enterprises. With respect to the availability of official international funds for the creation of fixed assets, considerable delay can be noted between the time a loan is authorized and actual disbursement by the international financial institution. Although information on procedures which might explain this fact is insufficient, there appear to be many factors affecting this situation. It is therefore requested that both borrowing and lending agencies review their respective procedures. It is natural to expect that countries undergoing industrialization today face special risks, and it would be useful if the international financial institutions, in order to provide the Latin American countries with the necessary incentive for development, would take this fact into account.

As regards the flow of foreign private capital, available data are insufficient for a proper analysis of current trends. In the case of direct capital investment in manufacturing by the United States, there have been considerable fluctuations in recent years. While the data for 1962 indicate some improvement over 1961, the level still failed to reach the 1960 peak.

In the case of gross capital flow from other advanced countries, notably Western Europe, qualitative information indicates an insignificant increase in 1962 over 1961; however, accelerated amortization of previously extended short-hand medium-term credits have sharply reduced the net figures.

In any case, it is clear that the total inflow of foreign private capital --particularly long-term capital--remains at a level considerably below that

/needed to

needed to achieve the goals of the Alliance for Progress. Widespread recognition of this problem has given greater importance to the role of both the private and public sectors in Latin America in promoting foreign private investment, as well as to the steps taken in the United States and Western Europe to encourage financial assistance to the Latin American private sector.

In addition to improving credit mechanisms for industrial development, it would be most advisable for the Latin American private sector to establish closer relations with entities and individuals in that sector in Western Europe and Japan which have shown interest in the industrial development of Latin America. One proof of European interest in this problem is the recent formation of ADELA (Atlantic Community Development Group for Latin America), through which it would appear possible to secure cooperation by the European private sector ranging from aid in the preparation of industrial projects to their execution by joint ventures.

Mexico, Argentina, Brazil, Peru and other countries have adopted measures designed to increase the possibilities of financing private industrial activities by public or semiofficial financing institutions directed primarily toward the encouragement of such activities in the less developed areas of each country and the more rapid promotion of small and intermediate enterprise.

An important part of the expansion of credit facilities has been increased participation by private banks in the financing of small and intermediate industrial projects. In the case of Mexico, this has been made possible by government establishment of special funds and trust which, among other functions, are responsible for rediscounting bank operations in behalf of certain activities of small and intermediate industries. These operations consist of equipment credits on terms of up to ten years and working capital credits on terms of up to two years.

3. Measures Designed to Promote Private Industrial Development

The trend to encourage Latin American industrialization on the basis of tax, customs and other incentives, has persisted. At the same time, it has received considerable impetus in relation to integration efforts through the Latin American Free Trade Association (LAFTA) and the Central American Common Market.

The incentive policy established in the Latin American countries endeavours to create conditions favorable to national and foreign investments and is characterized by its emphasis on projects which are considered essential and those which are aimed at the less developed areas in each country, attaching special importance to new industries that can replace imports.

In general, it is considered that tax incentives help to create the climate necessary for achieving certain industrialization goals. The effect of such tax exemptions as an inducement designed to attract foreign capital is, in practice, nullified by the fact that the greater benefits thus accruing to foreign companies

/are absorbed

are absorbed by the treasuries of the capital-exporting countries in the proportion and at the time the profits are transferred to the home offices. This means that goals are weakened and that, in the event certain investments are made, tax sacrifices by the developing countries do not ultimately benefit the foreign investors.

The policy of tariff incentives has the double purpose of fostering the importation of capital goods for the establishment of new industries and the expansion of those already in operation, and creating mechanisms of protection which favor the exportation of local manufactures. In this respect, there is wide agreement that in the long run it is essential to produce at competitive costs in order to promote such exports.

Within the policy of incentives designed to favor private investments in the field of industrial development, some countries have adopted liberal measures relating to bases of depreciation and amortization of fixed investments.

Some countries have given special emphasis to national and zonal industrial promotion activities which include mechanisms for guiding prospective investors, and others designed to increase the supply of technical administrative personnel and of skilled labor. In this endeavor, the governments have participated in some countries and the private sector in others. In view of the successful results in this connection, it would be advisable to study the possibility of setting up industrial promotion commissions in every country, trained to furnish interested investors with the necessary information on natural and human resources available in the region, market conditions, price and salary structures, tax systems and financing prospects. Furthermore, these commissions should be equipped to assist potential investors in small and intermediate industry in optimum preparation of their projects. Insofar as possible, these promotion commissions should maintain offices in the capital-exporting countries, where pertinent, timely and reliable information on conditions could be furnished that would help to channel investment capital to the region. This is particularly advisable now when foreign private enterprise is becoming aware of the needs of Latin American development as indicated by the European Forum on Latin American Problems organized by an international organization of entrepreneurs (UNIAPAC) in 1962, the formation of "European Committee for Cooperation with Latin America" (CECAL), and the evolution of the Atlantic Community Development Group for Latin America (ADELA), whose purpose is to draw the attention of the European governments to the needs of Latin America and to promote European investments in this area, thus contributing through private initiative, within the precepts of the Alliance for Progress, to Latin American economic development.

These promotion commissions might also be the most suitable instruments for helping to develop industrial market in the integrated areas of LAFTA and the Central American Common Market.

In Argentina, Mexico, El Salvador, Venezuela and Nicaragua, the beneficial results of industrial promotional efforts undertaken by the private sector, in some cases, and by the governments, in others, are clearly evident, with regard to both domestic promotion (Argentina and Venezuela) and the attraction of foreign capital (México, El Salvador and Nicaragua).

./There is

There is great interest among Latin American and U.S. business groups in establishing mechanisms for the purpose of promoting private enterprise, and more especially, of giving technical and financial assistance to small or medium enterprises to help them in drawing up projects and make preinvestment studies. In a considerable number of Latin American countries there is special interest in establishing ties between the various national business groups and those of other countries, and definite progress has already been made by some of them with reference to establishing such ties.

The advantage of these activities is that they allow the businessmen of countries in the process of development to profit from the techniques and skills acquired by their counterparts in more industrialized countries. In addition to the exchange of technical skills that might thus be promoted, it is also hoped that this would stimulate the flow of investment capital and strengthen the private sector of the hemisphere, reaffirming, in turn, its responsibilities within the program of the Alliance for Progress.

Possibly, one of the most efficient ways of obtaining the desired results would be to establish national industrial promotion centers, composed of national business groups, which would, on their own initiative, seek the necessary tie with other similar Latin American organizations and with the industrialized countries. Some countries have made progress in this respect.

In the second place, consideration should be given to the advisability of establishing such groups at subregional levels and linking them especially with the existing mechanisms of economic integration, as is now being done in Central America.

Finally, we might consider the advisability of establishing an inter-American center for industrial promotion.

What is strongly apparent from the foregoing is that it is important for the governments to encourage their industrial sectors to take maximum advantage of the possibilities offered to them by the technical skills and financial resources of the private sector in other countries, in order to promote new industrial projects and to expand the industrial foundation of the Latin American countries. It would be advisable to study the best way to stimulate industrial promotion, with a view to making use of the technical and financial resources of private enterprise of all the countries.

Since investments in infrastructure are indispensable for equipping the backward areas for initiatives of industrial development, it would evidently be profitable for the public sector to continue and step up its efforts to provide these areas as extensively as possible with communication facilities, power, etc. In Mexico, a program is under way to stimulate private investment, one of its aspects being the gift of land for urbanization purposes to entrepreneurs of new industries. At very low cost, these lands are equipped with transportation and power facilities; thereby, becoming part of the industry's fixed capital, the lands may also serve as security for obtaining credits, based on their market value. In Ecuador and Peru, special efforts have been made to promote the development of areas of this type, principally through road building.

/Another important

Another important aspect in creating favorable conditions for industrial investment by the private sector to which various countries are turning their attention is the need to investigate all possibilities and to adopt the necessary measures for establishing appropriate capital markets and strengthening incipient ones. Such action would lead to putting the markets in a position to receive internal and external savings that could be opportunely applied to production activities. It would also contribute to greater monetary stability, helping to prevent pressures on monetary mechanisms at times of major credit expansion. As an auxiliary factor in strengthening Latin American capital markets, the governments of the area should be advised to study the most suitable methods for expediting reciprocal negotiation and the listing of securities on the financial markets of Latin America.

One important factor for increasing industrial investment is the creation of a stable economic and political climate to reduce, among others, inflationary trends caused by internal and external imbalances.

/F. HOUSING

F. HOUSING

1. Summary of Trends and Programs in Housing

Despite the serious obstacles to solving the housing problem in Latin America, most of the countries have taken measures this year to stimulate the progress of the Alliance in this field. Such measures, which have been in keeping with the spirit of the recommendation of the Act of Bogotá, may be summarized as follows:

a. Most countries have reviewed their housing policies with a view to improving them. Plans and programs are being carried out, even though in most cases they are not over-all plans nor are they tied in with national economic and social development plans.

b. Almost all the countries have national institutions working to solve the low-cost housing problem. Since the adoption of the Act of Bogotá, new national agencies have been created, and in nine countries, operational procedures of existing institutions have been significantly modified.

c. Several countries have been promoting private enterprise and its participation in housing programs by strengthening the existing legal and institutional structure.

d. Several countries have initiated savings and loan programs for housing purposes and several others are studying proposals for creating this type of association. Also, some countries have mortgage insurance and savings plans in operation and several others are developing or considering such plans. Nevertheless, it is felt that there are idle savings that could be channelled towards low-cost housing, if suitable mechanisms were established for attracting them.

e. Foreign resources for housing are being used through pertinent national institutions.

f. Some countries have given considerable attention to developing the construction industry to meet the needs of their housing programs. The studies being made by the Central American countries in this field and in establishing low-cost housing construction standards are especially worthy of mention.

g. Fourteen countries are carrying out housing programs that include some form of aided self-help.

h. In absolute terms, public resources earmarked for low-cost housing have been increased in most of the countries.

/Although these

Although these measures represent some progress in solving the housing problem in Latin America, if considered in the light of the magnitude of the over-all problem, the progress achieved so far is quite limited.

It must be pointed out that two fundamental factors have hindered the progress of the Alliance in the field of housing. In the first place, suitable information and documentation on the subject are lacking, with reference both to basic statistical data and to knowledge of the techniques and mechanisms required. The second handicap is the lack of national and international organization, broadly understood as a lack of institutions and mechanisms. Organization signifies all the elements needed to systematically solve the housing problem. These two handicapping factors are analysed in the following paragraphs.

2. Problems Encountered and Progress Achieved in Housing

a. Information

There is a serious lack of information and documentation on housing at both the national and the inter-American level.

At the national level, this deficiency has delayed the preparation and implementation of housing plans and programs as well as their inclusion in national development plans when such plans have been drawn up.

At the inter-American level, the countries have not had sufficient data available to enable them to exchange information or to help each other to solve their problems. By the same token, international agencies have not had the data they need to evaluate existing conditions and programs, to make the necessary recommendations, and to provide the assistance required.

1. National level. At the national level, there is a lack of basic statistical data and information on available resources and techniques and mechanisms required for housing programs.

Only recently have efforts been made to estimate the needs and define the role of housing in the over-all social and economic activity of the countries.

In most cases, the documentation available is not specific enough to make possible a detailed evaluation of the situation and to establish over-all housing policies and programs. It is therefore necessary to emphasize that, as soon as possible, flexible working systems and methods should be organized to serve as a basis for implementing the long-range program.

Most of the housing figures at our disposal are actually estimates, owing to the fact that basic information to be obtained from population and housing censuses is not available in many countries. These censuses, all of which should

/have been

have been carried out in 1960, have not been completed as expected. Only fourteen countries have conducted them so far; others have delayed in doing so, while still others have decided not to take censuses at all.

In many countries, the problem is not so much a lack of statistical data as of not knowing how to identify and interpret the qualitative data required for programming. For example, in conducting housing surveys, it is essential to keep in mind cultural and geographic differences, social strata, actual distribution of income, family structure and changes, the nature and characteristics of internal migrations, and economic, social and technological conditions in both urban and rural areas.

It is well to remember that in order to avoid excessive effort and inefficient use of resources in data collection, the information required should be clearly defined with reference to the purposes for which it is to be used.

Several countries have made considerable progress in defining the information required for programming and in acquiring the techniques necessary to carry it out.

Special mention should be made of Colombia, which, although having only the data provided by the 1951 census, has made studies on the demand for housing in cities of over 10 000 inhabitants, and, on the basis of surveys, has drawn up qualitative information on those cities. In this way, sufficient information has been obtained to determine priorities in urban areas on the basis of growth indexes, socioeconomic sectors and renovation areas. In addition to the housing censuses, construction licences, special surveys and various statistical analyses were used as sources of information for these studies.

In Peru the cumulative housing shortage has been estimated through direct surveys in certain metropolitan, urban and rural areas throughout the country.

In 1960, the "Instituto Nicaragüense de la Vivienda" (Nicaraguan Housing Institute), in view of the unavailability of statistics, carried out a study, with United Nations help, which made it possible to establish the seriousness of the shortage. This study was later checked by means of samplings taken in different parts of the country.

The experiences of these countries, as well as those of others, can be of real help to those that are further behind in compiling basic documentation on the subject.

Also fundamental in hindering the development of housing programs has been the fact that the countries have not published information internally on the programs to be carried out. This has not only limited the effective participation of all sectors in such programs, but has also kept other national agencies connected with economic and social development from effectively coordinating their housing programs.

/2. Inter-

2. Inter-American level. The information available at the inter-American level reflects all the aforementioned deficiencies at the national level. The countries have not made their plans and programs adequately known, nor have they published information regarding new techniques and mechanisms put into operation.

Consequently, studies and reports on housing in Latin America are extremely general and are not very useful for purposes of defining policies and implementing programs in the countries, or for orienting foreign aid policies of the international organizations.

Despite these limitations, promising work has been done by some countries and international agencies. Mention should be made of the publications of the Inter-American Development Bank, the United Nations, ECLA, the Pan American Union and AID. The Latin American Seminar on Housing Statistics and Programs, sponsored by the United Nations and held in Copenhagen in September 1962, and the meetings of the Central American Committee for Economic Cooperation and the Central American Subcommittee on Housing, Construction and Planning deserve special mention.

The Pan American Union, in response to the need for suitable information on this subject and in keeping with the mandates of the Charter of Punta del Este, has initiated a study designed to help: a) define more accurately the present and future housing needs of the Latin American countries and of Latin America as a whole; b) evaluate available resources (direct and indirect), required to solve the housing problem; and c) establish fundamental goals of action and workable operative solutions. (See Progress Report on the Survey of Housing in Latin America, Doc. CIES/Com. VI/26.)

b. Organization

Since the Act of Bogotá, housing programs for low-income groups have gained impetus. At the time the Alliance for Progress was initiated and new international sources of stable financing for housing appeared, most of the countries had neither the organization nor the structures required to meet the impetus demanded by these new resources. This is why the programs were not carried at the anticipated rate.

This lack of organization has been evident in: the scarcity of agencies qualified to prepare housing policies and programs; the lack of efficient institutions and financial mechanisms for implementing housing programs; and the inability of the production media to meet the demand created by the new programs.

On the other hand, it should be mentioned that the fault lies not only with the countries but also with the foreign financing agencies, which apparently have not been as flexible as the programs require, but have followed rigid operational policies that in some cases are not in line with the economic, social and administrative needs of many of the countries.

/1. Housing

1. Housing agencies. Almost all the countries now have national agencies for low-cost housing.

The general trend is to administer public housing programs through centralized national institutions, and in some cases, through semiautonomous institutions.

In certain countries, such as Bolivia, Costa Rica, Chile, Honduras and Panama, a single organization is responsible for rural and urban housing programs, while in others, such as Brazil, Colombia, Mexico and Venezuela, the rural housing programs are administered by one or several entities separate from those responsible for urban housing.

Housing agencies perform a variety of functions, such as establishing policies and programs and promoting and coordinating these programs. They are also responsible for direct construction, credit administration and regulation of private and public institutions that finance housing.

In many countries, the fact that government housing programs are undertaken by several agencies and institutions presents a problem. These programs are often not planned or carried out in a coordinated manner, because there is no coordinating agency to orient and define each organization's sphere of action.

Generally, there is no problem with reference to the availability of high-level personnel, but in view of the needs brought up by housing projects, steps must be taken to expand this group. In some countries, one of the chief problems is that housing agencies must compete, sometimes disadgantageously, with the private sector for this type of personnel. In other countries, the more serious difficulty lies in the need to redirect the thinking of professional workers toward low-cost housing, since they are generally accustomed to producing expensive housing. The basis of this problem should be attacked in the university, where, through appropriate courses, the social consciousness of the profession should be stressed. In the School of Architecture of the University of Mexico, for exemple, one requirement for a professional degree is the writing of a thesis of social significance.

The most serious problem is the lack of trained, middle-level personnel, and in this respect, it is essential that housing agencies take an inventory of personnel needed for the programs contemplated. There are two possibilities for solving this problem: a) training existing personnel; and b) training new personnel.

In connection with the first alternative, Colombia has been quite successful in conducting low-cost, short training course for personnel during leisure hours, wherein the more experienced staff members train those of less experience.

With reference to the other possible solution, that of training new personnel, the problem here is that the training agencies usually do not know the immediate needs of the national housing institutions. Most of these institutions do not evaluate or make known their needs for technical personnel.

/Closely related

Closely related to the foregoing matter is that of technical assistance for housing programs. Most of the countries have not set forth their specific needs in this regard, which reflects a lack of manpower programming for low-cost housing plans. This leads to the assumption that technical assistance is needed for determining specific needs and for avoiding improper use and waste of human efforts. Furthermore, it would be advisable for the housing agencies to establish a section for this particular purpose and for coordinating the personnel needs of the agency with the fellowships available throughout the world. Colombia has the "Instituto Colombiano de Especialización Técnica en el Exterior" (Colombian Institute for Technical Specialized Study Abroad), which fulfills this function for the country as a whole.

It should also be remembered that several international organizations provide technical assistance in this respect, among them, the OAS, the AID, the IDB, and the UN. The technical Assistance Program of the IDB includes the possibility of using funds for fellowships, teachers, and local short training courses. The OAS, in addition to furnishing experts, has tried to solve the problem at its basis by creating training centers, such as CINVA in Colombia and PIAPUR in Peru. This is aside from its activities in connection with fellowships, exchange of persons, and the sending of professors to the countries.

So long as the shortage of personnel persists, many countries should avail themselves of foreign experts, but it is essential that these experts train personnel as counterparts during their stay in the country.

The possibility has been considered of making an evaluation of the kinds of technical assistance given by the various international agencies, in order to recommend that this assistance be specialized. Also, it is believed that both technical and financial assistance should be given to permanent agencies and not to specific projects.

2. Housing policies and programs. Policies: Athough it is safe to say that all the governments have become aware of the seriousness of the housing problem, there are still many that have not yet in this regard clearly defined the objectives of a program and the ways and means available for attaining them.

In many countries low-cost housing has not been assigned its due place in development programs because it is not felt that there is any direct relationship between the two. It is held that available resources should preferably be invested in economically productive projects; that housing is a consumer good and that investments therein may contribute to inflation, to unsuitable use of housing, etc.; and that such investments should therefore be limited to a minimum so that the goal of increasing income will not be hampered. This does not mean that these countries do not recognize a certain urgency in facing the problem, because of social and political considerations.

Other countries, however, accept the fact that housing is not necessarily or exclusively a consumer good, unrelated to productive investment, since investments in housing generate income, even though such income may be long range and

/difficult to

difficult to determine quantitatively. Investments in housing may be a powerful tool for attaining broader national objectives, increasing productivity, generating income in order to insure social welfare and stability and, finally, for stimulating the development of certain regions. Housing programs also stimulate the construction industry, which has become extermely important in the more developed countries; they generate new industries and services and new jobs therein; they create new needs within the population, which are conducive to finding new solutions. Housing is not an end in itself but rather a means for attaining social stability and broader and better balanced economic development at the national and regional levels.

It is increasingly recognized that good housing conditions directly increase the productivity of workers, by improving the social climate and stimulating their desire to work and progress. It is also recognized that the existence of adequate housing is a powerful incentive to migration, which can be directed according to the development needs of a region requiring faster growth, and that a housing policy can be used to influence regional development, expecially for distributing economic activity and redistributing income among the different regions and socioeconomic sectors of the country. In short, the countries are recognizing the fact that housing programs are an integral part of the over-all development process.

In most cases the objectives are expressed in quantitative terms relating to the number of houses to be constructed, or the amount to be financed with public or private funds. Usually, economic or social objectives are not considered. For example, very few plans have taken into account as has the Venezuelan plan, the economic aspects of housing, such as its contribution to capital formation, the demand created on the construction industry, the sources of employment generated by the programs, especially with reference to skilled labor, etc. Other aspects that must also be kept in mind are the favorable effect of the programs upon small-scale savings and the utilization of labor potential, available because of underemployment.

The adoption of a housing policy requires the assurance that official thinking will be translated into standards, instruments and accomplishments that do not deviate from the over-all goals set by the government itself. This is why in practice such policies take the form of laws containing, in general terms: a) a statement of the purposes and goals established in connection with the problem; b) the establishment of mechanisms to accomplish them, both in the public and the private spheres, and c) provision for the funds to be contributed by the government for carrying them out, and statement of the restrictions and incentives needed so that private activity will channel its resources towards the goals set.

Despite the evident deficiencies in the statement of objectives, many countries have adopted measures regarding the three points set forth above. The following accomplishments may be pointed out:

/In Argentina

In Argentina, in 1961, the Federal Housing Administration was created as a dependency of the Ministry of Economy, with the following functions: a) to stimulate the creation and development of agencies designed to attract savings and channel them towards the financing of housing; b) to promote the construction of staff housing by private enterprise; and c) to provide technical assistance to cooperatives, mutual organizations and savings and loan associations in drawing up construction programs.

Measures were also taken to neutralize inflation by authorizing the "Banco Hipotecario Nacional" (National Mortgage Bank) to periodically adjust the amounts of housing loans in order to maintain the actual value of state resources.

In Chile the "Caja Central de Ahorros y Préstamos" (Central Savings and Loan Bank) was established in 1960. It supervises individual savings and loan associations and their rediscount operations.

Furthermore, in order to stimulate housing construction, the Central Bank in 1962 authorized the commercial banks and the "Banco del Estado" (State Bank) to open a credit line of up to 10 million escudos to natural or artificial persons taking part in the implementation of Economic Development Program.

In Ecuador a law was issued in 1962, providing for total exemption for interest deriving from funds deposited in housing associations or cooperatives and making such deposits free from attachment.

The "Banco Ecuatoriano de la Vivienda" (Housing Bank of Ecuador) was also created in 1962. Among other functions, it promotes and stimulates the creation of savings and loan associations for housing purposes.

At the end of the same year a bill was drafted in El Salvador that proposed the creation of the agency "Financiera Nacional de la Vivienda" (National Housing Finance) and set the bases for the operation of savings and loan associations serving housing purposes. An item of 2 million colones (US$800 000) is included for that purpose in the national budget approved for 1963.

In Guatemala, the "Instituto de Fomento de Hipotecas Aseguradas" (Insured Mortgage Institute) was created by law in 1961 and began operations in 1962. This Institute was authorized to issue real estate bonds guaranteed by the State; in general, it operates in a manner similar to that of the United States Federal Housing Administration (FHA).

At the end of 1962 the Mexican Congress approved an amendment to the "Ley General de Instituciones de Crédito y Organizaciones Auxiliares" (General Law of Credit Institutions and Auxiliary Organizations). Among other things this is designed to meet the urgent needs of the largest sectors of the population, which to date have had no access to bank funds for acquiring housing with minimum comfort and health requirements.

/In November 1962,

In November 1962, the Panamenian Legislative Assembly studied a bill establishing an "Instituto de Fomento de Hipotecas Aseguradas" (Insured Mortgage Institute). This Institute's functions will be the following: to stimulate the creation and regulate the operation of savings and loan associations serving housing; to insure the individual savings accounts of such associations, and to create a secondary mortgage market.

In 1961, several laws were enacted in Peru granting tax privileges to:
a) private enterprises engaged in the construction of low-cost housing;
b) enterprises using part of their profits for staff housing construction; and
c) housing cooperatives.

In 1962, a tax exemption of up to 100 percent was granted to persons or entities engaged exclusively in the construction, sale or financing of low-cost housing.

In 1962, another law created the "Banco de la Vivienda" (Housing Bank), which acts as a central bank for savings and loan associations.

In the Dominican Republic a bill was presented to the National Congress proposing the creation of the "Banco Nacional de la Vivienda" (National Housing Bank), which merges and reorganizes the present housing institutions. This new agency will operate as an autonomous state entity with its own assets and an authorized initial capital of fifty million Dominican pesos, to be contributed by the state in the form of bonds and securities, in cash, and in furniture or real estate. One of the purposes of this bank is to coordinate the acquisition, financing and construction of urban and rural housing, through the low-cost housing and savings and loan departments and the "Fomento de Hipotecas Aseguradas (FHA)" (Insured Mortgages Associations).

In 1962 a savings and loan associations law was enacted, which authorizes the organization and regulates the operation of such associations.

In Venezuela the "Comisión de Ahorro y Préstamo"(Savings and Loan Commission) was created in 1961. This commission is responsible for supervising a national system of associations engaged in housing construction. The "Oficina Central de Ahorro y Préstamo"(Central Savings and Loan Office) was later established and made responsible for preparing the studies and carrying out the work necessary for operating the system.

Programs: As can be seen in Table II-11, most Latin American countries have prepared and are carrying out housing plans and programs.

Although the situation may seem quite favorable, many of the programs are not really over-all housing plans, nor are they integrated into the respective national development plans. In several countries the programs are short-term and are indeed merely investment plans, which have been planned and are being carried out on an emergency basis. This situation is mainly due to socio-political pressures, the imperative needs for finding immediate solutions, the

/Table II-11

Table II-11

CONNECTION BETWEEN NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLANS AND NATIONAL HOUSING PROGRAMS IN LATIN AMERICA

Country	1 National Economic and Social Development Programs	2 National Housing Programs	Connection between 1 and 2
Argentina	---	National Program in preparation	---
Bolivia	National economic and social development plan 1962-1971	National Program	yes
Brazil	Three-year economic and social development plan 1963-1965	Regional Programs	---
Colombia	General economic and social development plan 1961-1970	Four-year program 1961-1965	yes
Costa Rica	---	National Program 1963	---
Chile	National economic development program 1961-1970	Housing plan 1961-1970	yes
Dominican Republic	List of public investments, 1962-64 indicating their priority	---	---
Ecuador	Immediate economic development plan 1961-1965	National Program 1962	---
El Salvador	---	Two-year plan 1962-64	---
Guatemala	---	1963-1964 plan in preparation	---
Haiti	---	---	---
Honduras	National public investment plan 1963-1964	Four-year emergency plan 1962	---
Mexico	Immediate action plan 1962-1964	Action plan 1962-64	yes
Nicaragua	---	Four-year emergency plan 1961	---
Panama	National economic and social development plan	National Program 1961-1965	yes
Paraguay	---	National Program in preparation	---
Peru	National economic and social development plan	Two-year plan 1962-63	yes
Uruguay	---	Emergency plan 1963-64	---
Venezuela	Plan of the Nation 1963-1966	Housing plan 1963-66	yes

/shortage of

shortage of qualified technical personnel, the lack of statistical information, and most especially, to the lack of clearly-defined national objectives and policies for economic and social development. Also, housing programming is at a very low level in many countries, for which reason the position of the national housing plan within the national economic and social development plan has not been clearly defined. Table II-11 shows the countries that have defined this relationship.

Many countries have not established the necessary coordination between the central planning agencies and the offices responsible for housing programs within the national institutions. This coordination is necessary because it is the national planning agencies that establish priorities by regions and sectors.

Another problem faced by the Latin American countries in their efforts to attain the goals set forth in the Act of Bogotá and the Declaration of Punta del Este concerns the methods of determining the relationship between a family's income and its ability to amortize a housing loan.

It is considered highly important to establish realistic objectives for the plans; to create false expectations may mean frustration. For long-term plans, it would perhaps be unrealistic to aim for total elimination of huts and shacks. A more practical objective would be to keep the housing shortage from becoming any worse. Long-term programs should stress the reduction of at least a small part of the accumulated housing shortage. It has been recognized that the principal objective should continue to be one of meeting housing needs that arise as a result of population growth.

In deciding between urban and rural areas, with reference to housing programs, the following points are evident: it is felt that the solution of the housing problem in the urban areas is more urgent because of certain critical aspects of the situation. The most important rural problem and the one that should be solved first concerns land, rather than housing. It is essential to establish priorities for housing construction in the rural or urban areas in connection with the process of urbanization, inasmuch as it is through housing programs that this process may, to a certain extent, be accelerated or halted. It is believed that emphasis must be placed on coordinating rural housing programs with those of agricultural development and agrarian reform. In Nicaragua, for example, rural housing programs are designed not only to solve the rural worker's housing problem, but also, through the division of land, his economic one. Similar programs are being undertaken in Venezuela on an even greater scale.

The fact that many sectors of the population are commonly found to have extremely low family incomes leads to the assumption that it is entirely impossible for them to own homes of their own.

This situation has confronted the governments and the pertinent agencies with two alternatives: 1) to subsidize housing for these families; 2) to give them a sound basic structure, which may later be completed as a hygienic unit that meets technical, cultural and social standards. Some countries have

/been studying.

been studying the suitability of subsidies, in the light of the scarcity of resources available for housing plans and the magnitude of the problem. It is felt that direct subsidy leads to social injustice because only a small number of families are helped, while the highest percentage of needy persons do not share in the benefits, and the possibilities for investing in new housing are decreased.

The second alternative, which is gaining importance in the countries, has suffered delays, partly because family incomes have not been carefully analyzed, and this makes it difficult to program housing projects realistically in accordance with that income. Also, the techniques required to determine unit costs in order to match these to established income levels have not been adequately studied.

Up to now, those countries that have aimed their housing policies at satisfying, at these low levels, man's right to a shelter compatible with the demands of his own culture, have also accomplished the following objectives: 1) Preventing invasions into privately or state-owned property, which in some places were becoming a regular thing, with the well-known consequence of violating the process of law and of urban planning standards; 2) providing security to families by legally granting them a piece of land and a minimum of utilities; 3) channelling all human, economic, cultural and social resources of these families into the construction of housing units, providing them with financial credit, and technical and social assistance through various methods, including aided self-help, unfinished units or units to be built in stages, etc.

The advantages of applying this policy have been made evident mainly in:

a. Awakening a sense of responsibility among families regarding their participation in the solution of their problems;

b. Urban planning in accordance with regulation of the pertinent offices or agencies;

c. Eliminating problems inherent in overcrowding and unsanitary conditions;

d. Channelling a considerable amount of the families' resources into housing;

e. The maintaining of the agencies' capital through recovery of their investments;

f. Inspiring the people's confidence in these agencies and in government institutions.

It is indispensable to improve techniques in programming housing and to arrive at institutional arrangements under which housing agencies can coordinate and integrate their programs into the over-all policies of the national plan.

/3. Administration

3. Administration. The growth of housing programs in Latin America has strongly affected the volume and complexity of administrative functions that the pertinent agencies must perform, many of which were not prepared to assume the added responsibilities. Although these agencies are taking steps to carry out the necessary reorganization, certain problems are still encountered, mainly with regard to assignment and maintenance of housing units and recovery of investments.

The first of these problems concerns institutional organization. It is primarily solved by establishing objective standards and definite operating procedures so that the assignment of housing units becomes an administrative process with clearly defined steps and fixed standards regarding a family's eligibility to receive a unit. When this is done, it is possible to prevent outside interference or favoritism; in other words, a fair, automatic classification system is created that is easy to control.

The problems involved in the maintenance of housing units in some cases concern units assigned with a contract stipulating sale, but more frequently, those intended for income purposes or for rent. In the first category the main difficulties stem from the occupant families, because of their cultural level, rather than from the housing institutions. Problems often arise, however, because of the paternalistic housing policy of many countries, which takes the form of subsidies, often excessive, and in most cases unnecessary, that weaken the family's sense of responsibility toward the home.

Concerning rental housing, maintenance problems seem to arise almost solely from the fact that families are not enlightened either before or at the time of occupancy regarding the material care and social obligations that living in these new units entail. The shortage of social workers to help integrate families into their new cultural environment and to make them aware of their rights and responsibilities is well known.

As mentioned in another section of this report, the absence of social programming and the consequent lack of information about family conditions have led to designing and constructing houses that are incompatible with the families' paying capacity. When housing is assigned to families whose income is lower than the minimum required to amortize the credit, there is a delay in installment payments, which affects recovery of funds and their reinvestment in additional housing.

Recovery is also affected by a shortage of specialized personnel and suitable mechanisms, systems, and equipment to handle growing financial commitments.

4. Financing. Since interest in strengthening the legal and institutional structure for the purpose of mobilizing funds for low-cost housing is very recent, most countries have not yet established the necessary financial institutions.

Very few countries have made suitable studies on the mechanisms required to attract available capital and even fewer have determined its type and amount.

/One of the

One of the main difficulties in this connection is the absence of lending institutions to direct capital into the mortgage market. The multiplier effect of the mobilization of internal resources by savings and loan associations in certain countries such as Chile, Peru, and Venezuela shows that, even though capital is apparently scarce, a considerable amount of savings is available for housing purposes.

The chief reason that other countries have not channelled these savings into housing is that they do not have suitable mechanisms for doing so. Savings and loan associations operate in several countries, among them, Chile, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Peru and Venezuela.

With reference to establishing savings and loan associations, there are two systems used by the countries that might be mentioned: 1) the so-called contractual system, whereby the families are required to save fixed amounts within fixed period. When this saving period is ended, the association is likewise required to grant these families a loan for a previously determined amount; 2) the so-called Anglo-Saxon system, whereby the families are free to determine the amount they save and the association is likewise free to decide whether or not to grant the loan as well as to fix the amount thereof.

Although the Latin American countries have had relatively little experience in this field, the indication is that in many of them, due to their present stage of development, and more specifically, to the income level of families in need of housing, the contractual system is better suited to the social and cultural situation and makes it possible to direct a greater flow of savings into housing. However, because some associations have taken undue advantage of these systems, legislation is needed to assure proper use of savings and to protect the interests of the members.

Only five countries: Chile, the Dominican Republic, Ecuador, El Salvador, and Guatemala, have made an effort to mobilize resources through other mechanisms, such as institutions offering mortgage insurance.

The advantage of the mortgage insurance system has been proven in the case of Guatemala, where the "Instituto de Fomento de Hipotecas Aseguradas" (Insured Mortgage Institute) was created in 1962. As an immediate result of the creation of this institute, insurance companies participating in housing plans for middle income groups have insured their operations through the new institute, and four new savings and loan banks for family housing have been created.

Besides savings and loan associations, other organizations have been increasingly used for financing low-cost housing. Among these are cooperatives, mortgage banks, insurance companies, mutual savings banks, and social security institutes.

The fact that more financial institutions of all kinds for housing purposes are not operating is due not to lack of interest on the part of the governments but rather to lack of knowledge of the techniques and standards required to establish and operate them.

/When establishing

When establishing such institutions, it is also necessary to make sure that they operate within a juridical and regulatory system that protects savings deposits. The fundamental basis of any policy or program to improve the operation of loan associations should be the creation of confidence and the control of inflation. As long as inflation exists, loan institutions will probably be unable to mobilize any large amount of funds, unless the real purchase value of such funds is protected. In Chile, for example, the funds deposited are protected by a system of automatic adjustments, in accordance with salary and wage level.

Another very effective means of promoting availability and investment of capital in low-cost housing is the creation of incentives through legislation. For example, in 1961 and 1962 Peru enacted several laws granting special tax exemptions to enterprises engaged in low-cost housing construction to those that earmark part of their profits for the construction of housing for their staff, and to housing cooperatives. These measures have not only attracted private capital for housing, but have also encouraged certain groups not directly concerned with housing construction to participate in savings and loan systems.

5. Integration of housing programs with urban development plans. Although housing programs cover a high percentage of urban areas and necessarily affect their development, in many Latin American countries housing agencies and urban planning authorities are not sufficiently coordinated to jointly decide upon the location of housing programs and on their relationship to the city in general and to other projects in particular. It has been proved that this situation can, in the long run, lead to needless inflation of costs, in both social and economic terms, since poorly located projects may have to be renovated or remodeled.

This lack of relationship is seen not only in lack of coordination, but in the fact that master plans are often behind time and unrealistic while planning officials do not have the authority to enforce their provisions. Urban planning must therefore be promoted as a dynamic process by anticipating development and continuously updating plans in line with economic and social needs. A more realistic position must also be adopted with regard to blighted areas, and unattainable goals should be avoided.

Master plans, on the other hand, can involuntarily become instruments of urban land speculation unless pertinent legislation prevents exhorbitant price rises, when urban development authorities, as part of their duties, limit the growth area of a city, thus increasing the pressure of demand and further appealing to the speculative tendency of land owners. It is therefore essential that legal measures be taken to safeguard the social function of land and its increase in value arising from the urban development process. Peru, for example, has adopted important measures in this respect, and the Dominican Republic and other countries are considering others.

/In January

In January 1963, the Peruvian legislature enacted the Expropriations Law, permitting the purchase of urban land for housing programs at reasonable prices. This law modifies the general regulations governing valuation, stipulating that for appraisal purposes, blighted areas, state urban developments and private developments with an area of less than fifty hectares located outside the main city nucleus shall not be considered as decisive urbanizing factors determining higher prices. It also stipulates that 8 percent of the payment will be made in cash, with the balance payable over an eight-year period at 8 percent interest.

A bill currently under consideration by the National Congress of the Dominican Republic proposes the regulation of increased land values with a view to controlling gratuitous land speculations in both urban and rural areas. It envisages state appropriation, for socioeconomic development purposes, of a certain percentage of the increase in value of any commercial land resulting from installations or investments made by the state or by third parties. Urban and rural lands that become state property as a result of this law are transferred in their entirety to the National Housing Bank or the Agrarian Reform Institute, respectively.

With respect to land policy, existing mechanisms for acquiring land at low cost are notoriously ineffective. In the majority of cases, prices are fixed according to values in recent years, taking into account increased value as a result of urban improvements made by the government itself. This situation increases the unit cost of housing, inasmuch as land represents a high percentage of the total cost. In Venezuela, this ratio is as much as 30 or 40 percent.

Besides that of housing, it seems advisable to make more extensive use of community development programs, in other fields, through municipal institutions that already have this function, and with technical and financial assistance from national and international organizations.

The urban development trend in every country is inevitable, but urban and regional planning should be designed to avoid the excessive concentration of population in just a few cities.

6. Construction industry. The availability of foreign credit, increased national capital investments in housing, mainly by the governments and their specialized agencies, and the incentives offered to private enterprise have helped to improve the situation of the construction industry in Latin America as a whole.

Housing programs however, have not been sufficiently used as a means of stimulating the national economy; this is demonstrated by the flight of capital and the unemployment existing in some countries. The economy can be encouraged through systematic government investments and by creating an atmosphere of confidence and stability, capable of attracting private investment in the construction and building materials industries, provided the housing programs concerned are permanent and can guarantee a market.

/The construction

The construction and building materials industries are confronted with three main problems:

a. Lack of foresight regarding building material requirements for housing programs, which leads to delayed deliveries, increased costs, and minimum utilization of installed plant capacity;

b. Use of outdated techniques in housing construction;

c. Rising labor costs.

In most cases, the production capacity of the construction and the building materials industries is not evaluated in relation to the proposed programs. Such evaluation is highly important in avoiding imbalance in production factors and in assuring success of the programs. Furthermore, the housing agencies fail to give advance notice of the input requirements for their programs so that the construction industry can meet the new short- and long-range demand.

Although the Latin American countries are currently carrying out mass housing programs, their production techniques remain individualized and outdated. This has led to excessive costs, since construction projects require more time and skilled labor is not available. It is therefore essential to increase the productivity of the construction industry and to introduce new techniques. Furthermore, these techniques should be sponsored by the government; otherwise, it would be hard to put them into effect. The case of Venezuela illustrates this point. In that country, despite the fact that several companies are equipped to produce prefabricated units, it has been impossible to use them in housing construction, since the government agencies are not convinced of their usefulness and labor unions oppose them because they would reduce the manpower employed. Since prefabricated units must be mass produced in order to reduce costs, they cannot compete with conventional techniques in such a restricted market.

The adoption of modular building materials is also important. This calls for the establishment of technical standards based on studies that, by providing suitable incentives, the national housing agencies can arrange for the private sector to carry out. If the housing agencies adopt certain standards and enforce them--in their capacity as volume buyers--these standards will in fact become established. The main incentive would be the use of modular materials for all housing programs, thus guaranteeing a market.

One of the main problems that will probably confront low-cost housing construction in Latin America during the coming years is the rising cost of labor. This has already occurred in Nicaragua, where construction labor costs have increased by 180 percent over the last two years, while other sectors have remained constant. This problem cannot be solved by lowering salaries; instead, productivity in the construction industry must be increased, keeping the cost of low-cost housing within reasonable limits.

Another problem is the lack of methods for compiling and handling the statistics required to establish unit construction costs to serve as a guide for future programs.

/7. Foreign

7. Foreign aid. The availability of foreign credit has undoubtedly served as a positive incentive to the development of housing programs. Over the past three years, the total sum of loans granted has increased substantially. There are two main sources for such financing: the Agency for International Development (AID) and the Inter-American Development Bank (IDB).

Tables II-12 and II-13 show the total volume of loans granted by both these organizations.

Since 1959 until December 1962, AID had authorized US$95 100 000 in loans, and during the fiscal years 1961 and 1962 US$7 798 000 in grants; the IDB, from the time the Trust Fund commenced operations in 1961 until December 1962, granted US$152 650 000.

Although the total amount of these loans, that is, US$247 750 000, represents considerable progress in external aid for housing, disbursement has been very slow. AID has disbursed 10 percent of its loans, while the IDB has disbursed only 9 percent.1/ This situation has greatly delayed the development of programs in most of the countries.

1. Up to June 30, 1963, the IDB had granted US$157 9 million in housing loans and disbursed 20 percent, or US$31 9 million, indicating some improvement in this situation. A similar increase is noted in AID disbursements.

/Table II-12

Table II-12

LOANS AND GRANTS FOR HOUSING MADE BY AID (U.S.DOLLARS - THOUSANDS)

	Loans (calendar years)				Grants (fiscal years)			
	Authorized		Disbursements		Authorized		Disbursements	
	From 1959 through 12-31-62	In 1962	From 1959 through 12-31-62	In 1962	Fiscal Years 1961 & 1962	Fiscal Year 1962	Fiscal Years 1961 & 1962	Fiscal Year 1962
Argentina	12 500	12 500	0	0	-	-	-	-
Bolivia	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-
Colombia	12 000	-	6 252	4 752	-	-	-	-
Costa Rica	-	-	-	-	346	30	332	35
Chile	5 000	- a/	626	626	1 807	809	1 634	746
Dominican Republic	4 200	2 100	0	0	24	24	17	17
Ecuador	5 000	-	44	44	91	91	95	95
El Salvador	-	-	-	-	-	-	-	-
Guatemala	-	-	-	-	4 569	66	4 562	197
Haiti	-	-	-	-	-	-	-	-
Honduras	400	400	0	0	-	-	-	-
Mexico	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	-	37	37	36	36
Panama	2 500	-	0	0	530	530	21	21
Paraguay	-	-	-	-	-	-	-	-
Peru	8 500	-	448	488	385	385	44	44
Uruguay	-	-	-	-	-	-	-	-
Venezuela	45 000	30 000	2 225	2 125	9	9	23	23
Totals	95 000	45 000	9 595	7 995	7 798	1 981	6 764	1 214

a. In the fiscal year 1962 Chile was authorized 42 557 of which 31 906 were disbursed.

/Table II-13

Table II-13

LOANS FOR HOUSING MADE BY IDB UNTIL DECEMBER 31, 1962

	Authorized		Disbursements	
	Since the founding of the Bank until 12/21/62	In 1962	Since the founding of the Bank until 12/21/62	In 1962
Argentina	30 000	30 000	0	0
Bolivia	-	-	-	-
Brazil	3 850	3 850	0	0
Colombia	15 200	-	2 535	2 535
Costa Rica	3 500	-	1 907	1 557
Chile	7 000	7 000	500	500
Dominican Republic	3 500	3 500	0	0
Ecuador	10 600	10 600	0	-
El Salvador	6 100	6 100	591	591
Guatemala	5 300	5 300	0	0
Honduras	1 000	1 000	0	0
Mexico	-	-	-	-
Nicaragua	5 200	5 200	300	300
Panama	7 600	-	2 419	1 919
Paraguay	-	-	-	-
Peru	23 800	1 000	4 360	4 360
Uruguay	8 000	8 000	0	0
Venezuela	22 000	10 000	1 683	1 683
Totals	152 650	91 550	14 295	13 445

G. COMMUNITY DEVELOPMENT

1. Current Status

a. Some general principles that underlie the community development programs in the majority of the Latin American Countries

The rapid and massive changes taking place in Latin America are forcing the national governments and the various public and private national and international agencies to mobilize public endeavor at all levels. In this mobilization, the techniques of community development are especially helpful to local groups in determining their problems, organizing for a solution, assuming responsibility and making decisions, and cooperating to improve living standards according to their ability and potential.

Community development is therefore a social technique concerned with the advancement of mankind and the mobilization of national human resources, with a view to improve the utilization of other resources for the entire community. This social technique operated fundamentally through education and organization, promoting the individual and collective abilities of the basic groups, as a means of development, taking into account the broadest area in which these groups (communities, towns, and their components) function: the region and the nation.

The aim of community development is to channel the spontaneous changes occurring within groups to the general benefit, at the best pace and least possible cost, eliminating the trial and error inherent an undirected change. This is possible if development is coordinated and its objectives clearly specified; this requires a plan, a stated goal. Consequently, community development cannot function properly without a plan, and the plan, in turn, cannot achieve its aims without public participation through a system of community development. Therefore, community development, conceived as orientation and participation, is also an instrument and basis for planning, since it promotes action by small groups, for the purpose of achieving the aims of national plans.

As a basis for planning, community development uses national organization to benefit microsocial groups, coordinating its present or potential services, to achieve positive action, by economizing efforts and eliminating ineffectual procedures, all of which signifies better over-all use of national resources. At the same time collective development helps to bring out the physical, social, and cultural status of the groups, as well as their aspirations and needs, and to adequately plan and coordinate the solution of problems and requirements.

Community development as an educational process creates shared responsibility for the promotion of significant, broad-scale changes. Above all, it is an extensive process of over-all education, and of adequate instruction in the position and needs of each group, viewed in national perspective. In this self-help process, the community develops a new awareness of its possibilities and a

new capacity for cooperation which vitalizes local action and helps to break away from the persistent tendency to expect national agencies to provide guidance and initiative in solving local problems. Within the total process, specific accomplishments should not be considered as an end in themselves, but rather as a means of developing individual and collective capacity.

Community development endeavors to promote rational changes on the micro-social level, according to a planned educational process, which considers the characteristics of the group and its potential physical and human resources. Thus, it is an instrument for over-all development based on local development. This means that it should be directed by the government, which should also provide strong incentive for group activities in accordance with collective needs and aspirations, geared to individual and community change. This change is effected by the groups themselves, which take full advantage of human effort and local resources to improve living standards, according to local values and mores.

Democratic planning cannot be undertaken without full participation by the public. Neither can it function without orientation and direction by the central government. This requires a merging of two vertical currents: an upward movement imbuing the plan with spirit and vigor, and a downward tendency ensuring rational organization and full coordination of the plan. Community development acts as the mechanism, producing the upward current. Such development must take into account the varying degrees of social cohesion from the national to the local level, as well as the different stages of coherent organization, from the local to the national level, encompassing, in turn, the various regional levels corresponding horizontally to the government echelon. Each of these stages and communities has its own system of development. Naturally, every democratically conceived and coherent national plan should coordinate this gamut of relationships within a scaled system of services and a hierarchy of development plans that are relatively autonomous with reference to each particular instance.

Community development is one of the basic instruments within an over-all national development program for promoting change, organizing groups at the community or local level and sharing with them national responsibilities and decisions, and organizing the activities of the various national groups according to their abilities and characteristics.

Achievement of these objectives requires the training of adequate personnel. Multipurpose team work at the regional and national levels, regional and local organizers, and local leaders are the basic agents of community development. This staff should receive intensive training in the social sciences, in order to properly fulfill the specific functions of community development as a social technique, as an instrument for planning, and as a method of group education and organization. This requires several basic centers for training personnel to act at the hemispheric, national, regional and local levels. The success of future national community development programs will hinge upon the efforts made to organize such training centers.

/The complex

The complex methods used in community development have developed through experience accumulated by numerous programs operating in different parts of the world under a number of different agencies. To date, these methods have lacked uniformity; approaches and operating techniques have been adapted to meet varying situations. This is an important consideration, for methods should take into account the position of the countries with reference to their level of development. Despite the many nuances involved in handling the community problems, the same basic logic applies and they are all essentially analogous with reference to both promotional agents and method.

Community development requires an over-all approach and should, therefore, form part of national plans. Community development can only be considered as such if it is viewed by national planning as: a) a social technique; b) an instrument for planning; c) a process of group education and organization; d) an expression of the desire of a national government for drastic change; and e) a mystique.

In most countries, national resources are not fully utilized for the solution of local problems, since public and private investment is channelled toward sectors that are of critical importance to the country's general development. Furthermore, the organization of national public administration is in itself frequently too slow and inadequate to solve local problems.

Social research should occupy a prominent place in national programming for community development, in order to establish firm bases for such planning.

Periodic and final evaluation makes it possible to determine deficiencies as well as positive factors, while at the same time it provides a more accurate picture of community development processes. Therefore, the agencies responsible for such programs should incorporate the technique of evaluation into their administrative practices.

A coordinated community development program approached from several fields of study can become a positive factor of penetration extending the services of the various government offices in a logically consistent manner.

Prevailing contrasts between urban and rural areas serve to handicap development. Little or no communication between these sectors creates an overwhelming problem that transcends strictly geographic or demographic limitations. Community endeavor can do much to surmount economic, social, and cultural distances between city and country by encouraging reciprocal relations and inspiring mutual confidence. In order to attain over-all national development, it is also essential to incorporate groups that have traditionally existed on the fringes of economic, social, political, and educational activity into national life and to provide the entire population with an opportunity for participating in the growth process. This can be accomplished through community development.

Consequently, extensive horizontal and vertical mobilization of resources and purpose is required in order to create a lofty mystique that will lead to

/sound, over-all

sound, over-all national development. Community development can bring about such mobilization, which will help to make each citizen aware of his problems, his rights and responsibilities, and his proper role in the quest for a just and efficient society.

b. Some characteristics of community development programs in Latin America

The information below comes from various sources, among them, the reports prepared by some countries in accordance with the guidelines approved by the Committee at its first meeting. The lack of sufficient data makes it impossible to give a complete picture of community development programs in all the Latin American countries.

1. Legislation and community development. In 1955, the community development movement in Latin America began to acquire a legislative basis. Laws, decrees, and agreements were established, for the purposes of creating competent agencies at different levels, fixing objectives and methods to achieve them, and, in some cases, training necessary personnel.

2. Administrative organization. There is no set pattern for placement of the community development agencies within the administrative system; each country places them where political and administrative circumstances will permit them to be most effective. They are under the direction of different institutions, which may be governmental, private, or semiautonomous. A study of pertinent legislation indicates that some countries have been changing the placement of these agencies, or expanding them, to meet current needs.

There is a trend toward making these agencies responsible directly to the office of the president of the republic, along with national planning organizations. In other cases, they are at the ministerial level, with the ministries of education, agriculture, labor and social welfare being the ones that most frequently handle this activity, because of the urgent need to attain short-term development objectives through community development. The dissimilarity of sponsoring institutions and the lack of national technical and administrative policy to provide orientation and coordination for the programs result in a duplication of effort and a decrease in the effectiveness of the programs.

Judging from the information available, only Venezuelan law provides for agencies at the regional level, although in some countries, such as Colombia, for example, there is legislation establishing the mechanism needed for regional development.

3. Objectives. There is great variety among community development programs, both within each country and between one country and another. All of them have something in common with reference to objectives and methods, but generally, they are undertaken as isolated efforts rather than as national movements.

/In Bolivia,

In Bolivia, the National Rural Development Plan is essentially a community development program. It is over-all in nature, it endeavors to produce a substantial rise in the standard of living of the rural worker, and also to incorporate into a more general way of life some 500 000 families of scattered economic and cultural groups, who earn their livelihood through farming.

In Colombia, the General Economic and Social Development Plan promotes and intensifies community development so that these communities may play a part in the general development and wealth-producing process and may fully and knowingly benefit therefrom. The plan is to integrate the two aspects of development: production and social welfare.

In Venezuela, the general direction of the program is under the Central Coordinating and Planning Office. Basic objectives are to raise the standard of living, increase basic social capital, meet housing needs, develop individuality, train leaders, and better integrate the communities into national life.

Mexico is undertaking various community development programs, in line with a general development policy. With reference to the rural area, community development is conceived of as a national movement, carried out through agrarian reform, which involves matters of health, education, and integration of the Indian population.

In Peru, the National Program of Popular Cooperation, created in August 1963, is under the Presidency of the Republic and coordinates all extension programs, communal works and services. It acts as an interministerial committee.

In other countries, the programs generally cover various activities within the community, but they represent only individual efforts of institutions, which are not properly coordinated. It is evident that they have contributed to the local betterment of the communities, but had they been channeled into broader over-all programs and given greater emphasis to community organization and education, the result would have been more significant.

4. Scope and coordination. The Governments of Bolivia, Colombia, the Dominican Republic, Mexico, Peru, Uruguay and Venezuela have recognized the importance and possibilities of undertaking community development programs on a national scale. A close relationship between the programs and national planning organizations is maintained, which makes possible a clear determination of their objectives. It is in these countries that the most far-reaching accomplishments are evident.

It may be inferred from information available that, on the whole, there is no adequate system of coordination. In some cases, various institutions cooperate with each other, but there is no pre-established system to insure uniformity of standards in planning and implementation. The experience of Venezuela indicates that it is important and useful for the mechanism managing community development programs to be placed at the highest level of public administration, where it will have suitable and effective instruments available to achieve these aims. Similar work has been begun in Peru.

/5. Areas

5. Areas of action. Generally speaking, it may be said that all Latin American countries have had some experience in community development, whether in urban, rural, or Indian areas. The general trend, however, has been toward the development of the rural areas.

Urban area programs are being carried out in Brazil, Colombia, Venezuela, and, to a lesser extent, in Costa Rica, Peru, El Salvador, the Dominican Republic, and others. Owing to lack of resources and to other factors, the impact of these programs has been small, but the activities accomplished demonstrate the effectiveness of the methods used.

In Mexico, experience in the Indian areas has been notable, because of the intensity, extensiveness, and continuity of effort. The National Indian Institute of that country has been constantly expanding its activities. One of its basic precepts is that over-all action is essential to achieve the cultural and economic transformation of a community.

Up to now, community development programs in Latin America have contributed chiefly to improving local communities. Following are some of the specific activities undertaken: housing construction through aided self-help, construction of schools and access and rural roads; improvement in home economics; agricultural extension; development of crafts; health campaigns; environmental sanitation; water supply projects; supervised credit activities; reforestation; and agrarian reform.

At present, there is no well-defined methodology for evaluating the results of community development programs. There are several basic reasons for this: a) the vagueness with which the objectives have been stated; b) the difficulties of evaluating these objectives, owing to their qualitative nature (example, change of attitudes); c) the lack of precision in instruments of community development which makes it difficult to evaluate them and, consequently, to evaluate previous events; d) the virtual impossibility of establishing the statistical nature of relations between objectives and instruments.

6. External technical cooperation. External aid and technical assistance have been obtained for the programs being carried out in the various Latin American countries. As an example, the United Nations and its specialized organizations have for several years helped the governments to publicize and organize their community development programs, as well as to determine their principles and methodological orientation.

The Organization of American States has cooperated with the governments by providing technical advisory service, fellowships, and training courses.

The establishment of CREFAL, sponsored by the UNESCO, OAS, UN, and the Government of Mexico and that of CIERU, sponsored by the OAS, UNESCO and the Government of Venezuela, have contributed toward the training of specialized personnel in this field and, consequently, toward an increase in community development activities.

/The Agency

The Agency for International Development (AID) has signed agreements with the Universities of California and Cornell for personnel training and has also cooperated with the University of São Paulo in creating a Community Development School. It also provides technical assistance in community development to several countries.

Experience has shown that the work of the Peace Corps is also effective, when tied in with community development programs.

Furthermore, certain international institutions, such as the IDB, and some private ones, such as the Ford Foundation, the International Fund for Community Development, the International Association of Social Service Schools, and some universities have increased their activities in this field.

Several of the projects being carried out by the Inter-American Development Bank have a favorable effect on various aspects of community development, including the following programs: a) water supply and sewerage systems; b) credits to small farmers; c) rural housing for low-income groups; d) access and rural roads; e) land settlement; f) cooperatives; g) construction programs through aided self-help.

7. Personnel. It should be mentioned that although all the countries have a certain number of specialized personnel in the field of community development, it is not enough to meet present needs. In Colombia, Venezuela and Peru there is manifest interest on the part of the governments in training and using personnel. As an illustration, the Division of Community Action in Colombia has 74 staff members, 12 of whom work at the national level, 20 as regional organizers, and 42 as local organizers. Furthermore, the Division conducts periodic courses for local leaders, workers, priests, members of the armed forces, university students and professors, etc.

On its parts, the Community Action of the Special District of Bogotá has grown considerably, not only in numbers, but in professional caliber. A total of 325 workers in different specialized fields have been trained in the techniques of community development.

The country has made an outstanding effort by establishing a specialized center for training national personnel. This is the pilot institute, associated with the UNESCO, which operates in Pamplona.

In Paraguay, under the Tri-Ministerial Program (PAEN), personnel are trained at the university, intermediate, and primary level. Courses are also given for teachers of nutrition, agronomy, and home economics.

In Venezuela, the Division of Community Development has 62 workers, 6 of whom work at the national level and 56 at the state level. Of these, 13 are regional coordinators of the program, 20 are regional organizers, and 23 are technicians for some specialized and secretariat services. In that country, training has been given through workshops for technical staff members of the

/agencies, and

agencies, and also through regional and local organizers. This has made it possible to break down the barriers between different fields and to coordinate the work at the regional and local levels. Short courses are also being given to organizers at the local level. For training personnel at the intermediate level, there are inter-American courses, given both by the CREFAL in Pátzcuaro, Mexico, and by the Inter-American Center for Rural Education in Rubio, Venezuela. The Center for Studies in Development (CENDES) of the Central University of Venezuela is responsible for training high-level personnel through graduate courses. Also, the Division of Community Development of the Ministry of Health and Social Welfare gives special courses to organizers of rural social welfare, and the Social Work Division has concentrated on the training of volunteer workers. For its part, the Venezuelan Institute for Community Action (IVAC) devotes itself to training rural leaders.

Mexico is probably the country with the most people working in this field, and these are trained by national agencies, such as the Federal Institute for Teacher Training, the Institute of Indian Affairs, etc.

In recent years, the curricula of social service schools in Latin America have included courses in community development. These courses have been directed largely toward work in the urban areas. Of the one hundred Latin American social service schools, a few in Brazil and Ecuador and one in Guatemala orient their courses toward work in the rural areas.

In general, all the countries have geared their personnel training programs to the magnitude of the projects being undertaken. The training of auxiliary personnel and organizers has been given preferential attention.

8. Financing. The countries receive their funds from different sources: some have budgetary allotments; others obtain their funds from institutions working in cooperation with them, and, in some cases, the programs are prepared and implemented with the help of external financing institutions.

Colombia and Venezuela have no special budget for expenditures in their Community Development Divisions. In Venezuela, the regional agencies for community development have their own budgets for operating expenses and investments, and also receive financial aid from national and municipal agencies.

No information is available regarding systems for financing community development programs in other countries.

/2. Programs

2. Programs in Process

Table II-14.A

SYNTHESIS OF PROGRAMS IN DIFFERENT COUNTRIES

Country	Name of Program	Sponsoring Agency	Governmental	Semi-governmental	Private	Urban	Rural	Indian	Cooperation	National	Regional	Local
1 BOLIVIA	National Rural Development Program	Ministry of Rural Affairs	X				X	X	OAS UN UNI-CEF AID	X		
2 BRAZIL		S.A.R.			X		X				X	
3		S.A.S. - Rio	X			X						X
4 COLOMBIA	Community Development	Ministry of Government	X			X	X	X	AID	X	X	X
5	Community Development	Ministry of Health SCISP	X			X	X		AID	X		
6		Territorial Credit Institute		X		X			AID	X		
7		Federation of Coffee Growers			X		X				X	
8		Popular Cultural Action		X		X	X			X		
9	Community Action	Bogotá Municipality	X			X					X	
10		Cauca Valley Corporation	X			X	X				X	
11 COSTA RICA	Fundamental Education	Ministry of Education	X			X	X			X		
12 CHILE	Project "Puente Alto" of Community Development	Ministry of Agriculture, Education, and Health and Social Welfare	X X			X X	X X			X	X	
13	"Plan Acud"	Ministry of Education	X				X				X	
14	Community Development	Rural Education Institute			X		X		AID	X		
15	Community Development	"Techo"			X	X			AID			X
16 ECUADOR	Andean Mission	Ministry of Social Welfare ILO UN UNESCO FAO WHO	X					X		X		
17 EL SALVADOR	Cultural Brigades	Ministry of Public Health and Social Welfare Ministry of Education Institute of Rural Settlement	X X	 X		 X	X X X		AID AID	 X	X	
18 GUATEMALA	Development of the Indian Community	Service for Promoting Indian Economy	X				X			X		
19	Community Development	Public Health Administration	X			X	X	X		X		
20	Nutrition for Community Development	Ministries of Economy, Education, Agriculture, Public Health	X			X	X	X	FAO WHO UNI-CEF UN			
21	Rural Education Service	Ministry of Education	X			X	X	X	AID	X		
22 HAITI	National Office for Community Education	Ministry of Education		X		X	X		UN AID	X		
23	Poté - Colé	Ministry of Agriculture	X				X				X	
24 HONDURAS	Fundamental Education	Ministry of Education	X				X			X		

/Table II-14.A (Cont.)

Table II-14.A (Cont.)

Country	Name of Program	Sponsoring Agency	Governmental	semi-governmental	Private	Urban	Rural	Indian	Cooperation	National	Regional	Local
25 MEXICO	Cultural Missions	Ministry of Education	X				X			X		
26	Indian Development	Ministry of Education	X					X		X		
27	Community Development	Sec. Health and Welfare	X			X	X			X		
28	Cooperative Medical Services	Sec. Health and Welfare	X			X	X	X		X		
29	Coordinated Services	Sec. Health and Welfare	X				X	X		X		
30	Indian Development	National Indian Institute		X				X		X		
		Mexican Institute of Social Security	X			X	X			X		
31 NICARAGUA	Pilot Project for Fundamental Education "Riococo"	Ministry of Education	X				X			X		
32	Omotepec	Ministry of Education	X				X		AID		X	
33	Community and Nutritional Education	Ministries of Education, Agriculture, Health, Economy, and Labor	X			X	X			X		
34 PANAMA	Community Organization and Planning	Ministries of Labor and Social Welfare and Public Health	X			X	X		AID	X		
	School Social Service	Ministry of Education	X				X			X		
	Rural Development through Community Development	Institute for Economic Development	X				X			X		
35 PERU	School Centers (rural workers)	Ministry of Education (Inst. of Rural Education)	X				X		IER	X		
36	National Institute for Integrating the Indian Population	Ministry of Labor and Rural Affairs	X				X	X	UN	X		
37	Puno-Tambopata	Ministry of Labor and Indian Affairs and Andean Action	X					X	ILO FAO UNESCO UN UNICEF		X	
38	"VICOS"	Ministry of Labor and Indian Affairs, Indian Institute and Cornell University (USA)	X					X			X	
39	Community Development	Private Association			X	X	X					
		Summer Institute of Languages (University of Oklahoma)	X		X			X			X	
40		Apostolic residence Puerto Maldonado			X						X	X
41		Apostolic residence San Javier			X						X	X
42		Institute of Rural Education			X		X					X
43	Inter-ministerial Executive Committee for Popular Cooperation	Presidency of the Republic	X				X	X	AID	X		
44 DOMINICAN REPUBLIC	Community Development	Office of the President of the Republic	X			X	X		AID	X		
45 VENEZUELA	National Program of Community Development	Cordiplan Office of the President of the Republic	X			X	X		UN	X		
46	Community Development and Organization	Ministry of Health and Social Welfare	X			X	X			X		
47	Community and Municipal Development	Foundation for Community and Municipal Development		X		X	X		AID	X		
48	Community Action	Venezuelan Institute for Community Action (IVAC)			X	X	X			X		

/Table II-14.B

Table II-14.B

TRAINING PROGRAMS IN PROGRESS

Country	Sponsoring Institutions	Name of program	Type of personnel	Type of courses	Courses given	No. of people trained	Observations
BOLIVIA	Government of Bolivia Andean Mission	"Pillapi"	Social Service Aids	National			
	Pan American Union and Inter-American Indian Institute and Government of Bolivia	Project No. 208 Technical Cooperation	Professional workers	Inter-American and National	1 1	14 40	Bolivia, Ecuador and Peru Different national agencies
BRAZIL	3 Rural universities	Centers for training local leaders and volunteers	Rural leaders	National			
	Rural Welfare Service	Training Center Pontanegra Programs	Community Development organizers, craftsmen, and rural health aids	National			
COLOMBIA	Ministry of Education	Instituto Piloto Asociación UNESCO Pamplona (Associated pilot institute of UNESCO, in Pamplona)	Workers training for fundamental education	National			
	Ministry of Education	Escuela Superior Piloto de Orientación Rural Femenina (Advanced pilot school for training rural women)	Workers of various skills for community development	National			
	Ministry of Government Community Action Administration	Training of organizers	Different levels	National	118	6 745	Local leaders, workers, priests, mayors, policemen, university professors, and students and members of the armed forces
ECUADOR	Andean Mission	"Guaslán"	Local leaders and experts in community development, at different levels	Regional			
GUATEMALA	National Agricultural Institute	Service for Developing Indian Economy	Community development aids and organizers	National			Courses of one-year duration
	National Education Office for Cooperative Assistance	Professional Training for Teachers	Teachers without degrees	National			Two-year course. Includes theoretical studies and practice in community development
	Pan American Union, Inter-American Indian Institute and Government of Guatemala	Project 208 Technical Cooperation	Professional workers	Inter-American and National	1 1	14 30	Central American students National promoters
HAITI	Ministry of Education	Community Education	Local Organizers and Teachers	National			Two centers: "La Font" and "Bayeau"

/Table II-14.B (Cont.)

Table II-14.B (Cont.)

Country	Sponsoring Institutions	Name of program	Type of personnel	Type of courses	Courses given	No. of people trained	Observations
MEXICO	Sec. of Public Education, Federal Institute for Teacher Training	Professional Improvement	Inspectors, directors	National			Three-year course for teachers with degrees
	Sec. of Education, Indian Affairs Administration	Indian Internees	Social organizers	National Indian Population			
	Sec. of Health and Social Welfare, Environmental Sanitation and Rural Community Development Administration	Courses for Training personnel	Rural social organizers	National			Duration of 3 and 1/2 months. Trains 35 organizers per course
	Sec. of Health and Social Welfare, School of Public Health		Professional workers in community development health programs	National			Duration 1 year
	Sec. of Health and Social Welfare, Social Work Administration		Social work aids	National			Duration 10 months
	Government of Mexico UNESCO, OAS, specialized organizations	CREFAL	Professional workers	Inter-American			Began in 1951 Courses of nine months
NICARAGUA	Ministries of Education, Agriculture, and Health, worming in coordination	Coordinated program for education in nutrition	Different levels	National		350	One year, until 1962
VENEZUELA	Cordiplan National Community Development Program	Community Development Assemblies	Civil servants, professionals, intermediate level technicians, Army officers, volunteers	National	25	1 781	Duration: one week
	"	Short courses for local promoters	Rural leaders, urban leaders, and soldiers	National	5	164	Duration: one week
	"ORDEC" National Institute of Cooperative Education Rural Housing	Short courses for rural leaders, self construction, and community development	Rural workers	National	5	100	Duration: six weeks
	Ministry of Health ORDEC Cordiplan Ministry of Agriculture and Breeding Rural Housing	Courses for demonstration assistants	Rural women	National	7	350	Duration : six weeks
	OAS-UNESCO, Government of Venezuela	CIER	Professional level	Inter-American			Nine month course
	Central University of Venezuela CENDES	Graduate training	Professional	National			Two-year graduate course, within which community development is one of the specialized studies
	Ministry of Health and Social Welfare and Community Development Organization	Training in community development	Social welfare organizers	National		22	Intensive training course, six months
	Venezuelan Institute for Community Action (IVAC)	Training of rural leaders	Local organizers	Rural-National	4	480	Each course lasts 50 days. All four courses held in one year

/3. Problems

3. Problems and Difficulties Encountered

The main problems and difficulties encountered in the advance of community development programs in Latin America are the following:

a. Coordination

In the majority of the countries, the national mechanisms are not prepared for a joint action that will adequately utilize institutional resources in such a way that their effect is multiplied through the cooperation of the various national, official, or private agencies with the basic communities. Nonexistence of national programs and the lack of relation with national development and planning programs, contribute to this fact. At the same time, in the majority of the countries there is no government decision to consider community development as an instrument for enlisting the cooperation of the various sectors, especially the popular ones, in planning and execution of development plans.

b. Personnel

There is not enough of the specialized personnel required for the adequate functioning of community development programs. There are no sufficient international and national training institutions to fill this need.

c. Technical assistance

There is a lack of technical assistance, principally for the research, planning, organization, execution, and evaluation aspects of community development programs. This deficiency is aggravated by the absence of a national technical assistance program, and to the lack or inadequate functioning of coordination of the various national and international technical assistance services.

d. Financing

National resources are not duly utilized to obtain an efficient social promotion service. Lack of coordination among the various services that can be channeled by community development programs, further complicates the seriousness of the problem.

e) Legislation

One of the obstacles to development of programs, according to the principles that inspire them is lack of adequate legislation that will facilitate matters of coordination, programming, administration, training and procurement of funds.

/H. EDUCATION

H. EDUCATION AND TRAINING

1.. Present Situation

a. Over-all plans for education

During the years 1961 and 1962 the over-all planning of education acquired new impetus in Latin America.

In eight countries specialized offices have been created; in others the existing ones have been reorganized with the object of providing greater possibilities of achievement. In some cases attempts have been made at solutions which would permit obtaining knowledge of the true situation in the country, to be used to establish mechanisms for ensuring the continuity and coordination necessary for implementing integral plans.

Some countries have set up, among other goals, that of increasing the funds assigned to over-all educational planning services and established courses for the training and improvement of the corresponding personnel. Other countries have drawn up, and embarked upon, partial plans for the promotion of one or more aspects, e.g. the eradication of illiteracy, primary education, secondary education (industrial and agricultural), adult education, rural education, craft apprenticeship, integration of higher education, and technological research.

In several countries the system of program budgeting has been instituted, while in others coordinating agencies have been established on a national, provincial, or departmental scale, so as to ensure integration of the efforts made by the country as a whole. Other countries have laid down the bases that will make it possible to coordinate the activities carried out by the Ministry of Education with those of other ministries and public and private institutions. Some have started the integration of educational planning with that of economic and social development, either by means of representatives that insure the necessary liaison and cooperation or by means of specialized organization which, in drawing up the national development plans, take the sectoral plans of education into consideration.

b. Primary education

Enrollment at the primary level in 19 Latin American countries rose from 24 794 000 in 1960 to 29 163 000 in 1962. During that period the average annual increase was about 8.5 percent, while that recorded for the five years 1955-60 amounted to 7.8 percent. The ratio between the enrollment in the primary grades and the total population, which was 12.5 per thousand in 1960, attained 14 per thousand in 1962.

School building has been intensified appreciably through both national resources and the help of AID. In four countries, 7 795 classrooms were built in

/the 1960-62

the 1960-62 period. In this connection, it should be pointed out that various countries have national bodies for planning, financing, and constructing school buildings. Others have worked out national school construction plans.

Remarkable progress has also been made with regard to the number of diplomaed school teachers. In countries where there is a particularly serious lack of teachers, steps have been taken to increase their numbers and meet the demand for teaching personnel in primary education. 69.4 percent of the teachers currently employed in 14 countries hold certificates.

Likewise, all the countries have intensified their efforts to provide basic and advanced training for the technical and administrative personnel needed for primary education services. This is done through domestic programs--with foreign aid in some cases--by means of courses, scholarships, seminars, and professional publications. Nevertheless, the progress made in this direction is slow and fails to produce the impact hoped for.

Significant efforts have been made with the object of adjusting the work and organization of one-teacher schools so as to enable them to offer pupils the possibility of completing all the primary grades. Some countries have set up consolidated schools, as a way of offering better educational opportunities in rural districts.

In some countries, primary study plans and programs have been revised with the object of improving the quality of teaching. With regard to teaching materials, emphasis should be laid on the efforts made by several countries to provide schoolchildren with textbooks and notebooks free of charge.

c. Secondary education

For the years 1960-62, the average annual increase in enrollment in secondary schools in Latin America is calculated at 9.8 percent. In the statistical data for 1960, the proportion of students enrolled in general secondary education courses was seen to be high for that year as compared with those in other courses and with the total number of students at this level. Thus, at that time the distribution was as follows: general secondary, 63 percent; commercial, 15 percent; normal, 10 percent; industrial, 9 percent; domestic science, 2 percent; and agricultural, 1 percent.

In some cases an effort is being made to expand intermediate education along organic lines. In practically every country, one is struck with the importance of efforts made in 1961 and 1962 to extend intermediate education; to provide equal opportunities in town and country; to improve the quality of performance; to increase educational opportunities in the vocational area (industrial and agricultural), and to provide basic and advanced training for teachers, principals, and supervisors for secondary education and, in particular--though in few countries--for vocational instruction. Radio and television courses have been an interesting innovation.

/Several countries

Several countries have reformed their study plans with the object of obtaining greater diversification in secondary education and of giving strong encouragement to training personnel for industry and for crop and stock farming. The countries that have a standard basic cycle report the advantages to be derived therefrom: in various cases, system reorganization in the years 1961 and 1962 tends toward the establishment of a first standard cycle, and toward the achievement, in the technical and teaching curricula, of a suitable proportion between courses in general education and professional ones. Some countries have made efforts to integrate vocational training (skilled manpower and technicians at the intermediate level) into the educational system. Other countries have devoted the year 1962 to research and to drawing up reforms for secondary education, in accordance with the objectives and aspirations of the Ten-year Education Program of the Alliance for Progress.

d. Higher education

Matriculation in higher education establishments in Latin America, which stood at 401 800 in 1955, had risen to 519 000 by 1960 and 623 490 by 1962. The annual percentage increase from 1960 to 1962 was 4.2 percent higher than that from 1950 to 1960. The number of students enrolled in institutions of higher learning per 1 000 inhabitants rose from 2.6 in 1960 to 3 in 1962.

Although the national reports fails to supply enough data to allow the increase in enrollment by professions or specialities to be determined for the whole of Latin America, the information from a few countries reveals a certain tendency that may be significant.

Together with the increase in the student population at the higher level, a broader range of opportunity has been provided with the creation of schools and faculties to meet new needs.

In six countries, the universities have set up planning departments or boards, and in at least three countries services have been established for planning higher education and liaison between the universities and the ministry of education.

In nearly every country efforts have been made to improve the quality and conditions of university teaching by sending professors abroad to attend postgraduate courses, by holding seminars on the teaching of the various specialties, by inaugurating full-time professorships, and by reforming teaching regulations.

In seven countries schools of general studies within the universities, regional university colleges, or other forms of organization designed to provide basic courses common to different professions or specialties have been established.

In three countries work has been started on new buildings with the object of founding university cities, whereas in several others efforts have been made to expand existing ones.

/e. Science

e. Science and Technology

Although achievements and advances in the development of the scientific and technological fields are limited, interest in encouraging the sciences and technological research is widespread.

Four countries already have a government organization charged with the promotion of scientific and technological education.

As regards plans for developing science teaching, two countries indicate that they have begun reshaping the programs in the primary grades. A similar process of modernization has been applied to the programs at the intermediate level in three countries. One country has set up a Department of Scientific Orientation in the Ministry of Education and others are planning similar departments.

Five countries mention the existence of specialized institutions for training science teachers, although the number of graduates is very limited. Only one country mentions the development of basic training programs, while five others report that they have advanced training programs under way. Moreover, some advanced training courses of regional scope are being given. Although the few programs in existence represent an advance over the situation of two years earlier, effort in this direction is obviously insufficient.

As regards technological education at the higher level, five countries state that this is the responsibility of the universities; the rest supply no information whatever.

Seven countries mention the existence of an official body in charge of scientific and technological research. With the exception of one country, there is no reference to plans for developing research and the training of researchers.

f. Adult education

An effort to coordinate the activities of the various ministries or departments in joint adult education programs can be observed in several countries. Some have recently made important readjustments both in the duration of literacy and adult education courses and in the systems utilized, objectives pursued, and use of available resources. Efforts have been made to concentrate the last mentioned either in the areas that deserve greatest priority or on the population of a certain age (14 to 24 years as a rule) which by the same token constitute the most productive sector.

Some countries have passed laws that make it obligatory for illiterates to attend literacy centers. Four countries have issued provisions by which teachers are obliged to participate in literacy programs. At the same time, in some programs an extra bonus has been authorized for these services, whereas in others

/they are

they are considered as work to be taken into account in teacher evaluation. Other countries have established a compulsory literacy and community activities service for students in the last years of secondary education.

It has been noted that use of radio and television is spreading in many countries. During this period, three new countries have joined those that already had radio literacy schools; four more now offer systematic complementary programs of adult education on television.

Army contribution to literacy and adult education programs is constantly increasing. In almost all the countries where military duty is compulsory, the armed forces have maintained special literacy courses for conscripts.

g. Personnel training for general development plans

In more than half of the Latin American countries studied have been initiated to estimate present, and in some cases future needs for human resources. Surveys made of personnel requirements in certain sectors have shown that it is indispensable to increase the opportunities for training skilled manpower for agricultural and industrial activities. Likewise, the surveys have made evident the difficulties faced by most countries in trying to fill demands for intermediate and higher level technical personnel in those fields. There is a deficit in personnel for scientific and research activities, and the scarcity of teachers, professors, supervisors, and administrators is to all intents and purposes a universal problem. It has also been observed that the majority of civil servants lack specific training related to their duties.

Some countries have begun to solve the problem by creating centers for intensive training of skilled manpower; others have given special attention to training of teachers; still others have promoted the creation of new structures to modernize and promote professional and technical training at the intermediate level, attempting to render more effective the efforts made in this field by the state, enterprises, and employers and workers organizations.

h. Basic and advanced personnel training for education services

In almost all countries plans are being carried out for basic and advanced training of teaching personnel for elementary and secondary schools. Some have done work in basic and advanced training for school inspectors or supervisors and principals. Programs developed by the countries for this purpose are quite varied: they cover summer courses, seminars, correspondence courses, study groups, fellowships, leave for study within or outside the country, etc. Participation in activities of this kind is given recognition in certain countries by promotions and salary increases.

In several countries institutes or entities have been created for preparing and carrying out plans of basic and advanced training for teaching personnel.

The countries that have begun preliminary work in the preparation of overall education plans have made an evaluation of human resources for some education services. Others have decided what personnel they will need for the partial plans they are developing.

During 1961 and 1962, six countries reviewed the plans and programs of institutions that prepare elementary school teachers. Four countries increased the number of such institutions and two others prepared plans for training more than five thousand teachers per year until expected needs are satisfied.

In ten countries significant efforts have been made to achieve professional status for secondary school teachers (through the establishment of basic teacher-training institutions, advanced training courses, regulations for the teaching profession, improvement of salaries, etc.). In two countries programs have been initiated for training teachers of science and mathematics, in which subjects all the countries have a scarcity of teachers.

Five countries that already have institutions for training teaching personnel for vocational schools at the intermediate level have indicated an urgent need to create new institutions and expand or improve existing ones.

Eight countries have made use of accelerated methods for providing basic and advanced in-service training for elementary school teachers. With the purpose in mind, one of them has centralized in one institution the different methods employed.

Almost all of the Latin American countries have sent employees from their ministries of education to the Latin American Center for Educational Planning, established in the Latin American Institute for Economic and Social Planning.

i. Social and economic assistance to the student

All the Latin American countries have social and economic assistance services for students. The last two-year period has been characterized by a trend to centralize and coordinate existing services and by an increased number of students assisted. In two countries institutions have been organized to coordinate national school dining-room services, and in another to coordinate implementation of national plans relating to food, clothing, school supplies, transportation, scholarships and loans, medical and dental care, all in line with the national plan for education.

As for public libraries, new institutions of this type have been established in various countries and new guiding policies have been applied in others. In this connection, administrative arrangements have been made in some countries to set up or transfer to the central library branches that were widely scattered or badly located; also, additional services, such as newspaper and periodical rooms, record libraries, and map collections, have been installed in national libraries.

/Likewise of

Likewise of importance is the cultural extension work that public libraries have been doing in some Latin American countries. Such activities as bibliographic and art expositions, radio broadcasts, moving-picture shows, lectures, and concerts have been promoted to a greater or lesser extent in various countries.

Four countries during this period gave short-term in-service training courses for personnel.

Governments have been concerned with improving school libraries. Three countries have considerably increased the book fund of their school libraries, especially at the elementary level, and one has organized a special short course for training teacher librarians.

With respect to the organization, operation, and development of documentation and information centers in the two-year period, four countries have made important changes in the administrative set-up of these centers.

j. Reorganization of the structure of organs responsible for education

Three countries undertook to reorganize the technical and administrative set-ups of their ministries of education. In one of them the purpose of the reorganization was to adapt the operation of the ministry to the education needs of the country. In another, the administrative and teaching operations have been clearly defined in order to provide coordinated team work for research, evaluation, planning and technical orientation of education in the country. In still another, the objective is that the reforms introduced should answer ever-increasing needs and keep pace with the expansion of the education system, in accordance with modern techniques of administration.

Two countries have made provisions for the delegation of certain functions to regional offices or departmental education authorities. By this means they expect to increase efficiency in their education systems and to expedite the handling of matters dealing with administration and teaching.

In four countries studies have been initiated on changing the administrative set-up of the ministry of education in order to bring about a sharp distinction between, and at the same time coordinate, the advisory, technical, and administrative functions; and to ensure unification of school services, decentralization of administration, and greater participation of the diverse sectors of the community in activities relating to education.

In three countries special attention has been given to the training of personnel in school administration by setting up schools of administration or special courses in the subject in the science or education departments of the universities or in higher normal schools.

k. Financing of education

The increases in budgets for education in the public sector reflect the efforts being made in the Latin American countries toward educational expansion

/From 1 372

From 1 372 million dollars in 1960, budgets for public education rose to 1 730 million dollars in 1962, representing an annual increase of approximately 13 percent. In terms of the amount spent per capita for public education, the 1960 index of 6.96 rose to 8.36 dollars per capita in 1962; and in relation to the gross national products, the participation of public education improved during the same period from 2.3 percent to 2.8 percent. If one considers that the private effort expended in compulsory and voluntary education represents about 20 percent of the total, the Latin American countries' total expenditure for the support of their public and private education services came to 2.84 percent of the gross national product in 1960 and to about 3.5 percent in 1962.

During the two-year period 1961-1962, four countries introduced important changes in the preparation of their budgets for public education: a) they modernized them by utilizing new functional classifications of expenditure, and b) they adopted the technique of presenting program budgets.

Two countries reported on the creation of new revenue specifically for education. One imposed a one percent tax on payments for personal services and fees to artisans and artists, to be used for the improvement of secondary, vocational, and higher education. Another country printed a literacy stamp which is obligatory for mailing correspondence.

1. External technical and financial assistance

In planning and carrying out several of the education programs that the countries developed in 1961-1962, cooperation was received from the international agencies associated with the United Nations and the inter-American systems; from the government, private foundations, and universities of the United States, and other nonregional governments. UNESCO, the International Labour Organisation, UNICEF, the World Health Organization, the Inter-American Development Bank and the Organization of American States in particular lent assistance through their various programs.

This assistance has been provided by sending experts, researchers, and professors, by extending financial cooperation, by furnishing equipment, materials, books and publications, by awarding fellowships and promoting the exchange of persons, and by carrying out national and regional projects. Lack of data, combined with the nature of certain programs, precludes the preparation of an estimate, albeit tentative, on the total volume of such assistance.

The Special Fund of the United Nations and the Technical Assistance Board, through its Expanded Program, furnished aid in matters relating to education and training projects in connection with development plans, teacher training, science instruction, scientific documentation, professional training, and other fields.

In fulfillment of its obligation acquired at Punta del Este, the United States Government carried out programs in thirteen countries in 1961-1962, through the cooperation programs of the Agency for International Development (AID).

/Special mention

Special mention is due the contribution made by foundations in the United States to the development of higher education in Latin America during the period covered by this report. Among these, by way of example, are the grants offered to centers of higher education by the Ford, Rockefeller and Kellogg Foundations in such activities as research in the basic sciences, improvement of schools of physics and mathematics, training of teaching personnel, acquisition of laboratory equipment and materials, purchase of textbooks, development of institutions, etc. Also worthy of consideration is the aid that CARE and CARITAS have furnished to the Latin American countries in supplying powdered milk and other foods as well as school supplies, equipment and tools for gardening, carpentry, masonry and other activities.

Attention is called to cooperative efforts by Latin American countries, namely, the offer of Argentina to carry out a pilot project whereby the services of 50 of its teachers would be provided to combat illiteracy in Latin America and, as well, the grants offered by educational and scientific institutions in Argentina, Brazil and Mexico providing professionals in this hemisphere with an opportunity to specialize in their centers in various field of human knowledge.

The governments of France, Great Britain, Italy, Spain, Czechoslovakia, West Germany, the Netherlands, Belgium, Israel, Switzerland, Japan and other countries have lent their cooperation by providing some governments of the Latin American countries with long-term loans at reasonable interest rates, for programs in the field of education and by making available in all the countries grants to students and professionals of the hemisphere for study and training in the various fields of education and science.

2. Obstacles and Problems

Some of the obstacles and problems encountered in the development of education in Latin America are as follows:

a. General

i. Inadequacy of educational budgets

ii. Political instability and frequent changes of educational authorities

iii. Qualitative and quantitative limitations of personnel required for the various educational functions and levels

iv. Lack of institutions and courses for training specialists in planning, administration, statistics, financing, supervision, school architecture, vocational guidance, technical training and other services

v. Low salaries for teaching personnel at all levels

vi. Shortage of plants, equipments, and teaching material

/vii. Unsuitability

vii. Unsuitability of legal instruments and provisions

viii. Technical deficiencies and limitations of educational administration

ix. Lack of coordination between the various levels of teaching

x. Incongruity of educational content and development requirements.

Specific

1. In relation to the adoption of over-all educational programs

i. Lack of specific over-all development programs

ii. Lack of coordination at the national, departmental or provincial, and municipal levels

iii. Lack of coordination between educational plans and those of other development sectors and those of the private sector

iv. Administrative structure of ministries of education

v. Existence of diverse central offices for the different educational sectors and levels, and a lack of legal instruments or provisions to ensure the coordination of activities

vi. Deficient statistical data

vii. Legal, political and administrative problems which are made worse by the absence of a clear definition of hierarchy and the position of educational planning in the structure of the system.

2. In relation to primary education

i. The high proportion of children lacking educational opportunities in many countries

ii. Deficiencies in quality resulting from the situation of teachers and insufficient teaching materials

iii. The marked inferiority of educational opportunities in rural areas

iv. The limited period of compulsory school attendance.

/3. In relation

3. In relation to secondary education

i. The absence of specific national development plans, which produces confusion with respect to the subjects and specialized courses that must be taught to meet current and foreseeable requirements

ii. The lack of systematization, coordination, flexibility and modernization needed in present-day society

iii. The almost total lack of educational and professional guidance services

iv. The continuing selective nature of secondary teaching, even though the school population and socioeconomic conditions have changed considerably

v. The lack of properly diversified opportunities for training people at the intermediate level, who are essential to the implementation of development programs.

4. In relation to higher education

i. The intervention of elements from outside the academic world as such, which frequently have a serious effect on teaching activities in some countries

ii. The large number of students who fail entrance examinations

iii. The lack of suitable studies on the distribution of enrollment and resources according to economic and social development requirements

iv. Dearth of full-time professors

v. Inability of universities to admit qualified candidates

vi. Lack of cohesiveness among the various university schools

vii. The growth, without systematic coordination, of university centers in some countries.

5. In relation to science and technology

i. Shortage of science teachers at the secondary level

ii. Lack of planning and coordination of science education at the three levels

/iii. The almost

iii. The almost complete lack of bibliographic, scientific and technological material

iv. The scarcity of financial resources for carrying out and improving scientific and technological research.

6. In relation to adult education

i. Ignorance of the impact of illiteracy on the life of the country and its significance as regards political, economic, social, and cultural development

ii. Difficulty of program coordination between the various government offices, which results from differences in the administrative organization of each service and from the lack of similarity in training the personnel of the different offices for field work

iii. Lack of economic and social development programs which are especially beneficial to the illiterate segments of the population or which arouse in them a desire for self-improvement.

7. In relation to training personnel for general development plans

Lack in almost all countries, of specialized services for the study and assessment of the human resources needed in relation to economic and social development objectives.

8. In relation to education and advanced training of personnel for educational services

i. Lack of specific data on present and future needs of human resources for the development of educational systems

ii. Lack of qualified personnel in teacher-training institutes

iii. Lack of regular programs for training personnel needed in the development of the educational system

iv. Inadequacy of normal school training of teachers for the different educational levels.

9. In relation to social and economic assistance to the student

i. Lack of health services

ii. Lack of a suitable policy for awarding scholarships and providing social services.

/10. In relation

10. In relation to libraries and centers of documentation

i. Lack of collaboration and cooperation on the part of provincial, municipal or departmental authorities and the community in general

ii. Lack of technical units to direct, advise upon, and coordinate services

iii. Lack of supplementary programs to attract people to libraries and museums.

11. In relation to the financing of education

i. Limited economic possibilities of countries to meet the growing needs of education. The annual increase in budget allocation for education are not commensurate with the needs resulting from population growth or with changes in cost-of-living indices

ii. Deficient administration and lack of proper utilization of available resources.

3. Inter-American Activities

With a view to cooperating with the governments in executing the Ten-Year Education Program of the Alliance for Progress, the Organization of American States has undertaken certain activities, which include the following:

Special Task Force on Education. This task force, created in accordance with Resolution A.4 of the Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level, completed its work in January 1963. After a year of intensive activity, the Task Force prepared a final report on its finding and recommendations, Prospects for the Development of Education in Latin America, which served as a basis for discussion at the Third Inter-American Meeting of Ministers of Education. That meeting was of the opinion that, in considering educational problems in Latin America, the report represented a valuable contribution toward orienting the efforts of the countries to develop education in the next few years. The report presented an analysis of the educational needs of Latin America, recommended priority areas, suggested criteria for defining the goals of the Ten-Year Plan, formulated immediate action projects (endorsed by the Third Inter-American Meeting of Ministers of Education), and made recommendations for the reorganization and strengthening of the educational, scientific and cultural services of the Organization of American States. In addition, the Task Force published a guide to technical and financial assistance for education in Latin America and sponsored a series of studies on the most important problems of education in Latin America.

Third Inter-American Meeting of Ministers of Education. This meeting, held in Bogotá in August 1963, fulfilled the mandate set forth in paragraph 7 of Resolution A.1 appended to the Charter of Punta del Este. The meeting shaped the main lines of educational policy for the region, adopted criteria on priorities for national and inter-American efforts, and recommended concrete measures designed to resolve the problems connected with, and overcome the obstacles to the development of education, which are mentioned in the preceding section of this report.

Reorganization of the Inter-American Cultural Council and the educational, scientific and cultural services of the OAS. In order to reach agreement on the bases for the reorganization of the Inter-American Cultural Council and the educational, scientific, and cultural services of the OAS, so as to enable them to operate with greater effectiveness as regards the plans and purposes of the Alliance for Progress, a Special Meeting of the Inter-American Cultural Council at the Ministerial Level was held simultaneously with that of the Ministers of Education. The recommendations of the Meeting are now being studied by the Council of the Organization. Complying with the recommendation of the aforesaid task force, which was endorsed by the Meeting of the Cultural Council, the Secretary General created, subject to the approval of the Council, the Department of Educational Affairs. Previously, and on the recommendation of the same task force, the Office of Assistant Secretary for Scientific, Cultural and Informational Affairs had been created for the purpose of promoting cooperation between the General Secretariat and the Governments in the Alliance for Progress.

I. HEALTH AND DEMOGRAPHY

1. Health

The health sector has had the advantage of an established system of reporting of notifiable diseases and certain other conditions, developed over the years by the Pan American Health Organization and the World Health Organization, which provides a time sequence of data. For this reason, a rather comprehensive general body of information is available.

According to the information available, acute and chronic infections, malnutrition, inadequate sanitation, unhealthy housing and working conditions, ignorance, and low per capita real income prevail in Latin America. The aggregate of these factors produces an excessively high general morbidity rate; high mortality among infants and children under five years of age--over 40 percent of the total deaths; large fluctuations in the rate of pregnancies, childbirth and infants, which are translated into limited life expectancy at birth. They are also responsible for the low capacity of school children, for the limited output of the labor force, for an attitude of pessimism toward life. These health problems are found in degrees varying from one country to another, from one area to another in each country, and in rural and urban environments.

In the field of public health, Latin America may be described as a continent undergoing a period of transition, wherein the most important epidemic diseases are disappearing. The fundamental health problems enumerated are increasingly a consequence of the economic and social characteristics of the countries and their communities, and at the same time influence those characteristics. This has caused health activities to be considered as an element of developments, because they represent a productive investment, both in terms of improved human productive capacity and in increased natural wealth, when health techniques are utilized for improving environmental conditions. Thus, in Latin America, the application of specific methods to protect, promote and restore health, and of the instruments essential for this purpose, is equally important. Among the latter, attention should be drawn to planning, organization and administration of services, training and preparation of professional and auxiliary personnel, and scientific research.

Both the Meetings at the Ministerial Level of the Task Force on Health,1/ and Committee VI-Health 2/ examined in detail the progress made toward the attainment of the public health objectives set out in the Charter, and defined existing problems more precisely. Their reports showed the progress made in eradicating certain communicable diseases such as smallpox and malaria, and in controlling others, such as tuberculosis; the developments which have taken place in sanitation, particularly as a result of the policies of the Inter-American Development Bank, the Agency for International Development, and other credit agencies; in nutrition, even though the vulnerable groups of the population are still inadequately fed; in medical care, although it was recognized that the number of beds available could facilitate the care of the sick; in education and training, planning, and the administration of services.

1. Document CIES/397.
2. Document CIES/305.

/In complying

In complying with the objectives of the Alliance for Progress and in carrying out the Ten-Year Health Plan, Latin America has a sound basis, the most valuable element of which is the spirit of its peoples, its universities and educational and research centers, as well as its professional and auxiliary services. However, it is necessary to expedite the training of technicians, rationalize public administration and improve the efficiency of services, increase investments, both of domestic and foreign capital as the economy becomes stronger, intensify active well-informed participation of the community in health programs. Briefly, the Alliance for Progress represents an additional contribution to the health effort and programs that each government may promote with a view to solving the problems of their peoples.

Problems and progress

Progress made to date by many American countries in developing their services with a view to improving health and reducing mortality had been achieved with the assistance of international organizations. In the year ending June 1963, the Agency for International Development of the United States Government contributed a total of $162 565 000 to health projects in those countries. The Pan American Health Organization and the World Health Organization invested close to $16 000 000 in 1962, and UNICEF approved more than $8 000 000 to finance its participation in health programs in the same year. Many other public and private organizations, both religious and voluntary, have contributed varying amounts.

Any further expansion of health activities with a view to achieving the goals set forth in the Alliance for Progress would have to be based in the first instance on a larger volume of national investment. It was to be hoped that national economic development measures would permit a heavier investment to be made in this important field of economic and social development.

With regard to each of the health goals set forth in the Charter of Punta del Este, a review of the problems encountered and the progress made during the period between the first and second annual meetings of the IA-ECOSOC follows. This analysis is based on the information obtained from the reports presented by 15 countries, and general information supplied by the Pan American Sanitary Bureau.

1. Health planning. The outstanding characteristic of the period has been the heavy emphasis placed on the preparation of national health plans. Table II-15 shows the status of national health planning in the various Latin American countries.

Pursuant to one of the recommendations of the Charter of Punta del Este, most of the countries have also set up planning and evaluation units within their ministries of health.

In many countries these planning units do not yet have the organization, personnel and authority required for full performance of their duties. Furthermore, in some instances, these units do not yet have available mechanisms designed to assure perfect coordination with the national planning agencies.

/Table II-15

Table II-15

STATUS OF NATIONAL HEALTH PLANS IN LATIN AMERICAN COUNTRIES

Country	Present Status
Argentina	In preparation
Bolivia	Completed
Brazil	In preparation
Chile	Completed
Colombia	Under revision
Costa Rica	In preparation
Dominican Republic	In operation
Ecuador	In preparation
El Salvador	Completed
Guatemala	In preparation
Haiti	Completed (a)
Honduras	Completed (b)
Mexico	In operation (a)
Nicaragua	In preparation
Panama	Completed (c)
Paraguay	In preparation
Peru	In preparation
Uruguay	In preparation
Venezuela	In operation (d)

a. Two-year plan
b. 1963-1964
c. 1963-1970
d. 1963-1966

/In this

In this period a serious effort was made to train health personnel in planning methods and techniques. A course for national officials was given in Caracas, Venezuela; the first international course was held at the Latin American Institute for Economic and Social Planning in Santiago, Chile, and the second was begun in September 1963 at the School of Public Health, Johns Hopkins University, Baltimore.

Table II-16 lists the countries that have established the recommended planning unit, as well as the number of professionals trained in 1962 and the plans of each of the reporting countries in this respect.

Table II-16

ESTABLISHMENT OF PLANNING UNITS IN MINISTRIES OF HEALTH IN LATIN AMERICAN COUNTRIES

Country	Planning unit established	Date established	Training of personnel	
			Number trained in 1962	Plans for future
Argentina	yes	...	...	...
Bolivia	yes	...	...	...
Brazil	no	-	...	...
Chile	yes	...	...	...
Colombia	yes	9 June 1960	1	1 or 2 in Chile, 1963-64; 22 in 1963 and 20 in 1964, Bogotá
Costa Rica	yes	June 1962	1	...
Dominican Republic	no	-	1	...
Ecuador	no	In process	1	1 per year in Chile
El Salvador	yes	May 1962	1	1 or 2
Guatemala	yes	...	...	...
Haiti	yes	...	...	...
Honduras	yes	June 1963	1	1, 1963
Mexico	yes	12 Sept 1962	Several	training in the country and abroad
Nicaragua	yes	...	...	...
Panama	yes	13 Sept 1962	1	1, 1963
Paraguay	yes	June 1962	2	1; plus local courses
Peru	yes	Jan 1963	2	1 at Johns Hopkins, 1963; 80 local
Uruguay	yes	Oct 1962	2	...
Venezuela	no	-	13	International and local

/2. Development

2. Development of personnel. Owing to the shortage of personnel available for health activities, most of the countries have attached special importance to the preparation and training of both professional and auxiliary staff.

In 1960, Latin America had 5.5 physicians for every 10 000 inhabitants. In five countries, this ratio was less than 3 per 10 000 inhabitants. It was also noted that even though close to 100 schools of medicine are producing physicians, these schools face serious problems because of insufficient financing and lack of full-time teaching staff.

In 1960, Latin America had a ratio of 2 trained nurses per 10 000 inhabitants, and six countries had no more than 5 nursing auxiliaries per 10 000 inhabitants.

Some countries are studying personnel use on various levels and different combinations of professional and auxiliary technical personnel, with a view to better utilization of the limited staff available.

All of the countries are aware of the need for planning medical education, and the Pan American Health Organization, with the cooperation of the Milbank Memorial Fund, plans to initiate a study designed to analyze demand and need, as well as the possibility of training physicians.

It is interesting to note that in some countries the ministries of health are collaborating actively with the universities in training personnel at both the undergraduate and graduate levels and in adapting courses to meet community needs.

Table II-17 shows the number of physicians in each country reporting to the meeting of Special Committee VI on Health, and also established estimated goals for the decade based on the rate considered by the country itself to be necessary and desirable.

The shortage of physicians in the Latin American countries is further aggravated by the poor distribution of such professionals, who are overwhelmingly concentrated in the urban areas.

Although this characteristic is not confined solely to Latin America, it has greater significance in these countries because of the fact that more than one half of their population resides in rural areas.

Table II-18 records the number of graduate nurses and auxiliaries, as noted in the national reports to Special Committee VI, and indicates as well the estimated goals for training and education on the basis of the rates established by each country in terms of its needs.

/Table II-17

Table II-17

NUMBER OF PHYSICIANS AVAILABLE AND FUTURE NEEDS

Country	Available			Estimated Needs			Annual Training Activities	
	Year	Number	Number per 10 000 population	Year	Number	Number per 10 000 population	Trained in 1962	Plans for Future
Argentina	1962	31 831	15.6	....	...	...	...	...
Colombia	1962	6 500	4.4	1970	10 000	5	411	444
Costa Rica	1962	600	4.7	1971	1 100	6.7	...	120
Dominican Republic	1962	...	(1.5)[a]	1971	1 900	5	...	...
Ecuador	1962	1 620	3.7	....	...	...	...	...
El Salvador	1962	526	1.9	....	...	...	...	...
Guatemala	1962	964	1.9	....	...	10	55	...
Mexico	1962	28 238	6.7	1971	...	8	1 274	...
Nicaragua	1962	524	3.3	....	...	...	...	...
Panama	1960	401	3.7	1970	710	5	20	26
Paraguay	1962	610	3.3	....	...	...	81	...
Peru	1962	6 010	5.6	....	...	...	300	350
Uruguay	1962	2 700	9.3	1971	...	10	100	...
Venezuela	1962	5 861	7.4	1971	10 600	10	471	500

a. Ratio for earlier year.

Table II-18

Table II-18

EXISTING NUMBERS AND NEED FOR GRADUATE NURSES AND NURSING AUXILIARIES

Country	GRADUATE NURSES									
	Available			Estimated Need			Annual Training Plans		Ratio Auxiliary Nurse	
	Year	Number	Number per 10 000 population	Year	Number	Number per 10 000 population	Trained in 1962	Plans for Future	1962	1971
Argentina	1962	28 144[a]	13.7	...	...	...	...	...	...	...
Colombia	1962	900	0.6	1970	2 000	1.0	131	235	2.2	7.4
Costa Rica	1962	362	2.8	1971	566	5.7	36	32	3.1	1.8
Dominican Republic	1962	207	0.6	1971	414	1.0	...	...	5.7	5.0
Ecuador	1962	274	0.6	...	...	...	...	...	6.2	...
El Salvador	1962	500	1.8	...	...	...	...	...	2.7	...
Guatemala	1962	466	0.9	...	...	...	...	...	...	...
Mexico	1962	4 995	1.3	1971	...	10.0	320	...	2.4	...
Nicaragua	1962	263	1.6	...	...	...	...	...	...	...
Panama	1960	489	4.6	1970	597	6.8	12	9	2.0	3.4
Paraguay	1962	68	0.4	...	...	...	30	...	17.7	...
Peru	1962	4 084	3.8	...	...	...	298	...	1.1	...
Uruguay	1962	340	1.2	1971	1 507	5.2	...	...	8.6	3.6
Venezuela	1962	2 887	3.7	1971	6 222	6.3	234	11 schools by 1971	3.6	4.0
	NURSING AUXILIARIES									
Colombia	1962	2 000	1.4	1970	14 800	7.4	700	1 500		
Costa Rica	1962	1 133	8.9	1971	1 700	10.3	75	96		
Dominican Republic	1962	1 171	3.7	1971	2 068	5.0	...	...		
Ecuador	1962	1 714	3.9	...	...	...	...	...		
El Salvador	1962	1 333	4.7	...	...	...	...	...		
Guatemala	1962	154[b]	...	...	...	...	...	...		
Mexico	1962	12 204	3.2	...	...	...	...	...		
Nicaragua	1962	153[b]	...	...	...	...	...	...		
Panama	1960	958	9.1	1970	2 006	22.8	30	98		
Paraguay	1962	1 200	6.5	...	...	...	...	...		
Peru	1962	4 351	4.0	1971	14 145	9.5	...	500		
Uruguay	1962	2 921	10.0	1971	5 358	25.0	...	...		
Venezuela	1962	10 512	13.4	1971	25 100	25.6	294	400		

a. Including the nurses aids.
b. Only in Health Centers.

/3. Organization

3. Organization and administration of health services. Sound organization and administration of health services on both the national and local levels was fundamental to the successful development of public health programs. It was estimated that one of the best indices of good health service organization was the coordination of preventive and curative medicine. Several countries had completed coordination at the national level, while others had achieved only partial integration. Such integration was diluted at the local level by the wide scattering of health services among different institutions as a result of the historical and cultural development of these services in the Latin American countries.

The countries would have to devote considerable effort to perfecting the organization and administration of such services in order to secure greatest yield from existing resources.

The major difficulties encountered in the sound organization and administration of services were the shortage of sufficiently trained personnel, and, above all, the lack of funds to assure adequate remuneration and job continuity in addition to the material required.

4. Water supply and excreta disposal. One of the most significant goals specified in Resolution A.2 attached to the Charter of Punta del Este is that established in paragraph 2b (1) which calls for water and sewerage services to be supplied to at least 70 percent of the urban and 50 percent of the rural population during the next decade.

Several of the Latin American countries had made an active beginning on plans designed to achieve this goal and a large number of programs were currently in preparation, whose results could be evaluated in the future.

Table II-19 indicates the magnitude of the problem by presenting estimates of the population to be supplied with water in both urban and rural communities during the 1961-1971 decade, in accordance with the aims of the Charter. Table II-20 contains similar data on excreta disposal services for the same communities. For this purpose, a rural community is usually defined as having fewer than 2 000 inhabitants.

As an indication of the extraordinary interest of the Latin American countries in this matter, it has been pointed out that, between 1961 and April 1963, twelve countries had made plans for the development of water supply and excreta disposal services calling for an investment of $321 482 000, to be obtained from national resources and international loans. The Inter-American Development Bank had approved loans for water and sewerage programs totaling $162 993 291, as of September 1963. The International Bank for Reconstruction and Development had approved a loan of $3 000 000, and the Agency for International Development of the United States had allocated the sum of $81 864 300 in loans and grants for such activities.

/Table II-19

Table II-19

TEN YEAR PLAN FOR WATER SUPPLY IN URBAN AND RURAL AREAS IN LATIN AMERICA
1961-1971

Country	Estimated urban population (in thousands)				Average number to be supplied yearly (in thousands)	Estimated rural population (in thousands)				Average number to be supplied yearly (in thousands)
	Total		Without water			Total		Without water		
	1961	1971	1961	1971		1961	1971	1961	1971	
Total	97,806	142,530	39,624	84,348	4303.1	103,879	124,557	...	...	5653.0
Argentina	15,531	18,743	5,385	8,597	297.4	5,570	6,744	5,495	6,669	329.7
Bolivia	1,448	2,120	640	1,312	67.6	2,367	2,755	...	...	137.8
Brazil	32,963	49,807	14,932	31,776	1683.4	40,125	48,300	...	...	2415.0
Chile	4,874	6,830	1,285	3,241	143.8	2,486	2,610	2,086	2,190	90.5
Colombia	6,289	9,437	1,334	4,482	248.1	8,663	10,587	5,171	7,095	180.2
Costa Rica	421	676	9	264	25.0	766	969	487	690	20.6
Dominican Republic	867	1,580	375	1,088	61.4	2,095	2,556	1,719	2,180	90.2
Ecuador	1,248	2,337	522	1,611	91.0	3,183	3,533	...	...	177.0
El Salvador	799	1,403	332	936	51.5	1,675	1,854	...	...	92.7
Guatemala	961	1,206	590	835	47.3	2,900	3,628	875	1,602	80.1
Haiti	402	541	300	439	27.7	3,700	4,740	3,700	4,740	237.0
Honduras	618	879	406	667	40.3	1,373	1,703	1,270	1,600	75.0
Mexico	18,398	28,152	8,316	18,070	962.4	17,490	20,359	...	...	1018.0
Nicaragua	568	890	353	675	40.8	950	1,164	947	1,161	57.9
Panama	514	741	81	308	19.1	574	703	...	...	35.2
Paraguay	624	980	452	808	51.4	1,146	1,220	1,146	1,220	61.0
Peru	4,878	7,288	1,517	3,927	174.1	5,487	7,620	...	...	381.0
Uruguay	1,750	1,950	460	660	14.7	620	680	605	665	32.5
Venezuela	4,653	6,970	2,335	4,652	256.1	2,709	2,832	...	...	141.6

NOTE: Urban refers to cities of 2,000 or more inhabitants, except for Colombia (5 000).

/Table II-20

Table II-20

TEN YEAR PLAN FOR SEWERAGE SYSTEMS IN URBAN AND RURAL AREAS OF LATIN AMERICA

Country	Estimated urban population (in thousands)				Average number to be supplied yearly (in thousands)	Estimated rural population (in thousands)		Average number to be supplied yearly (in thousands)
	Total		Without sewerage			Total		
	1961	1971	1961	1971		1961	1971	
Total	97,806	142,530	...	...	...	103,879	124,557	6227.9
Total Reported (a)	35,278	47,846	20,426	32,994	1864.0			
Argentina	15,531	18,743	8,997	12,209	658.6	5,570	6,744	337.2
Bolivia	1,448	2,120	1,106	1,778 (b)	114.2 (b)	2,367	2,755	137.8
Brazil	32,963	49,807	...	...	...	40,125	48,300	2415.0
Chile	4,874	6,830	1,759	3,715	166.6	2,486	2,610	130.5
Colombia	6,289	9,437	...	...	...	8,663	10,587	529.3
Costa Rica	421	676	300	555	35.2	766	969	48.4
Dominican Republic	867	1,580	658	1,371	89.7	2,095	2,556	127.8
Ecuador	1,248	2,337	577	1,666	96.5	3,183	3,533	176.6
El Salvador	799	1,403	273	877	45.6	1,675	1,854	92.7
Guatemala	961	1,206	706	951	58.9	2,900	3,628	181.4
Haiti	402	541	402	541	37.9	3,700	4,740	237.0
Honduras	618	879	486	747	48.3	1,373	1,703	85.2
Mexico	18,398	28,152	...	...	...	17,490	20,359	1018.0
Nicaragua	568	890	453	775	50.8	950	1,164	58.2
Panama	514	741	242	469	24.7	574	703	35.2
Paraguay	624	980	474	830	53.6	1,146	1,220	61.0
Peru	4,878	7,288	...	...	...	5,487	7,620	381.0
Uruguay	1,750	1,950	859	1,059	47.4	620	680	34.0
Venezuela	4,653	6,970	3,134	5,451	336.0	2,709	2,832	141.6

a. Excluding Brazil, Colombia, Mexico, Peru.
b. Overestimated due to incomplete information.

/The amounts

The amounts actually disbursed by mid-1963 constituted only a small part of the amount committed, owing to the need for preliminary time consuming engineering studies for the projects.

As estimate of the number of urban and rural inhabitants benefited by the installation of water services cannot be made accurately at this time. However, completed installations are already known to have benefited a great many communities.

It is well known that health services are not evenly distributed in urban and rural areas. The fact is that, proportionately, health services have been organized and expanded in large urban centers, neglecting rural areas in consequence. It would appear that this situation is comparable for all activities in such areas. In the Second Annual Report on the Social Progress Trust Fund, the IDB stated that there were no data showing substantial improvement in the income level of the rural population. Rather, there were signs that, as a result of economic and demographic factors, large masses of rural dwellers are at present in worse condition that they were some years ago. The backwardness of the agricultural populations continues to be the basic difficulty in the Latin American development process, and represents the major cause of social and political pressures and of a wide variety of economic problems in the region.

Recommendation A-VI of the Meeting at the Ministerial Level of the Task Force on Health, 1/ instructs the Pan American Sanitary Bureau to consider the possibility of a system to deal with rural welfare problems, beginning with water supply systems. The choice is justified by the express interest of all the governments and of many of their communities, and by the importance of this element for the economy.

The Continent-wide program of Rural Health and Welfare 2/ points out the details of the proposed system, total cost of projects by country, contribution of foreign resources and loans to complete the cycle of operations intended to provide water for 60 million inhabitants. It should be noted that direct government subsidies and the total effort of rural communities represent 78 percent of total funds; the remaining 22 percent would have to come from foreign capital contributions.

5. Reducing mortality in children under 5 years of age. The reduction of mortality in children less than five years of age to half of the present rate is a process resulting from a series of mixed activities that includes programs of water supply and sewerage, maternal and child health, medical care, control of communicable diseases, nutrition, etc.

While several countries have developed planned action against excessive mortality in children under five, and having achieved a decrease in this index, in other countries the mortality in this age group accounts for more than 40 percent of all death.

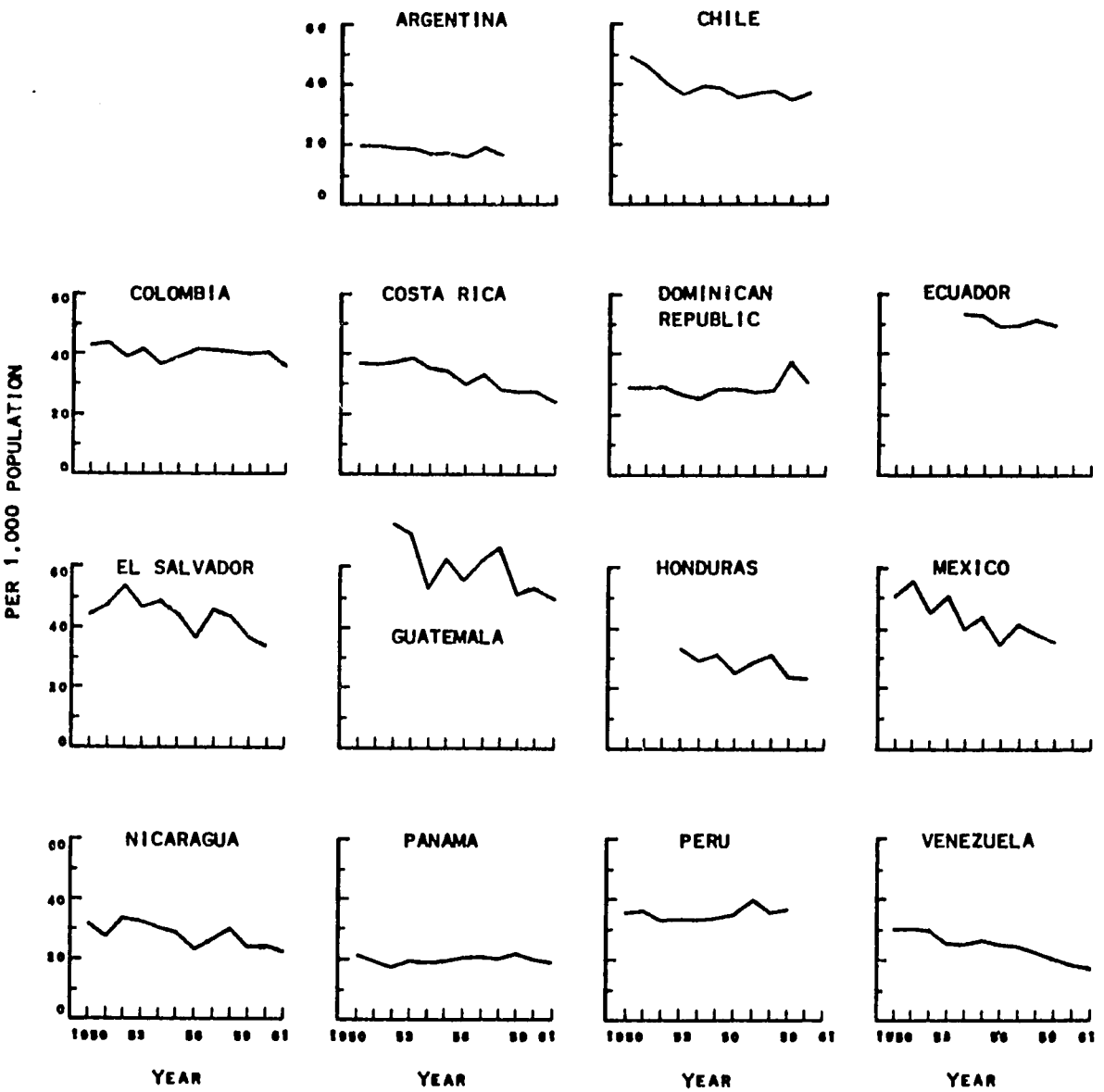
Figure 1 indicates the mortality rates for this age group in fourteen countries in Latin America in recent years. While some countries tend to declining death rates, others record no significant progress.

1. Document CIES/397.
2. Document CIES/341.

/Figure 1

Figure 1

DEATH RATES PER 1,000 POPULATION, OF CHILDREN UNDER 5 YEARS OF AGE
IN COUNTRIES OF LATIN AMERICA, 1950-1961



/Table II-21

Table II-21 reveals that gastritis and enteritis were outstanding among the five chief causes of death in children less than five years of age. It is to be hoped that a program of water supply and sewage disposal will help to decrease the importance of this cause of death, but only the joint impact of the activities mentioned previously would make it possible to attain the stated goal in respect to child mortality.

6. Control and eradication of communicable diseases. The campaign to eradicate malaria from the hemisphere, has already begun to show favorable results; it was hoped that this scourge would be eliminated within the next few years. Figure 2 shows the percentage distribution of population in the original malarious areas, based on the status of the eradication program in nineteen Latin American countries in 1958 and 1962. This information shows that the hemisphere-wide campaign has made progress even though several countries are still contending with administrative, financial, and ecological problems.

Smallpox, which only a few years ago was to be found in most of the Latin American countries, has clearly declined, owing to the cooperative efforts of the countries to achieve total eradication. Table II-22 shows smallpox cases reported by the countries from 1951 to 1962 and plainly indicates that only a very few of the countries have failed to stamp out this disease.

Table II-21

PRINCIPAL CAUSES OF DEATH IN CHILDREN UNDER 5 YEARS OF AGE IN 13 LATIN AMERICAN COUNTRIES, 1959

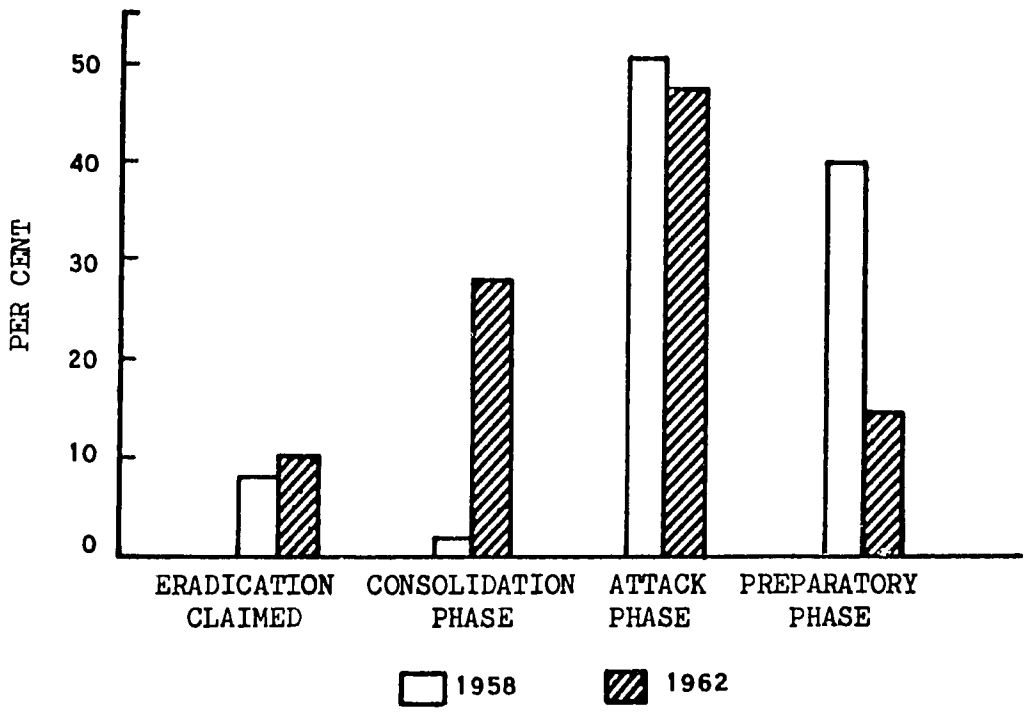
Cause of death	No. of countries by order of importance of cause of death				
	First	Second	Third	Fourth	Fifth
Gastritis, enteritis, etc. (543, 571, 572)	6	4	2	-	1
Certain diseases of early infancy(760-776)	4	9	-	-	-
Influenza and Pneumonia (480-483, 490-493)	2	-	7	4	-
Bronchitis (500-502)	-	-	3	4	2
Whooping cough (056)	-	-	-	3	5
Malaria (110-117)	1	-	1	-	1
Congenital malformations (750-759)	-	-	-	1	1
Measles (085)	-	-	-	1	1
Accidents (E800-E962)	-	-	-	-	2

Source: PAHO, Summary of Four-Year Reports on Health Conditions in the Americas 1957-1960.

/Figure 2

Figure 2

PERCENTAGE DISTRIBUTION OF POPULATION OF ORIGINAL MALARIOUS AREAS BY STATUS OF THE ERADICATION PROGRAM IN 19 LATIN AMERICAN COUNTRIES. 1958 AND 1962



/Table II-22

Table II-22

REPORTED CASES OF SMALLPOX BY COUNTRY IN THE AMERICAS, 1951-1962

Area	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Total	9221	9301	8930	11979	8348	6389	6220	4343	4763	5158	3278	3082
Argentina	1404	982	309	256	55	86	335	27	36	65	6	a) 2
Bolivia	728	432	429	624	372	499	1310	183	7	1	-	-
Brazil b)	1190	1668	923	1035	2580	2385	1411	1232	2629	2644	2759	c) 2812
Canada	-	-	-	-	-	-	-	-	-	-	-	a) 1
Chile	47	15	9	-	-	-	-	-	1	-	-	-
Colombia	3844	3235	5526	7203	3404	2572	2145	2009	950	209	16	41
Ecuador	174	665	708	2516	1831	669	913	863	1140	2185	496	205
Guatemala	3	1	1	-	-	-	-	-	-	-	-	-
Mexico	27	-	-	-	-	-	-	-	-	-	-	-
Panama	-	-	-	-	-	-	-	d) 8	-	-	-	-
Paraguay	282	797	770	207	57	132	103	21	-	35	-	-
Peru	1218	1360	172	115	-	-	-	-	-	-	-	-
United States	11	21	4	e) 9	e) 2	-	e) 1	-	-	-	-	-
Uruguay	-	16	7	1	45	42	2	-	-	f) 19	a) 1	f) 10
Venezuela	280	109	72	13	2	g) 4	-	-	-	-	-	11
British Guiana	11	-	-	-	-	-	-	-	-	-	-	-
Martinique	1	-	-	-	-	-	-	-	-	-	-	-
Netherlands Antilles	1	-	-	-	-	-	-	-	-	-	-	-

a. Including one imported case.
b. State of Guanabara and capitals of other states with exceptions.
c. Also includes data for State of São Paulo and partial data for State of Pernambuco.
d. Including 4 imported cases.
e. These cases do not fulfill the generally accepted criteria for a diagnosis of smallpox.
f. Including 2 imported cases.
g. Clinical diagnosis, not supported by epidemiological evidence.

/A growing

A growing number of countries have eradicated Aëdes aegypti and the progress achieved in the eradication of yaws is evident.

The tuberculosis mortality rate has declined in most of the countries, owing to the increasing use of drugs and to outpatient treatment. Many of the countries have shown great interest in intensifying their control programs for this disease, based on case research and treatment and on the chemoprophylaxis of contacts.

7. Nutrition. In studying the objective of the Charter of Punta del Este calling for a substantial improvement in diet and nutrition of the most vulnerable population groups, the close relationship of this problem to other sectors of economic and social development should be noted, especially agriculture and education. The close connection between health and qualitative and quantitative food consumption should be reemphasized, and notice taken of the serious problem posed by the fact that although food production in the Latin American countries has increased in the last 25 years, per capita supply has failed to keep pace. On the contrary, food supply per capita declined, as a result of the population expansion. Figure 3 shows the changes recorded over a period of approximately 25 years in food production and per capita supply in North America and Latin America, and shows how, despite a significant increase in output, the volume available per person has decreased in Latin America.

While the total caloric intake is grossly insufficient in only a few countries, in many the intake of protein, especially of animal origin, is obviously inadequate. Figure 4 illustrates the average consumption of milk and other animal and vegetable proteins in Latin American countries as compared to the United States and Canada.

Various governments have made efforts to increase the production of low-cost protein-rich foods by using readily available local produce. In addition, the Ministries of Health have endeavored to supply dietary supplements, as well as to undertake basic studies leading to a full understanding of the problem. There is a close connection between the problem of nutrition, the purchasing power of the public, and national agricultural and foreign trade policies. Note should also be taken of the initial attempts made by the Ministries of Health to improve the coordination required in this field between the ministries of health, education, agriculture, commerce and others.

/Figure 3

Figure 3

PERCENTAGE CHANGE IN TOTAL AND PER CAPITA FOOD PRODUCTION BETWEEN PRE-WAR AND 1961-62 PERIODS IN NORTHERN AND LATIN AMERICAN COUNTRIES

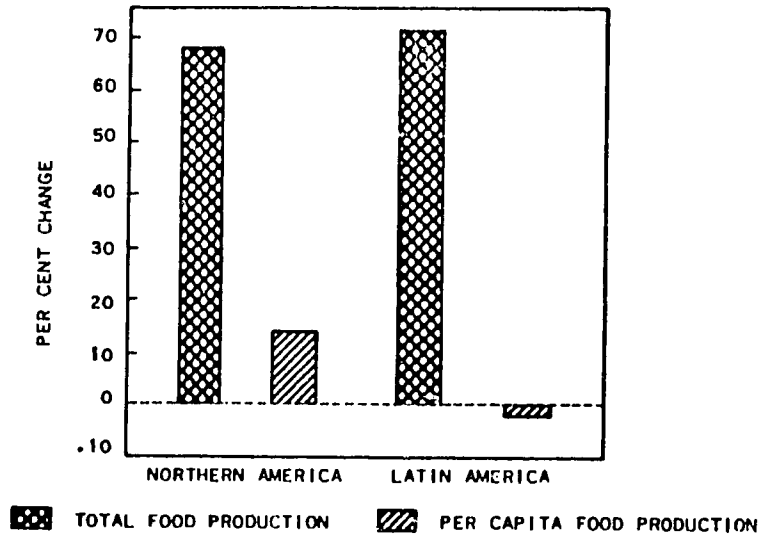
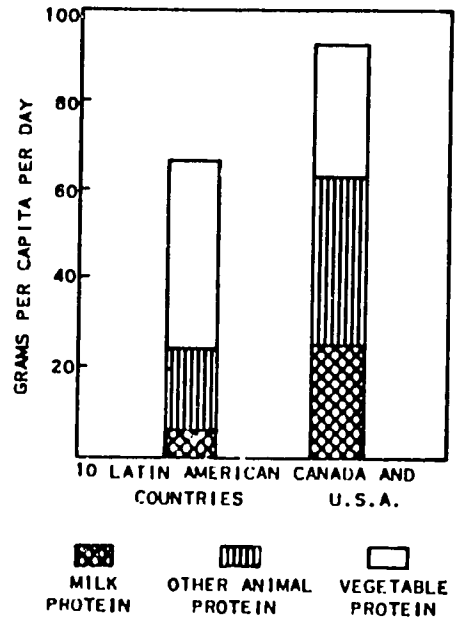


Figure 4

AVERAGE MILK, OTHER ANIMAL AND VEGETABLE PROTEIN INTAKE IN TEN LATIN AMERICAN COUNTRIES AND CANADA AND U.S.A., RECENT YEAR



/8. **Medical**

8. Medical care. The Charter's goal of providing better care for an increasing number of patients is directly related to the number of medical personnel, already covered previously, to the number and maximum utilization of hospital beds, and to the budgetary provisions for this purpose.

By way of illustration, in 1960 the number of hospital beds of all types in the United States amounted to 9.1 per thousand inhabitants. Argentina had the highest ratio of beds in Latin America, 6.4 per thousand inhabitants, while many countries had fewer than 4 beds per thousand.

It should also be noted, as indicated previously, that the efficient use of hospital beds depends largely on correct administrative practices and enough budget. The percentage of bed occupancy together with the average length of stay are especially important as indexes of effective bed utilization. While the average stay in hospital is eight days in the United States, the Latin American figure varies between twelve and twenty days. It should be acknowledged that conditions in the United States differ from those prevailing in Latin America and that a number of factors contribute to shorter stay in the former instance. However, the differences suggest that the prospects for improving medical care are excellent, even with the same number of beds now available, by perfecting hospital administration and encouraging the development of out-patient and domiciliary care. Table II-23 contains information on the number of beds available in the various countries.

Table II-23

NUMBER OF BEDS IN GENERAL HOSPITALS AND FUTURE NEEDS

Country	General hospital beds			
	1961	1962	Needed in 1971	
			Number	Per 1 000 population
Argentina	97 434	97 434	...	4.5
Colombia	34 308	35 200	60 000	3.0
Costa Rica a/	4 000	4 300	6 700	4.1
Dominican Republic	10 284	10 284	...	...
Ecuador	8 718	...	...	...
El Salvador	4 089	4 089	14 700	4.5
Guatemala	7 051	7 503	...	3.0
Honduras	2 609	2 628	6 700	2.6
Nicaragua	3 872	3 872	...	...
Panama	2 509	2 610	4 300	3.0
Paraguay	4 972 b/	4 972	...	...
Peru	22 943	23 539	...	...
Venezuela	19 058	19 266	27 500	2.6
TOTAL	213 129	215 697		

a. Does not include some 1 800 beds and 3 000 patients in specialized hospitals.
b. Total includes beds in some specialized hospitals.

/9. Life

9. Life expectancy at birth. The Charter of Punta del Este specifies as a general goal of health programs during the coming decade an increase of five years in average life expectancy at birth.

The high mortality among children under five years of age in many of the Latin American countries indicates that coordinated activities designed to improve the health of this age group will contribute heavily to the success of the above goal.

The experience of several Latin American countries in the last ten years, especially Chile, Mexico, and Venezuela, shows that this objective can be attained. Table II-24 records the life expectancy at birth for a group of Latin American countries according to the census taken around 1950. This information is important as a basis for comparison with the data to be furnished at a later date by the censuses taken about 1960, which will serve as a point of departure for future evaluation.

Table II-24

LIFE EXPECTANCY AT BIRTH IN THE 1950 CENSUS PERIOD AND LATEST ESTIMATE

Country	1950 census period		Latest estimate	
	Year	Expectation of life	Year	Expectation of life
Argentina	1947	59.2	...	...
Bolivia	1949-51	49.7	...	...
Chile	1952	51.9	...	...
Colombia	1951-56	48	1957-61	50.5
Costa Rica	1949-51	55.8	1960	60.6
El Salvador	1949-51	51.1	...	...
Guatemala	1949-51	43.6	...	...
Haiti	1950	32.6	...	...
Honduras	1950	45.8	...	...
Mexico	1950	48.3	1960	62.0
Panama	1952-54	61.7	...	...
Venezuela	1950-51	57.6	1961	66.4

2. The Demographic Situation

a. General population growth

Population structure and changes are particularly significant in Latin America since this is the region having the highest population growth in the world and perhaps the highest rate of internal migration. It is well to bear in mind the increasing rate of population growth. During the period from 1850 to 1900, the population in the region was doubled, increasing from 33 to 63 millions, and in the following 40 years it was again doubled, reaching 131 millions. The rate of growth observed during the past decade exceed the estimates, with the exception of Argentina, and it can be stated that present projections for 1970 and 1980 will be exceeded. It is expected that the population of the region, which, in 1960, was 200 million inhabitants, will reach 300 million by 1970 (CIES/299, October 21, 1963.)

The general causes of population growth are a substantial reduction in mortality, combined with very high birth rates and a favorable migratory balance. According to the most reliable estimates, during the period from 1953 to 1957 the average birth rate fluctuated between 40 and 43 per thousand, and that of deaths between 15 and 17. Inasmuch as birth and death registrations give figures that are below the true ones, it is sometimes advisable to use other procedures in evaluating growth. A comparative study of the population by ages in 1950 and 1960 shows that the number of children under five years for every hundred women between the ages of 15 to 44 has increased considerably. For example, the increase in Panama was 6.1, in Mexico 10.3, in Chile and El Salvador 12.9, and in Honduras 19.8. Even though in some cases these figures were affected by the differences in coverage between the two censuses, there can be no doubt that they indicate both a decrease in mortality in the early years and a certain increase in the birth rate.

A breakdown of the population by ages also shows an increase in the percentage of young people, particularly of those under 15 years of age. Comparatively speaking, the population of Latin America tends to be younger than in 1950. The consequences of this structure are important in studying the labor force and the social and economic system in general. On the other hand, the number of elderly persons has also increased, indicating that the percentage of economically active persons has decreased in terms of the total population. Within the family unit, active members have in their care a larger number of dependents. In order to maintain the same standard of living, family incomes must increase in proportion to the greater number of dependents, and these increases must be greater in relation to the effort made to raise standards of living. The lack of correlation between these factors results in a deficit in the family unit that the public sector is obliged to make good.

Urban-rural changes. As was to be expected, the urban population continues to grow at a higher rate than the rural population, mainly as a result of internal migration. In Brazil, where 36 percent of the population was urban in 1950, this percentage increased to 45 by 1960. During the period from 1950 to 1960,

/the urban

the urban population in Venezuela increased from 53.8 to 67.5 percent; in Panama, from 36 to 41.5; and in Mexico from 42.6 to 50.7 percent. However, it should be taken into account that, in absolute terms, the rural population was increased by 5 800 000 inhabitants in Brazil, 120 000 in Venezuela, 113 000 in Panama, and 1 410 000 in Mexico. It might be concluded, therefore, that population movements, insofar as they affect the economically active sectors, while they tend to reduce the percentages of rural population--generally the farmers--do not alter the fact that this sector is tending to increase in absolute terms.

b. Density and migration

Even though general density has increased as a result of population growth, in certain districts the density has varied little and even decreased, while in others it has shown a considerable increase. Aside from the well-known growth in the urban areas, the rural areas tend to present a strange phenomenon. The direction of flow of interrural migration is from the less densely populated zones to the more densely populated areas. This could be explained by the fact that new business and industrial activities are being established in the more densely populated rural areas, which have better communications systems, and more surplus labor for hire. The direction of this migratory movement has certain phases that can only be explained by a combination of social, economic, and geographic factors. In 1950, 49.8 percent of the territory of Venezuela had a density of less than one inhabitant per square kilometer, which may be described as an area almost uninhabited. During the decade from 1950 to 1960, the total density of Venezuela increased from 5.6 to 8.4, which corresponds to an increase of 2 500 000 in the population. However, the ratio of the almost uninhabited areas remained exactly the same. In Chile and Honduras the almost uninhabited areas in 1950 and 1952 were 30.2 and 14.8 percent of the national territory, respectively, and despite population increases of 23.7 and 37.6 percent, they remained the same in 1960.

c. Nature of growth of cities

In the last 20 years, it may be seen that of the population living in cities of 10 000 inhabitants and over 50 percent are located in cities of over 100 000 inhabitants. There are marked differences within this general trend that, as a rule, are related to the size of the country and its total population. The extreme cases of polarization are usually observed in the small countries, where there is a sharp transition from large cities to small urban nuclei, without any appreciable percentage of the population living in the intermediate urban centers. There appears to be a certain degree of correlation between the development of a country and the percentage of the population that migrates from rural to urban areas. The approximate percentage of urban growth resulting from internal migration was estimated at 71 in Venezuela, 68 in Colombia, 65 in Nicaragua and the Dominican Republic, and 55 in El Salvador. As a rule, these percentages are not below 45 percent.

/d. Causes

d. Causes and effects of overpopulation

Population growth in Latin America is a continuing problem. The economy must grow still more rapidly, along with public and private services, in order to meet the needs of the new population. In some predominantly agricultural countries, population growth affects economic activities adversely. Rural-urban migration has affected public services and housing in most of the Latin American capital cities. It is not the function of demographic studies to indicate measures for the improved use of the countries' areas as a means of avoiding the risks involved in overpopulation. It should be pointed out, however, that rural settlement and extension require substantial investments in order to attract the surplus population. The causes of population growth are sociological and cultural rather than economic, which explains the apparent paradox that the most prolific families are customarily those whose economically productive members have the least means. It is a well known phenomenon that after a certain degree of cultural change has come about, generally associated with a certain level of economic development, the birth rate decreases considerably. While there are indications that in some urban areas birth rates have diminished recently, this reduction is largely compensated for and exceeded by rural migration. It may be stated that efforts made up to now under the auspices of the Alliance for Progress have contributed to the population growth by reducing over-all and infant mortality rates. No directive measures designed to reduce this population growth can be cited at this time, although the means employed to take care of the growing population and develop a socioeconomic structure that will satisfy its needs and raise its standards of living are indirectly described in other chapters of this report.

J. LABOR AFFAIRS

1. The Need for Labor Participation in the Alliance

The Charter of Punta del Este clearly affirmed, in August 1961, that one of the goals of the Alliance for Progress was "to assure fair wages and satisfactory working conditions to all our workers; to establish effective systems of labor-management relations and procedures for consultation and cooperation among government authorities, employer's associations, and trade unions in the interests of social and economic development."

In order to orient its labor activities in accordance with the objective of increasing the role of labor and trade unions in the Alliance, the Department of Social Affairs of the OAS organized a survey team of international labor leaders and technicians to visit several representative Latin American countries and determine the extent of labor's participation in the Alliance.

The report, submitted in June 1962, pointed out that: "en ninguna parte durante nuestra visita pudimos observar que se hicieran esfuerzos serios ni se tuviesen intenciones de cumplir en la práctica los preceptos establecidos en la Alianza para el Progreso en cuanto se refiere a la participación de los sindicatos libres en el estudio y en la ejecución de planes nacionales de desarrollo económico." On their visit to Washington, these observations were presented to the OAS, AID, IDB, and the Panel of Nine.

The official report of this Mission was later submitted as a document at the meeting at the Ministerial Level of the Inter-American Economic and Social Council in Mexico, in October 1962. In large part due to their report the IA-ECOSOC approved Resolution A-10 entitled "Popular Support of the Program of the Alliance for Progress." The key operative part of the resolution reads as follows:

> "2. To request that the labor organizations of the countries of the Alliance be given the broadest opportunities to be heard through duly authorized representatives, in the discussions and with respect to the activities and responsibilities of the existing agencies, or those to be established at the local, national and international levels, that are or will be involved in the various stages of the effort to carry out the program of the Alliance for Progress quickly and efficiently."

In response to this problem, the Government of Colombia addressed the OAS on January 3, 1963, a note in which it stated willingness to serve as the host for an inter-American specialized conference of Ministers of Labor. The OAS Council approved the convocation on February 21, 1963, approved the agenda on March 21, 1963 and called for the meeting to take place May 5-11, 1963.

/2. The Inter-

2. The Inter-American Conference of Ministers of Labor on the Alliance for Progress

The agenda covered two major subjects: the participation of Ministries of Labor in national economic and social programs under the Alliance; and the participation of workers in national economic and social programs, in accordance with the Charter of Punta del Este and Resolution A-10/M62.

The Conference was attended by delegations from 19 countries, and it was the first inter-American policy-making meeting in which representatives of trade unions participated as members of most of the national delegations. Observers of the major international and inter-American democratic labor groups also attended.

The Conference unanimously approved a set of principles and thirty-nine specific recommendations which together represent the Declaration of Cundinamarca. Under the role of the Ministers of Labor the key subjects covered included: labor policies, labor relations, wages, employment services, manpower and training, labor statistics, and the training of personnel of Ministers of Labor. The area dealing with the role of trade unions in the Alliance included: training of labor leaders, free trade unionism, labor education, agricultural workers legislation, trade union based cooperatives, workers banks, workers' housing, etc.

In order to carry out the recommendations of the Declaration of Cundinamarca, the OAS Department of Social Affairs began to survey such existing OAS training facilities as CINVA, PIAPUR and CIENES to determine if these facilities could be adapted to provide representatives of trade unions with the training they require to assist labor in constructive and responsible participation in the Alliance. In early November, 1963, a team of three labor union cooperatives experts are carrying out a sensibility survey at CINVA to design a course for the training of labor housing cooperative administrators.

The Agency for International Development of the United States made its first direct loan to a trade union-based housing cooperative, that of SITRATERCO in Honduras. The Inter-American Development Bank made a loan to the Banco Hipotecario of Argentina, earmarking, as a condition of the loan, that a portion be used for loans to trade union-based housing cooperatives.

The Department of Social Affairs of the OAS has begun a program of "Labor Information Seminars on National Economic and Social Development" which is sponsored with and through the country's Ministry of Labor. It provides a colloquium whereby major government planning and executive officials discuss their program face-to-face with the nation's labor leadership, and a fuller understanding of both sides and their relationship to the Alliance Programs has resulted. Highly successful courses have already been carried out in Colombia and Costa Rica, and one is under way in November in Peru. Subsequent to these initial efforts, the aforementioned countries have continued these courses in other sectors of the country, and expanded into special subject seminars for labor leaders. Additional requests are pending at this time from Nicaragua and the Dominican Republic.

The Department of Social Affairs has held consultations with representatives of the Workers Banks of Germany, Israel, Puerto Rico and Austria. The first three have already indicated that they are prepared to provide technical assistance through the OAS to develop such institutions in Latin America. Initial inquiries have already been received from Costa Rica and Venezuela.

The Advanced Labor Studies School of the "Organización Regional Interamericana de Trabajadores" has announced plans for a permanent expanded facility in Cuernavaca and a revised curriculum to train labor leaders and staff in the technical fields stressed by the Declaration of Cundinamarca. New subject fields will cover: cooperatives, labor economics, social policy and economic development research and labor education, and rural youth and women leadership training. ORIT has called the First Western Hemisphere Labor Education Directors Conference for January 1964.

The International Trade Secretariats of the Metal Workers, Plantation Workers, Postal and Telephone Workers, the Transport Workers, the Clerical Workers and the Public Service Workers have intensified their regional seminar programs, with frequent emphasis on the meaning of the Declaration of Cundinamarca, the Alliance and the positive contribution which labor can make and should receive from activities within the scope of these inter-American policies.

In cooperation with the American Institute for Free Labor Development, the ITS national affiliates in Venezuela, Ecuador, Argentina, Chile and Peru have submitted trade union-based housing loan requests, to the AID and the Inter-American Development Bank. As of this date, the IDB has not made any direct loan to a trade union housing cooperative.

The International Labour Organisation (ILO) has carried out a field survey, pursuant to the request of the OAS (and Recommendation 17 of the Ministers of Labor Conference), to prepare a project for an Inter-American Center for the Training of Personnel of Ministries of Labor. The study was submitted through the OAS to the Second Annual IA-ECOSOC Meeting.

The ILO and the OAS have formed a permanent consultative committee which has already met twice to coordinate programs. And the ILO has established a liaison office in Washington, D.C., to work closely with the OAS and related Alliance agencies.

National level efforts

Since a Special IA-ECOSOC Committee on Labor Affairs does not yet exist, thorough national reports on activities subsequent to, and in fulfillment of the Declaration of Cundinamarca are not available. But several preliminary country reports and discussion at the expert level at the Second Annual IA-ECOSOC Conference indicates that great efforts are under way by the respective Ministries of Labor, although most are working under severe handicaps of inadequate budgets, limited trained personnel, and sharp turnover among the Ministers themselves.

/The Ministry

The Ministry of Labor in Peru has submitted a draft of a law to create a National Office for the Development of Cooperatives. Within the Ministry a "Servicio de Empleos y Recursos Humanos" is operating, along with a new "Oficina de Planeamiento." In cooperation with AID and the AIFLD a new Centre of Labor Studies has begun functioning in Lima and two courses have been completed. Further expansion of SENATI, the vocational training institute is under way.

The Ministry of Labor in the Dominican Republic is preparing a project for a Workers Bank modeled after that of Puerto Rico.

The "Consejo Nacional" of Guatemala in charge of coordinating national economic and social development has named labor representatives to the board.

Chapter III

THE IDEOLOGICAL AND POLITICAL ADVANCE OF THE ALLIANCE FOR PROGRESS AND DISSEMINATION OF INFORMATION ON ITS PRINCIPLES

The Ideological and Political Advance of the Alliance for Progress, a movement which has been undertaken under the auspices of IA-ECOSOC and developed in highly satisfactory fashion during the course of the past year and which has permitted large sectors of American life to give expression to their thought in varying ways, subscribes to the thesis and procedures designed to expedite development within the framework of democracy.

Former presidents Juscelino Kubitschek and Alberto Lleras, in their respective reports on the structural and procedural changes required in the inter-American system "in order that the Alliance for Progress may take on the efficiency and the dynamic qualities called for by the Charter of Punta del Este," point out in very similar terms, that the achievement of these objectives has been weakened by a lack of political will. The two statesmen's diagnosis and recommendations are objective and realistic: the Alliance is, and must be, carried out as a political operation, as a vast and magnetic political enterprise, as a movement whose heart is the spirit of the people.

Imbuing the Alliance with this mystique is no mere matter of public relations. All this can become a useless, routine task, as long as two basic conditions are not met: there must be evidence of the Alliance's accomplishments, that is, consciousness of the changing environment, and perhaps as an outgrowth of that consciousness, a decision must be taken to defend, because they are known and understood, the principles, the ideology, and the spiritual significance of the Alliance.

1. Bases and Background for the Advance

On the assumption that popular support for the Alliance can be obtained only when the public has full knowledge and understanding of the noble aims and of the means of action proposed in the Charter of Punta del Este, the Inter-American Economic and Social Council, at its First Annual Meeting at the Ministerial Level (Mexico City, October 1962), approved Resolution A-9/M62, calling on leading figures in the member states, molders of public opinion and political and social thought, specialists, and intellectuals, particularly journalists, to collaborate in the work of the Alliance by taking a continuous and active part in the "ideologial and political advance of the Alliance," a movement directed toward publicizing widely this new concept of modern social democracy, and to contribute to its development and orientation.

/The program

The program to publicize the Alliance is based on Resolution E appended to the Charter of Punta del Este, approved by the IA-ECOSOC at its Special Meeting at the Ministerial Level held in Uruguay in 1961. This resolution, entitled "Public Opinion and the Alliance for Progress," expressed the view that achievement of the objectives established in the Charter demands the understanding and active cooperation of all the peoples of America and requires that the public be fully informed of the causes that brought about the movement, of the goals it seeks, and of its successive achievements. To this end, the operative part of the resolution recommends to the Council of the Organization of American States that the needed information campaign be undertaken and that public opinion be mobilized in favor of the development plans proposed under the Alliance. It calls upon the governments of the member states, publicity organs in the hemisphere, and educators to cooperate in efforts to disseminate knowledge of the economic and social development to be carried out in each country, inspired in the principles of the Alliance, and to intensify their efforts toward ending ignorance of the conditions prevailing in the Americas. It also suggests to the Organization of America States and the governments that they sponsor conferences, seminars, and round tables to discuss economic and social problems and their possible solutions within the framework of the Alliance for Progress. It also recommends that the Council of the OAS convoke a special meeting on information media for the purpose of deciding upon the most appropriate way to conduct this information campaign.

On the basis of the report presented by the Task Force convened in Washington by the Secretary General, the Council of the OAS considered the recommendations made in resolutions A-9/M62 and A-10/M62 of the First Annual Meeting of the IA-ECOSOC at the Ministerial Level and adopted a resolution recommending to the governments of the member states that, with a view to stimulating understanding of, and active participation in, the Alliance for Progress, on the part of the peoples of America, they facilitate the creation of Committees on the Alliance for Progress in each country, to be composed of representatives of the different sectors of national life. The resolution specifies the functions of the committees, and authorizes the Secretary General of the Organization "to extend to the committees such appropriate technical assistance and services as may be available, including the services that may be provided by the offices of the Pan American Union in the member states."

2. Organization of the General Secretariat of the OAS to Carry out the Mandate Received

The General Secretariat of the OAS is responsible for promoting and coordinating the information activities of the Alliance.

The magnitude of the task with which it was charged necessitated internal reorganization of certain areas of the Pan American Union. The Secretary General established the post of Assistant Secretary for Cultural, Scientific, and Informational Affairs, and charged him with coordinating all activities promoted or executed by the Organization in the corresponding areas.

/The Secretary

The Secretary General established the mechanism required to carry forward the ideological and political advance of the Alliance, namely: a) to promote organization of national committees for the Alliance for Progress and to maintain their operation, together with that of the Pan American offices in the member states, furthering the establishment and maintenance within the committees of executive committees made up of representatives of the entities or agencies of the respective country that are carrying out work under the Alliance; b) to promote coordination of information activities of the various inter-American organizations and agencies relative to the Alliance for Progress; c) to promote periodically the convoking, organizing, and functioning of seminars and working groups made up of representatives of public opinion in the American countries, democratic political leaders, labor representatives, university personnel, legislators, writers, journalists, scientists, and publicity and information experts.

Direction of the offices of the Pan American Union in the member states and coordination of the national committees for the Alliance for Progress and their executive committees were transferred to the office of the Assistant Secretary.

Pursuant to the negotiations between the General Secretariat of the OAS and the Agency for International Development (AID), an agreement was signed between the parties whereby AID granted the Pan American Union the sum of one million six hundred thousand dollars ($1 600 000) to assist in the initial financing of a general program of public information designed to promote full dissemination of information on the objectives, methods, and achievements of the Alliance for Progress. These funds have made it possible to carry out important activities such as those briefly described hereafter.

3. Special Alliance for Progress Information Team

The General Secretariat of the OAS has gathered in Washington a group of experts in public information matters, consisting of professional writers, with public information media, with organizations, and with governments. This group is the Special Alliance for Progress Information Team. Included in the work of the Special Team, with a direct effect on the countries are: preparation of 26 500 copies of the Weekly Alliance for Progress Newsletter (issued in English, Portuguese and Spanish) and distribution among journalists, educators, professional men, labor leaders, business men, and government officials; preparation and distribution of press releases and special reports for newspapers and magazines of the Hemisphere; maintenance of press relations with writers and publishers; research on the achievements of the Alliance in cooperation with the information officers of the Pan American offices in the member states; analysis of this information for the use of the Special Team, and distribution to the Committees for the Alliance for Progress in each country and other entities connected with the Alliance, and to interested newspapers and magazines; preparation of pamphlets and special reports on the Alliance; cooperation with the Radio Division of the Pan American Union in preparing programs for transmission to Latin

/America;

America; attendance at inter-American meetings and dissemination of information on the results; participation in special activities, such as tours by persons working in Alliance projects and cooperating in the dissemination of information on such work; promotion of the issue by the member states, of postage stamps commemorating the anniversary of the signing of the Charter of Punta del Este; cooperation with the national committees to assist in disseminating the results of the forums on the Alliance; contacts with private agencies to increase knowledge and understanding of the Alliance.

4. Committees for the Alliance for Progress

The Council of the Organization of American States on May 2, 1962, adopted a resolution recommending to the governments of the member states that they facilitate the creation of committees on public information on the Alliance for Progress, whether of an official, semi-official, or private nature.

Committees have been established in Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Peru, the United States, and Uruguay. A provisional committee is functioning in Nicaragua, and an organizing committee has been set up in Venezuela. The committees in Argentina, the Dominican Republic, and Ecuador have established subcommittees in leading provincial cities of the respective countries.

Pursuant to Resolution A-9/M62 of the First Annual Meeting of the IA-ECOSOC at the Ministerial Level, many of the national committees for the Alliance have established executive committees made up of representatives of the bodies or agencies working within the framework of the Alliance in the respective countries. The directors of the Pan American Union offices serve as technical secretaries to the committees and subcommittees. The information officers of the Pan American Union offices collaborate actively and continuously with the committees.

In addition to the information work carried out by the committees by means of periodical publications, exhibits, courses, and short lecture series, in which there is broad participation by all sectors, they have participated in many new activities sponsored by the General Secretariat through the Office of the Assistant Secretary for Cultural, Scientific, and Informational Affairs. Important among these is the holding of regional seminars in which groups broadly representative of all sectors of national life have discussed topics of great interest to different groups of countries.

The Committees also sponsored, in collaboration with the General Secretariat and its offices in the member countries, the Forums on the Alliance for Progress, held in August 1962, to commemorate the signing of the Charter of Punta del Este. These forums were held in the 16 countries that have committees for the Alliance, and their purpose was to study and analyze, national development plans or policies in all their aspects.

/The work

The work done by the committees in disseminating the program and ideology of the Alliance for Progress has been outstanding. The variety of sectors that participate and the quality and rank of of their representatives have constituted authoritative recognition of how important it is for the Hemisphere to stimulate at the national level that joint effort which will permit achievement of the aims of collective improvement set forth in the Charter of Punta del Este.

5. Regional Seminars

Pursuant to the recommendations made in Resolution E.5 of the Special Meeting of the IA-ECOSOC in Punta del Este and Resolution A-9/M62 of the First Annual Meeting in Mexico City, the Pan American Union, in collaboration with the national committees, has sponsored the holding of regional seminars, conceived as a new type of meeting that, by providing a forum for the exchange of ideas and facilitating free expression of thought by the representatives of public opinion, provides an opportunity to study and analyze major problems and possible solutions therefor within the framework of the Alliance for Progress. These seminars were attended by labor leaders, industrialists, university students, political leaders, technicians, intellectuals, and the general public, who participated in the work of studying the factors that may decide their future.

The following seminars were held:

The Alliance for Progress and the Universities of Chile, Santiago, Chile, January 1963

The Alliance for Progress, the Latin American Common Market, and the European Common Market, Montevideo, Uruguay, April and May 1963

The Alliance for Progress and Central American Economic Integration, San José, Costa Rica, May 1963

The Alliance for Progress and the Private Sector in Honduras, Tegucigalpa, Honduras, June 1963

The Alliance for Progress and the Economic Editors of Latin American and European Newspapers, Rio de Janeiro, Brazil, October 1963.

6. Forums on the Alliance for Progress of the Peoples of the Americas

The General Secretariat attributed great interest and peculiar importance to the holding, under the auspices of the national committees for the Alliance, of Forums on the Alliance for Progress of the Peoples of the Americas, in commemoration of the anniversary of the signing of the Charter of Punta del Este.

At this new kind of forum, spokesmen for, and representatives of the vital forces of each country gathered to express their ideas in an atmosphere of freedom and equality. The participants included workers and industrialists, politicians, students and technicians, journalists and other exponents of political and social thought.

The development plan is one of fundamental expressions and requisites of the Alliance for Progress. The Charter of Punta del Este considers it most important that planning be carried out in accordance with democratic procedures and that a continuous effort be made to consult public opinion.

For this reason, the Forums of the Alliance for Progress of the Peoples of the Americas were held for the purpose of bringing together representatives of the private and public sectors to take an active and democratic role in the study, analysis, and dissemination of the characteristics and tendencies of the national development plan or policy.

To permit detailed examination of the main subject, it was subdivided as follows:

a. The national development policy or plan and the Alliance for Progress

b. Health and the Alliance for Progress

c. Education and the Alliance for Progress

d. Agrarian reform and the Alliance for Progress

e. Housing and the Alliance for Progress

f. The private sector and the Alliance for Progress

g. Labor policy and the Alliance for Progress.

The topics were discussed by persons well versed therein, drawn from both the public and the private sector. Some 5 000 people in all attended the Forums on the Alliance for Progress, and the mass media of the Hemisphere gave broad coverage to the discussions and findings.

The Forums furnished employers and employees, political leaders, journalists, university people, international agencies, and technicians with an opportunity to establish closer contact, and, in the process of discussion to determine points of common interest, permitting of a greater rapprochement and closer cooperation in pursuit of the objectives of the Alliance. The governments were provided with a means of consulting the people in regard to their development policies or plans.

This free expression of ideas and criteria by all the vital forces of the countries has been very profitable to the General Secretariat, since it has thereby been possible to know the opinions of the various sectors regarding the most

/important aspects

important aspects of the Alliance. This has enabled the Secretariat to evaluate the degree of knowledge about the Alliance in the countries, to gather constructive criticism and recommendations regarding it, and to present them to the competent agencies of the Organization, to be taken into account as important elements of judgment.

It should be noted that knowledge of the Alliance has increased considerably in some areas. This encouraging indication is most evident among the urban population, especially among the working class, university students, professors, industrialists, spokesmen of public opinion, and democratic political leaders. But it must also be recognized that the rural sector does not yet have a sufficient understanding of the Alliance.

As an added result of the greater and more accurate knowledge of the Alliance achieved through this series of popular seminars, both government officials and distinguished individuals in various areas of the private sector have publicly expressed their wish to see this kind of activity continued on a more frequent basis, so that a more thorough knowledge of the national situation, as well as of the problems involved and methods proposed for solving them may be gained, and so that it will be possible to determine the way in which each social group can cooperate in the common effort.

Below is an explanation of the prevailing trends at the workshops of the Latin American peoples on the Alliance for Progress:

1. The Charter of Punta del Este is a multilateral political document, wherein the countries have professed their faith that a peaceful revolution can be brought about through democratic processes--a revolution whose aim is to achieve a higher degree of economic and social justice for the people. Before it can be carried out, there must be a deep-seated revolutionary consciousness in the people. Hence, democratic leaders must become identified with the Alliance and assume the responsibility that is theirs in this great task of forging a better Latin America.

2. The best way to obtain full benefits from the Alliance for Progress is through democratic regimes that guarantee political justice, peace, order, and stability. Only thus will it be possible to create the atmosphere of confidence best calculated to attract investment and reinvestment of domestic and foreign capital.

3. It was made clear that the Alliance for Progress should not be considered as a mere program of financial aid on the part of the United States, but as a great common effort of the peoples and governments of Latin American countries to accelerate their economic development and to achieve equitable social progress--an effort which can count upon supplementary economic collaboration on the part of the United States of America and the international financing agencies. It was also stressed that this effort should be based primarily on the necessary structural changes and on the mobilization of the resources of the each country, over and above foreign economic aid. This mobilization should proceed from patriotic motives, which should outweigh personal interests.

/4. There

4. There was general agreement on the advisability of establishing a central inter-American executive body which should be responsible for all activities connected with the Alliance and whose particular concern should be with channeling funds and making it easier to obtain them for financing national development programs. This would help to eliminate the prevailing impression that the Alliance is a series of bilateral agreements between each of the Latin American countries and the United States of America, and would stress the multilateral nature of the program.

5. A considerable number of requests were made to the effect that the private sector be systematically consulted during the preparation of the national development plan, and during its implementation. Its participation in the preparation of the plan would not only help to identify the plan still more with real conditions prevailing in the country, but would also ensure the firm and active support of the private sector in its implementation.

6. Investment priorities to be established for the public sector should be in consonance with possibilities of expanding private activities. Through the national program, the governments should endeavor to obtain the desired results by inducement and not by coercion.

7. In the application of the principles set forth in the Charter of Punta del Este, due account should be taken of the different conditions prevailing in the countries of the Americas. The same should hold in evaluating domestic plans or projects.

8. Trade union leaders stated that the free, democratic union movement in the Americas has always followed an unswerving line in the struggle for social justice, peace, and respect for human dignity, within the framework of law and democracy. Thus, its objectives are the same as those pursued by the Alliance for Progress and merit its full support. They stressed, however, that in order for the union movement to fulfill its task, it should be strengthened and, to this end, it should develop in an atmosphere of justice and freedom.

9. Certain representatives of the private sector stated that, in some cases, economic aid should be supplied directly to the private sector, particularly in the industrial field, without state intervention, for the purpose of speedily streamlining industry and diversifying production. Better conditions should be created as soon as possible, with a view to reducing unemployment and increasing the purchasing capacity of the working classes. Stress was also laid on the importance of clarifying the idea that the private sector which should participate in the attainment of the objectives of the Alliance includes not only management but also labor, as an essential factor of production.

10. Greater importance should be assigned to the necessity of defending the prices of primary export products in the world market.

11. Well-rounded development of the human being is the primary aim of education; therefore, apart from its intrinsic value, the attainment of this

/objective is

objective is a determining factor in the socioeconomic development of the peoples. Attention was called to the fact that economic and social development is impossible without cultural development. Since education, science, and culture are vital for development, they should be assigned the priority that is their due in national programs. Larger volumes of funds should be assigned to over-all education in national budgets and external aid programs.

12. The countries should direct and push their activities in the field of health in such a way that they may be consistent with the present and future rate of development, which, in turn, should gradually supply the funds required to support an increasing number of health services. The complementary and interdependent relation between the two is shown by the fact that health is a determining factor in the level of human productiveness, while man in turn is the object of health activities. The financing of public health services has to be considered as an investment and not as a philanthropic or merely charitable action. To increase the effectiveness of these outlays, the integration or at least the coordination of all the bodies that offer services for the improvement of the health of the people must not be postponed. This can and must be effected in formulating the national health plan.

13. Elimination of the housing deficit in Latin America is distinctly a financial problem. The housing problem has ceased to be individual and become collective, and its solution is closely related to the process of economic development. The vast necessities of today, which are constantly increasing with the demographic growth of the region, make it imperative to concentrate every possible endeavor on attempting to cover at least the average yearly increase in the housing deficit, and to reduce that deficit gradually. This problem is so acute in the lower and middle classes that all the public funds which might be earmarked for low-cost housing construction would not be enough; hence, savings and loan systems must be developed in order to channel these resources toward the building of popular housing.

14. A better and fairer distribution of land ownership must be supplemented by the establishment of mechanisms to offer duly supervised agrarian credit and technical assistance. Furthermore, steps should be taken to ensure access to such markets as can absorb products at fair, stable prices. Agrarian reform should be carried out gradually, in an orderly fashion, and designed to suit the features peculiar to each country and each region. Agrarian reform should not be confused with resettlement.

15. The Regional Seminars and the Forums on the Alliance for Progress of the Peoples of the Americas have facilitated understanding of the objectives and methods of achievement of the Alliance, of national problems and their possible solutions, and of the multilateral and Latin American nature of the Alliance. Similarly, they have made it possible to conduct a free and objective analysis of the advance of the program and to spread knowledge of it in true perspective. Nevertheless, efforts must be redoubled to bring the explanation of the concepts of the Charter of Punta del Este down to a more popular level, more broadly accessible to the masses, especially in rural areas. For all these reasons, the Alliance for Progress should strengthen the development of its ideological and political advance.

/Chapter IV

Chapter IV

RECOMMENDATIONS APPROVED AT THE SECOND ANNUAL MEETINGS OF THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL AT THE EXPERT AND MINISTERIAL LEVELS

I. PLANNING AND PROJECT FORMULATION

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states that they:

1. Adopt measures leading to the elimination of the causes for the decline noted in the gross capital formation growth rate.

2. Take the necessary steps to create and strengthen planning units and prepare projects at the operating level of the national or regional government (ministries, autonomous agencies, etc).

3. Make their central planning agencies responsible for coordinating all foreign technical assistance requests, so that these will be as specific as possible and compatible with over-all government policy.

4. Adopt measures to institutionalize their central planning office, if they have not yet done so.

5. Take into consideration, in formulating national development plans, the expanded markets that may result from an intensification of regional economic integration.

6. Adopt methods designed to achieve coordination of the fiscal budget and the central planning office and, in general, the planning system.

7. Designate a national agency to assume responsibility for coordinating the preparation of national reports and forwarding these reports to the Secretariat of the IA-ECOSOC.

B. Suggests:

To the governments of the member states and to the regional and international agencies that furnish technical assistance to Latin America, that it would be advisable to begin to provide or expand their technical assistance to give as much freedom and flexibility as possible to the countries in the selection of advisers and consultants.

/ C. Instructs

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C. Instructs its Secretariat:

1. To report periodically on the development of the region, point out the most significant trends, and indicate where joint action at the regional level might be advisable.

2. To coordinate its technical assistance activities with the Latin American Institute for Economic and Social Planning, the Inter-American Development Bank, the Economic Commission for Latin America, the Latin American Free Trade Association, and the Permanent Secretariat of the Central American Treaty on Economic Integration so that maximum assistance in establishing and strengthening of planning and project formulation units at the operational level of government is given to the governments requesting it.

3. To take the importance of regional planning into account in such technical assistance activities.

4. To study in depth the relative productivity of different social and economic investments, and to include in these studies research on the relationship between the different types of investments and current costs entailed, so that the governments may weigh these factors in preparing their investment programs.

5. To make its technical personnel available to those countries requesting help in the preparation of national reports.

6. To take the technical, administrative, and budgetary steps that will enable it to implement the foregoing recommendations.

7. To see to it that the committee is not convened again until a sufficient number of national reports is available to permit it to make a comparative analysis of the information given in such reports, which can then serve as a basis for the work of the committee.

II. AGRICULTURAL DEVELOPMENT AND AGRARIAN REFORM

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. That goals for the agricultural sector be established within the framework of each country's over-all social and economic development program; be adapted to a country's particular conditions and requirements with respect to food, supply of raw materials, and export possibilities; and be based on appropriate planning at both the national and the regional level.

2. That greater efforts be made toward developing agrarian reform programs and that they stress the positive aspects of such programs for present landholders

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as a means of decreasing their opposition to these reforms; and that they orient landless farm workers, and channel and try to satisfy their just demands in order to keep the reform processes within a legal framework.

3. That in transforming land tenure structures, adequate flexibility be allowed in the new structures including, among others, the possibility of leasing rural land with option to buy.

4. The new owners under agrarian reform programs make specified, reasonable payments for the land received, after a reasonable term during which they are allowed to get settled, and in keeping with their income.

5. That the efforts of the settlers be utilized to a maximum degree in agrarian reform and settlement programs, through, for example, community development programs, based on mutual aid and self-help, in order to reduce state investment, awaken the interest of the settlers in their self-improvement, and that, in addition, the effort be made to provide employment for the rural population.

6. That agrarian reform programs be carried out on an area or regional basis so that they may be adapted more closely to differing socioecological conditions, that more effective use may be made of available natural, human, technical and financial resources, and so that opposition to such programs may be reduced.

7. That, with respect to agricultural credit,

a. Credits supplemented with technical assistance be introduced or expanded, and that both be provided in due time and in adequate amounts;

b. Programs for low-income farmers be expanded without reducing credit resources for the promotion of commercial agriculture;

c. It be expanded by the adoption of whatever inducements and institutional reforms are necessary to encourage private enterprise to participate in financing the agricultural sector and public finance agencies to play a more effective role.

8. That existing agrarian legislation be revised in each country, so that the various agricultural production and marketing measures imposed by economic development may be coordinated.

9. That, since agricultural marketing is a vital link between producers and consumers of farm products and is one of the factors that determine whether agrarian reform and agricultural development programs will succeed,

a. Studies on marketing of farm products be carried out;

b. On the basis of the studies, the necessary machinery be established for agricultural producers to receive fair prices for their products; and

/ c. Specific

c. Specific projects for the expansion and improvement of methods for marketing farm products be included in national development plans.

10. That specific programs for training technicians be drawn up establishing priorities which allow for the coordination of these programs with technical assistance projects conducted by foreign specialists; this is in order that responsibility for such projects may be assumed by national technicians within specified periods of time.

11. That national and international efforts be intensified to attain the eradication or effective prevention of animal and plant diseases that affect agricultural production and trade, giving immediate priority to foot-and-mouth disease and that the active participation of agricultural producers be provided for in the formulation and implementation of the plans.

12. That a national agency or group be appointed to coordinate the preparation of the national reports to be submitted periodically to the special committees of the IA-ECOSOC; such an agency would also be responsible for sending the reports to the Secretariat in due time.

13. That agricultural education programs continue to be intensified and expanded at all levels, especially the intermediate and rural, and research and extension programs as well, since these are considered essential to agricultural development.

14. That, in order to encourage professional improvement and keep technical personnel in government service, they adopt policies to provide such personnel with adequate incentives and remuneration.

B. Instructs the Secretariat:

1. To study the best way in which the other Latin American countries can take advantage of the experience gained from the OAS/Chilean Aerial Photography Project and, insofar as possible, to assist the countries in the use of aerial photography for specific development studies and projects.

2. To provide the services of its technical staff to countries requiring them in order to cooperate in the preparation of the country reports. To this end, it is suggested that the Secretariat adapt its work programs to include such activities and request the budgetary funds that may be required.

III. FISCAL AND FINANCIAL POLICIES AND ADMINISTRATION

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. That they adopt the tax reform objectives and the measures required to achieve them, as established on the part entitled "Fiscal and Financial Policies and Administration--Principal Aspects of a Tax Reform Program" of the Alliance for Progress: Its Second Year-- 1962/63.

/ 2. That they

2. That they initiate or intensify the study of tax problems with a view to their proper solution, placing special emphasis on improving tax and financial administration in order to ensure the effectiveness of the reforms adopted.

3. That, in this respect, since the proposed reforms will require broader technical assistance, by way of promoting such reforms, and following an examination of the activities undertaken in this field by the OAS/IDB/ECLA Joing Tax Program, they accelerate tax studies and other activities carried out within the Program and that the international organizations and member countries of the Alliance for Progress intensify suitable, timely and rapid technical assistance, for which adequate financing must be made available.

4. That, in connection with the preparation of national reports, they study the possibility of entrusting responsibility for this task to a national agency that would coordinate such work and present the reports periodically to the IA-ECOSOC special committees. This agency would also be responsible for forwarding the reports to the Secretariat in due time.

B. Recommends to the Secretariat:

1. That it place the services of its technical personnel at the disposal of the countries as required in order to cooperate in the preparation of national reports. To this end, the Secretariat is asked to note the advisability of orienting its work programs in the direction indicated and, when necessary, to request budgetary allocations.

2. That it prepare a preliminary draft of a multilateral agreement on double taxation as the basis, among other purposes, of a suitable framework for such tax incentives as the member country may grant for the purpose of attracting a larger volume of foreign capital.

The Secretariat should take into consideration the tax incentive system agreed upon among the Central American governments as a result of their economic integration program.

The preliminary draft of the multilateral agreement shall be delivered to the governments 30 days prior to the next meeting of the special committees and the pertinent conclusions transmitted to the IA-ECOSOC for consideration at its Third Annual Meeting.

IV. INDUSTRIAL DEVELOPMENT AND FINANCING OF THE PRIVATE SECTOR

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. That they increase their efforts to broaden participation by the private sector in deliberations concerning the preparation of national industrial development plans, with the understanding that this sector includes the business and industrial community, labor and farmer groups, cooperatives and many other voluntary associations of individuals working together or sharing common economic interests.

2. That, insofar as possible and in collaboration with the private sector, they establish objectives and goals for industrial development in accordance with the political, economic and social situation in each country, defining, as circumstances permit, the role of the private sector, and that these objectives be disseminated as deemed advisable.

3. That they prepare an inventory of industrial projects and that they utilize the services of existing agencies or such others as they consider suitable to assist in promoting the implementation of priority projects.

4. That they undertake to promote feasibility and other preinvestment studies for small and intermediate industries, through the use of adequate domestic and foreign resources, including those undertaken on a loss-account basis.

5. That efforts be made to strengthen national and provincial institutions promoting private investment in the industrial sector and that the governments of the region engage in an active interchange of information and experience in this regard. In particular, efforts should be made to establish or expand within each country, at the national or local level, appropriate mechanisms furnishing assistance to small and intermediate enterprises. Such assistance would include not only measures aimed at general promotion but also those designed to provide direct technical as well as financial aid, which in the case of small and intermediate enterprises would take the form of long-term, low-interest loans.

6. That efforts also be made to better the competitive position of the handicrafts industry, including the improvement of its technology, expansion of financial assistance and construction of facilities, such as industrial parks, in order to provide it with a proper infrastructure.

7. That appropriate institutions, including funds, be established or expanded in each country for research on natural resources and their uses, particularly in coordination with efforts to encourage private industry, and that regional institutions help to increase such activities by coordinating their efforts with international agencies in order that both may contribute in achieving these ends.

/ 8. That agencies

8. That agencies responsible for education and training undertaken, in cooperation with the appropriate international institutions, a survey of existing resources of skilled labor and professional personnel, an analysis of future requirements, and an evaluation of the educational and training facilities available to meet those requirements.

9. That the experiences of governments which have undertaken promotional activities abroad in order to obtain financial and technical assistance from the private sectors of the more developed countries and to promote their exports be studied with a view to providing information of benefit to other countries undertaking similar activities, either individually or by groups of countries.

10. That, in order to expand the market for industrial products, they consider and study the possibility of formulating a regional integration policy not only for such industries as the iron and steel, petrochemical, electrochemical, and in general, the industries producing capital goods, but also for the intermediate products required in these branches of industry.

11. That efforts be made to compile detailed information on capital investment, by specific industrial branches, indicating the sources of finance, both domestic and foreign, in each case. In this respect, the capital-exporting countries could assist by making available more complete information on the movements of private capital to individual countries in the region.

12. That, in order to facilitate the presentation of national reports to the IA-ECOSOC for due processing by the Secretariat, a national agency or group be appointed to coordinate the different sections of the reports; this group would maintain liaison with the Secretariat for the above purpose.

That, at the same time, the various international organizations and the several IA-ECOSOC committees coordinate their requests for information.

13. That the unification of applicable regulations be studie in order to facilitate reciprocal negotiation and quotation of securities in Latin American financial markets, with a view to the mobilization and proper investment of savings.

B. Authorizes its Secretariat:

1. To provide, at the request of the government concerned, the services of its technical staff for the purpose of assisting in the preparation of national reports.

2. To adapt its work program in accordance with such requests as it may receive, and to apply for budgetary funds as required.

C. Instructs its Secretariat:

1. To continue the current work on exports of manufacture products from Latin America, taking into consideration the comments of the committee during its current session.

/ 2. To continue

2. To continue its series of case studies on national and local institutions promoting private investment, and to undertake related activities designed to promote an active exchange of experience in this field.

3. To undertake studies on the transfer of handicrafts to small industry, technological and financial problems connected with the establishment of small industry, the desirability of industrial parks and the need for training and education, the last in collaboration with international organizations that are already carrying out such a study in Latin America.

D. Requests the governments of the member states:

That, as representatives of the international credit institutions, they instruct those institutions, as well as the national financing agencies, to analyze loan authorization and disbursement procedures through case studies and to submit the results to their respective ministries for consideration.

V. HOUSING

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. That they study the possibility of appointing a national agency to coordinate the preparation of national reports. This agency would also be responsible for forwarding the reports to the Secretariat in due time.

2. That they appoint technical liaison officers as members of the national housing agencies or the official housing institutions, for the purpose of increasing the flow of information between the countries and the General Secretariat of the OAS; this would make it possible to provide greater flexibility to both the "Latin American Housing Survey" and the work of the Housing Group of Committee VI of the IA-ECOSOC.

3. That they conduct preliminary studies for low-cost housing programs, dealing particularly with the distribution of family income and expenses, in order to relate payment capacity to the cost of the dwellings assigned, and that they earmark funds for preinvestment studies.

4. That they establish or strengthen planning and programming offices within the national housing agencies, in order to permit the formulation of plans and programs whose goals are consistent with national development plans and in line with the financial and technical resources of the country in general and of the agency in particular, on the one hand, and with national needs and family social and economic conditions that must be met, on the other.

5. That they strengthen coordination between statistical offices, housing institutes, and planning offices.

/ 6. That, when

6. That, when granting loans for urban housing programs, they keep in mind the relationship between such programs and urban development plans.

7. That they pay special attention to including measures in their tax reform projects aimed at preventing speculation and safeguarding the social function of land.

8. That they prepare urban development plans and see that they are carried out.

9. That they establish policies, laws and mechanisms, where these do not exist, designed to attract family saving and to grant mortgage loans for low-cost housing.

10. That they take measures to protect the real value of savings and housing investments during inflation, in order to avoid loss of capital by housing finance agencies and to maintain the confidence of the depositors,

11. That they encourage spreading savings and credit institutions for housing throughout the country, so as to avoid excessive centralization in certain cities.

B. Recommends to the external financing agencies:

1. That they cooperate in the preparation of preliminary studies for low-cost housing programs, dealing particularly with the distribution of family income and expenses, in order to relate payment capacity to the cost of the dwellings assigned, and that they earmark funds for such preinvestment studies.

2. That, when granting loans for urban housing programs, they take into consideration the relationship between such programs and urban development plans.

3. That, they, in consultation with the borrowing countries, undertake an immediate review of their operating systems; to this end, the countries concerned should submit in advance specific documentation on the points to be considered.

C. Instructs its Secretariat:

1. To disseminate knowledge and experience among the Latin American countries, through the exchange of information and of qualified experts and technicians; to this end, it is considered essential that the Latin American Housing Survey entrusted to the Secretariat be continued, and that it be conducted with the cooperation of national technicians, thus converting the Survey into a technical assistance activity.

2. To cooperate in the preparation of national reports by furnishing the services of its technical staff to the countries on request. It is therefore suggested that the Secretariat consider the advisability of orienting its work programs in this direction and of requesting additional budget funds as necessary.

/ 3. To select

3. To select experts in low-cost housing programming to provide technical assistance to the countries on request.

4. To give special attention to establishing, organizing, and rendering technical assistance to housing cooperative programs and savings and loan associations.

5. To promote coordination with external credit institutions, particularly the Agency for International Development (AID) and the Inter-American Development Bank (IDB).

VI. COMMUNITY DEVELOPMENT

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. That they establish national community development programs that comprise all efforts now being undertaken on an individual basis for the benefit of certain sectors of the population, and that are closely related to development plans.

2. That these programs function in close association with national planning organizations, so that they may have operational authority; that they be provided with the funds and facilities required for their effective operation, and with high-level technical personnel to direct them.

3. That community development methods be applied to agrarian reform projects, as a means of gaining the effective participation of rural communities and of utilizing their efforts in the social changes involved in such projects; and that these methods also be applied to low-cost housing programs, sanitation and public health projects, and to other services of the infrastructure.

4. That they promote the establishment of national personnel training centers for the community development program; that they obtain the international technical assistance needed to organize and conduct the courses; that they hold national seminars on the subject, in order to publicize experiences gained and make the general public aware of the importance of the courses; that they make known the results of these through publications that are within the reach of all sectors of the population.

5. That they organize community development programs at the regional and local levels, in order to gain the active participation of the urban, rural, and Indian populations in national development programs.

6. That they review current legislation on community development and pass any laws considered necessary for the programs to reach their objectives.

/ 7. That they

7. That they study the possibility of designating a national agency to be responsible for coordinating the preparation of national reports and for forwarding them to the Secretariat in due time.

8. That they organize national agencies at the highest administrative and technical level, responsible for guiding, promoting, and coordinating program activities in the national, regional, and local areas.

These national agencies should have at their disposal the facilities necessary for collaborating with other official or private agencies in the study and adjustment of plans and programs; they should also be able to furnish technical assistance in community organization, research, planning, programming, evaluation, supervision, personnel training, and preparation of material.

It is recommended that such agencies seek, as objectives, to:

a. Establish national policy with regard to the organization, location, and operation of community development programs, and suggest pertinent legislation;

b. Establish methodological bases for research, planning, programming, implementation, supervision, and evaluation of the programs;

c. Study and establish systems of coordination and collaboration among the various national, regional and local services, governmental and private, participating in community development and coordinate with the pertinent national agency the national and international technical assistance procured for community development;

d. Train personnel, on different levels, in the methods and techniques of community organization and development;

e. Promote and carry out programs in urban, rural, and Indian areas; (The necessary distinctions in these types of programs are not arbitrary, but correspond to three basic types of socio-cultural systems existing in Latin America, each with its own special needs and problems.)

f. Advise governmental or private agencies on matters of personnel training, research, planning, programming, implementation and evaluation of community development programs;

g. Make studies of regional conditions and of the different social groups, evaluate programs, produce technical communication materials, organize technical seminars, and prepare studies on program financing.

9. That they establish national personnel-training centers for community development and seek the technical assistance of international organizations for that purpose.

/ 10. That personnel

10. That personnel training be carried out at different levels and categories which, in principle, may be defined as follows:

a. Leaders at the highest technical, policy-making and administrative level, qualified to plan and direct activities on a national scale. This training presents certain difficulties, mainly because the persons directing or responsible for the different programs related to community development lack the time to expand and bring their knowledge up to date. The organization of national and regional technical seminars, explained below, and of study groups or graduate courses in universities, as in Colombia and Venezuela, are some of the possible means.

b. Regional organizers, supervisors, instructors. This personnel could receive basic training through national courses and more advanced training in inter-American courses. Both will be explained below.

c. Local organizers, leaders, community volunteers, and aides. They can be trained through short courses, such as those given in Colombia, or workshops, as in Venezuela, organized on a periodic basis, with the same personnel, so as to refresh the students' knowledge and to broaden it. Outstanding participants in these short courses could also attend national courses.

d. Personnel working in other specialized fields within the region or locality, and who are responsible to different agencies. Included are engineers, doctors, inspectors, teachers, extension workers, social workers, local authorities, priests, members of the armed forces, etc. Experience has shown that in-service training of personnel can be initiated through courses of two or three months' duration and continued through adequate supervision and, mainly, through the provision of technical and descriptive materials.

Since, therefore, it is necessary to train personnel at different levels, the following activities are suggested:

1. Organization of national technical seminars for directors of community development programs and authorities responsible for planning national development.

2. Organization of national courses at different levels, sponsored by the government in cooperation with universities, higher normal schools, and social service institutes or schools with the technical advice of the OAS or of any other international organization.

3. Expansion and improvement of inter-American courses on community development presently offered by the OAS.

B. Instructs its Secretariat:

1. To negotiate with international, national, and private agencies for the creation of a mechanism for coordinating technical assistance that would consolidate all the efforts currently undertaken by governments on individual bases, and seek the collaboration of private sector programs.

2. To prepare guidelines for evaluating national programs and specific community development projects, and to negotiate with international organizations and government agencies for the formation of teams of experts, who, together with national experts, would evaluate programs and projects in the countries that so request.

3. With the help of other institutions, to advise the governments on organizing and holding national seminars, for the purpose of studying and determining general methodological principles of community development, with a view to adapting them to the characteristics of each country.

4. With the cooperation of other international and national organizations, to organize or advise upon seminars for administrative and technical personnel, for the purpose of studying community development methodology and programming, personnel training, and the contribution of community development to the Alliance for Progress.

5. Through its own facilities or jointly with other international organizations, to give technical advice to the governments that so request, with reference to the organization, study, planning, implementation and evaluation of community development programs.

6. To give technical advice to the governments requesting it and to cooperate with them in obtaining technical and financial resources for organizing national training centers at the national, regional, and local levels.

7. To expand Project 208 for training personnel in Indian community development by creating courses required to cover the rural and urban areas.

8. To negotiate with international organizations, government agencies, and private institutions for the technical advice and financial aid required to create an inter-American center for training top-level personnel in community development, after first making a study of programs, location, etc.

9. Insofar as possible, and in cooperation with other international or national organizations, to prepare, publish, and distribute technical and descriptive material on community development projects being undertaken in the Americas, as a means of reporting and exchanging experiences.

10. To the effect that, at future meetings of the Special Committees of the IA-ECOSOC, round tables be organized, with the participation of experts in different fields, for the purpose of exchanging ideas and information on the work accomplished.

/ 11. To establish

11. To establish closer cooperation between community development programs and the programs for establishing cooperatives, in order to make the best possible use of resources. The training programs envisaged in 6 and 7 of these recomendation should include, and lay the necessary stress on, promotion, organization, and training in the field of cooperatives in order that such cooperation may be more effective.

12. To make the services of its technical personnel available to those countries requiring assistance in the preparation of national reports. In this connection, it would be advisable for the Secretariat to adapt its work programs to include such services and to request such budgetary increases as may be required.

VII. HEALTH

The Inter-American Economic and Social Council

A. Recommends to the governments of the member states:

1. Planning

That those that have not yet done so establish health planning units at the ministerial level, with the participation of other responsible agencies in this field.

That they take such steps as may be required to provide suitable financing for health planning units and, if necessary, request international assistance in order to carry out a training program for officials on various levels.

That national units of economic and social development planning take such steps as may be required to ensure continuing participation by representatives of the health sector, not only in plans for this sector, but also in planning, analyzing, and developing other programs included under the national plan.

That the departments of preventive medicine of medical schools and the public health schools incorporate health planning education within their regular study programs.

That the technical services of the Pan American Health Organization be utilized by the ad.hoc committees for the study of national plans submitted by the countries.

That in like manner, the services of that organization be utilized in the formation of the tripartite groups to assist the governments in preparing their national development plans.

/ 2. Statistics

2. Statistics

That special attention be given to the training of statistical personnel, at various levels, to supply the countries with experts in accordance with their human potential.

That "registration areas" be established in each country, covering a representative sample of the population, for the collection and analysis of vital statistics and health data, coordinated insofar as possible with the planning areas.

3. Personnel Training

That programs of personnel training be developed in accordance with national health plans, based on the criterion of teamwork, and that each country study as a transitional measure the advantages and disadvantages of training health officers at the intermediate level, especially for rural areas.

That the ministries establish work relations with the universities in order to adapt educational programs to the requirements of health plans and to collaborate in such education on both the undergraduate and postgraduate levels.

That the resources of the ministries and other health services be utilized for medical education in its broadest sense.

That the necessary measures be adopted in order to expand training of sanitary engineering personnel to permit the development of environmental sanitation programs in accordance with the objectives of the Charter of Punta del Este.

4. Organization and Administration of Services

That the health services work towards functional integration and, until this can be achieved, closer coordination be sought among all of the entities providing preventive and curative medical care, whether public or private, academic or service institutions.

That methods to improve the distribution of medical personnel be studied, with a view to establishing special incentives adapted to the particular situation in each country.

5. Environmental Sanitation

That they encourage the adoption of systems of payment for services provided to the community based on the economic possibilities of the communities and the legal provisions of the countries concerned; likewise, that the active participation of the community in the development of the services be promoted.

That they adopt the necessary measures to develop sanitation and rural welfare programs in their countries, in accordance with the special resolution adopted in this respect.

/ 6. Communicable Diseases

6. Communicable Diseases

That they step up their efforts to eradicate smallpox and malaria, and that they assist each other in implementing this type of program, particularly in border zones.

7. Nutrition

That utilizing knowledge of nutritional diseases, they implement practical programs at the level of local health services, with special preference for the most vulnerable population groups, such as expectant mothers, nursing mothers, and preschool children.

That they encourage the production, distribution, and utilization of new sources of highly nutritional, low-cost food, on the basis of locally available products, utilizing knowledge already acquired in this respect, seeking to encourage the private sector to take interest in and support this type of undertaking.

That they intensify measures on both the national and international levels to coordinate activities directly relating to the problem of nutrition, particularly in health, agricultural, and educational aspects.

That they undertake programs to combat animal diseases, such as foot-and-mouth disease, which result not only in economic losses, but also in the decrease of protein-food availability.

That they analyze demographic trends carefully in order to plan their policy with regard to nutrition, water supply, and other health services.

8. Medical Care

That they plan medical care on the basis of well-organized systems of services that will make it possible to improve utilization of existing hospital facilities through the expansion of out-patient care and other technical and administrative measures.

That experience in use of mobile units for medical care and community development in rural areas be duly utilized in accordance with the particular conditions prevailing in each country.

That they give due consideration to the usefulness of charging for medical services rendered, based on the ability of the public to pay.

9. Water-supply Systems

That in preparing urban water-supply and drainage projects, preference be given to multipurpose solutions, in order that such projects may contribute more effectively to economic and social development.

/ 10. General Matters

10. General Matters

That a single national agency be responsible for coordinating the preparation of national reports and that the ministry of health in each country take charge of preparing the report in the health sector, including data from other agencies not directly under its control, which should supply the necessary information.

That, in the preparation and execution of their national economic and social development plans, they duly consider the recommendations contained in the Report of the Meeting of the Task Force on Health at the Ministerial Level held in Washington, D.C. (April 1963).

B. Recommends to international organizations:

1. That, at the international level, improved coordination be established in the formulation of development plans, and that the Pan American Health Organization be entrusted with the appropriate responsibility therein, in order to secure the harmonious participation of all the international organizations working in the field of public health.

2. That the Pan American Health Organization appoint a Technical Advisory Committee, to draw up a system of measurement units or evaluation indices which will make it possible to measure progress in health activities, at both the hemispheric and the national level, within the general aims set forth in the Charter of Punta del Este, and in relation thereto.

3. That they help the countries which produce B.C.G. and other biological products to improve quantity and quality and to supply these products as needed without charge.

4. That international credit and assistance agencies grant the aid required by the governments for the proper operation of programs for the eradication of malaria.

5. That, in rendering technical and financial assistance to governmental, autonomous, or private institutions, they take advantage of opportunities afforded to promote and support the integration of health services, in the operative, research, and educational areas, to ensure the best use of available present and future resources.

6. That, despite the priorities assigned to date for granting international loans, special consideration be given to the needs of certain countries with regard to constructions and installations for public medical care.

/ 7. That, in

7. That, in planning their activities, the recommendations contained in the Report of the Meeting of the Task Force on Health at the Ministerial Level held in Washington, D.C. (April 1963) be taken into account and used.

C. Instructs the Secretariat:

To recommend to the Pan American Sanitary Bureau that it review the guidelines for the preparation of national health reports with a view to simplification, confining these reports, wherever possible, to information on measurable objectives of the Charter of Punta del Este.

Chapter V

THE ALLIANCE FOR PROGRESS AND ITS OUTLOOK 1/

From the review and analysis undertaken by the Inter-American Economic and Social Council at the Second Annual Meeting, the conclusion emerges that in the course of the second year of the Alliance for Progress member countries have achieved positive gains. The national reports in which this progress is recorded reveal that the region as a whole has continued to advance toward the achievement of the goals of the Charter of Punta del Este: i) The number of countries that have submitted their development plans for evaluation by ad hoc committees and the number of countries that have begun the planning process has increased appreciably; ii) the integration process, although it shows some progress at bilateral and section levels, is proceeding very slowly at the multinational level; and iii) in the formulation of common policies for the structuring and defense of a system to protect the region's foreign trade and the prices of its basic products, the progress achieved is reflected in the final report of the Committee on Basic Products (Doc. CIES/308) and in the desire to adopt a common stand at the World Conference on Trade and Development of the United Nations.

In order to make the procedures of the Alliance more efficient, to accentuate its multilateral character and to make a living force of the concept of a common effort which was incorporated in the Charter of Punta del Este, the Second Meeting of the IA-ECOSOC at the Ministerial Level in 1963 has created the Inter-American Committee of the Alliance for Progress (CIAP). It is clear, of course, that in the last analysis the success of the Alliance cannot depend on any special mechanism but only on the faith of the people and the will of the governments.

It is expected that the CIAP will contribute to a better utilization of resources, including those of foreign assistance, by means of its recommendations to governments and international organizations With respect to financing, it is expected that the recommendations of the CIAP will help overcome many of the difficulties noted in the first two years of the Alliance.

The recommendation that Inter-American organizations shall make studies to provide the basis and possibilities for planning at a regional integration level beginning with infrastructure programs and followed by programming of other sectors, is a positive step toward multinational integration.

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/A. GENERAL

A. GENERAL ECONOMIC OUTLOOK

Although the picture of the Latin American economy was darkened in 1962 by stagnation of gross per capita product -- to a large extent the result of the preponderant influence of events in a few countries -- the outlook for the present year is more favorable. The economies that most influenced the growth rate in 1962 are improving and there is no marked downward tendency in the ten countries which already in 1962 had equaled or surpassed the annual growth rate of 2.5 percent in per capita product which was set as a minimum goal by the Charter of Punta del Este.

With respect to export earnings, the interruption in 1962 of their stagnation deserves notice; for the first time they exceeded their 1957 level and they continued to grow in the first semester of 1963, although at a slower rate.

Nevertheless foreign trade is one of the aspects that must cause most serious concern in an analysis of the outlook for the Alliance. The events of 1962 and 1963 emphasize that Latin America still depends on the exports of a few basic products whose demand in world markets grows at an unsatisfactory rate. Furthermore, receipts from these exports fluctuate to a degree that constitutes an obstacle to national planning and exposes the economies to pressures that make the execution of development plans and projects difficult. It must be stressed that the increase in the value of exports was caused mainly by increases in the quantities exported rather than by improvements in prices.

The threat of losses of traditional European markets for certain Latin American products, because of discriminatory and protectionist policies, remains acute. Although to date the delay in agreement on a common agricultural policy for the European Economic Community temporarily avoided the damage that this policy might inflict on Latin American Temperate Zone producers, the danger persists and may result in serious harm to certain countries of the region in the near future. Similarly, the impact of European discrimination, against Latin America with reference to tropical products, which has not yet been fully felt, cannot be ignored.

It is therefore a cause of deep concern that more progress has not been made in arriving at world-wide agreements.

Under these circumstances, it is particularly important that GATT adopt policies favoring expansion of the trade of underdeveloped countries and that at the coming United Nations Conference on Trade and Development these problems be presented jointly by the Latin American countries and that they adopt a clear and well-defined stand. It is hoped that the new mechanism that has been created by the IA-ECOSOC to coordinate the positions of the members of the Alliance for Progress, as well as the coming ECLA Seminar, will produce fruitful results.

The outlook for Latin American exports to the United States depends primarily on developments in the manufacturing industry of that country. The economic resurgence that began in 1962 continued although at a slower rate in 1963. For 1963 as a whole a continued expansion is expected.

/The somewhat

The somewhat more favorable prospects regarding over-all production should not divert attention from the fact that the 2.5 percent rate of growth for gross domestic per capita product is a goal for a sustained increase; such a goal can be attained only if profound structural changes are made in the economies of the region. Although this rate of growth was attained in certain years in the past, and in the case of some countries it was occasionally even greatly surpassed, only if most of the Latin American economies achieve a more balanced structure, can it be hoped that production growth will reach the minimum goal over long periods.

In 1962 the important manufacturing sector had maintained its momentum in most countries, and there are reasons to expect that in 1963 this sector will exceed the 1962 growth rate.

However, it is not only greater industrial growth that will give the economies of the region better balance and internal stability in the future, but also a greater diversification of exports and, especially, a gradual change in their composition, with an increasing proportion being industrial exports. If the obstacles -- especially those in international markets -- that presently hinder the growth of industries for processing traditional basic products, are not overcome, so that such products can be exported in manufactured or semi-manufactured form, it will be difficult in many countries to carry out basic structural changes that would be required to obtain on a long-range basis the desired economic growth. A policy of understanding and cooperation by the industrial countries to this end would be a most important contribution toward achieving the goals of the Alliance. Also of great importance to expanded and more stable export earnings is a climate which will encourage larger investments in industrial and commercial enterprises by domestic and foreign capital, thus providing a greater capacity to produce new types of competitive goods for export.

Regional integration programs are another important factor in attaining balanced productive structures. It is a cause for great satisfaction that the Central American Integration Program continues to keep up its initial drive, both with respect to the growth of intra-zonal trade and the coordination of national plans and infrastructure projects. Another cause for encouragement is the expansion in trade among the members of LAFTA.

It is hoped that initiatives currently under discussion, aimed at giving greater impetus to this program, may prosper. In this connection it is indispensable that governments lend the necessary political support to such initiatives.

It would be desirable that the effort at coordinated regional planning that has already been initiated in Central America be extended to LAFTA and, eventually, to all of Latin America.

/In view

In view of the normally uncertain outlook for foreign exchange receipts deriving from exports it is of utmost importance that there be as much certainty as possible concerning the amounts of external financial assistance which will become available in the future. Development loan authorizations from public sources exceeded net disbursements by a wide margin during the first two years of the Alliance and it is hoped that, once the mechanisms of the Alliance have been perfected, the lag between authorizations and disbursements will be reduced.

B. INSTITUTIONAL REFORMS

The goals of the Alliance -- and therefore the evaluation of its prospects -- extend far beyond the production of goods and services. Human and spiritual values such as social justice, equality of opportunity, unhindered development of the individual so that he can realize his full potential and lead a life of dignity and freedom -- these are basic reasons why considerable emphasis has been placed in the Alliance on reforms such as those in the tax and agrarian areas. It was the conviction of the authors of the Charter of Punta del Este that these, and many other measures as well, would be useful instruments for mobilizing resources and increasing the rate of economic growth, for only thus would it be possible to make the Alliance program feasible. But, the essential aim is not merely to increase wealth; what is desired is to create wealth for distribution; to distribute it more equally so that it may be used to free the dispossessed masses of the Hemisphere from the servitude imposed upon them by ignorance, hunger and disease. It is fundamental that governments recognize clearly the interdependence of economic progress, social progress, and institutional reforms.

Therefore, however important may be the outlook for production, investment, and trade -- crucial means in determining the success of the Alliance -- it is equally important to evaluate the direction in which the countries are moving socially and politically. In this connection, only a cautious optimism is in order; for, however great may be the efforts already made in some countries and however encouraging it may be that all members of the Alliance are trying to meet the obligations they assumed in Punta del Este, one cannot but be concerned with the slowness with which many countries are overcoming obstacles to the profound changes in institutions, policies, and internal structures that will be necessary to make the Alliance a living reality.

1. Economic and Social Planning

Although by this time all countries of the region have planning agencies, not all of them have advanced at the same pace in the preparation and execution of plans and programs. The planning concept has met with increased acceptance in the course of the first two years of the Alliance and it can be expected that the difficulties initially encountered will also gradually be overcome. Thus, for example, it is becoming increasingly clear that preparation of over-all plans is only one of many phases necessary to the formulation and implementation of national development policies. Serious gaps are apparent in administrative

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machineries and in the specialized personnel of the public sector, which in many cases is unable with respect to the preparation of sectoral programs and specific projects to carry out its functions efficiently. In many cases, this has limited the capacity of the Latin American countries to utilize external financial resources for development purposes.

One of the most important matters requiring further attention in the planning process is the need to establish sectoral priorities and to mobilize necessary resources to implement programs and plans. It is also important to emphasize that the participation of all the elements of the private sector is necessary if the planning process is to be successful, and that generally such participation is still in a highly incipient stage.

Governments as well as international agencies are attaching increasing importance to plans that are not solely macro-economic projections. They must also incorporate, on the one hand, specific projects and, on the other, concrete national and regional programs and policy actions, among which specific social and economic policy measures must be included. If the first two years of the Alliance have been devoted to the establishment of planning institutions and to the formulation of over-all plans, it is apparent that in future years increased attention will be paid to this aspect of planning so that planning can become a basic instrument of economic policy of influence in day-to-day decisions.

The technical assistance activities of many bilateral and international organizations are being directed to an increasing extent toward natural resource, pre-investment and feasibility studies, and project preparation, precisely because of the palpable need for increasing the number of financially sound projects so that public capital can be obtained for development.

However, it must be stressed once more that if such activities are to be carried out in a coherent and rational manner, it will be necessary to be able to count on assured financial resources over relatively long periods. One of the problems which will continue to vex many countries of the region is that both public and private sectors depend to a large extent on the income derived from highly unstable exports. It is not likely that this obstacle to planning will be overcome in the immediate future, although agreements on basic products, such as the new International Coffee Agreement, can contribute toward a solution.

2. Agrarian Reform

In analyzing the outlook for the Alliance a year ago, it was seen that progress in this area was "less satisfactory" (The Alliance for Progress: Its First Year, 1961/62, p. 105). Although in several countries notable progress has been made in implementing already-existing programs, the picture is still essentially the same. There has been no notable advance in the redistribution of land in countries that have recently promulgated agrarian reform laws, although they have been active in setting up specialized institutions to apply these laws. It is hoped that in the coming year the fruits of this labor

/will begin

will begin to appear, so that implementation of this key aspect of the Alliance will be stepped up by over-all programs that will provide, in addition to land, the means needed to work it, such as technical assistance, agricultural credit, cooperatives, and marketing facilities, always of course with due regard to the special characteristics of each country. It is important to note that before the signing of the Act of Bogotá only four countries had enacted agrarian reform laws and that this number has now increased to ten, while three more have draft legislation in this field.

However, there is always the danger that such legislation may remain a dead letter or that it may be applied only partially. The slow growth of the other productive sectors is one of the factors that hold back agrarian reform. Nevertheless, it should be stressed that although agrarian reform becomes easier under conditions of rapid growth, this does not mean that such reforms are contingent on the general economic situation. In many countries industrial development itself depends largely on a greater growth in the agricultural sector.

3. Tax Reform

The efforts made to increase ordinary public revenues to finance economic and social development without hindering total investment (including that of the private sector) are aimed in the right direction, but it has not yet been possible to eliminate or reduce deficits to desireable levels in all countries. Nevertheless, if such measures are continued and if the systems of tax administration are improved, it may be possible that in the foreseeable future there will be a significant increase in public investment financed with savings from the public sector.

As for tax structure, profound change to better adapt it to the goals of the Alliance is naturally slower. However, it has already been accepted in principle that the basis for a tax reform program include considerations of justice, incentives, administrative efficiency, etc., and several governments are in the process of preparing studies leading to the application of these principles. Thus, one can hope for acceleration of the movement toward tax reforms in conformity both with the social aims of the Alliance -- including the more equitable distribution of income -- and with the need to mobilize greater resources for the public sector and to create more appropriate incentives of the type required by the private sector for increased development.

In any event an attempt must be made to study tax reforms in relation to the requirements of the goals contained in the development plans so that they may become an efficient instrument toward these goals.

/4. Public Administration

4. Public Administration

In many countries serious efforts are being made to improve public administration and adapt it to the needs of the Alliance by means of better work methods and systems and by training personnel more effectively. However, this is not a field in which substantial changes can be expected within a short time; only a policy of patient and relentless labor can fit the present outmoded administrative systems of many countries to the needs of accelerated development.

5. Industrial Development and Financing of the Private Sector

In 1961 concern was expressed over the extent of the flight of capital from Latin America and this serious situation seems to have continued in 1962. It is hoped that the member states of the Alliance will take all possible measures consistent with other priorities of economic policy to remedy this situation.

Thus for example it is important to try to coordinate at the regional level policies relating to tax incentives and the regulation of foreign investment, as is being done in Central America. It would similarly be useful to try to reach mutually acceptable agreements on double taxation with capital exporting countries.

It is also important that greater efforts be made to channel national and foreign private investment toward naturally determined gravity sectors. In this connection it should be noted that industrial investments are showing greater vigor, as a general rule, than those of other sectors and it is expected that improvement of the public and private institutions which can channel the resources of the private sector into industry will continue. It is also important to include the private sector -- entrepreneurs, labor unions, cooperatives, etc. -- in the planning process to an increasing extent.

6. Progress in the Social Field

In many essentially social fields it is not lack of effort that makes achievements seem modest but rather the magnitude of what remains to be done. Thus, it is noteworthy that in 1962 more than 20 percent of external financial assistance received by Latin America for development (new loan and grant authorizations) was devoted to investments in health, housing, community development, and education; this figure compares with that of three percent in 1960 and 15 percent in 1961. The dynamic action of the Social Progres Trust Fund, administered by the Inter-American Development Bank for the United States Government, is

/contributing to

contributing to this new emphasis, which is consistent with the approach taken in the Act of Bogotá and the Charter of Punta del Este. It is expected that as funds are disbursed in the next few years, the execution of social investment programs will increase appreciably.

The Latin American governments themselves are also devoting increasing proportions of their budgets for these purposes. However, the explosive population increases in most of the countries, accompanied at times by large internal migration, the enormous accumulated deficits in education, housing, public health, and other fields, and the great scarcity in many countries of technical personnel and appropriate institutions indicate that even greater efforts would solve the urgent problems afflicting the region only in the very long run.

Furthermore, a certain balance must be maintained between directly productive public investments and those social investments that involve high operating or maintenance costs and insignificant short-term economic benefits. This imposes certain limits on continued expansion of this type of investment in the absence of rapid growth in productive capacities.

In the case of community development, progress has been sharply limited because of the lack of trained personnel or of funds. Also it should be noted that the fact that many programs have been carried out as isolated efforts without having the character of a national movement has had a negative limiting effect. Hopefully, this obstacle can be overcome by creating national agencies for community development. This should be the next advance for those Latin American countries which lack such a mechanism.

In public health special importance is being given to rural sanitation and welfare. These will be the object of a hemisphere-wide program primarily dealing with problems of potable water supply.

Substantial additional local resources are being devoted to education. Several countries have established planning offices in their ministries of education and are actively pursuing the task of preparing national programs to extend elementary, secondary, vocational-technical, and university education and to adapt all these to the needs of more rapid economic development.

The ten-year education plan referred to in the Charter of Punta del Este is still far from completion and, as the recent Inter-American Meeting of Ministers of Education indicated, considerable effort will be required, both nationally and internationally, to achieve this goal.

Participation by the labor sector received a substantial impulse from the Declaration of Cundinamarca. However, for the principles established by the Ministers of Labor to be carried out it will be necessary to speed up the

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training of ministerial personnel. Hopefully, as mechanisms required for active participation by all sectors of the population are improved, the popular basis for the Alliance for Progress will be broadened. This constitutes one of the essential guarantees of the collective effort.

Public programs for low-cost housing have increased considerably over the preceding year. But, besides greater financial resources, there is still a need for the creation or improvement of national institutions in charge of housing programs. The housing deficit is still so great that in spite of a generally higher rate of construction, it will take years to reduce it substantially. It is important that Alliance for Progress funds be used to continue the promotion of private institutions channeling resources into this sector. Such institutions as savings and loan associations can provide assistance in solving the housing problem.