The ALLIANCE for PROGRESS: its THIRD YEAR

1963
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INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL

The ALLIANCE for PROGRESS: its THIRD YEAR 1963-1964

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

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TABLE OF CONTENTS

		Page
INTRODUCTION		iii
PART I:	CIAP POLICY STATEMENT - THE STATE OF THE ALLIANCE FOR PROGRESS AND PROSPECTS FOR 1965	1
I.	1964--A Hopeful Year	1
II.	The CIAP Country Reviews	2
III.	The Secretariat Summary of Requirements and Availabilities	4
IV.	Specific Problems Faced Within the Latin American Economies	5
V.	Requirements for External Financing	12
VI.	The Problem of Latin American Short-Term Indebtedness	17
VII.	A Transitional Balance Sheet 1965	19
PART II.	THE ALLIANCE FOR PROGRESS TO DATE AND ITS PROSPECTS FOR THE FUTURE	23
I.	The Inter-American Committee on the Alliance for Progress	23
II.	Trends in Latin American Development in 1964 and Outlook for 1965	28
III.	External Resources for Development	30
IV.	Planning	32
V.	Structural Reforms and other Aspects of Domestic Effort	35
VI.	Social Programs in Development	41
VII.	New Features of the Alliance for Progress Program for Information and Mobilization of Public Opinion of the Alliance for Progress	46
PART III:	APPENDICES	49
APPENDIX A:	Domestic Effort and the Requirements for External Financing in Latin America (Country Reviews Made by the Subcommittees of the CIAP)	51
I.	Introduction	51
II.	General Summary	53
1.	Growth Rate of the Latin American Countries	53
2.	Capital Formation and Public Investment	57
3.	Some Critical Problems of Latin American Development	63
4.	Structural Reforms	86
5.	Other Fields of Action Covered by the Subcommittees	90
6.	External Financing	93

Page

APPENDIX B: Final Report of the First Meeting of the CIAP..... 131

Introduction 131

I: Aspects of Domestic Effort 132

A. Planning and Project Preparation 132
B. The Improvement of National Markets 135

1. Background and Study of the Problem 135
2. Action Program 137

C. Public Enterprises 139

II. Foreign Trade 140

III. Major Aspects of External Assistance 141

A. The Need for Greater Flexibility in the Use of the Available Resources 141
B. The Need for Measures to Accelerate the Utilization of External Resources 142
C. The Need to Study the Problem of Foreign Debts 143
D. The Need to Increase the Flow of Available Resources . . 144

IV. Economic Integration 146

A. Examination of the Present Status of the Process of Integration 146
B. Multinational Projects 148

INTRODUCTION

The documents making up the text of this report--the third of the series--analyize the advances made and the problems encountered in the process of the economic and social development of the Latin American countries during 1963-1964, as well as the outlook for the near future. This study has been the fundamental task assigned to the annual meetings of the Inter-American Economic and Social Council (IA-ECOSOC) since it started its new work system in 1961 (Article 18 of its Statutes) and has been reflected in the content of the reports published in 1962 and 1963, which like this one, were entitled "The Alliance for Progress...".

Up until last year, the judgment of the IA-ECOSOC was principally based on the results of the work of its seven special committees, which, following their annual meetings, presented to the IA-ECOSOC a sectoral analysis of the economic and social situation of the Latin American countries, which enabled it to gain an objective appreciation of the intensity of the efforts made in the various countries of the area to carry out the stipulations of the Charter of Punta del Este and to make recommendations for hastening their development process.

After the Inter-American Committee on the Alliance for Progress (CIAP) was established in February 1964, it was concluded that, unless exceptional circumstances arose, it would be unnecessary for the aforementioned special committees to meet regularly in the future, since to a great extent the work that they had done up to then would be performed by some of the operating mechanisms of the CIAP, such as the subcommittees making the country studies.

These subcommittees are composed of representatives of the government of the country being studied; members of the CIAP, the Panel of Experts, and the Secretariat; and representatives of international credit institutions and the US AID. These groups, which met during August, September, and October, 1964, were established basically for the purpose of enabling the CIAP to carry out one of its chief purposed, that is, to estimate internal and external resources available for financing in each country and in the area in general, and to make recommendations on the allocation of external resources for the year 1965-1966. This is why great importance has been attributed to the document prepared by the CIAP at the end of its Second Meeting (October 1964), entitled "CIAP Policy Statement regarding the State of the Alliance for Progress and Prospects for 1965." This document, which makes up the first part of this report, contains the conclusions reached by the CIAP as a result of the considerations brought up by the studies made by its 19 subcommittees and also on the basis of the studies presented by the Panel of Experts and the Secretariat. Experience showed that the meetings held by these subcommittees provided an opportunity for making a systematic study of aspects of the economic and social development of the country under study during a given year, thereby achieving to a considerable extent the objective assigned to the various special committees.

/The judgment

The judgment and recommendations made by the IA-ECOSOC at its Third Annual Meetings (Lima, November-December 1964) regarding the process of economic and social development of the Latin American countries during the previous period, which is the principal aim of this document to disseminate, are this year, fundamentally based, therefore, upon the aforementioned "CIAP Policy Statement regarding the State of the Alliance for Progress and Prospects for 1965," upon other information gained from statements of the members of the delegations of countries at these Third Meetings, and upon additional facts furnished by the Secretariat. These opinions and recommendations appear in the document entitled "The Alliance for Progress to Date and its Prospects for the Future," which constitutes the second part of this report.

Included as Appendix A is the study entitled "Domestic Effort and the Requirements for External Financing of Latin America," which is a summary of the country studies made by the aforementioned 19 subcommittees of the CIAP. This document was prepared by the Secretariat and by the staff of the Panel of Experts, and, consequently, is strictly of a technical nature.

Finally, the substantive parts of the Final Report of the First Meeting of the CIAP, held in Mexico City in July 1964, have been incorporated into this document as Appendix B.

Part I

CIAP POLICY STATEMENT

THE STATE OF THE ALLIANCE FOR PROGRESS AND PROSPECTS FOR 1965

I. 1964 -- A HOPEFUL YEAR

1. The Alliance for Progress has now completed its third year. Given its essential character, it was inevitable that progress be relatively slow in the initial stage. Past patterns of economic and social policy can not be suddenly halted and sharply reversed. It takes time to develop national plans and programs which are not merely statements of aspiration and priority but which are effectively linked, in both concept and execution, to specific projects and tasks in the sectors of the economy. It takes time to formulate, legislate, and execute programs of fiscal and agrarian reform, and to gather the fruits of expanded educational, health, housing, and community development programs. It takes time to prepare projects and negotiate loans for their financing; but it takes even more time to execute projects and thus to put to effective use the requisite funds. It takes time to assemble the men and to build the institutions necessary to implement the economic and social objectives of the Punta del Este Charter. It takes time to convince men and women throughout the Hemisphere that the Alliance for Progress is a serious, sustained venture worth the commitment of their minds and hearts, and worthy of their confidence.

2. Moreover, the years 1961-1962 were marked by a continuing deterioration in the terms of trade for Latin America which reduced import capacity and dampen the rate of growth in Latin America as a whole.

3. For all these reasons the over-all figures for Latin American growth did not achieve in 1962-1963 the target set at Punta del Este; although they approximated the Punta del Este targets, if abstracted from the specific situation in two major countries.

4. 1964 has been a more hopeful year in three respects:

First, the economic indices for Latin American production and trade, as well as the terms of trade, have improved. It is too soon to cast up an over-all balance sheet for Latin America in 1964; but there is little doubt that it will show a marked improvement over 1963.

Second, and of even greater importance, the governments and peoples in certain of the Latin American countries, whose structural and financial problems have shadowed the over-all performance of Latin America, appear committed to deal with basic economic and social problems with a new vigor.

Third, the machinery of the Alliance for Progress itself, in the wake of the resolutions passed at São Paulo Ministerial in 1963, has assumed a coherent form and moved forward with energy and teamwork which promise much for the future.

/II. THE CIAP

II. THE CIAP COUNTRY REVIEWS

5. In its first phase, the work of CIAP has centered about the country review procedure: an exercise which illustrates and dramatizes its multilateral character. At the meeting in Mexico in July 1964, CIAP decided to review the plans and programs of every Latin American country in the three subsequent months. This task was accomplished. The Chairman, or a member of CIAP designated by him, presided over each session. Other CIAP members participated as well as members of the Panel of Nine and the Secretariat. An evaluation of the country's program was made by the Panel of Nine, the Secretariat, or by both groups acting in collaboration. The country program was presented by a senior official of the government concerned, usually at the Ministerial level. Representatives of the lending agencies were present and actively participated in discussions marked by candor, mutual understanding, and in general, by a high degree of consensus which reflected in the final reports.

6. This quick, but serious and orderly review was made possible by the extraordinary cooperation of both the Latin American governments and the lending agencies most directly concerned (IBRD, IDB, IMF, and AID).

7. It was understood at Mexico that this first round of country reviews would inevitably be a transitional exercise. Only a limited number of Latin American countries had formulated plans which could be reviewed systematically and reported upon by the Panel of Nine; the time permitted to the governments, to the Secretariat, and to the lending agencies was often short.

8. Major improvements in the country review process and the basic information and instruments of analysis necessary for them must be made in 1965. In the next round of country review subcommittees will be able to conduct a more searching inquiry not only into the plans for the future but also into the progress made in the intervening period and in the carrying out of plans made in the past.

9. One of the important objectives of the subcommittees will be to ascertain what actions have been taken to bring about needed internal reforms (fiscal, social, agrarian), to improve administrative practices and to adopt financial and economic policies conducive to the achievement of the goals of the Alliance for Progress. Special attention will be directed to steps taken to improve development planning, the preparation and execution of projects, borrowing practices and controls over investment and the incurring of external debt.

10. In this connection the Chairman of CIAP went to Europe to lay before the DAC members an account of what CIAP is and how it operates. It is hoped to have their cooperation in the next year's round of country reviews.

/11. On the

11. On the whole the first round of country reviews must be accounted a major institutional success. It provided a cross-sectional view of the situation, plans, and prospects for each Latin American nation; it permitted an isolation of critical tasks to be undertaken by the Latin American nations themselves, by the lending agencies, and, most often, by both the nations and agencies acting in intimate cooperation. It has strengthened the sense of teamwork among the lending agencies as well as between the nations and lending agencies themselves; and it provided the foundations for the Secretariat paper on the requirements and needs for external financing of Latin America, produced in fulfillment of the São Paulo instruction to CIAP (Res. 1-M/63).

III. THE SECRETARIAT SUMMARY OF REQUIREMENTS AND AVAILABILITIES

12. The Secretariat summary of the domestic effort and external financial requirements of Latin America is, like the country review procedure and statistics on which it is based, an interim and transitional effort. There is every reason to believe that a year from now we will have a more solid and reliable picture of both the situation within each country and of over-all requirements and availabilities. There are, for example, a number of major statistical weaknesses. The national account are being recast in a number of Latin American countries and are not yet on a comparable basis. Perhaps the most significant measure of self-help, domestic gross capital formation, is not yet available for certain countries and is not calculated in a wholly comparable manner among Latin American countries. Once again, the exact composition of short and medium term debts is by no means clear to us on the basis of available evidence.

13. Nevertheless, the Secretariat paper does permit us to cast up an interim-over-all balance sheet which has two useful characteristics. It indicates the rough order of magnitude of the external requirements for Latin America for 1965 and 1966 which would be necessary to match a maximum self-help effort by the Latin American countries themselves, in terms of the Punta del Este goals. Although the over-all calculations can be tipped one way or the other by such factors as a shift in the terms of trade, or a radical change in the situation of one or another major Latin American country, the over-all estimates may prove more accurate than the individual country figures of which they are composed; but we shall only be able to make this judgment firmly with the passage of time. Even more important than the global figures, the Secretariat study permits us, along with the country review, to isolate the major problems faced both within the Latin American economies and in the field of external financing, which will require solution through the common collaborative effort of all those engaged in the Alliance for Progress effort.

14. Since the situation in 1966 and beyond will depend substantially on policies and actions launched within the Alliance in 1965, we shall confine our observations to policy problems that are upon us now or which ought to be faced firmly in the course of 1965.

/IV. SPECIFIC

IV. SPECIFIC PROBLEMS FACED WITHIN THE LATIN AMERICAN ECONOMIES

A. THE MODERNIZATION OF RURAL LIFE

15. One problem emerges above any other in a broad view of the Latin American scene, based on the country reviews and the Secretariat assessment; that is, the problem of modernizing rural life. The statistics reflecting industrial production and development in Latin America by and large are moving forward with high and reasonably regular momentum. On the other hand, food output is lagging behind the increase in population, and the gap between rural and urban ways of life within Latin America is becoming more acute. As ECLA has recently stated, the industrialization of Latin America can no longer be based on the substitution of manufactured imports at the national level. The Latin American nations must look outward--to Latin America as a whole and to the world--to expand their exports of primary products and manufactured goods, and must simultaneously look inward to the modernization of agriculture not merely to supplying food for a rapidly expanding population but also as a source of industrial raw materials, diversified export commodities and as markets for the products of Latin American industry.

16. It is heartening to observe the beginning in one Latin American country after another, of a new emphasis and priority for agricultural development. Many countries have enacted legal measures of agrarian reform, but this is still a field where a much greater and deeper effort is needed. One essential element of the agricultural policy should be the reform of the structure of land tenure, in order to establish a sound economic and social basis for that development, which implies an increase in the agricultural productivity necessary to sustain the development of the economy as a whole.

17. There are many complex factors to be dealt with in promoting improved performance in agricultural development, of which the following five against the background of adequate transport and infrastructure are critical: a reliable and equitable price to the farmer, which in turn requires radically improved marketing arrangements and often changes in price policies; provision to the farmer at equitable price of necessary agricultural inputs and desired incentive goods; improved credit at reasonable rates and of sufficiently long term; relevant technical assistance; and research. Ultimately, all of these interrelated elements in the agricultural productive "system" must be dealt with in an organized way (via producer's cooperatives, food processing firms, regional development institutions, etc.).

18. Besides, as CIAP noted at its Mexico City meeting, a critical and hitherto neglected aspect of the linking of the urban and rural life must be the modernization of marketing arrangements and institutions. A concerted program designed to yield this result is already under way within the Alliance for Progress.

/B. INFLATION

B. INFLATION

19. A second major problem affecting some of the Latin American nations --including those which weigh most heavily within the indexes of over-all performance--is the problem of inflation. At the present time inflation in those countries is restricting and distorting the use of resources in Latin America and endangering the objectives of the Punta del Este Charter.

Specifically, inflation has these major effects:

a. It diverts investment away from channels which would yield the highest rate of return in terms of the development of the nation into channels which represent the best possible hedge against a rise in prices.

b. It leads, through the creation of economic instability and the expectation of future devaluations, to the holding of substantial Latin American assets abroad.

c. Through unrealistic exchange rates, it restricts undertakings which could generate export earnings, and reduces the incentive to export.

d. It renders unattractive saving in the form of money; impedes the development of modern banking systems; and places an unnatural pressure and responsibility upon the central banks as the primary source of working capital.

e. The need to hedge against possible future rises in costs leads to industrial price policies which are unsound, and which do not exploit the possibility of selling more at lower prices.

f. It damages disproportionately the poorer sections of the population which have the least possibility of taking action to hedge against price increases.

g. It restricts and renders more expensive Latin American borrowing from abroad.

h. By placing each element of the community in competiton with others in the struggle to avoid damage through inflation, it renders difficult the creation of that sense of communal purpose and enterprise which is essential for the success of the development process.

/20. From the

20. From the discussions of inflation in the reviews of countries that faced these problems, a consensus emerges concerning the major steps required to prevent inflation where it does not exist and to attack inflation where it does exist.

21. Evidently specific measures must be designed in the light of specific circumstances in each country since each case is, in an important sense, unique. On the other hand, without going into the details of the importance of this policy in the development process it is possible to state the key general headings for a program to end inflation, assuming, of course, a framework of monetary and credit policy which is geared to stabilization itself.

a. Reduction of the government deficit via: improved tax collection; reduction of subsidies to and inefficiencies in government-owned and operated corporations; adjustments of rates; and generally increased efficiency in and control over government expenditures.

b. Systematic efforts to reduce the cost of living from the supply side are necessary. This should include high priority efforts within the over-all limits of monetary and credit ceilings to insure that foodstuffs in distant parts of the country are brought to major urban markets; agriculture production is expanded along the lines suggested in section A, above. In this effort to attack the cost of living from the supply side, the United States should consider modifications of legislation in order to permit a more effective use of its food surpluses to help reduce inflationary pressures, with due attention to the interest of other producers.

c. With respect to manufactured goods specifically those important in the cost of living as well as manufactured goods relevant to agricultural expansion, government should seek arrangements with the private sector to expand output and to pass along the benefits of lowered average costs and in the form of lowered or relatively lowered prices. In this connection, textiles, shoes, household equipment, as well as farm equipment, tools, fertilizers and insecticides, should be considered. On a selective, qualitative basis, the central banks should induce the banking system to supply the working capital for this expansion.

d. Against the background of efforts to constrain government deficits and to enlarge supplies particularly relevant to the cost of living, wage policies are required which do not have built into them self-fulfilling inflationary consequences. At the present time escalatory arrangements which automatically relate cost of living and wages in the short run, immediately set in motion price policies designed to protect industry against future wage increases. Such price policies, based upon the expectation of higher wages, produce the cost of living increases which then bring about the wage increases that were feared.

/In certain

In certain countries inflation continues quite independently of autonomous inflationary pressure from the monetary side. The banking system then finances by inflationary means the price-wage spiral set in motion by escalatory clauses in order to avoid unemployment. There is, in short, no substitution for a deep comunal understanding between government, industry and labor in the form of wage-price policies which avoid the process of inflation via mutual expectation, and which systematically relate wage increases to the average increase in productivity.

e. As Latin American governments undertake effective measures to bring inflation to a halt through this three-sided attack (reduction of government deficits, increased supplies, and income policy), the financing agencies of the international community should be prepared to make a maximum effort in the form of economic assistance.

C. PLANNING

22. The country reviews highlighted the need to strengthen planning in the Latin American countries both to rationalize the internal development effort and to provide a better basis for multilateral cooperation. In the light of the country review procedure we would reinforce the analysis of planning summarized in the CIAP final report of its Mexico meeting (Doc. CIAP/71, Rev. 2, pp. 3 to 6). The review process was performed with much greater ease and thoroughness in countries that have planned their development because more reliance could be attached to their estimates, a clearer picture of their strategy could be observed and their specific needs for international cooperation could be better evaluated. Realistic country plans are needed so that the individual development projects fit together into a coherent whole, and can be implemented with a minimum of costs and a maximum of leverage. More realistic country plans and more effective project preparation and execution are basically two sides of the same coin.

23. The country reviews specially underline the important role of planning in identifying the characteristics of the institutional reforms required by the economic and social structure of each Latin American country, and the essential function that the plan fulfills in the coordination of the execution of those reforms and of the economic and social development policies.

24. Moreover, at this stage of the process of planning in some Latin American countries there emerges the issue of proper execution of programs. We are entering into a critical phase: the discipline of the program should be observed to keep the development efforts within the tracks of the Alliance for Progress, looking forward to the fulfillment of its economic and social goals.

D. PROJECT PREPARATION AND EXECUTION

25. In addition to problems of agricultural production and marketing, of inflation and of planning in general, the country reviews underlined the need to accelerate the preparation of projects and their execution. The preparation of projects and the formulation of feasibility studies with adequate terms of reference to determine whether they are both technically and economically sound, are, in themselves, complex and often expensive exercises. They demand high and well organized skills.

26. Although the study prepared for CIAP at the Mexico City meeting indicated that the rate of execution and projects and disbursements of loans in Latin America fell within the range of normal experience elsewhere in the world, there are evident advantages for Latin America in improving the pace at which projects are executed. A concerted effort by the Latin American nations themselves and the external agencies committed to their assistance in the Alliance for Progress, is required, on a country-by-country basis, to improve the means and the pace at which sound projects are generated and executed. Nevertheless, with the assistance from the Tripartite Committee of the OAS/IDB/ECLA and by the Latin American Institute of Economic and Social Planning to several countries for the preparation of their development plans, efforts are being made to fulfill these needs. A program to this end is also under way at CIAP initiative, with the support of the IBRD, IDB, and AID.

E. PRIVATE INVESTMENT

27. The historic theoretical debate on socialism versus capitalism is giving way to an objective and functional judgment in each Latin American country, based on its own experiences, institutions and laws, as to how and where the balance should be struck between the public and private sectors. Latin American development plans, however, have thus far generally tended to focus on public sector projects, which were of primary importance as a requirement at the initial stages of their development programs. It is the view of CIAP that the countries must intensify their present efforts toward the design of strategies for the expansion of the private sector within national plans and for working out the guide-lines which would permit private foreign enterprise to make an enlarged contribution to Latin American development in ways consistent with the interests, customs, and laws of the several Latin American nations. Steps to this end were set in motion after the CIAP meeting in Mexico.

F. TRADE

28. The country reviews and the overall Secretariat assessment combine to underline the very great importance of strengthening Latin America's ability to generate, through an expanded level of trade, a higher and more stable volume of external purchasing power in order thereby to finance those

/imports

imports essential for the fulfillment of their national development goals. This objective requires a concerted effort, both by the nations already committed to the Alliance for Progress and by other members of the international community as well. In this broader context special reference should be made to the recent United Nations Conference on Trade and Development held in Geneva, and to two of the basic themes emerging from that Conference. One involved the essential need for an integrated approach to international trade and aid policies, while at the same time placing primary focus upon trade as the basic avenue for generating additional foreign exchange. The other involved the joint responsibilities devolving upon all developed countries, in order to progressively reduce and eliminate their existing form of protection and inequitable preferences. Among the specific Conference recommendations relating to these themes, and on which there was a broad consensus of agreement by developed and developing countries alike, were those referring to possible modifications in the existing IMF short-term compensatory credit system which should be additional, that is, not a deducting item to the normal drawings; to new long-term supplementary financing mechanism designed to offset persistent short falls from reasonable expectations in external purchasing power so as to avoid disruptions of national programs; and to establishing a more effective and comprehensive framework of international trade liberalization and commodity arrangement policies.

29. Latin American countries, simultaneously, should continue their efforts towards establishing a financial and administrative environment enabling potential exporters to undertake the special and hazardous tasks of opening new markets abroad; their national plans should include special efforts to encourage diversification of Latin American exports, and these efforts in turn should be supported by appropriate policies and practices on the part of the U.S. and other industrialized countries; and the potentialities offered by both the Central American Common Market and LAFTA and further efforts of economic integration in the Latin America should be thoroughly dramatized, exploited, and given the maximum internal and external support.

30. As the Secretariat study of over-all Latin American requirements and availabilities demonstrates however, a very high proportion of Latin American foreign exchange will continue for some time to be earned through the sale of the nine classic commodities which during 1960-1963, accounted for 70 percent Latin American export earnings. It is essential that immediate action be taken to mitigate the adverse effects of protectionist practices which limit Latin America's commercial opportunities in the USA and in other areas as well. A prompt completion of the Coffee Agreement, and resistance on the part of the United States to domestic pressures which would reduce Latin American access to the critically important U.S. markets, appear basic to the Alliance. Equally serious situations moreover have been developing in 1964 for other products of major significance, such as sugar, meat, cotton and textiles. The same considerations should govern European trade policy towards Latin America, a region in which the large interests as well as the trade of Europe remain very substantial.

/G. SOCIAL

G. SOCIAL ASPECTS

31. The country reviews indicated the need for all countries in Latin America to direct increasing attention to the preparation of more adequate plans for investment in the fields of education, health and housing. Very often action in these fields requires reforms in the structure and organization which must be pursued on a broader scale. Those problems have been embraced by the country reviews and it is clear that in some cases these reforms are an essential prerequisite to an effective effort in those fields. With respect to housing the CIAP urges the organizations that are collaborating in the effort to overcome the habitational deficit of the region to meet in order to achieve a better coordination of their efforts.

32. Such social programs are bound to make a greater claim on financial resources and should no doubt continue to receive special external assistance, where appropriate, as a supplement to domestic availabilities. It is suggested, however, that greater efforts should be made to induce domestic resources of the private sector to participate in social programs, and that careful evaluations be made of the efficiency and the general orientation of public programs in order to obtain the highest yields from the resources allocated. Insofar as this is done, it will contribute also to alleviate budgetary and inflationary pressures.

H. THE INTERRELATION OF SELF-HELP AND EXTERNAL ASSISTANCE

33. When CIAP met at its first meeting, its final report was drafted under the headings: Aspects of Domestic Efforts; Foreign Trade; Major Aspects of External Assistance; and Economic Integration. What emerged from the intimate examination of Latin American problems on a country-by-country basis was this broad conclusion, to which we shall later refer again: So-called self-help measures, taken within Latin American nations, are intimately related to the character and scale of external assistance available to them; and there is an equally close connection between the self-help measures actually undertaken and the scale and character of the assistance that the external agencies committed to the Alliance for Progress can offer. The requirement for collective effort at every stage is, perhaps, the most important general conclusion to be derived from the country review process.

V. REQUIREMENTS FOR EXTERNAL FINANCING

34. At São Paulo CIAP was instructed to prepare annually a report on Latin American requirements and availabilities of external financing, looking two years ahead. As noted above, the Secretariat has prepared such a document deriving its calculations directly from the country review procedure. As was already emphasized, the reviews were handicapped by existing gaps in Latin American data and planning. For example, the national plans for certain countries have not yet been completed, including countries with considerable weight in the over-all estimates. Moreover, as the final reports on the reviews indicate, the estimates of requirements are subject, in the case of some countries, to wide margins of uncertainty. Nevertheless, the Secretariat summary lays before us certain over-all magnitudes worth examining and it dramatizes certain critically important problems which require concerted action within the Alliance for Progress.

35. To understand the situation and prospects for financing in Latin America, it is essential that we be conscious of the differences among three groups of countries in Latin America.

36. First, there are two nations whose capacity to earn forein exchange is such that they require special (soft loan) external assistance--either for the first few years or for the whole development decade--only in support of certain sectorial projects where the return to the economy and the society is likely to be long delayed.

37. Second, there is a large group of Latin American countries moving forward in development whose current plans and projects appear to be adequately matched by current and foreseeable external assistance.

38. Third, there are several large nations in Latin America--whose situation and prospects are quite correctly given heavy weight in any over-all review of the region--where the position is characterized by these three facts:

a. They are in the midst of major structural adjustments in their domestic and foreign economic policies whose character and dimensions pose major challenges to the Alliance for Progress;

b. Their governments are now launching policies and lines of action of great promise; and

c. Their external accounts are characterized by a massive and abnormal volume of short-term credit obligations which require extremely heavy amortization payments.

39. These distinctions within Latin America emerge clearly from the accompanying Table A which summarizes the figures brought out in the country reviews.

/Table A

Table A

LATIN AMERICA: PROJECTIONS OF THE BALANCE OF PAYMENTS, 1965

(In millions of dollars)

	Deficit on Current Account	Amortiz. of the Public and Monetary Sector	Increase in International Liquid Assets	Total	Net Flow of Private Capital	Gross requirements of the Public and Monetary Sector	Disbursements on outstanding loans	Additional requirements
Venezuela	202.0	- 36.0	- 129.0	37.0	- 187.0	- 150.0	110.0	40.0
Mexico	- 290.0	- 167.0	- 68.0	- 525.0	221.0	- 304.0	161.4	142.6
TOTAL	- 88.0	- 203.0	- 197.0	- 488.0	34.0	- 454.0	271.0	182.6
Bolivia	- 64.0	- 11.3	-	- 75.3	17.5	- 57.8	54.9	2.9
Colombia	- 125.0	- 137.0	-	- 262.0	30.0	- 232.0	104.0	128.0
Costa Rica	- 36.1	- 11.9	- 1.5	- 49.5	14.3	- 35.2	13.4	21.8
Dominican Republic	- 43.0	- 2.4	- 4.0	- 49.4	5.0	- 44.4	25.3	19.1
Ecuador	- 39.2	- 10.7	- 1.8	- 51.7	17.4	- 34.3	18.2	16.1
El Salvador	- 13.5	- 5.2	- 6.0	- 24.7	- 2.8	- 27.5	11.9	15.6
Guatemala	- 50.6	- 8.0	- 4.2	- 62.8	32.1	- 30.7	16.5	14.2
Honduras	- 23.0	- 1.6	- 1.0	- 25.6	5.2	- 20.4	4.6	15.8
Haiti	- 6.3	- 2.3	-	- 8.6	1.2	- 7.4	1.9	5.5
Nicaragua	- 12.8	- 4.5	- 2.0	- 19.3	5.5	- 13.8	10.0	3.8
Panama	- 29.4	- 3.0	- 4.4	- 36.8	14.0	- 22.8	15.4	7.4
Paraguay	- 18.6	- 2.7	- 2.1	- 23.4	4.0	- 19.4	14.1	5.3
Peru	- 77.0	- 35.0	- 38.0	- 150.0	10.0	- 140.0	87.0	53.0
Uruguay	- 19.5	- 48.1	-	- 67.6	4.7	- 62.9	22.1	40.8
TOTAL	- 558.0	- 283.7	- 65.0	- 906.7	158.1	- 748.6	399.3	349.3
Argentina	37.0	- 505.0	-	- 468.0	- 225.0a/	- 693.0	200.0	493.0
Brazil	- 290.0	- 725.0	-	-1 015.0	154.0	- 861.0	329.0	532.0
Chile	- 179.0	- 182.0	-	- 361.0	10.0	- 351.0	110.0	241.0
TOTAL	- 432.0	-1 412.0		-1 844.0	- 61.0	-1 905.0	639.0	1 266.0
TOTAL	-1 078.0	-1 898.7	- 262.0	-3 238.7	- 131.1	-3 107.6	1 309.7	1 797.9

a. The net outflow of private capital for Argentina will be accounted for by the repayment of short-term loans

/40. Behind

40. Behind the over-all figures at the base of the table are a number of assumptions which, of their nature, had to be tentative, but which represented the most balanced approximations which a combination of all available evidence and analysis permitted, in each case, at the time of the review. It was notably the lack of adequate domestic investment data--and of fully developed national plans in most of the cases--which required that this first effort to estimate Latin American requirements and availabilities be based primarily on a balance-of-payments approach. In some cases the balance-of-payments approach could be related to a domestic investment program which was studied and evaluated; in other cases the shortage of data and time required that provisional estimates be established in the country review, mainly on the basis of data presented by the governments.

41. A balance-of-payments approach to an estimate of external requirements rooted in the country reviews leads to an estimate that Latin American exports will increase in 1965 by about 3 percent. This deceleration from the 1964 increase of about 7 percent derived from the judgment that the 1964 increase in the volume of some exports (which were based on exceptionally good crops) may not be sustained and that Latin American export prices, as an average, will level off. It also leads to an estimate that a level of imports for 1965, 10 percent higher than 1964, is required to supply the goods from abroad necessary to match at home what might be called Punta del Este self-help performance and investment rates. Although a 10 percent increase in imports in 1965 may appear an ambitious target, it should be remembered that the import figures for 1961-1963 were abnormally low due to exchange stringency or to the depressed state of a few major Latin American countries. It is from these and other key assumptions accumulated from the country reviews that the gross deficit figure of $3.1 billion emerges.

42. The question then arises: Is some such order of magnitude for external financing for 1965 within the range of possibility? The answer to this question, in turn, depends on the answer to three sub-questions.

First, are development resources likely to be available in adequate amount for requirements other than the amortization deficit in the public and monetary sectors?

Second, does it appear possible that the 1965 amortization payments can be dealt with on a transitional short-run basis?

Third, can the longer run problem posed by the existence of these disproportionate short-term debts be dealt with by the Alliance for Progress?

43. We shall address ourselves to each of these problems in turn. With respect to development financing, as Table A notes, the pipeline of obligated funds of about $3 billion will yield in 1965 disbursements of the order of $1.3 billion. After examining the possibilities for additional development lending in 1965, we consider that, with a maximum development effort in Latin America and a maximum effort by those responsible for development funds outside,

/additional

additional resources might be generated in 1965 which could supply long-term funds of the order of $400 million in availabilities in that year. Such additional development resources might come via loans from the IBRD and its affiliated institutions, IDB, and AID; from the Export-Import Bank; from Europe; and from other countries interested in Latin American development.

44. It is clear from Table A, however, that the critical issue is that which centers around the immediate and longer-term handling of repayments of the debt (characterized by a very high short-term component) which have been built up in past years and which come due in 1965 at a level of $1.9 billion.

45. Of the toal for such repayments in 1965, about $1.4 billion is owed by three countries: Argentina, Brazil, and Chile. In the cases of Brazil and Chile, we were informed that concerted efforts are now under way to deal with their 1965 balance-of-payments problems and their debt structures. In the case of Argentina, a year of substantial balance-of-payments surplus has been used to reduce considerably its short-term debt burden. That government, which is now completing its national development program, has not yet indicated the policy it intends to pursue with respect to its debt structure.

46. Before assessing the possibilities for dealing with the short-term repayment problem, it should be recalled that it is wholly normal that a certain volume of such debts constitute a part of a nation's financial structure; and it is normal practice for certain types of such debts to be renewed almost automatically--for example, lines of credit from foreign private banks and regular suppliers of capital equipment.

47. It is not possible to state dogmatically what proportion of these scheduled payments should be regarded as normal and what part as abnormal. What we can say is that the present level of such debts--and the burden they impose on the balance of payments--is abnormal in a number of Latin American countries.

48. We are, in short, facing a situation that requires immediate and longer-term action to restructure the balance of capital accounts for a number of Latin American nations. This will require extraordinary action both by them and by the external community.

49. The object of our common policy must be to achieve this restructuring of debt while maintaining the volume of imports, the levels of employment, and the rate of growth of those countries. The domestic shifts in policy and reforms required cannot be achieved without social disorder unless the transition is effected in an environment of reasonably full employment.

50. The broad lines of policy which ought in such circumstances to be followed by both borrowers and lenders in order to shift to a more rational debt structure, are discussed at length in sections VI and VII below. Here it is sufficient to note that the problems of putting domestic and foreign financial accounts in order are closely interconnected. Repayment of debt

/alone

alone, without securing additional capital inflow, would not solve the problem. Serious economic crisis is not an appropriate or even possible environment for financial reform. Debt conversion operations are, therefore, in some cases a necessary step to put the development process on a sound basis. On the other hand, a conviction that the countries concerned are seriously committed to financial reform and that practical measures to this end are actually under way, so that such situation should not recur, is a condition for generating the appropriate levels of external financing.

51. Assuming acceptance of this approach to the transition, it seems likely that the balance of the amortization burden in 1965 may be covered in the following ways:

First, it is proper to assume some new renewed or extended lines of banking and suppliers credits which would be a part of normal business practice, including the renewal of some swaps. A rough estimate of this possibility comes to the order of some $600 million.

Second, there is the possibility of increased lending by the IMF which may be accompanied by funds from the Treasury Stabilization Fund of the United States. Here the scale of possible lending depends on the monetary stabilization policies projected and carried out in the Latin American countries concerned.

Third, there is, as argued in Section VI, a legitimate need and possibility of rolling over, rescheduling, and refunding of outstanding short-term debts, in the case of some countries.

52. Taking these second and third categories together, since they are often related in roll-over packages, an order of magnitude of $600 million appears within the range of possibility.

53. An additional possible source for meeting Latin American requirements is the possibility of long-term private investment not included in the balance-of-payments projections of the individual countries. Once the movement towards financial stability becomes established in a context of continued economic momentum, such private long-term capital flows often emerge on a larger scale than had been anticipated. Information has been received that certain long-term capital arrangements beyond those envisaged for 1965 in the country reviews, are well advanced in negotiation. In addition there is the possibility of further long-term investment from private institutions in the United States and elsewhere, including guaranteed investments in housing mortgages. Assuming a continued favorable trend in the Latin American economies and governmental policies and in the international environment, an estimate of an increment of $200 million in availabilities for 1965 does not appear excessive under the heading of additional private foreign capital. There is the further possibility of some capital repatriation, beyond that envisaged in the country reports, which are not in a position to estimate. Excepting possible increments in long-term private investment, these types of assistance are, however, transitional in character. They leave still to be considered, therefore, the question of an appropriate longer-run policy towards the debt structure of the Latin American countries now mainly burdened with a short-term debt problem.

VI. THE PROBLEM OF LATIN AMERICAN SHORT-TERM INDEBTEDNESS

54. The Alliance for Progress cannot, evidently, be satisfied with a continuation of so large a role for short-term financing of Latin American development. We must aim to produce, as the result of a purposeful transitional effort, a debt structure much less reliant on short-term sources of finance.

55. To correct the problems, one must begin by identifying its origins. In its Mexico City report CIAP noted that there were four major forces which had converged to lead certain Latin American countries to acquire a disproportionate volume of short-term debts: "1) the past lack of development plans and policies which would justify receipt of long-term financing; 2) the unfavorable terms of trade of the last decade; 3) the fact that certain capital exporting nations almost exclusively had granted medium-term financing, much of it in the form of suppliers credit; 4) the absence of centralized control in the countries over the contracting of foreign debt."

56. The problem has also been complicated by the impulse in certain Latin American countries to launch quickly certain projects of believed high political impact--a tendency which can only be countered by the formulation and acceptance by the governments and peoples of long-run national development plans.

57. It has been the interplay between these domestic and external forces which yielded the disproportionate volume of Latin American short-term debts; and it will require a concert of policy and action by the Latin American nations and external suppliers of credit to bring this problem under control and, especially, to yield in the future a more rational debt structure for Latin America.

58. A sound debt policy requires that Latin American nations:

a. Conduct monetary and development policies which enable them to obtain longer-term forms of international financing;

b. Institute firm and effective policies of control over the contracting of external debt; and

c. Those countries which face unmanageable short-term debt problems undertake negotiations with the relevant public and private entities to reduce the burden of repayment of some of those debts.

59. With respect to the governments and public and private entities concerned on the lending side, a solution requires that they:

a. Cooperate in the refinancing necessary to reduce the burden of repayment to manageable proportions in terms of the foreign exchange earning power of the Latin American nations; and

/b. Move

b. Move towards forms of financing where the terms of repayment conform to the character of the project being undertaken and to the borrowing country's ability to service the debt.

60. A considerable proportion of these short-term debts derive from the excessive proportion of financing in Latin America which has assumed the form of short-term suppliers credit and swaps. It is to be hoped that in the future those who now grant such credits to Latin America will not merely lengthen the terms of financing to the type of project being financed, including the periods of grace related to gestation of such projects, but also contribute in higher proportion to the long-term development needs of Latin America.

VII. A TRANSITIONAL BALANCE SHEET (1965)

61. Converting this analysis of a highly contingent transitional process to rough quantitative estimates, the Latin American balance sheet of requirements and availabilities for 1965 emerges as follows:

(In millions of dollars)

Requirements		Availabilities	
Deficit on Current Account	$1 078	Disbursements from already contracted loans	$1 300
Amortization of the public and monetary sector	1 899	Disbursements from possible additional development loans (IBRD, IDB, Ex-Im Bank, AID, PL 480, Europe, etc.)	400
Increase in international liquid-assets	262	New and extended suppliers credits, bank lending, and swap renewals	600
Total	$3 239		
LESS		Debt rescheduling, refunding, roll-overs for some countries, plus IMF and US Treasury loans	600
Net flow of private capital	131		
		Possible additional private long-term capital	200
	$3 108		$3 100

62. To achieve in 1965 a balance in Latin America's international accounts at this level and by these means would constitute a considerable but not impossible achievement. A 10 percent increase in imports would be provided for as well as some shift in the composition of Latin American debt towards longer term types of financing. Roughly speaking the balance sheet for 1965, as estimated here, would raise the proportion of current long-term development financing for Latin America from a figure of 50 percent of the total in 1964 to about 60 percent of the total in 1965. It is impossible to estimate with existing data precisely how the fulfillment of this balance sheet would affect the composition and structure of Latin American debt except to note that it would be a significant marginal change in the right direction; that is, towards long-run forms of development financing.

/63. But,

63. But, evidently, Latin America's reliance on short-term financing will remain excessive. One goal of the Alliance for Progress should be the reduction of Latin American debt service to proportions compatible with the repayment capacity and its development requirements.

64. What, then, is our answer to the three questions posed early in this assessment of Latin American requirements and availabilities?

First, development resources are available or potentially available for requirements other than those posed by the amortization deficit.

Second, a transitional program for 1965 to cover the amortization deficit in the countries mainly concerned, by a mixture of extended and expanded short- medium- and long-term lending, appears within the bounds of possibility with a maximum effort by all parties concerned.

Third, such a transitional program for 1965 would leave Latin America with a debt structure less dependent than in 1964 but still excessively dependent on short-term financing; and, therefore, we must look within the Alliance for Progress for substantial expansion in long-term lending and borrowing.

65. What does this mean? It means the relevant Latin American nations must put themselves in a position to lay claim to long-term financing on a larger scale; and it means the external financing agencies must move to enlarge the availabilities of long-term development resources. This is by no means an impossible task. The IDB is in the process of expanding its capital resources; the IBRD commands a considerable reserve lending capacity, as does the Export-Import Bank. The United States Government has also indicated that increased resources might well be required in the light of recent developments in Latin America. The level of private foreign investment, which is grossly beneath the level appropriate to a vital expanding Latin American economy, can be expected to increase.

66. But in the midst of this critical transition the need for action is urgent. Movements to expand the flow of long-term investments in Latin America during 1965, beyond the level set out in our rough transitional balance sheet, would not merely ease the transition itself, at a critical turning point in Latin American affairs; they would also hasten the day when Latin America's capital accounts could assume a more normal and healthy structure.

67. The Alliance for Progress stands at an interval of momentum and of hope, but enormous problems confront the Latin American nations and those committed to assist them; in modernizing rural life; in bringing and keeping inflation under control; in the improvement of planning; in accelerating the development and execution of projects; in finding an enlarged and stable role for domestic and foreign private enterprise; in enlarging the capacity of Latin America to pay its way through export earnings; in promoting higher levels of education, health and housing; and in overcoming the short-term debt problem and preventing its recurrence, in those critically important countries where it now exists.

/68. Let us

68. Let us underline a point made earlier in this report, which has been driven in on us again and again in our work. There is a double interrelation which exists concerning each item in the balance sheet of the Alliance. On the other hand, what the nations of Latin America can do with respect to self-help is dependent in part on the scale and continuity of the external support they will receive; equally, it is true that what can be done for the nations of Latin America from outside depends on their domestic performance.

69. These interconnections, of course, have important political meaning, but they are fundamentally technical. Projects cannot be financed unless feasibility studies are made; but the external financing agencies have the possibility of assisting substantially in identifying investment opportunities in the preparation of feasibility studies. The rate at which funds committed can be disbursed depends upon the speed and efficiency with which projects are executed.

70. The scale at which the balance of payments of Latin American countries can be supported by private investment is dependent on the opportunities they may perceive in the expanding economies of Latin America and on the sense of confidence and security which external members and investors may feel in the policies being pursued by the individual countries and its consistency and continuity; and there are policies which can be pursued by the private investors and steps which can be taken by the external agencies and countries committed to the Alliance for Progress, which would make private lending and investment more attractive and feasible.

71. On the most immediate problem of all--namely, the high level of short-term debts--once again the possibilities of solving the problem depend on what both the nations of Latin America and the external community are prepared to do. On the one hand, the Latin American nations mainly concerned must build their development around a diminished dependence on short-term suppliers credits and they must present to the external community a vision of monetary and investment policy which makes credible an expansion which will not in the future be as dependent as it has been in the past on suppliers credits. On the other hand, the external community must be prepared not merely to reduce the backlog of short-term credits but to shift to lending policies which are consistent with the maintenance of a lower proportion of short-term borrowing and a higher proportion of long-term borrowing in their dealings with Latin America.

72. And so it is with each of the other major dimensions of Alliance policy including the great issue of trade, where the interconnection between actions taken within Latin America to expand export earnings and purchasing capacity and trade policies pursued outside are dramatically linked.

/73. It follows

73. It follows from these interdependencies that no one figure in an analysis of Latin American requirements and availabilities is to be regarded as an independent variable. It is the task of the Alliance for Progress and for all its partners--within Latin America and outside--to work together in such a way as to move Latin America towards the Alliance for Progress goals of sustained economic development and social justice and towards a position of self-sustaining growth within the shortest feasible period of time.

Part II

THE ALLIANCE FOR PROGRESS TO DATE AND ITS PROSPECTS FOR THE FUTURE

I. THE INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS

1. In accordance with Article 18 of its Statutes, the Inter-American Economic and Social Council, during the course of its Third Annual Meeting at the Expert Level, examined the course of the Alliance for Progress, studying both development trends in the past two years and problems and prospects for the near future.

2. In making its analysis, the IA-ECOSOC benefited greatly from the report of the Inter-American Committee on the Alliance for Progress (CIAP) (Doc. CIES/621), which includes a statement on "The state of the Alliance for Progress and prospects for 1965." This document was considered basic for the preparation of this report. The IA-ECOSOC likewise availed itself of documents prepared by the Secretariat and the Panel of Experts which summarize the results of country reviews carried out by CIAP or which provide useful analytical statistical data on the economic and social situation and on progress and deficiencies in planning. On the basis of this material the IA-ECOSOC believes it is in a position to examine objectively trends in, and immediate prospects for, development in Latin America.

3. The work accomplished by CIAP in the short time since it was established is the best proof of how well advised the IA-ECOSOC was to decide upon its creation, for it has given the Alliance the Latin American image and the multilateral significance that it needed. With great effort, and despite all difficulties, it has succeeded in widening the country review process so as to make it possible to determine Latin America's needs for external resources and, in general, the way of meeting them. The IA-ECOSOC is aware of the fact that because of deficiencies in basic data and other limitations unavoidable during this first period, the figures given constitute only orders of magnitude subject to revision; but it also recognizes that it is the first time that it has been possible to have a basis for the discussion of financing problems. The IA-ECOSOC learned with satisfaction of the cooperation that the IDB, ECLA and the Panel of Experts have extended to CIAP in their capacity as permanent advisers. There was also general agreement with the way in which CIAP evaluates the internal effort of the countries of Latin America in the fields covered by its report. It is understood that in the future, with improvement in the country reviews, CIAP will be able to cover more fully the different aspects in which this internal effort appears, including advances in social policy.

/4. The

4. The IA-ECOSOC believes that the process of country reviews should constitute the principal activity of CIAP and should be continued and intensified. Results of the first years of efforts by CIAP reflect the crucial importance of efficient country reviews, and indicate that in the future these reviews can be substantially improved in order to serve as a guide, not only for the governments of Latin America, but also to international financing institutions.

5. Intensification of these reviews can be achieved by means of:

a. Improvement of the statistical bases;

b. A closer analysis of operating and sectoral problems; for example:

i. Evaluation of programs in the field of structural reform: transformation of the agrarian structure; and educational, tax and administrative reforms.

ii. Attention to certain key problems in the development effort. Special importance should be given, among these, to progress in social programs and to fiscal problems represented by inflation and deficit spending. It would also be well to look into certain aspects that demonstrate the effort made to eliminate the limitations of underdevelopment itself, such as results of the policy of export diversification.

6. The members of CIAP and of the Panel of Experts should conduct on-the-spot analyses and examinations of development efforts. The countries under study should make every possible effort to contribute to the success of the reviews by countributing better information. The Secretariat, for its part, has a vital part to play in this process.

7. As it has done in 1964, CIAP will prepare a general summary of the problems and prospects of the Alliance for Progress, based on the country reviews, and will present it to the Annual Meeting of the IA-ECOSOC for consideration. The IA-ECOSOC will determine each year the activities to which CIAP must give preferential attention. The report of CIAP, together with the observations made by the IA-ECOSOC, will become the IA-ECOSOC's Annual Review of the Alliance for Progress.

8. The Panel of Experts will report to the IA-ECOSOC at each of the annual meetings on the status of development planning in Latin America (including progress achieved with respect to regional, national, and international planning) in addition to carrying out its more general responsibilities with respect to the process of country reviews directed by CIAP, and its continuing responsibility for evaluating development plans as provided in the Charter of Punta del Este.

/9. The

9. The procedure described above will eliminate the need for the Secretariat to produce its own independent draft review of the Alliance. If it should make one at the request of CIAP, the latter will transmit it to the IA-ECOSOC together with its observations and comments. In accordance with the Statutes it is understood that the Secretariat may present to the IA-ECOSOC, as information documents, such studies as it deems suitable for evaluating development trends and problems in Latin America. The Secretariat will place these studies at the disposal of CIAP or its Chairman before presenting them to the IA-ECOSOC, so that these may make any observations or comments they deem advisable.

10. The IA-ECOSOC has noted with pleasure the fact that CIAP and its Chairman have exerted every possible effort to have other industrialized nations participate in the process of country reviews, and that CIAP has also made efforts toward establishing relations between its Secretariat and that of the Development Assistance Committee (DAC). The IA-ECOSOC endorses these efforts and recommends their continuation. It likewise stresses the desirability of inviting industrialized countries to participate in the country analyses, with the understanding that such participation does not constitute a financial commitment.

11. One of the principal results of the work of CIAP during the course of its first year, and one that has received careful attention on the part of the IA-ECOSOC, has been its analysis of need for, and availability of external resources. The IA-ECOSOC recommends that CIAP continue its efforts in this field with renewed determination, bearing in mind the need to establish qualitative criteria that relate external aid to absorptive capacity. In this way CIAP would be in a position to offer financial institutions a better basis for insuring the best use of financing granted.

12. The IA-ECOSOC also recommends that CIAP study methods by which each of the Latin American countries may benefit from the experience, successes, and achievements of the other member countries of the IA-ECOSOC. To that end CIAP could, for example, emphasize in its annual report to the IA-ECOSOC those fields in which good results have been achieved--results which in its opinion, might have general application.

13. In addition to the points noted with respect to country reviews, CIAP should attach special importance to problems related to amortization of short-term external debt; evaluation of capacity to absorb external financing, particularly with respect to project preparation and implementation; and to matters relating to regional economic integration.

14. It is also recommended that CIAP make a comprehensive study of the flight and transfers of capital from the less developed to the more developed countries, determining:

a. The extent to which the principles of the Alliance for Progress are being weakened through:

   i. Using the psychological mechanism of investment security in the external sector, when the countries themselves are uncertain with regard to social emergencies;

/ii. Absorbing

ii. Absorbing the savings of high and medium income groups, and even of the lower income groups;

iii. Making use of confidential means of communication and contracts, which prevents the expression of public opinion regarding the matter concerned.

b. The extent to which this flow of capital could be controlled, for which purpose CIAP should propose pertinent measures to the governments.

15. The IA-ECOSOC assigned considerable importance to the problems presented by foreign trade and economic integration in Latin America in attaining the objectives of the Alliance for Progress. It emphasized the joint responsibility of all the countries of the hemisphere for finding solutions in the fields of international trade and development which will permit acceleration of the economic growth of the Latin American countries. With this end in view, it adopted several resolutions containing specific directives for CIAP on the following essential points:

a. That it study the problems indicated and propose and arrange for pertinent measures for their solution and make representations in this connection. In complying with this mandate, the Inter-American Committee on the Alliance for Progress shall take the recommendations and resolutions adopted by the United Nations Conference on Trade and Development and the lines of action recommended at the fourth session of the Committee on Trade of the United Nations Economic Commission for Latin America as a basis for action and shall submit proposals for strengthening and supplementing means of achieving the objective of obtaining for Latin America greater foreign exchange earnings from trade.

b. That it advocate measures intended to reduce or eliminate obstacles that adversely affect Latin America exports to developed countries.

c. That whenever the Chairman of CIAP deems it necessary, he take steps to convene a meeting of the Committee on Basic Products and the Committee on Manufactures and Semimanufactures, and also have recourse to such flexible mechanisms as informal meetings of government representatives.

d. That, with the cooperation of the Economic Commission for Latin America, the Inter-American Economic and Social Planning Institute, and other regional agencies, it draft as soon as possible a ten-year industrialization plan to serve as a frame of reference for the first stage of Latin American economic integration.

16. Bearing in mind the importance of problems arising from demographic growth, the IA-ECOSOC believes that studies should be carried out to determine the requirements of economic development and social progress as they relate to the population increase. In such studies proper attention should be given to

/to the fact

to the fact that Latin American population consists of high percentage of children and adolescents. Consequently, the IA-ECOSOC recommends that the Latin American countries carry out such studies, and charges CIAP with coordinating them on an international level and with providing the countries with the necessary technical assistance, in collaboration with international specialized agencies.

17. Disparities in levels of development in Latin America do not coincide with its political divisions, and there are depressed areas where living conditions are incompatible with human dignity and modern technological progress. The CIAP, in consultation with other competent organs, should make a comprehensive economic and social evaluation of the depressed areas of Latin America and propose special, immediate measures to bring about substantial improvement in living standards of the people of these areas.

18. Considering the vital importance that structural reforms, particularly agrarian reform, have for economic and social development, the IA-ECOSOC recommends that CIAP, in coordination with other regional specialized organizations, prepare a uniform method of evaluating agrarian reform processes in Latin America.

19. The IA-ECOSOC takes note of the studies made by the Secretariat on systems of agricultural insurance. It recommends to CIAP that on the basis of this research, as well as any other that it deems advisable to undertake, and with the cooperation of the IDB, CIDA, and other institutions, it study the feasibility of putting into effect an inter-American system to reinsure investments in agriculture and livestock. The governments should institute national systems to insure and reinsure agricultural and livestock investments, taking advantage of the benefits derived from the establishment of the inter-American reinsurance system referred to.

20. With regard to the recognized deficiency of statistics and basic information, the IA-ECOSOC identifies itself with the initiative taken by CIAP of creating a working group in which the financial institutions will participate for the purpose of establishing standards for achieving uniformity in producing and compiling necessary statistics.

21. The IA-ECOSOC also recommends that if CIAP deems it necessary to improve its present institutional structure in order to strengthen its activities, it prepare a report containing the proposals it feels advisable and submit it to the governments for their consideration.

/II. TRENDS IN

II. TRENDS IN LATIN AMERICAN DEVELOPMENT IN 1964 AND OUTLOOK FOR 1965

22. According to available information, the rate of development of the Latin American economy shows signs of real improvement this year. Preliminary data indicate that the region's product per capita will increase by close to 3 percent in 1964, a rate that is appreciably higher than any reached in recent years and higher than the figure given at Punta del Este as the minimum rate of growth.

23. The results of the countries' determined efforts with regard to their economic and social development policies under the Alliance for Progress are already in evidence. Progress made in preparing and executing development plans and in preparing projects have given order and discipline to action; in addition, they have helped to increase the flow of external financing, especially official loans, a flow which was also favored by improved loan terms. The gradual introduction of structural reforms is creating economic and social conditions suitable for development. Lastly, the increase in the value of exports during the last year has enabled economic activity in general to benefit from the stimulus of greater revenues.

24. Immediate prospects, though promising, nonetheless indicate the existence of certain critical problems that might reduce development possibilities in Latin America. These are as follows:

a. Despite the increase in exports in the past year, foreign trade continues to be a major problem. It is essential to maintain the 1963/64 increases in prices for Latin America's customary primary products and the consequent improvement in terms of trade.

b. Several of the larger countries must face the problem of extremely high short-term foreign debts; an effort must also be made to avoid the repetition of such situations in other countries of the region where the development process is gaining momentum.

c. The flow of official capital to Latin America from various sources--national, international, and private--has increased substantially since the initiation of the Alliance for Progress. Nevertheless, the balance of payments outlook in the immediate future (1965) based upon reasonable estimates of possible export earnings and of import levels compatible with the economic growth of the region, suggests that the volume of external long-term financing for development must be increased by appreciable amounts, adequate to needs. It is, therefore, necessary to speed up not only the flow of growth capital from existing sources and from new ones, but also the disbursement of funds already committed and those to be committed. In addition, greater flexibility is necessary in the form and terms of development loans, in order to be able to meet the region's requirements for external resources.

/d. A common

d. A common internal problem that persists in the region is the low agricultural production and productivity. While some countries have experienced an expansion in agricultural production for exports, this has been obtained in part at the expense of production for internal consumption, which in many cases has decreased in per capita terms. Annual fluctuations in agricultural production do not permit the establishment of a trend in yields for the past three or four years, but an examination of development or reform measures taken in a majority of the countries indicates that no great progress has been made, except in isolated cases, in the technical improvement of agriculture, in increasing agricultural productivity, or in carrying out programs of agrarian reform. Another important problem in agricultural production, closely linked to the above, is that of marketing and the integration of national markets.

e. A strategic factor facing the countries of the region in 1965 is the achievement of proper levels of internal savings in the public sector. Generally speaking, considerable effort has been made to increase current revenue and check the rise in current expenses. Some countries have achieved positive results, but in all cases this will continue to be a difficult and delicate problem.

f. Finally, there are the other basic problems that remain in those countries of the area that are essentially agricultural, whose revenues are low and whose economies depend to a large extent on exports. In these countries are found the whole complex of development problems: namely, internal limitations on the mobilization of resources, the lack of qualified technical and administrative personnel, limited ability to attract foreign private capital, and limited access to the regular credits from international lending agencies. These cases require special treatment and specific measures in order to support development efforts effectively.

III. EXTERNAL RESOURCES FOR DEVELOPMENT

25. The volume of external public resources for development available to Latin America has increased quite rapidly since the establishment of the Alliance for Progress, and it is hoped that this increase will be accelerated even more in future years. For these resources to satisfy the quantitative and qualitative requirements of future development, it is not only necessary that they be available, but that financing be granted under especially favorable conditions.

26. The following would be particularly useful:

a. That the financing agencies intensify their policy of granting loans for programs, although continuing to grant credits for specific projects. This would mean a change in current practices of some lending agencies and would be in accord with the basic objective of granting flexible loans that guarantee a stable flow of resources for economic development.

b. That the industrialized countries, not now formally associated with the Alliance for Progress, play a more active role in offering financing under flexible conditions.

c. A change in external aid policy making it possible to insure the flow of funds primarily in accordance with the implementation of programs rather than by fiscal or calendar year of the country supplying such aid, since the establishment by national or international institutions of financial systems that made it possible to appropriate resources for several years would be of decisive assistance in carrying out development programs, and would assure continuity and certainty in the receipt of foreign resources throughout the period of implementation of such programs. The possibility of taking advantage of the benefits deriving from a financing system such as this closely depends upon the existence of properly prepared development projects.

d. That the international and governmental credit agencies that contribute to the financing of the Alliance for Progress provide low-interest, long-term credits to cover the need for working capital, especially by industrial enterprises in the Latin America countries.

To this end, CIAP will make suggestions as to the achievement of this type of financing.

27. These measures, designed to insure optimum utilization of financial resources, are just as important as the resources themselves. To avoid unnecessary delays, the recipient countries should establish suitable machinery to enable them to use the credits more rapidly. Lending countries should contribute by eliminating, whenever possible, restrictions on the transportation and origin of merchandise and by simplifying procedures for using the loans.

/28. A rapid

28. A rapid increase in the flow of private capital is also a requisite for the success of the Alliance and to stimulate it, it must be borne in mind that the entry of external private funds comes about as the result of investment opportunities, economic stability in the countries, and government development policies.

29. An increase in the gross entry of public and private capital will not be sufficient to compensate for the lack of resources unless at the same time a solution is found to the problem arising from burdensome amortization of the external debt in the next two years. In some Latin American countries the high amortization payments affecting the balance of payments are due to the fact that maturity dates of liabilities have been concentrated within too short a period, and do not mean that the level of their foreign obligations is too high. The problem has arisen from a sort of vicious circle, since in the past, short-term refinancing was resorted to for debts maturing immediately. This situation will then reappear unless corrective measures are adopted. If present conditions continue it will mean the lack of a firm base for programming sustained development.

30. The temporary solution presented by CIAP for covering the lack of external financing in 1965 would represent a first step towards a more adequate structure for the Latin American external debt, and at the same time would permit the countries most affected by this situation to face the problem of amortizations in 1965 without slowing down their development process. In accepting the proposal presented in the CIAP report, the IA-ECOSOC wishes to emphasize the importance of procuring the largest additional amount possible of new long-term credit--either in the form of debt refunding or of financing for programs and projects--limiting at a reasonable level the simple postponement of maturity dates for liabilities falling due in the coming year and the contracting of new short-term debts.

31. Short-term liabilities should gradually approach proportions considered normal for commercial and bank credit. The principal creditor nations should cooperate to make this change possible. As exporters of capital goods, it would be well for both their governments and their private sectors to establish more favorable credit conditions for suppliers. Thus, they would succeed in stimulating exports to Latin America, a region that already constitutes a sufficiently attractive market to justify the granting of credits for periods of from 10 to 15 years, such as those now being extended by certain European countries to other regions of the world. On the other hand, it is also essential that Latin American countries make an effort to establish a suitable system to control the contracting of short-term credits, and reduce to a minimum the delays in paying for imports that now contribute to the general rise in costs for short-term commercial and bank credit.

IV. PLANNING

32. Since the Latin American nations agreed at Punta del Este to prepare development programs as a means of rationalizing internal efforts and orienting external financial cooperation, nine Latin American countries have presented plans for evaluation by the Panel of Experts in accordance with the procedure established in the Charter of the Alliance. Some of the remaining countries will soon present plans and a majority of the others will do so in the coming year.

33. The experience acquired during the first months of operation of CIAP indicates that that body's efficiency in discharging its duties will rise in proportion to the existence of suitably prepared and evaluated plans. The system of country reviews, far from relegating long-term planning to a secondary plan, emphasizes even more how much it is needed in order to increase efficiency of internal policy and to establish firmer foundations for international financial cooperation. Plan preparation and evaluation, carried out in the terms of the Charter of Punta del Este, will continue to represent in the future, as they have up to now, an important contribution to the success of the mission conferred on CIAP.

34. The planning process has already provided many countries with certain valuable elements for systematizing and rationalizing public sector action and for stimulating private sector action in conformity with the general goals of the plan. It has also brought about improved knowledge of fundamental problems to be confronted in economic and social development, more effective utilization of available local resources, and orientation of external financing towards projects of highest national priority.

35. It is of greatest importance to strengthen national comprehension of the fact that planning constitutes an appropriate procedure to achieve public and private action of benefit to all economic sectors and to overcome resistance by certain groups which refuse to eliminate structural defects still persisting in Latin American countries.

36. The plans that have been prepared have served up to now as a basis for estimating the external financial resources necessary to support the expenditures and investments which will permit the reaching of a set goal of economic development, but in some cases they have not taken sufficiently into account that programs should be, above all, ways of reorganizing and encouraging internal effort and expressions of basic governmental policy aimed at ensuring the best use of national resources. In addition, the elements of economic development have not yet been adequately coordinated with those of social progress.

37. The evident advantages attained by the Latin American countries in adopting the principle of development planning have been partially counteracted by adverse circumstances which the governments have not been in a position to overcome rapidly. But the countries of Latin America remain firm in

their decision to continue forward in the fields of economic development and social progress, in an effort to overcome the structural deficiencies which in the past have impeded the reaching of higher levels of well-being. To that end, they now declare their intention of planning development properly, overcoming existing obstacles and correcting the very serious defects still found in the preparation and execution of development programs.

38. Experience in Latin American planning points to the advisability of setting up pre-investment systems, by means of which basic statistics can be improved, a more complete knowledge of human and natural resources can be gained, viable and financially feasible investment programs and projects can be prepared, and the administrative structure can be improved in order to make it an effective instrument for formulating, executing, and directing development programs.

39. In the preparation stage of the plan, it is necessary to have executive officers at the different levels of government participate more actively in formulating over-all strategy and presenting the different sectoral programs; it is also necessary that the business, labor, and cultural sectors participate to the extent needed and that the effort is made to keep the public well informed of the plan's objectives and of the means which will be used to achieve them.

40. The very content of the plans should be improved in order to attain the following main objectives:

a. To avoid the usual excessively broad goals and projections and give greater importance to the sectoral analysis of programs, employing methods which permit the presentation of at least a first quantitative estimate of the correspondence between the expenditures and income planned for the main sectors, without which it is impossible to set up a consistent structure of planned investment. The goals, too, should be expressed in physical units and incorporated into the work schedule of specific projects.

b. Considering that the private sector in Latin America generates a high percentage of the internal product, great importance should be given to defining and coordinating the policies that the governments will have to follow in order to influence the action of private enterprise in accordance with the objectives chosen. In short, policies on taxes, public spending money, exchange, credit, prices and salaries, stimulation of exports and substitution of imports, agriculture, and national market integration should be formulated in definite and operative terms and should be adequately coordinated with the general goals assigned to the business sector.

/c. At the

c. At the national level, in view of the existence of great deficiencies in the economic structure of Latin America, the role played by public investment is of primary importance insofar as it is guided by social needs. On the other hand, private investment, even though an important factor, cannot play the principal role nor take the place of public investment in overcoming the aforesaid deficiencies. At the regional level, the need for a coordinated economy unifying the development of national communities and the interests of Latin America as a whole, is closely linked with the establishment of supranational agencies which, if provided with adequate powers, would make it possible to harmonize the different policies and give form to regional development, without prejudice to maintaining liaison with the several countries at the same time.

d. In the preparation of development programs, greater emphasis should be given to the formulation of regional plans, incorporated into the national program and leading to the attainment of greater efficiency and coordination in government action at the regional level. At the same time, this effort will help to bring about a reasoned distribution of basic investment, the harmonious development of the economy, and the most advantageous use of natural and human resources.

e. The many defects still in the plans of the social sectors especially in education and health, must be overcome. Moreover, in the preparation of general programs, greater attention should be given to income redistribution as one of the basic objectives of these programs.

f. Owing to the extraordinary importance of the agricultural sector in most of the Latin American economies, high priority should be assigned to the planning of agrarian policy in general, and to its coordination with agrarian reform programs.

g. Greater attention should be given to financial programming in both the public and the private sectors.

h. Lastly, the effort should be made to coordinate national development plans in order to help in the economic integration of the Latin American countries.

V. STRUCTURAL REFORMS AND OTHER ASPECTS OF DOMESTIC EFFORT

1. Administrative Reform

41. As mentioned previously, the operational phase of national planning is the subject of attention in a large number of Latin American countries which have completed the preparation of development plans or will soon do so.

42. Efforts to carry out Latin American planning have revealed the inadequacy of present public administration systems for efficiently and promptly filling planning needs. It has been noted that among the many problems analyzed, those which occur most frequently in the planning process are caused by defects in administrative structure, scarcity of trained personnel and defective administration of the financial resources placed at the disposal of government agencies.

43. Prompt, ample and strong action is required both by governments and international organizations to modernize administrative machinery, especially in those sectors which are basic for economic development.

44. As all planning phases are complex operations requiring trained personnel at all levels, special attention must be given to the formation and training of personnel for public administration.

2. Tax and Financial Reform

45. Since July 1963, tax reform has continued at a relatively fast rate. It may be stated that, since establishment of the Alliance, all the countries have made efforts to adopt tax structure reforms and to improve tax revenue administration

46. Practically all Latin American countries now apply a general income tax. Also, it is observed that this tax incorporates a large part of the reforms introduced in the last three years.

47. With regard to property taxes, measures have been adopted in several countries for the improvement of appraisal methods, and efforts have been made to initiate or continue work connected with assessed valuation.

48. Reforms have also been made in the field of indirect taxation. In some cases these reforms have instituted a general system of sales taxes or have effected changes in existing system; in others, there have been changes in specific consumer taxes or a consolidation of similar taxes.

49. Similarly, various modifications have been made in foreign trade taxes especially with regard to imports. In general, it may be said that the tendency has been to increase taxes on manufactured imports, especially luxury items, and to lower those on raw materials and capital goods.

50. Notwithstanding the efforts made up to now by the different countries in the field of tax reform, the increase in current revenue has not been generally

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sufficient to make possible the volume of public savings required for the effective implementation of the investment programs needed to speed up the growth of Latin American economies. Therefore, the process of tax reform must be persisted in if its objectives are to be more perfectly attained.

51. There must be an intensification of efforts in order that the process of tax reform may follow a program of systematic and over-all reorganization of the tax system, in which not only the total income goals to be achieved but the contribution of each tax to total collections are determined. The program of tax reform must be part of the plan for economic and social development, taking from it the estimates of anticipated expenses as goals to which tax revenue should rise within a given number of years.

52. The income tax must be the object of new and careful reforms, in order to make it a more effective instrument, both for obtaining greater resources as well as for the impressing of progressive elements on the system. These organizational reforms must be closely supplemented by improvements in the systems of tax administration, which present considerable problems in the case of this tax.

53. Property taxes still occupy a minor position in Latin American tax systems. Perhaps this is a field wherein extensive reforms should be introduced, in both the structure and administration of taxes. For instance, through proper reorganization of land taxes, these could become an effective instrument not only for collecting considerable revenue but also for encouraging increased productivity and assisting with other land reform measures.

54. With regard to indirect taxes, attention is drawn to the obvious importance of replacing indiscriminate taxes on sales and consumption with a uniform, general tax on value added, thus reducing the regressive effect of the former taxes and obtaining independent information on sales from the corporations that would be fundamental in improving the administration of the entire tax system.

3. Agricultural Development and Agrarian Reform

55. Agricultural production in Latin America has evolved slowly during recent years, having grown at a lower rate, in general, than the population, thus denoting a trend toward stagnation or a slight deterioration in per capita agricultural production.

56. Without underestimating other factors that adversely affect agricultural development, the deficient, anachronistic structure of land tenure, and the political and institutional barriers to its change, constitute the principal obstacles to the more rapid development of agriculture and, in general, of the rural sector of the population of Latin America.

57. An effective policy of agricultural development and agrarian reform does not only represent an economic problem, centered around operation, adoption of modern techniques, and marketing; it also involves an institutional

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and political problem. This last arises from the need to change the legal status of existing properties in the legislation of most of the Latin American countries in order to permit expropriation, in such a way as to make it possible to change traditional agrarian structures and take proper use of this scarce and inextensible economic resource.

58. In accordance with this evaluation, stress has insistently been laid on the need for carrying out agrarian reform, in the Latin American countries, based on changing the structure of land tenure so as to permit a better distribution of income derived from agriculture, supplemented by other measures such as agricultural credit, technical assistance, improved marketing, more effective taxations, etc. This recommendation was included in the Charter of Punta del Este and incorporated as one of the objectives of the Alliance for Progress.

59. In compliance with the commitments thus undertaken, eleven Latin American countries have enacted agrarian reform laws since 1961, while another four had already done so prior to that date. In addition, other countries have adopted various measures in connection with the agrarian problem, such as settlement and agricultural-credit programs, which can contribute toward achieving the reform.

60. The legislation enacted with regard to agrarian reform varies considerably from one country to another, but, in general, it may be observed that certain principles that are considered essential for efficient implementation and successful reform are being accepted. Among others may be mentioned the zoning of reform, its integration into national development plans, the introduction of diversity into land-tenure-patterns, payment in bonds for expropriated property, the establishment of economic farming units, etc.

61. Despite the legislation passed since 1961, very little progress has been made to date insofar as concrete achievements are concerned, particularly in the field of redistribution of land, especially if we take into account the magnitude of the agrarian problem faced by Latin America. The laws enacted have not yet generated programs of sufficient scope and intensity to have a significant effect upon changing the region's agrarian structure.

62. A slow pace in activities in this field during the next few years cannot be justified; the increasingly notorious weakness of agricultural development will make it more and more necessary to solve the problem of changing the agrarian structure of the Latin American countries rapidly and thoroughly.

63. Consequently, in order to proceed with reforms at the required pace and to the extent necessary in the immediate future, the countries should clearly define their land-tenure policies and draw up definite programs and projects to implement them rapidly and efficiently. In this work they should continue to receive advice and maximum cooperation from the competent regional and international agencies. They should also rely increasingly on external financial support for the implementation of these programs. In this way it will be possible to carry into effect the basic ideas contained in the Charter of Punta del Este, which have produced a notable change in national attitudes toward the need for changing agrarian structures.

/64. The IA-ECOSOC

64. The IA-ECOSOC declares its satisfaction with the creation and operation of the Inter-American Agrarian Reform Center, which fulfills a long-felt desire of the governments and will make it possible to consolidate hemispheric action in this field, based on continuing experience in research and training in sciences related to the subject. The IA-ECOSOC is also gratified with the recent establishment of various national agencies concerned with research and training in agrarian reform, and with the fact that others have been strengthened in such a way as to give effective assistance in achieving the objectives of the Alliance for Progress. The IA-ECOSOC believes there is a need for the international institutions forming part of the Inter-American Committee for Agricultural Development to expand their support of national programs for personnel training, research, and the preparation of specific projects in the field of agrarian reform, and for the action of already existing institutions to be coordinated.

65. Taking into account that processes of agrarian change are accompanied by the need for a greater amount of financial resources to be made available in a flexible and timely manner to permit the economic advancement of agriculture, the IA-ECOSOC recommends to the Inter-American Development Bank that it study the possibility of expanding its agricultural-promotion credit operations in the areas under reform, in the shape of specific programs and lines of credit on bases and standards generally in use, to be applied by national financing agencies to agricultural and stock-raising activities. It is also suggested that the Bank study a way to expand its credits for promoting the development of the industrial and service sectors. This includes operations with national industrial credit institutions that receive as a guarantee the agrarian-reform bonds issued by the governments of countries in the process of transforming their agrarian structure. Finally, the Bank is advised to study ways to promote the strengthening of national securities markets in the area, including placement in these markets of agrarian-reform bonds issued in the hemisphere.

66. For the same purpose, the IA-ECOSOC recommends to the governments of the member countries that they establish adequate systems to meet requirements for seasonal credits, in order to guarantee remunerative prices to small- and medium-scale farmers for food products and agricultural raw materials. It also asks the Inter-American Development Bank and the International Monetary Fund to furnish advisory services in this field to the governments that so request.

4. Integration of National Markets

67. In many countries there is a more or less complete separation between different groups of the population, some of them being located in the centers of development and others in the periphery, often without the slightest bonds of communication between them.

68. In many cases, efforts are being made to eliminate this lack of integration among the different sectors of the population; renewed energy should be devoted to such efforts.

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69. Basically, the problem should be attacked through measures designed to achieve greater integration of domestic markets. It is essential that the goods produced in the rest of the country be made accessible to remote rural communities. It is also necessary to find outlets for the products from those localities, at the same time establishing suitable methods of distribution that prevent excessive profit margins that now benefit mainly the middleman, reducing participation by the producers in the profits derived from marketing their products. This greater integration of markets will bring about a pronounced modernization of living conditions in hitherto isolated communities.

5. Participation of the People in Development

70. To attain the objectives of economic growth and social change set forth in the Charter of Punta del Este, active participation is required on the part of the great mejorities. Unfortunately, a large part of the Latin American citizenry, particularly urban and rural groups of wage earners, has not had an active part in promoting development through economic, political, and social means.

71. It is essential that the central government encourage the participation of majority groups in the development effort. To that end it should create or strengthen middle-class social structures, since the present system restricts individual and group initiative and is unsuitable for promoting real access of the majorities to education and wealth or permitting their influence to be felt in governmental affairs.

72. Promotion by the people presupposes, in particular, maximum organizational facilities for all institutions from that of the family, the neighborhood, the community, the trade union, on up to the city or region, so that, having surmounted paternalistic concepts, the mass of the people may forge their own destiny.

73. Such collective effort is of special, urgency and complexity in the rural area of Latin America, where a more or less generally archaic economic and social structure constitutes the greatest impediment to active participation of the people in the life of the country.

74. The system of cooperation by the people is one of the most effective means of fulfilling the objectives of the Alliance for Progress, in that it facilitates the understanding and adoption of the Alliance doctrine by the people for whom it was formulated. In Latin America this system constitutes an effective means of economic and social integration, of particular benefit to the depressed areas, being based on permanent democratic coordination between the different levels of decision and execution and on a maximum participation of the human element. Such a system encourages and ensures free decisions by communities as to the fulfillment of their needs, at the same time permitting the fullest compliance with national planning regulations.

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75. For the reasons noted, the governments should adopt programs on a national scale to incorporate majority groups in the development process. Such programs would be based on cooperation by the people and community action, and these constitute effective and necessary instruments for community integration based on development planning.

76. To carry out this type of program, training courses should be established to facilitate the exchange of information between countries--with the voluntary participation of university students in the member states--and obtain technical cooperation and financial aid for these programs.

77. The IA-ECOSOC recommends that the financing agencies within the Alliance for Progress establish the special machinery contemplated in the Charter of Punta del Este (Title II, Chapter I.4) for the purpose of extending over-all lines of credit for popular promotion or cooperation, on flexible and timely terms permitting the direct extension of benefits to a majority of the people of Latin America.

VI. SOCIAL PROGRAMS IN DEVELOPMENT

A. PURPOSES AND INSTRUMENTS OF SOCIAL POLICY

78. The Charter of Punta del Este gave approval to the close relationship between economic development and changes in the social structure, by which the latter can be converted into the proper setting for the creation of the human incentives and skills that are indispensable for development. Social policy must not only offer an improvement, which may be temporary, in the standard of living of the dispossessed classes, but also eliminate the privileges that prevent men from performing the social tasks for which they are best qualified. In this sense social policy is a prerequisite of the effectiveness of the development policy and should be designed in such a way that at the same time it is seeking to relieve tensions, it awakens in men a sense of dignity and hope that will provide the incentive and means for acquiring the knowledge he needs to fill the role in which he may be most useful to himself and to society.

79. In accordance with those ends, the social policy demanded by the Latin American people is inseparable from the economic and institutional aspects of the change that is at the basis of development. This means that all action and measures included in development plans form part, to a greater or lesser extent, of a social policy and must conform with its objectives. This also implies that planning, and in general the policy of development, should not be concentrated exclusively in investment programs in such fields as housing, health, etc., without simultaneously seeking improvement in income, distribution through a series of measures in the broad economic and social field. The inclusion, among others, of well defined policies on employment, manpower training, wages, benefits, and prices, is therefore an indispensable element of social policy.

80. Although it is generally agreed that the Alliance for Progress implies not only economic development but also the creation of a society that is coordinated and capable of progress, the complete application of the principles of social policy has not yet come about. In addition to the almost total lack of integration of social programs in development planning, a general lack of attention is observed to the effects of economic policy on wages, manpower use, and income redistribution. On the other hand, planning for education, health, housing, and labor matters is characterized by deficiencies in the basis of information on which it rests, and in the methodology used in estimating requirements in those fields. Effective improvement in the preparation of social projects and programs and the adequate correlation of these with the economic goals of development constitute one of the most widely felt needs of the countries.

B. EDUCATION

81. The concern with studying and planning manpower is new in the area. Lack of experience in this field accounts for most of the failures of action taken in the field of education. The need to improve knowledge regarding

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manpower and its relation to educational planning and general development is all the more urgent when it is considered that decisions made today will determine almost inexorably the course and destiny of a generation. Although some slight progress has been made in organizing educational planning offices, little has been done in the matter of studying manpower. This is one aspect to which one of the highest priorites should be assigned for receiving technical assistance from the specialized international organizations.

82. In general, the countries of the area have increased their allotments for education. In some cases, this increase has been so significant as to enable school enrollment at all levels to grow at a rate averaging twice that of population growth in the region during the 1963-64 period. In elementary education, the increase in enrollment is about 7 percent; in secondary education it is 8 percent, and in higher education 11 percent. Finally, in several countries, literacy and adult-education programs have been expanded. An effort has been made in most cases to improve these programs by increased use of modern methods and audiovisual equipment. Moreover, efforts have been continued to remedy the shortage of school buildings at all educational levels. In some cases, this is being done with international financial assistance, while in others, principally in the rural areas, the aid comes from the community.

83. A large part of this effort has benefited elementary education. The shortcomings already observed in manpower surveys are especially harmful to intermediate technical education and to higher education, wherein the greatest anachronisms are noted, both with reference to preparation and to systems in use. In addition to more investments to increase the capacity of these levels, drastic changes are needed, which also require technical and financial assistance.

84. In their development programs, the governments should assign suitable priority to promoting education and science, taking into account the general development objectives. The IA-ECOSOC recommends to the General Secretariat of the Organization of American States that cooperation with UNESCO be intensified, through the Joint OAS-UNESCO Committee, with a view to ensuring a harmonious and effective coordination of the activities of the two organizations, particularly in connection with projects capable of encouraging the financing of educational and scientific programs within the framework of national development plans.

C. HEALTH

85. At Punta del Este, the Latin American countries agreed to work to improve the health of their peoples and to increase life expectancy at birth by at least five years within the ensuing decade. Some progress has been achieved in this direction which, while it is still insufficient, shows the concern that exists in the fields of planning, improvement of health statistics, of personnel training, improvement in the organization and administration of services, environmental sanitation, particularly as regards water

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supply and drainage, the fight against diseases, nutritional improvement, and the rational organization of medical-care services.

86. The IA-ECOSOC recommends that the international credit agencies broaden their lending by the adoption of flexible financing systems, so as to intensify and extend development of programs for supplying drinking water to urban communities.

87. Owing to the interest shown by the countries and by international financing agencies, there has been a significant step-up in the installation of urban water-supply systems in recent years. However, the supplying of drinking water to rural areas continues to be one of the more neglected fields in the field of public health. It is necessary that external loans be obtained under favorable conditions and that the active participation of communities in programs to overcome this deficiency be encouraged.

88. The IA-ECOSOC suggests that when studies are being prepared on resettlement, urbanization, road-building, and other programs, health-service requirements should be taken into account, and that when applications for international financing are made, sufficient funds should be included to take care of the necessary expenses in this area. It will be advisable to use the technical resources of the ministries of health at the national level and the advisory services of the Pan American Health Organization in programming campaigns of investment in public health.

89. In the field of medical care, the ratio between hospital beds and population has, generally speaking, remained stationary. In some cases there has even been a falling-off. Moreover, training opportunities for medical and health officers are very limited. The IA-ECOSOC thinks that consideration should be given to the possibility of establishing a regional school or center to meet this need. The General Secretariat of the Organization of American States might undertake a study on this matter.

90. The IA-ECOSOC has noted the progress made in the continental program for the eradication of malaria, in spite of the existence of certain technical problems in some of the countries. In addition, programs aimed at the eradication of smallpox and yellow fever have continued, together with the ones for the control of communicable diseases such as tuberculosis, poliomyelitis, and others.

D. LABOR POLICY

91. The deficiencies mentioned in connection with social policy and planning are especially acute as regards labor policy. It is imperative that the countries of Latin America adopt, without further delay, definite positions as regards labor policy, in view of the special impact that it has on social and economic development. However, as a previous condition to such action, the countries should make studies on the economically active population, employment and unemployment, salary and wage structures, etc.

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92. In most cases, policies adopted in the labor area have failed not only to make a clear definition of objectives but also to establish suitable coordination with other aspects of economic and social policy and with general development programs.

93. It is necessary that wage policies be established to ensure workers proper remuneration for the part they play in total production. Also, in order to accelerate the economic and social development of Latin America, the governments should encourage change in traditional business structures, so that efforts to achieve greater productivity may be accompanied by an increased participation by workers in management, capital, and profits when this should prove advisable in order to raise the production levels for the common benefit and to achieve the investment levels needed to attain rapid economic and social growth.

94. Recommendation is made, moreover, that adequate technical and financial assistance be provided to promote the establishment, and extension of activities, of the workers' cooperatives and banks.

95. The IA-ECOSOC identifies itself with the recommendations adopted by Committee VII at its meeting in Buenos Aires.

96. In order to achieve greater participation by workers' groups in the formulation of policy directives for the Alliance, it would be advisable to put into practice the provisions of the Declaration of Cundinamarca regarding the inclusion of representatives of labor ministries and of democratic workers' groups in the delegations sent by the various countries to inter-American meetings.

97. The IA-ECOSOC recommends to the Secretary General of the Organization of American States that he intensify the policy of coordination with the International Labor Organization in the implementation of projects and programs designed to achieve the economic and social development of the Latin American countries.

E. HOUSING

98. The seemingly important efforts which the countries have thus far made to solve the housing problem, such as structural and operational improvements, preparation of plans, establishment or strengthening of means of internal financing, etc., have not yet had as significant an impact as the magnitude and character as the situation requires. Contrary to what had been hoped, the disproportion between the increasing number of families and housing construction continues to grow from year to year.

99. In this regard, we should mention that housing agencies have not attained the level activity and efficiency that was anticipated, owing, among other reasons, to the lack of a definite policy, to internal financial difficulties that delay and obstruct the use of the foreign credits that have been obtained, to lack of middle-level specialists, and to weaknesses in regulations and procedures for making housing assigments. In addition, failure to make

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use of efficent and productive construction methods and attachment to traditional building techniques and systems are reflected in a low return on investment in terms of housing units produced and in high unit cost.

100. The IA-ECOSOC believes that the government should use some imagination in developing new policy lines that will make it possible for the agencies charged with carrying out plans to control factors adversely affecting operations and the achievement of hoped-for goals. Among other points for consideration, the IA-ECOSOC considers the following important:

a. The possibility of solving housing problems in Latin America is directly related to maximum and optimum utilization of the city land, presently insufficient, especially as regards urban renewal. To a large extent, the feasibility of a massive construction program that will make use of the high public investments in a traditional city depends on the preparation of a new statute governing urban-land tenure that will discourage buying up, and speculating in, this limited economic resource, by rendering the needed terrain subject to expropriation. The establishment of this new juridical institutional regime involves a political problem that must be faced as soon as possible.

b. Emphasis in building and in the building industries should be concentrated on basic housing, especially for those groups most in want thereof, so that popular housing policies may truly and directly benefit the needy masses of Latin America.

c. Success of a popular housing policy presupposes moreover prime consideration of the problem posed by lack of sufficient income in the most numerous segment of the population and by unequal distribution of wealth among the various social levels. The need then arises to obtain public resources or social funds that will make it possible to subsidize those that have a human right to basic housing but cannot afford it owing to market circumstances.

d. In planning housing at the neighborhood or community level, consideration must be given not only to the building of housing units but also to social investments for health, education, recreation, etc., that will make it humanly possible to lead a decent life in a civilized community.

101. To facilitate the financing of housing programs, the IA-ECOSOC asks the Inter-American Savings and Loan Union for Housing to establish, as soon as possible a system of reinsuring mortgage credits for financing housing of social interest in Latin American countries, and to study a system of reserves and readjustments, or a combination of both, to project maintenance of the value of the mortgage debt. It requests the Inter-American Development Bank to study the possibility of participating in the system, once it is established, in order to ensure its widest possible extension. Finally, in connection with this matter, the IA-ECOSOC recommends to the governments that they study the advisability of adopting legislation that will permit the national savings and loan institutions for housing to participate, through the Inter-American Savings and Loan Union for Housing, in the mortgage credit operations carried out by the savings and loan systems for housing of other countries of the Western Hemisphere and to invest directly in mortgage credits under national insurance systems and in their corresponding reinsurance, taking into account the legal and institutional requirements of the individual countries.

VII. NEW FEATURES OF THE ALLIANCE FOR PROGRESS PROGRAM FOR INFORMATION AND MOBILIZATION OF PUBLIC OPINION OF THE ALLIANCE FOR PROGRESS

102. The Inter-American Economic and Social Council, in its Meeting at the Expert Level, believes it necessary to reorient and systematize the work of explaining and publicizing required to make it understood that the Alliance for Progress is primarily a multilateral policy and tactic for accelerating the development of Latin America. For this reason, any mobilization of national forces in support of the reforms and objectives established in the Act of Bogotá and in the Charter of Punta del Este must be considered as a contribution from each country toward fulfillment of the common commitments.

103. The mobilization of public and social forces in a will to progress is a decisive element for the sucess of national development efforts in the Latin American countries.

104. Such mobilization can be effective only when the public is continually informed and consulted during the planning process, and plays a real role of definite action, based upon a knowledge of the implementation of development programs.

105. This is the essence and meaning of the Ideological and Political Advance of the Alliance for Progress movement, according to resolutions adopted by the Inter-American Economic and Social Council at its various annual meetings.

106. It is therefore necessary to maintain intense ideological action, directed toward explaining the nature and purposes of the Alliance and its concrete achievements, through the use of modern methods and techniques of communication, in an effort to project its qualities of renewal into the different sectors of citizen life.

107. At the same time, the IA-ECOSOC renews its appeal to the member states that they continuously and determinedly promote campaigns for publicizing the principles and achievements of the Alliance for Progress and that they give their fullest cooperation to campaigns undertaken by the General Secretariat of the OAS. For this purpose it is necessary to give attention to the following basic activities, among others:

a. The development of a program adapted to the national or regional ethos, jointly conceived and put into action by the government of each country, CIAP, and the General Secretariat of the OAS, and organized on the basis of the experience acquired and the results of activities already carried out.

b. The stimulation of greater participation by the private sector in publicizing the objectives and attainments of the Alliance for Progress.

/ 108. In the

108. In the light of the foregoing, and with a view to putting into practice the measures here proposed, IA-ECOSOC approves the actions and recommendations listed below, and recommends the following guidelines with respect to the activities which should be developed, taking into account the special circumstances of each country and the experience obtained up to the present.

Objectives

109. To create a clear awareness both of the meaning of the country's own effort as an indispensable element in rapid social and economic development, and of the multilateral nature of the Alliance.

110. To promote participation by all social sectors in the formulation and execution of national or regional development plans.

111. To this end, the agencies mentioned in paragraph 114 shall encourage the use of the different techniques of communication and consultation and make use of the different media which exist in each country.

112. With respect to the foregoing, these agencies shall request the cooperation of different entities in the public and private sectors and work in close coordination with the national planning agencies.

113. In addition, they shall participate in publicizing specific programs, such as those which deal with measures aimed at encouraging integration of national and regional markets, community development, and educational and cooperative activities.

Organizations

114. In fulfillment of the objectives here set forth, IA-ECOSOC recommends:

a. At the national level: That each member state determine the agency that shall be responsible for fulfilling these objectives and provide for its financing. Notwithstanding, IA-ECOSOC, after evaluating the results achieved by the national agency, may appropriate funds for specific programs.

That the national agency be responsible for regular transmission of all information on that country's accomplishments within the Alliance to each of the other national agencies in the region and to the regional organization, giving special attention to programs and activities that may be of general interest.

That each country clearly identify, in order of priority, the population sectors to be reached through information programs, and the most suitable communication media to be used in each case.

/b. At the

b. At the regional level: That the Pan American Union, in its capacity as Secretariat of the Inter-American Economic and Social Council and of CIAP, handle the exchange of information on the various undertakings being carried out by the countries in fulfillment of their commitments under the Charter of Punta del Este.

That financing of the information program at the regional level be incorporated into the budget of the Special Development Assistance Fund.

Evaluation

115. In its annual report to IA-ECOSOC, CIAP shall include an evaluation of the results of the action taken by each national agency and by the regional organization for purposes of the assignment of funds.

RECOMMENDATION

116. That Committee III of this Meeting consider for 1965 the possibility of assigning, within the Special Development Assistance Fund, an additional sum of one hundred twenty thousand dollars ($120 000) as a contribution to financing activities of the national agencies responsible for the aforementioned functions.

Part III

APPENDICES

A. Domestic effort and requirements for external financing in Latin America (Country Reviews Made by the Subcommittee of the CIAP)

B. Final Report of the First Meeting of the CIAP

DOMESTIC EFFORT AND THE REQUIREMENTS FOR EXTERNAL FINANCING IN LATIN AMERICA 1/

(Country reviews made by the Subcommittees of the CIAP)

I. INTRODUCTION

1. The present document is submitted to the Second Meeting of the Inter-American Committee on the Alliance for Progress (CIAP), in compliance with the provisions of the "CIAP Procedure for Annual Country Reviews" approved at the First Meeting. In accordance with that procedure, the respective Subcommittees of the CIAP have made the cycle of country reviews and the conclusions and recommendations of their work have been incorporated in the minutes of each of the Subcommittees, and should be submitted to the CIAP, which, thus will be in a position to assume the duties described in points c, d, and e of provisions 3 of Resolution 1-M/63 of the Inter-American Economic and Social Council, regarding the estimate of the over-all requirements of Latin America for external financing and their distribution by countries. The text of the aforementioned provisions, as well as of the "CIAP Procedure for Annual Country Reviews," is reproduced in Annex 1 to Appendix A, page 121.

2. In accordance with the provisions for the first stage, indicated in the pertinent procedure, the Subcommittees have examined the situation of each of the countries of Latin America in a series of meetings that ran from August 11 to October 23, 1964. The dates of the meeting of these Subcommittees appear in Annex 2 to Appendix A, page 125.

3. The Subcommittees had available some reports evaluating plans, prepared by the Panel of Experts, and the basic papers by the Secretariat or the technical staff of the Panel, according to the case; some of them also had supplementary documents presented by the countries themselves. The list of these documents appears in Annex 3 to Appendix A, page 126.

4. In accordance with the provisions, each Subcommittee examined the course and trends of development of the corresponding country, its domestic effort, and the requirements for external financing, embodied in projections of the balance of payments. Naturally, the accuracy of those projections and their agreement with the requirements for financing and the capacity of absorption of the various sectors of the economy depend on the existing information and analyses. In some cases, the Subcommittees and the technical agencies that made the basic studies encountered difficulties with respect to the quality and availability of information, facts that are inevitably reflected in the projections. Despite this, it can be said that the Subcommittees, with the help of the financing agencies, carried out their duties with objectivity, and the estimates resulting from their work, while they may in some cases by subject to appreciable margins of error, in general show orders of magnitude that constitute valid guidelines for the international cooperation embodied in the Alliance for Progress.

1. Prepared by the Secretariat in collaboration with the Panel of Nine.

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/5. Apart from

5. Apart form the projections of the balance of payments, the document makes use of a series of data on the situation and prospects of the economic development of the countries of the region. With the exceptions indicated in the text, those data are from the evaluation reports prepared by the Panel of Experts and the working documents employed by the Subcommittees. Because of the serious lack of time, it has not been possible to verify carefully or bring each of them up to date. Because no objections to these date have been raised by the participants in the meeting of the Subcommittees, including the representatives of the countries themselves, it can be assumed that they have their acceptance.

6. According to the provisions of the "Procedure" mentioned above, the recommendations of the Subcommittees were to have been submitted to the CIAP at its Second Meeting, which means that the collection of minutes resulting from the work of the Subcommittees, and especially the conclusions of those minutes, were to be presented officially as working documents of the meeting. It has been considered, nevertheless, that it would be useful, for facilitating the analysis and decisions of the CIAP, to precede those minutes by a summary of the estimates made and a systematic résumé of the observations and recommendations of the Subcommittees. In general, in this summary, an attempt has been made to include exclusively those aspects that appeared in the conclusions of the minutes, although frequently, in order to aid or illustrate the basic reasoning, use has been made of information or analyses that appeared in the working documents or were publicly expressed during the meetings.

II. GENERAL SUMMARY

1. Growth Rate of the Latin American Countries

1. In order to comply with the mandate received from the First Meeting of the Committee, the CIAP Subcommittees surveyed the development of the Latin American countries since the signing of the Charter of Punta del Este, and, in some cases, over longer periods of time.

2. Their examination showed them that in the years since the establishment of the Alliance in August 1961, most of the countries of the region achieved or surpassed the objective of a 2.5 percent increase in gross national product per capita, indicated in the Charter as the minimun desirable. However, owing to the weakness of Argentina and Brazil, which together account for 51.5 of the region's GNP--a weakness expressed in a decline in their per capita product, especially in 1963--the total rates of increase for the region are low: 2.7 and 0.8 percent in 1961 and 1962, respectively, and a decline of 0.8 percent in 1963. Without prejudging the analysis to be made later of the case of these two countries, it can be said that their situation has temporary characteristics that will very probably disappear in the near future. The region's prospects for growth would then improve considerably, for in the other seventeen countries the GNP increased 0.9, 2.8 and 2.2 percent in 1961, 1962 and 1963, respectively. In the latter two years these countries surpassed the minimum goal of Punta del Este, which was not reached if the region is considered as a whole. Table II.1 shows the rate of increase in GNP for all the countries, based on information in the working documents.

3. The Subcommittees on Bolivia, El Salvador, Nicaragua, Peru, and Venezuela expressed particular satisfaction with the rate--rapid, in some cases--of development in those countries. In addition, Chile, Colombia Costa Rica, Ecuador, Mexico, Panama, and Paraguay also showed, on the average, a growth trend approaching the objective of Punta del Este, though it seems in some of them to have diminished in 1963. For the Dominican Republic complete information was not available, but the chief indicators seem to show that it surpassed that goal. On the other hand, the Subcommittees expressed concern over the contraction of the Argentine and Brazilian economies and the unfavorable trends found in Guatemala, Haiti, Honduras, and Uruguay despite isolated growth in some years. The loss of vigor reflected almost generally in the development rates for 1963 was an object of concern. An attempt will be made farther on to identify the factors that caused this reduction.

4. Even though the year 1964 was not studied by the Subcommittees, it may be tentatively inferred from the information contained in the working documents that the current year will show an increase in the growth rate. That impression is reinforced by the fact that, Argentina and Brazil already show signs of recovery. Moreover...available indices of production for

/Table II.1

Table II.1

RATE OF GROWTH OF THE LATIN AMERICAN COUNTRIES

		Rate of population growth	Percentage variation in GNP over the previous year					
			Total			Per capita		
			1961	1962	1963	1961	1962	1963
1.	Argentina	1.8	5.9	-3.3	-4.7	4.0	-5.0	-6.4
2.	Bolivia	2.5	3.4	4.1	6.2	0.9	1.6	3.6
3.	Brazil	3.2	7.3	5.4	1.6	4.0	2.1	-1.6
4.	Chile	2.3	4.4	7.1	2.5	2.1	4.7	0.2
5.	Colombia	2.8	4.9	5.5	4.1	2.0	2.6	1.3
6.	Costa Rica	3.7	-1.2	8.6	7.2	-4.7	4.7	3.4
7.	Ecuador	3.0	4.1	4.9	5.3	1.1	1.8	2.2
8.	El Salvador	3.5	7.7	9.1	8.2	4.1	5.4	4.5
9.	Guatemala	3.1	3.8	2.6	7.5	0.7	-0.5	4.3
10.	Haiti	2.9	-1.6	6.8	3.0	-4.6	3.8	0.1
11.	Honduras	3.2	3.6	6.0	2.1	0.4	2.7	-1.1
12.	Mexico	3.1	3.5	5.0	6.0	0.4	1.8	2.8
13.	Nicaragua	2.9	6.5	10.5	11.6	3.5	7.4	8.5
14.	Panama	2.9	8.1	9.7	3.6	5.2	6.8	0.7
15.	Paraguay	2.7	5.7	1.5	5.0	2.9	-1.2	2.2
16.	Peru	2.6	9.2	7.4	3.7	6.4	4.3	1.1
17.	Dominican Republic	3.5	1.0	10.7	8.0	-2.4	7.0	4.3
18.	Uruguay	1.3	2.4	-2.2	-2.0	1.4	-3.5	-3.3
19.	Venezuela	3.1	0.4	7.1	6.0	-2.6	3.9	2.8
	Latin America	2.9	5.3	3.7	2.1	2.7	0.8	-0.8
	Latin America excluding Argentina and Brazil	2.8	3.7	5.6	5.0	0.9	2.8	2.2

/Table II.1 (Cont.)

Table II.1 (Cont.)

Sources:

Country numbers:

1 - "Cuentas Nacionales de la República Argentina" - series published by the National Development Council. Doc. CIAP/140, Table 1.

2 - For 1961: Estimate of the technical personnel. For the other years: Doc. CIAP/121, Table 1.

3 - Brazilian Economic Institute. Fundação Getúlio Vargas. Doc. CIAP/142, Table 1.

4 - Fulfillment of national development program, 1961-1970; Planning Office, CORFO. Doc. CIAP/128, Table 1.

5 - For 1961 and 1962, Bank of the Republic: "Cuentas Nacionales 1950-1961" and "Cuentas Nacionales 1962." For 1963, preliminary estimate prepared by the IBRD. Doc. CIAP/98, Table 1.

6 - 8, 9, 11 and 13. For 1961, 1962, and 1963 review of national accounts made by the national planning offices, with the cooperation of the Joint Programming Mission for Central America. Projections for 1964, 1965, and 1966 are taken from the general guidelines for preparing plans of the respective Central American countries, drawn up by the aforementioned agencies. Doc. CIAP/107. Addenda 1, 2, 3, 4, and 5.

7 - For 1961, General Economic and Social Development Plan, Book One, Table II-1. For 1962 and 1963, estimates of the Central Bank and of the National Economic Planning Board, Table 1 of the "Resumen de la Evolución de la Economía Ecuatoriana, las Metas Principales y el Financiamiento del Plan en 1964-1965," working document presented by the technical personnel of the Panel of Experts to the Subcommittee of the CIAP on Ecuador.

10 - For 1961, Tripartite Mission. For 1962 and 1963, estimates of the Secretariat of the CIAP.

12 - Based on table over-all Supply and Demand 1960-1963 and 1964-1965 Projection, Technical Group, Ministry of Finance and Bank of Mexico. Published in "La Evaluación del Plan de Acción Inmediata de México," document submitted to the CIAP by the Panel of Experts, Table IV-4.

14 - Information sent by the Statistical and Census Bureau to the technical personnel of the Panel of Experts.

15 - For 1961 and 1962, "Cuentas Nacionales del Paraguay," Vol. I, Technical Secretariat for Planning. For 1963-1966, estimates of the Secretariat of the CIAP. Doc. CIAP/115, Appendix B 1.

16 - Public investment program 1964-1965. National Planning Institute. Tables II-5, II-6, and II-9. Doc. CIAP/131, Table II-2.

17 - United Nations Monthly Bulletin of Statistics, series on national income deflated by the cost-of-living index.

18 - "Cuentas del Producto y Gasto de la República Oriental del Uruguay," for the period 1955-1963. Working group on national income, Department of Economic Research, Bank of the Republic.

19 - Prepared on the basis of data published in "Plan de la Nación 1963-1966, Tables I-1 and I-9.

/electric

electric power, cement, and construction for the rest of the countries of the region indicate an improvement in the general level of economic activity. However, these indices are not sufficient to serve as a basis for an over-all estimate.

5. It is expected that the factors responsible for the recent sharp decline in Argentine development will shortly cease to operate. This confidence is based on the country's growth potential, which is reflected in its consistently high investment rates and in considerable periodic increases in production; since the third quarter of 1963 there have been symptoms of a recovery that make possible an estimate that the Argentina's GNP will increase by approximately 7 percent in 1964. To accelerate and maintain growth in relation to the slow average rate of the past will require, of course, decisive action in a number of fields that were considered by the Subcommittee.

6. Though the characteristics are different, the present situation in Brazil may also be regarded as transitory. It has been caused by, among other factors, climatic disasters that affected both production for domestic consumption and that for export, and undoubtedly by aggravation of the inflation that originated in unbalanced sectoral growth, fiscal deficits, and so on. The disappearance of some of these factors, together with already adopted or planned measures to combat the economic instability, make it possible to expect a speedy restoration of the vigorous growth of the past.

7. During these examinations, the Subcommittees also observed that noneconomic problems are retarding the development process in some Latin American countries. Thus there was great concern over the statements by the Delegation of Costa Rica and the report of the CIAP Mission to that country 1/ concerning the effects on the economy of the eruption of the volcano Irazú. This country was one of those that surpassed the minimum growth goal in 1962 and 1963, but as a result of the effects of the eruption it is believed that this goal will be difficult to reach this year. Consequently, the CIAP Subcommittee on Costa Rica "expressed its particular interest in participating in the efforts made through Inter-American cooperation to lessen and overcome the consequences of this disaster."

8. Similarly, the Subcommittee on Honduras expressed "its particular interest in cooperating in the effort that should be made to prevent, so far as possible, the serious consequence of the disease affecting the forest wealth of Honduras and threatening the other Central American countries."

1. OEA/Ser.H/XIII, CIAP/101.

/9. The

9. The Subcommittee on Panama recognized "the financial emergency situation this country is in [whose origin is to be found in the events of January] and considered that its solution is a necessary condition for the achievement of the growth goals indicated in the Panamanian Program of Economic and Social Development."

10. The Subcommittee on the Dominican Republic indicated that that country's present situation "should be evaluated in the light of the serious economic dislocations that the country has experienced since 1958 and of the profound sociopolitical changes that caused these events. The country is undergoing a difficult transitional state in search of new models of national organization that will permit it to at least recover its previous growth rates."

2. Capital Formation and Public Investment

1. Since the beginning of the Alliance for Progress the Latin American countries have shown, in general, a steady but still slow trend toward increasing their rate of capital formation. Table II.2 shows the coefficients of gross investment for the countries where this information was available. Some of the countries have by now achieved investment proportions that reveal a considerable internal effort and are symptomatic of inner dynamism. In other cases, loss of impetus from the foreign sector and aggravation of inflationary tendencies have been reflected in declining investment. Though less sharply than in the case of the GNP, there is also apparent a slight decrease in the rates for 1963.

2. The Subcommittees did not have the information or the necessary resources for an analysis of what happened to private investment. It may be stated, nevertheless, that investment in this sector shows an increase in almost all the countries for which there is information. These increases, however, are in general relatively smaller than those for invesment in the public sector, and therefore capital formation increased more rapidly in countries where the relative contribution of the public sector was larger--Chile and Mexico. In other countries, such as El Salvador, Honduras, Nicaragua and Peru, although investment in the public sector increased at rates even higher than in Chile and Mexico, total capital formation increased less markedly.

3. The Subcommittees observed that, as can be deduced from the preceding paragraph, in almost all the countries public investment has been the basic instrument for speeding the region's rate of capital formation. Thus, as can be be seen from Table II.3, the capitalization effort of the public sector constitutes a growing proportion in the countries of the region--except for Argentina, Brazil, Costa Rica, Haiti, and Uruguay. In the case of Panama, where public investment was very high in 1961 and 1962, no trend can be distinguished in the participation of private and public sectors in capital formation, owing to the highly fluctuating nature of the public capitalization effort, which in turn results from the special characteristics of that country's economy.

/Table II.2

able II.2

COEFFICIENT OF GROSS CAPITAL FORMATION 1/

	1961	1962	1963	Estimated 1964	Projected 1965	Projected 1966
1. Argentina	23.4	23.3	20.8	...	...	...
2. Bolivia	9.9	12.3	21.4	17.9	...	...
3. Brazil	...	...	...	...	20.0	20.0
4. Chile	13.4	12.9	12.5	14.3	15.3	15.5
5. Colombia	21.0	22.0	20.0	...	...	...
6. Costa Rica	14.2	15.7	16.4	18.5	19.4	19.6
7. Ecuador	14.9	14.4	16.0	15.7	17.7	18.2
8. El Salvador	11.3	10.3	11.9	13.5	14.8	15.0
9. Guatemala	10.7	12.9	12.6	12.9	14.5	15.1
10. Haiti	...	...	...	...	...	...
11. Honduras	11.8	14.1	14.1	14.6	17.5	18.2
12. México	14.3	14.2	14.9	15.5	15.5	15.6
13. Nicaragua	13.6	14.4	13.3	13.4	14.4	14.6
14. Panamá	18.6	16.4	16.3	16.6	16.7	16.8
15. Paraguay	16.9	15.8	15.6	19.8	19.8	19.8
16. Peru	20.6	22.5	22.6	25.1	27.5	28.0
17. Dominican Republic	...	...	...	...	...	...
18. Uruguay	15.4	...	...	...	...	...
19. Venezuela	17.2	21.0	26.0 1/	...	...	...

1. Percentage of Gross Internal Budget represented by Gross Capital Formation.

/Table II.2 (cont.)

Table II.2 (cont.)

Sources:

Country numbers:

1 - "Cuentas Nacionales de la República Argentina" published by CONADE in "The Review of the River Plate," April 30, 1964.

2 - Information and projections of the "Biennial Plan for Economic and Social Development."

3 - Economic Action Program of the Revolutionary Government 1964-1966.

4 - Fulfillment of National Economic Development Program 1961-1970. Planning Board, CORFO.

5 - Figures prepared on the basis of series from the Bank of the Republic.

6 - 8, 9, 11 and 13. For 1961, 1962, and 1963, "Revisión of National Accounts" made by the national planning offices with the cooperation of the Joint Programming Mission for Central America. The projections for 1964, 1965, and 1966 are taken from the "General Guidelines" for preparing the plans of the respective Central American countries, drawn up by the aforementioned organizations. Doc. CIAP/107, Addenda. 1, 2, 3, 4, and 5.

7 - For 1961, General Economic and Social Development Plan, Book One, Table II-1. For 1962 and 1963, Appendices to the Annual Report of the General Manager of the Central Bank of Ecuador, 1963, Tables 4, 5, and 9.

12 - The data refer to Gross Domestic Fixed Capital Formation. For 1961-1965: figures from up-to-date programs of the Government of Mexico (Table II-11 of June 10, 1964). For 1966, the percentage increase foreseen in the report of the Government of Mexico to the CIAP (Doc. CIAP/87) was applied to the gross domestic fixed capital formation. To use the CNP as a basis for estimating the coefficient, it was increased from 1965 to 1966 at an estimated rate of 5 percent.

14 - For 1961 and 1962, series from the Statistics and Census Bureau. For 1963-1966, projections contained in the evaluation of the economic and social development program of Panama. Document presented by the Panel of Experts to the CIAP, Table 1.

15 - For 1961 and 1962, "Cuentas Nacionales del Paraguay" Vol. I, Technical Secretariat for Planning. For 1963-1966, estimates of the Secretariat of the CIAP. Doc. CIAP/115, Appendix B 1.

16 - Public Investment Program 1964-1965, Vol. I, Table III-2.

19 - For 1961, Report of the Central Bank, pp. 408 and 502. For 1962, average for 1959-1962, evaluation of the National Plan. For 1963, rate planned for the period 1963-1966, according to the Evaluation Report.

/Table II.3

Table II.3

PUBLIC INVESTMENT AS A PERCENTAGE
OF GROSS CAPITAL FORMATION

	1961	1962	1963	Estimated 1964	Projected 1965	Projected 1966
1. Argentina	22.2	...	...	...	...	...
2. Bolivia	56.2	56.1	34.8	44.4	...	...
3. Brazil	...	...	...	...	...	...
4. Chile	48.8	58.0	61.5	60.1	...	...
5. Colombia	...	23.7	14.9	22.8	...	...
6. Costa Rica	32.0	23.1	19.2	29.6	33.4	33.5
7. Ecuador	43.2	...	...	43.8	48.0	45.0
8. El Salvador	28.5	23.8	31.2	32.3	32.0	35.8
9. Guatemala	20.0	20.7	21.8	23.5	31.0	33.8
10. Haiti	...	38.3	...	...	...	...
11. Honduras	20.1	26.5	33.4	32.2	42.1	43.8
12. Mexico	42.9	44.9	48.1	47.9	45.5	44.7
13. Nicaragua	26.8	27.6	31.5	31.7	37.0	38.4
14. Panama	22.7	26.1	28.6	29.8	31.6	33.5
15. Paraguay	19.3	16.0	19.3	...	...	...
16. Peru	13.7	18.7	22.8	26.7	32.6	34.3
17. Dominican Republic	...	...	...	...	...	...
18. Uruguay	15.1	...	...	...	...	...
19. Venezuela	40.6	38.1	38.5	...	...	...

/Table II.3 (Cont.)

Table II.3 (Cont.)

Sources: Evaluation reports and working documents.

Country numbers:

1 - "Cuentas Nacionales de la República Argentina," published by CONADE in "The Review of the River Plate," April 30, 1964.

2 - Estimate based on the actual participation of public investment, or projected in the Biennial Plan for Economic and Social Development. Doc. CIAP/121.

4 - For 1961 and 1962, Document on Comparative Figures 1961-1962, CORFO. For 1963-1964, Document on Investments, Budget Bureau, May 22, 1964. The projections contained in the original plan for 1965 and 1966 are not represented in this table because of a recent decision of the Government to increase the amount of public investment. These projections, therefore, will be revised.

5 - Administrative Department for Planning and Technical Services, Doc. CIAP/98, Table 13.

6 - 8, 9, 11, and 13. For 1961, 1962, and 1963, Revision of National Accounts, made by national planning offices, with the cooperation of the Joint Programming Mission for Central America. Projections for 1964, 1965, and 1966 are taken from the "General Guidelines" for preparing plans of the respective Central American countries, drawn up by the aforementioned organizations. Doc. CIAP/107, Addenda 1, 2, 3, 4, and 5.

7 - For 1961, General Economic and Social Development Plan, Book One, Table II-26. For 1964, 1965, and 1966, National Planning Board.

10 - Doc. CIAP/132.

12 - Report of the Government of Mexico to the CIAP (Doc. CIAP/87) Tables 1 and 10.

13 - For 1961 and 1962, series from the Statistics and Census Bureau. For 1963-1966, projections contained in the evaluation of the Economic and Social Development Program of Panama.

15 - Ministry of Finance of Paraguay. Doc. CIAP/115, Appendices B1, C2, C3, and C4.

16 - Public investment program 1964-1965, Vol. I, Table III-2.

19 - For 1961, Report of the Central Bank, p. 556. For 1962, 1959-1962 average, according to the Evaluation of the National Plan. For 1963, rate planned for period 1963-1966, according to the same evaluation report.

/4. Nevertheless,

4. Nevertheless, the use of public investment as a dynamic factor in development is threatened by a perceptible weakening trend, attributable to the various causes that are braking the expansion of saving in the public sector. The Subcommittees noticed this phenomenon generally, and their conclusions in this respect appear in another section of this document.

5. It was difficult for the Subcommittees to draw definitive conclusions about the changes in the composition of public investment. The period under study is too short, and great differences exist between the countries. If any conclusion were possible it would be the great concentration of investment in infrastructure, especially in transportation, and the relative lack of attention to the investment needs of agriculture. The social sectors, that is, housing, and public health customarily receive between 20 and 30 percent of the public resources available for capitalization. Though comparisons are inappropriate--since the weight given to social programs in public-sector expenditures depends on many factors, among them the degree of development and the social structure--mention may well be made of the cases of El Salvador and Panama, where the proportion is higher, 40 percent or more, and those of Argentina, Bolivia, Paraguay, and the Dominican Republic, where the percentage is less than 12 percent.

/3. Some

3. Some Critical Problems of Latin American Development

1. The meetings of the Subcommittees threw into relief certain problems that, almost generally and despite the progress achieved, are still sources of concern of hazards to the development of the Latin American economies. The main ones can be summed up as follows: a) fluctuations in exports; b) the structure of the external debt; c) the vulnerability of public savings to a series of internal and external factors; d) inflationary pressures; e) short-comings in agricultural policy; and f) defects in the preparation of projects.

a. Exports

2. In examining the recent development and the prospects of the Latin American economies, the Subcommittees emphasized the importance of the export sector to the countries of the region, not only as a chief source of foreign-exchange income but also as a strategic basic variable in determining the levels of economic activity, employment and public sector revenue of most countries. An increase in imports constitutes, in general, a prerequisite to the entry of the national economy into a stage of self-sustaining development, especially in the case of such countries as Chile, which face chronic balance-of-payments difficulties and have largely exhausted their capacity to replace imported manufactured goods economically, and also in the case of the smaller countries of the region, where the small size of the domestic market limits the possibilities of increasing and diversifying production designed solely for the national market.

3. In Table II.4 the trends of recent years in the total value of the countries' exports and also those projected for the next two years may be observed. The analytical validity of the table is affected by the year that has been taken as a base, but in any event it reflects recent export trends. The decline or stagnation of the total value of exports of Argentina, Costa Rica, Haiti, Panama, and the Dominican Republic in 1961; of Ecuador and Guatemala in 1961 and 1962; of Brazil in 1962 and Colombia in 1961, 1962, and 1963 has adversely affected the likelihood of the region's maintaining a high rate of development and an adequate level of international reserves. Apart from the fluctuations, during the period 1961-1963 only a slight tendency toward an increase in the value of exports can be observed in most of the countries. As this group includes some of the larger countries, the regional totals are affected. In fact, the average annual rate of increase is 4.9, which implies that the increase in the value of exports per capita is small. It is significant that the rate anticipated for the period 1964-66 is even lower: 3.4 percent a year, though this is influenced by the case of certain countries that, for temporary reasons, have limits on the expansion of exports for those years. To be sure, in some of the countries the reduction in import capacity caused by declining or stagnant exchange income from exports, has also contributed, to a considerable extent, toward augmenting inflationary

/Table II. 4

Table II.4

LATIN AMERICA - F.O.B. VALUE OF EXPORTS OF GOODS. ACTUAL FIGURES 1960-1963, ESTIMATES 1964, AND PROJECTIONS FOR 1965 AND 1966 a/

(Indices, 1960 = 100)

	1960	1961	1962	1963	1964	1965	1966
Argentina	100.0	89.3	112.7	126.5	137.1	126.0	130.5
Bolivia	100.0	110.1	114.0	132.2	154.4	176.1	186.2
Brazil	100.0	110.6	95.6	110.8	114.2	122.0	126.0
Colombia	100.0	96.4	99.4	97.4	115.2	121.2	127.1
Costa Rica	100.0	98.2	108.1	111.3	124.9	113.1	129.6
Chile	100.0	92.5	100.9	112.8	115.5	117.1	124.8
Ecuador	100.0	89.2	96.6	108.5	120.9	128.1	134.5
El Salvador	100.0	102.1	118.9	131.7	144.5	159.2	166.8
Guatemala	100.0	98.0	97.2	127.7	153.2	151.4	159.2
Haiti	100.0	85.0	105.8	113.1	108.9	110.5	125.5
Honduras	100.0	115.1	128.1	129.5	132.8	136.3	146.0
Mexico	100.0	107.4	120.0	125.0	130.5	136.3	139.1
Nicaragua	100.0	109.4	141.5	167.0	202.2	222.2	231.0
Panama b/	100.0	107.3	153.0	181.1	210.9	216.0	221.9
Paraguay	100.0	119.3	109.8	107.3	120.1	125.3	136.1
Peru	100.0	114.8	125.1	124.9	141.0	152.7	161.7
Dominican Republic	100.0	88.2	107.9	110.7	108.0	106.7	110.5
Uruguay	100.0	135.0	118.5	127.7	146.2	158.4	155.3
Subtotal	100.0	102.2	108.6	118.5	127.7	130.8	136.2
Venezuela	100.0	102.5	105.2	106.5	110.9	115.4	120.0
Total	100.0	102.3	107.6	114.9	122.7	126.2	131.3

a. See notes to Tables II.14 and II.15.

b. The significant increase in exports observed in Panama beginning in 1962 is due primarily to increases under two headings of petroleum derivatives, since the refinery installed in that country began operations.

Source: Table II.16.

/pressures.

pressures. As will be seen in the following paragraphs, this behavior of export values has been determined in large part by variations in the price levels of basic products (see Tables II.5 and II.6).

4. As can also be observed in Table II.4, the value of exports during 1963, and apparently also during 1964, has in regional terms reached a rate of increase higher than that of the two preceding years; a large proportion of this increase is due to the recovery experienced by the prices of most of the basic products in those two years (see also Tables II.5 and II.6). For 1965 and 1966 a moderate increase in the value of exports has been projected, on the supposition that a relatively stable level of prices will be maintained.

5. The importance of the price level of export products in estimating the needs for external financing, which was noted by the Subcomittees, can be clearly observed if the following points are borne in mind:

a. The data in Table II.5, already cited, indicated that between 1958 and 1962 the physical volume of Latin American exports increased by 27 percent, while the purchasing power of these exports increased by only 13 percent; in 1963, the increase in volume exported was 4 percent and its purchasing power rose by more than 7 percent. If the relative price levels of 1958 had been maintained, the real value of Latin American exports would have been greater by about $950 000 000 in 1962 and by $725 000 000 in 1963. Price fluctuations such as those of recent years can augment or diminish the region's needs for external financing by amounts similar to these.

b. About 70 percent of the total exports of the Latin American countries during the period 1960-63 was made up by foreign sales of only nine products, as can be seen in Table II.7. A variation of merely 1 percent in the value of exports of these 9 products would represent more than $60 000 000 a year.

c. In Table II.8 may be seen the percentage represented by each country's chief export product in the total value of its exports. Averaging the years 1960-63, in 12 of the 19 countries of the region a single product represented more than 50 percent of the value of total exports. In Table II.6 are shown the price trends of these chief products during recent years, including those in effect in mid-1964. On many occasions the Subcommittees recognized the need to maintain a high level for the value of these traditional exports, since they constitute and during the immediate future will continue to constitute the main source of the foreign exchange required for the development of the region.

6. In addition, the subcommittees repeatedly pointed out the importance of diversifying exports as a means of lessening dependence on the market for a single product, and to avoid the impact of its fluctuations, which are found in most Latin American economies. Naturally, this should not bring about a lack of attention to traditional exports. In various cases, that of Mexico in particular, the subcommittees pointed out the progress achieved in

/Table II.5

Table II.5

LATIN AMERICA: VALUE, VOLUME, AND UNIT VALUES OF FOREIGN TRADE, 1960-63

	1960	1961	1962	1963
Value		Millions of current dollars		
Exports	7 972	8 167	8 600	9 196
Imports	7 443	7 730	7 769	7 477 a/
Volume		(Indices, 1958 = 100)		
Exports	113	117	127	132
Imports	99	102	103	98
Unit Value		(Indices, 1958 = 100)		
Exports	95	93	91	94
Imports	101	102	102	102
		(Indices, 1958 = 100)		
Terms of Trade	94	91	89	92

a. The total figure for 1963 imports of 7 594 million dollars that appears in Table 4 of Section IV has been adjusted in the amount of 117 million dollars, which amount corresponds to the overestimation contained in the official statistics of Chilean imports for that year.

Source: Value: Minutes and working documents of the Subcommittees of the CIAP.
Volume: Value divided by the unit values.
Unit Values: Exports, United Nations, Monthly Bulletin of Statistics, April 1964. Imports, Index of prices of world exports of manufactured products.

/Table II.6

Table II.6

LATIN AMERICA: INDICES OF PRICES OF BASIC EXPORT PRODUCTS
(1958 = 100)

Product	Base country	Unit	Indices				
			1960	1961	1962	1963	1964 1/
Petroleum	Venezuela 2/	Barrel	91.8	91.8	91.8	91.8	91.8
Coffee	Brazil	100 lbs.	79.4	78.6	73.5	71.8	...
	Colombia	100 lbs.	85.8	83.3	77.9	75.6	92.9
Cotton	Mexico	100 lbs.	92.8	93.2	89.9	91.7	91.0
Copper	United States 3/	100 lbs.	123.8	115.4	118.1	118.1	121.9
Meat 4/	Argentina	1 000 Tons.	110.2	109.6	88.1	94.0	107.7
Sugar	Dom. Republic	100 lbs.	96.1	96.1	132.4	173.7 5/	123.7 5/
Wool	Uruguay	100 lbs.	118.5	110.3	119.2	133.1	161.7
Banana	United States 3/	100 lbs.	87.6	85.0	83.1	77.1	84.3
Tin	United States 3/	100 lbs.	106.6	119.1	120.5	122.8	163.5
Quebracho	Paraguay	100 lbs.	82.2	68.1	73.8	77.2	76.4

1. Percentages based on prices in June 1964 (provisional estimates)
2. List prices
3. Price of imports
4. Price average for all types of exported meat, taken from Doc. CIAP/140, Table 15, p. 105
5. Provisional estimate

Source: IMF, International Financial Statistics.

/Table II.7

Table II.7

RELATION BETWEEN THE VALUES OF NINE EXPORTS PRODUCTS AND THE VALUE OF TOTAL LATIN AMERICAN EXPORTS (IN PERCENTAGES OF THE TOTAL)

	1960	1961	1962	1963	Average 1960-63
Petroleum	28.5%	29.3%	28.5%	27.2%	28.4%
Coffee	18.2	17.0	15.9	15.6	16.7
Cotton	4.1	5.0	6.1	5.7	5.2
Copper	5.3	5.0	5.0	4.9	5.1
Meat	3.8	3.8	4.0	4.8	4.1
Sugar	3.2	3.5	3.0	3.7	3.4
Wool	2.7	3.1	2.6	2.7	2.8
Iron	2.9	2.5	2.3	2.0	2.4
Bananas	2.4	2.3	2.1	2.2	2.2
Total 9 products	71.1	71.5	69.5	68.8	70.3

Note: In estimating these percentages account has not been taken of the exports of these products by those countries where their importance is relatively small.

Sources: Minutes and working documents of the Subcommittees of the CIAP. International Financial Statistics.

/Table II.8

Table II.8

RELATION BETWEEN THE VALUE OF EXPORTS OF THE PRINCIPAL EXPORT PRODUCT OF EACH COUNTRY AND THE VALUE OF TOTAL EXPORTS (IN PERCENTAGES OF THE TOTAL)

		1960	1961	1962	1963	Average 1960-1963
Argentina	**carne**	20.3%	22.5%	18.8%	24.5%	21.6%
Bolivia	**estaño**	78.7	83.9	87.1	79.7	82.4
Brazil	**café**	56.0	50.5	52.9	52.8	53.0
Colombia	**café**	67.0	66.7	69.5	65.4	67.1
Costa Rica	**café**	53.2	51.2	51.6	47.5	50.8
Chile	**cobre**	62.8	63.6	64.7	62.7	63.5
Ecuador	**banano**	53.9	61.1	55.7	62.6	60.0
El Salvador	**café**	79.0	60.9	54.8	48.8	59.2
Guatemala	**café**	65.6	62.8	62.4	53.0	60.5
Haiti	**café**	44.6	40.1	52.1	37.1	43.5
Honduras	**banano**	44.2	58.2	45.7	40.9	47.1
México	**algodón**	20.1	18.9	23.1	19.5	20.5
Nicaragua	**algodón**	23.0	26.2	34.6	37.3	31.5
Panama 1/	**banano**	60.3	62.0	43.5	43.0	52.2
Paraguay	**carne**	19.3	19.6	22.3	26.8	21.9
Peru 2/	**cobre**	21.3	20.5	16.5	16.0	18.4
Dominican Republic	**azúcar**	55.9	48.2	57.1	57.9	55.1
Uruguay	**lana**	51.6	62.9	53.2	51.5	55.1
Venezuela	**petróleo**	90.9	92.8	93.5	93.6	92.7

1. Excludes exports of goods to the Canal Zone.
2. In 1963 the principal export product of Peru was fish meal (23.7 percent of the total) and the second-ranking was cotton (17.5 percent). The average participation of these products in the total value of exports during 1960-63 was 14.2 percent for the fish meal and 16.9 percent for cotton.

Source: Minutes and Working Documents of the Subcommittees of the CIAP. International Financial Statistics.

/diversification as

diversification as a result of government policies aimed at stimulating new exports, but they stated that in most countries of the region the effort made has not been properly coordinated and has not given the results required.

7. Participants in the meetings of the subcommittees said on various occasions that the achievement of a rate of growth of exports consistent with the development requirements of the region, depends, to a great extent, on the progress made in Latin American economic integration. In this regard, it was recognized that satisfactory progress in this direction had been achieved by the Central American countries and it was indicated that it was important for the other countries of the region to accelerate the process begun with the creation of LAFTA.

8. Briefly, it can be affirmed that the following are the principal reasons that exports have not in recent years reached the levels required for an accelerated development of the regional economy: a. the relatively low level of prices of basic products; b. the expansion in the volume of exports of certain basic products at a rate lower than that required so that, taking into account the variations in price levels, the rates of growth in the value of exports that are required for the development of the region will be reached; c. the slowness of the process of diversification of exports, particularly in regard to manufactured products; d. the slowness that is also observed, except in Central America, in Latin American integration, and e. in general, the absence in most of the countries of the region of a joint policy designed to promote and diversify exports.

b. Indebtedness

9. The subcommittees of the CIAP recognized that external indebtedness constitutes one of the most serious financial problems confronting the region and gave special attention to the fact that the terms under which the debt was contracted have been, in many cases, inadequate for the long-term development requirements of the Latin American countries, and that in a large number of the countries it has made the balance-of-payments problems more acute, both in recent years and for the immediate future.

10. The dates of maturity of the external debt during the next two years represent an excessively high proportion of the anticipated foreign exchange receipts from exports. This situation is particularly serious in the cases of Brazil, Chile, Colombia, Argentina, and Uruguay. In those cases, and in those of other countries where the problem is not so serious, a large portion of these maturities correspond to debts contracted at short-term by the monetary sector; suppliers credits also granted at short and medium term; and to arrears in payment for imports and other short-term commercial debts that have partly been assumed by the public and monetary sectors.

/11. Table II.9

11. Table II.9 shows the proportion of the value of merchandise exports that, during the past three years, has been represented by amortization payments by the public and monetary sectors, as well as the relation existing between the maturities of debts of those sectors and the exports projected for 1964, 1965 and 1966. It should be pointed out that the projections are not directly comparable to the historical data for the following reasons:

a. In most cases, the statistics available for recent years show only the obligations paid and not those with extended maturity dates, while in the projections for 1965 and 1966, all the official debts that fall due within the next few years have been included;

b. The estimates for 1964 correspond in some cases to total maturities of official debts during the current year; in others, the figures presented to the subcommittees for consideration alread. include deductions for extensions in the payment of certain debts.

Also because of statistical classification difficulties, the figures for Brazil include the amortization of long-term credits for the private sector, since it had not been possible to determine separately the amount of such amortizations corresponding to the public and monetary sectors.

12. The subcommittees pointed out the need for rearranging the external debt situation of the countries of the region, emphasizing in this connection the desirability of limiting the contracting of short-term debts in the future. In various cases, it was recommended to the governments that they strengthen or establish control methods for this kind of indebtedness. In the same way, in the most urgent cases, the financing agencies were requested to give special consideration to the special needs created by short-term indebtedness.

13. Because of the definitions used by many countries in recording remittances abroad in their balance of payments, it has not been possible to determine the proportion of foreign exchange receipts represented by the total service of official external debt, including amortization and interest payments. Solely as a provisional estimate, it may be considered that the interest payments on the external debt of the public and monetary sectors amount to about 5 percent of the value of the exports of the region, excluding Venezuela.

c. Public savings

14. The subcommittees observed that all the Latin American countries have been makin various kinds of efforts, since the signing of the Charter of Punta del Este, to increase savings by the public sector as a means of increasing investment capacity and, finally, improving the utilization of the available external resources. As can be seen in

/Table II.9

Table II.9

LATIN AMERICA: AMORTIZATION BY THE PUBLIC AND MONETARY SECTORS AS A PERCENTAGE OF EXPORTS OF GOODS F.O.B., ACTUAL FIGURES, 1961-1963, ESTIMATES 1964, AND PROJECTIONS FOR 1965 AND 1966 a/

	Actual Figures (Payments) b/			Projections (Maturities) b/		
	1961	1962	1963	1964	1965	1966
Argentina	15.4%	12.7%	3.3%	26.2%	37.1%	24.0%
Bolivia	23.3	10.4	15.9	15.5	11.7	16.3
Brazil	24.1	23.2	...	46.5	46.7	20.2
Colombia	6.9	5.6	6.8	10.4	22.8	18.2
Costa Rica	19.1	14.9	6.8	11.9	12.1	8.3
Chile	7.0	8.5	6.9	18.5	32.3	41.0
Ecuador	4.9	5.8	3.8	10.1	5.6	5.5
El Salvador	3.3	3.4	1.8	2.3	2.7	2.8
Guatemala	3.1	10.6	5.0	3.6	4.6	4.6
Haiti	0.6	0.2	0.2	0.1	5.4	3.9
Honduras	6.6	2.6	1.7	1.8	1.8	2.0
Mexico	21.8	28.4	23.8	21.2	15.5	16.0
Nicaragua	3.8	4.5	4.1	3.4	3.1	3.1
Panama	2.5	2.8	3.3	3.4	4.6	4.7
Paraguay	5.6	4.9	6.8	8.1	5.8	4.5
Peru	6.6	6.9	6.4	5.7	5.1	5.9
Dominican Republic	0.1	2.1	...	21.3	1.4	2.5
Uruguay	6.4	3.1	2.4	23.5	23.4	15.1
Subtotals	14.6	14.4	...	22.7	25.4	17.6
Venezuela	10.7	6.6	5.1	2.3	1.3	1.3
Totals	13.5	12.2	...	17.2	18.8	13.1

a. See notes to Tables II.14, II.15, and II.23.

b. Historic figures for amortizations refer to payments actually made and do not include debts deferred at their maturity. Projections include all due dates of official obligations, without taking into account the possibility of their deferral.

Sources: Tables II.16 and II.23.

/Table II.10.

Table II.10, the great majority of the countries have achieved, since 1961, an appreciable and in some cases notable increase in public savings. This is undoubtedly one of the most revealing indices of the large domestic effort the Latin American countries are making in the Alliance for Progress. Nevertheless, it can be concluded from the examinations by country that saving by the public sector still constitutes one of the critical fields in which domestic effort is most necessary. In fact, there are various countries in which the rate of public saving continues to be negative, and there are others in which it is suffering a rapid deterioration. In addition, the countries frequently mentioned the difficulties they had encountered in trying to achieve even greater increases in domestic saving. It is likewise evident that action must be oriented toward counteracting the following obstacles: a) tax inflexibility; b) a rapid increase in expenditures; c) rigidity of the rates of public service enterprises; d) inadequate structure of the social security system; and e) inflationary pressures.

15. The current revenues of fiteen Latin American countries have risen substantially, especially notable on the cases of the Dominican Republic, El Salvador, Nicaragua, Mexico, and Peru, which have had increases of more than 100 percent from 1961 to 1963. However, those of Argentina, Paraguay, and Uruguay have shown reductions in real terms, while those of Colombia remained stationary.

16. The subcommittees, after recognizing the great efforts made, stated that, with respect to points a. and b. of paragraph 14 above, in most cases, the maintenance of the rising level of tax revenues, 1/ accompanied in some cases by greater control or in others by a reorganization of expenditures, is necessary if one wishes to achieve the magnitudes of public saving that are required for financing the public investment goals that are necessary in all the countries of the region.

17. The inadequate structure and the rigidity of the rates of certain public service enterprises have resulted, in some cases, as in Argentina, Brazil, and Colombia, in these enterprises, encountering considerable operating difficulties, which make them unable to finance their expansion and modernization with their own funds or to contract loans for this purpose within or outside the country. It is frequently necessary for them to be subsidized by the rest of the public sector, which, in turn, constitutes a draining off of resources that otherwise could and should be devoted to the development of the national economy. For some countries that drain reaches such a magnitude that it is the cause of the fiscal deficit and the principal origin of inflationary financing. The subcommittee attributed special importance to the introduction of a rate policy that would gradually lead to a solution of this problem. In this

1. A fuller discussion of this point is found in the Section below on "fiscal reform."

/Table II.10

Table II.10

TRENDS OF PUBLIC SAVING 1/2/

		SERIES OF ABSOLUTE FIGURES (Millions of units of national currency at constant prices*)						INDICES 3/ (First year of the series equals 100)					
					Budget	Projection							
		1961	1962	1963	1964	1965	1966	1961	1962	1963	1964	1965	1966
1. Argentina 2/	(1960)	29900.0	4400.0	14600.0	-1900.0	...	...	100.0	14.7	48.8	-106.4	...	...
2. Bolivia 1/3/	(1961)	-197.3	-127.0	-94.7	+24.4	...	...	-100.0	-64.4	-48.0	+112.4	...	...
3. Brazil 2/3/	(1960)	-29600.0	-59700.0	-45700.0	...	...	...	-100.0	-201.7	-154.4	...	...	...
4. Chile 2/	(1961)	83.4	52.4	105.8	150.1	...	...	100.0	62.8	126.9	180.0	...	...
5. Colombia 2/	(1961)	418.8	192.3	638.7	684.3	...	...	100.0	45.9	152.5	163.4	...	...
6. Costa Rica 1/	(1962)	83.8	102.1	106.6	154.8	177.4	179.2	100.0	121.8	127.2	184.7	211.7	213.8
7. Ecuador 1/	(1964)	319.1	402.6	n.d.	377.8	517.1	662.6	100.0	126.2	n.d.	118.4	162.0	207.6
8. El Salvador 1/	(1962)	17.0	30.9	42.8	60.2	76.2	88.6	100.0	181.8	251.8	354.1	448.2	521.2
9. Guatemala 1/	(1962)	n.d.	16.0	23.0	n.d.	31.3	40.0	n.d.	100.0	143.7	n.d.	195.6	250.0
10. Haiti 1/2/	(Current gourdes)	-6.2	-2.5	-1.8	-0.3	...	...	-100.0	-40.3	-29.0	-4.8	...	...
11. Honduras 1/	(1962)	11.6	9.8	16.2	23.3	30.5	34.9	100.0	84.5	139.7	200.9	262.9	300.9
12. Mexico 1/	(1963)	7094.0	7365.0	8324.0	8890.0	9572.0	...	103.8	117.3	125.4	134.9	...	...
13. Nicaragua 1/	(1958)	55.7	93.4	129.1	150.1	171.7	193.1	100.0	167.7	231.8	269.5	308.3	346.7
14. Panama 2/	(Current balboas)	0.9	2.8	4.2	6.0 5/	12.3	19.4	100.0	311.1	466.7	666.7	1366.7	2155.6
15. Paraguay 1/	(Current guaranis)	1516.0	1631.0	1009.0	...	...	...	100.0	107.6	66.6	...	...	...
16. Peru 1/	(1960)	2129.0	2445.0	2741.0	3004.0	4259.0	4768.0	100.0	114.8	128.7	141.1	200.0	224.0
17. Uruguay 2/3/	(1961)	38.0	-688.0	-333.0	...	...	...	100.0	-1810.5	-876.3	...	...	...
18. Venezuela 1/	(Bolivares ctes.)	n.d.	2283.9	2545.1	2667.0 4/	...	...	n.d.	100.0	111.4	116.8	...	...

* In prices of the year indicated in parenthesis after country name.

1. Savings of the Public Sector.
2. Savings of the Central Government.
3. The minus signs indicate that the series contain deficits.
4. Operational plan.
5. Projected in the evaluation.

/Table II.10 (Cont.)

Table II.10 (cont.)

Sources:

Country number:

1. Doc. CIAP/140, Tables 6 and 8. Deflation of current expenditures was done by using the implicit price deflator for "Total Expenditures", Table 6.
2. Doc. CIAP/121, Table 6. The deflation was made by using the country's cost of living index series contained in International Financial Statistics for 1958 to 1961.
3. Ministry of Planning, Brazil. Doc. CIAP/142. Tables 9 and 10.
4. Bureau of the Budget. Doc. CIAP/128, Table 17. The deflation was done by using the wholesale price indices. of imported and national products from International Financial Statistics for 1958 to 1961.
5. Administrative Department for Planning and Technical Services, May 1964. Doc. CIAP/98, Table 11. The deflation was made by using the series of wholesale price indices of imported and national products from International Financial Statistics for 1958 to 1961.

6, 8, 9, 11, and 13. For 1961, 1962, and 1963, Revisions of the General Government Accounts made by the national planning offices and the budget bureaus, in cooperation with the Joint Programming Mission for Central America. Projections for 1964, 1965, and 1966 are taken from general guidelines for preparing plans of the respective Central American countries, drawn up by the aforementioned organizations. Doc. CIAP/107, Addenda 1, 2, 3, 4, and 5.

7. General Economic and Social Development Plan.
10. Doc. CIAP/132, p. 17.
12. Based on the projection of actual expenditures of the federal government in the three-year period 1963-1965 and on tax revenue of the federal government foreseen in 1963-1965, Ministry of Finance and Bank of Mexico. "Evaluation of the Immediate Action Plan of Mexico," document presented by the Panel of Experts to the CIAP. Tables VI-6, VI-8, and VI-9.
14. "Evaluation of the National Economic and Social Development Plan of Panamá." Table B-5.
15. Ministry of Finance. Doc. CIAP/115, Appendices C 2, C 3, and C 4.
16. National Institute of Planning. Program of the Public Sector.
17. Official estimates and estimates of the Secretariat of the CIAP. Doc. CIAP/126, page 33. The deflation was made using the cost-of-living index contained in International Financial Statistics.
18. Report of the Ministry of Finance. National Plan. Public Finances, Operational Plan 1964. Special message of the President of the Republic to the National Congress, May 1964. Report of the Central Bank 1962. VI Presidental Message. Doc. CIAP/102, Table 10.

/Table II.11

Table II.11

CURRENT INCOME AND ITS TREND 1/2/

		SERIES OF ABSOLUTE FIGURES (Millons of units of national currency at constant prices*)						INDICES (First year of the series equals 100)					
					Budget	Projection							
		1961	1962	1963	1964	1965	1966	1961	1962	1963	1964	1965	1966
1. Argentina 2/	(1960)	117300.0	91600.0	91900.0	82500.0	...	...	100.0	78.1	78.3	70.3	...	...
2. Bolivia 1/	(1961)	1367.9	1360.5	1414.6	1464.0	...	...	100.0	99.5	103.4	107.0	...	...
3. Brazil 2/	(1960)	222400.0	236400.0	253800.0	...	...	...	100.0	106.3	114.1	...	...	...
4. Chile 2/	(1961)	796.1	886.6	815.8	873.8	...	...	100.0	111.4	102.5	109.8	...	...
5. Colombia 2/	(1961)	2199.4	2090.7	2496.3	2274.8	...	...	100.0	95.1	113.5	103.4	...	...
6. Costa Rica 1/	(1962)	515.0	580.7	589.3	663.3	698.1	733.2	100.0	112.8	114.4	128.8	135.6	142.4
7. Ecuador 1/	(1964)	2678.4	2748.7	n.d.	3332.5	3649.0	3981.7	100.0	102.6	n.d.	124.4	136.2	148.6
8. El Salvador 1/	(1962)	174.9	194.9	212.8	229.7	263.0	288.4	100.0	111.4	121.7	131.3	150.4	164.9
9. Guatemala 1/	(1962)	n.d.	102.0	115.0	n.d.	131.0	144.0	n.d.	100.0	112.7	n.d.	128.4	141.2
10. Haiti 1/	(Current dollars	29.4	36.1	35.1	36.5	...	...	100.0	122.8	119.4	124.1	...	...
11. Honduras 1/	(1962)	86.0	87.2	88.8	104.2	114.7	125.5	100.0	101.4	103.3	121.2	133.4	145.9
12. Mexico 2/	(current pesos)	12278.0	13629.0	15508.0	17353.0	19134.0	...	100.0	111.0	126.3	141.3	155.8	...
13. Nicaragua 1/	(1958)	302.7	357.2	369.9	434.2	479.1	521.7	100.0	118.0	122.2	143.4	158.3	172.3
14. Panama 2/	(current balboas)	62.9	67.6	73.7	79.9	89.2	101.0	100.0	107.5	117.2	127.0	141.8	160.6
15. Paraguay 1/	(current guaranis)	7357.0	7543.0	6318.0	...	...	...	100.0	102.5	85.9	...	...	...
16. Peru 1/	(1960)	11094.0	12905.0	14109.0	16750.0	18657.0	19964.0	100.0	116.3	127.2	151.0	168.2	180.0
17. Dominican Rep. 2/	(1962)	128.7	151.0	162.3	181.9	...	...	100.0	117.3	126.1	141.3	...	...
18. Uruguay 2/	(1961)	2280.0	2013.5	2062.8	...	...	...	100.0	88.3	90.5	...	...	...
19. Venezuela 2/	(bolívares ctes.)	n.d.	5910.3	6593.7	6821.0 3/	...	...	n.d.	100.0	111.6	115.4	...	...

* At prices of the year indicated between parenthesis after the name of each country.

1. Public sector
2. Government sector
3. Operational plan

/Table II.11 (Cont.)

Table II.11 (Cont.)

Sources:

Country number:

1. Doc. CIAP/140, Table 8.
2. Doc. CIAP/121, Table 6. The deflation was made using the cost-of-living indices contained in International Financial Statistics.
3. Ministry of Planning, Brazil. Doc. CIAP/142, Table 10.
4. Bureau of Budgets. Doc. CIAP/128, Table 17. The deflation was made using the series of wholesale price indices for imported and national products from International Financial Statistics.
5. Administrative Department of Planning and Technical Services, May 1964. Doc. CIAP/98, Table 11. The deflation was made using the series of wholesale price indices for imported and national products from International Financial Statistics.

6, 8, 9, 11, and 13. For 1961, 1962, and 1963, Revision of the accounts of the general government made by the national planning offices and the budget bureaus, in cooperation with the Joint Programming Mission for Central America. The projections for 1964, 1965, and 1966 are taken from the general guidelines for preparing plans of the respective Central American countries, drawn up by the aforementioned organizations. Doc. CIAP/107, Addenda 1, 2, 3, 4, and 5.

7. General Economic and Social Development Plan.
10. Doc. CIAP/132, p. 17.
12. Based on expected tax revenue of the federal government in 1963-1965, Ministry of Finance group and Bank of Mexico. "Evaluation of the Immediate Action Plan of Mexico," document presented by the Panel of Experts to the CIAP, Tables VI-8, and VI-9.
14. "Evaluation of the National Economic and Social Development Program of Panama." Table B-4.
15. Ministry of Finance. Doc. CIAP/115, Appendices C2, C3, and C4.
16. Program of the public sector, National Planning Institute.
17. Central Bank. Doc. CIAP/123, p. 13. The deflation was made using the wholesale price index of national and imported products for 1962 contained in International Financial Statistics.
18. Official estimates and estimates of the Secretariat of the CIAP, Doc. CIAP/126, p. 33. The deflation was made using the cost-of-living index contained in International Financial Statistics.
19. Annual report of the Ministry of Finance. National plan. Public finances, operational plan 1964. Special message of the President of the Republic to the National Congress, May 1964. VI Presidential Message. Doc. CIAP/102, Table 10.

/context,

context, in dealing with the almost universal problem of the deficits of the railroads, during the meetings of the subcommittees of Mexico the possibility was suggested of an exchange of opinions between Latin America, United States, and European authorities, to study solutions to the problem.

18. The stages of development reached by the social security systems of the various Latin American countries raise different problems. In some, an expansion of the system would be advisable, to extend its coverage to a large part of the population that at present is not protected by it. In other countries, social security has attained almost total coverage, but there are a large number of parallel systems and their efficiency is far from what would be desirable. These situations were recognized as factors that limit the system's capacity for saving. In some cases, finally, the coverage is such that the social security system accounts for a substantial proportion of the tax burden, so that it has become a limit on the possibilities of expansion of the revenues of the public sector. In those cases, the generation of savings in the social security systems and their best utilization are decisive for capital formation.

19. The fact that saving by the public sector is still one of the critical fields for domestic effort, as was indicated in paragraph 1 of this section, was particularly evident in the cases of certain countries, such as Costa Rica and Uruguay, in which the lack of real resources in national currency has constituted one of the obstacles to a more rapid utilization of the external loans already granted. The subcommittees on those countries, as well as those on El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Paraguay, stated that the future capacity of their economies to make investments and to increase the flow of external resources would depend to a large extent on the speed up that is achieved in the growth of public saving.

d. Agricultural policy

20. The subcommittees noted, in the cases for which information was available, that the growth of the agricultural sector has generally been slower than that of the total product of the countries of the region (see Table II.12). This fact, which would not be strange, given the trends of demand, in countries with a more diversified structure of production and exports, is strange when it is considered that the growth of agricultural production includes that part intended for export, which in most of the cases is substantial. This suggests that the per capita production for domestic consumption either has increased very slowly, or has remained stationary, or may even have declined, as in the case in Argentina, Brazil, Chile, Central America, and Peru.

/Table II.12

Table II.12

LATIN AMERICA - INDICES OF PER CAPITA GROWTH 1961-1963

(Base: 1961 = 100)

	Gross Domestic Product			Product of the Agricultural Sector		
	1961	1962	1963	1961	1962	1963
1. Argentina	100.0	95.0	88.6	100.0	98.7	95.1
2. Bolivia	100.0	101.6	105.2	100.0	100.9	108.3
3. Brazil	100.0	102.1	100.5	100.0	102.7	99.7
4. Chile	100.0	104.7	104.9	100.0	95.3	91.3
5. Colombia	100.0	102.6	103.9	100.0	102.2	100.7
6. Costa Rica	100.0	104.7	108.1	100.0	109.9	...
7. Ecuador	100.0	101.8	104.0	100.0	103.0	104.2
8. El Salvador	100.0	105.4	109.9	100.0	114.2	116.8
9. Guatemala	100.0	99.5	103.8	100.0	104.9	...
10. Haiti	100.0	103.8	103.9	...	...	...
11. Honduras	100.0	102.7	101.6	100.0	102.8	106.1
12. Mexico	100.0	101.8	104.6	100.0	101.9	100.3
13. Nicaragua	100.0	107.4	115.9	100.0	112.5	123.8
14. Panama	100.0	106.8	107.5	100.0	101.6	...
15. Paraguay	100.0	98.8	101.0	...	...	...
16. Peru	100.0	104.3	105.4	100.0	107.3	94.3
17. Dominican Republic	100.0	107.0	111.3	...	...	...
18. Uruguay	100.0	96.5	93.2	...	...	...
19. Venezuela	100.0	103.9	106.7	100.0	107.3 1/	112.5 1/

... No data available.
1. Aggregate value.

/Table II.12 (Cont.)

Table II.12 (Cont.)

Sources: The indices of gross domestic product were prepared on the basis of growth rates contained in Table II.1 of this document. To estimate per capita indices, growth rates of population contained in Table II.1 were used. Indices of the product of the agricultural sector were taken from the sources indicated below. (Numbers refer to countries.)

1. Doc. CIAP/140, Table 1.
2. Doc. CIAP/121, Table 1.
3. Brazilian Institute of Economy, Economic Board, February 1964, Doc. CIAP/142, p. 24.
4. Fulfillment of the National Economic Development Program, 1961-1970; Planning Board, CORFO, Doc. CIAP/128, Table 2.
5. For 1961 and 1962, Bank of the Republic "Cuentas Nacionales 1950-1961" and "Cuentas Nacionales 1962." For 1963, preliminary estimate prepared by the IBRD. Doc. CIAP/98, Table 1.
6. Department of Economic Studies, Central Bank of Costa Rica: "Sistema de Cuentas Nacionales de Costa Rica, 1950-1962", Table II, p. 58.
7. For 1961, General Economic and Social Development Plan, Book One, Table II.1. For 1962 and 1963, estimates of the Central Bank and of the National Economic Planning Board, Table 1 of the "Resumen de la Evolución de la Economía Ecuatoriana, las Metas Principales y el Financiamiento del Plan en 1964-1965," working document presented by the technical personnel of the Panel of Experts to the Subcommittee of the CIAP on Ecuador.
8. Series prepared by the Planning Office to be used as a basis for the over-all projection of the gross domestic product.
9. Revision of the National Accounts made by the Planning Office, with the cooperation of the Joint Programming Mission for Central America.
11. Department of Economic Studies, Central Bank, Economic Report 1963, Table 1.
12. Annual Report of the Bank of Mexico, Department of Economic Studies.
13. For 1961 and 1962, series prepared by the Planning Office for the "Analysis of the Economic and Social Development of Nicaragua 1950-62," Appendix Table No. 17. For 1963, continuation of the series prepared by the Central Bank in its Annual Report of 1963, Table No. 30.
14. Information sent by the Statistics and Census Bureau to the technical personnel of the Panel of Experts.
16. Public investment program, Table II.2. National Planning Institute. Doc. CIAP/151, Table II.4.
19. Prepared on the basis of information published in the National Plan.

/By way

By way of illustration, consider the case of Nicaragua, one of the countries showing a rapid growth in the gross agricultural product:

	1962	1963	Index (1962=100)
	(Millions of córdobas of 1958)		
Gross agricultural product	772.4	874.3	113.2
Of which:			
Product for export	366.4	465.4	127.0
Product for domestic consumption	406.0	408.9	100.7

Source: Central Bank, Annual Report 1963, Table No. 30.

Furthermore, even the total gross product per inhabitant of the sector has declined in a large number of countries in the area.

In the case of Central America, it is seen that the increase in imports of food products was in the period from 1950 to 1960 almost three times greater than the rate of expansion of the product of the agricultural sector, which is a symptom of the pressure of demand. The subcommittees called these trends one of the most important structural distortions to explain not only the slow rate of development but also the appearance and intensification of inflationary pressures.

21. A preliminary analysis of the development of the agricultural sector in most of the countries of the region confirms the importance that has been given to certain obstacles that have led to the situation described in the preceding paragraph. Among the principal ones are these: a) defects in the agrarian structure, particularly in land tenure; b) technological stagnation or slow progress that is reflected in low yields; and c) structural and functional defects in the marketing systems, which are translated into a deterioration of the relationship between the prices received and those paid by the farmers.

22. When structural reforms are dealt with, the policies of the countries of the region in regard to agrarian structure will be examined. With respect to other obstacles, the subcommittees emphasized the passiveness with which the development of the agricultural sector is contemplated. The absence of sufficiently coherent and incisive policies oriented toward the promotion of production has prevented giving a timely stimulus to crop and stock raising. Even in the cases of the countries that have a development plan in execution, the subcommittees observed that, in general, there was a considerable lack of attention to the agricultural sector and of coordination between this sector and the general program. In the case of Colombia, for example, the CIAP offered its collaboration to that country

/to accelerate

to accelerate and complete the preparation of subsectoral plans that would facilitate such coordination. The subcommittees that studied the countries that are in the process of preparing their economic and social development plans expressed the hope that they would avoid the deficiency mentioned in the preceding paragraph.

e. The preparation of projects in planning

23. The subcommittees noted with satisfaction the rapid progress of planning in Latin America. Nine countries have already presented their development plans for evaluation and all the rest are at various stages of their preparation. Several of them, especially Argentina, Brazil, and Uruguay, will finish their plans shortly. There are still many problems in relation to planning, but in general the subcommittees felt that the countries had made well directed efforts to solve them. The great limitation on the preparation of plans and on the effectiveness of planning continues to be the antiquated administrative structure and the scarcity of skilled personnel, which international technical assistance has not been able to solve fully, as was indicated in the specific case of experts on economic planning during the meetings of the Subcommittee on the Dominican Republic.

24. There is, however, one aspect of planning, namely the preparation of projects, that continues to be a critical problem for most of the countries of the region, since it limits the capacity for investment and, therefore, the utilization of external financing. Along with the scarcity of public saving, it is often the factor that has the greatest weight in connection with the slowness of the disbursement of credits granted.

25. The deficiencies in the preparation and availability of projects, which were noted in the preceding paragraph, can be attributed to a great variety of causes. Among these, it is appropriate to point out: inadequate administrative organization; a state of insufficient development in which many sectors of the economies of the countries of the region find themselves, which has not permitted the training in sufficient numbers of the engineers and other technicians necessary for the preparation of projects; a lack of financial resources to take care of the expenditures caused by the preinvestment work; and a lack of attention noted in most of the countries that have prepared plans, with respect to the stages of execution and supervisory control of them.

26. Nevertheless, the subcommittees found that some countries of the region have reached a stage in the preparation of projects that is satisfactory, even though it still needs to be improved, particularly in certain sectors. Thus the Subcommittee on Mexico recognized the noteworthy advances which that country had made in the preparation of investment projects and in the organization of the institutions devoted to that end, as well as in the training of personnel. The Mexican experience in these fields could

/be translated

be translated into tangible benefits for the other countries of Latin America if Mexico could give them technical cooperation in this regard.

f. Inflation

27. The subcommittees indicated their concern over the consequences of the inflationary process on the over-all development of the economies of the various Latin American countries. In Table II.13, which shows the increase in prices during the last ten years in the 19 countries of the region, it can be observed that the rise in prices has been particularly sharp in the case of Brazil, Argentina, Uruguay, Chile, and Colombia, especially during the last few years. During the most recent period, there has also been a relatively accelerated rise in the cost of living in Peru and the Dominican Republic. A second group of countries, consisting of Mexico and Bolivia, was subject to a serious inflationary process during the first part of the period under study, but the cost of living has been stabilized appreciably in recent years without detriment to the rate of development. Lastly, the Central American republics, Ecuador, Panama, as well as Haiti, have maintained a marked stability in their price levels from 1954 to date.

28. The subcommittees recognized the complexity of the Latin American inflationary processes in which various causes have played a part and which require a group of measures that will make it possible to stop the rise in prices without hindering the real economic growth. The participants in the Subcommittee pointed out, in the case of Chile, that some of the causes for the present inflationary process were an active participation of all the social groups in the political and social process, with each group endeavoring to increase its participation in income, with the resulting variations in prices and salaries; the fiscal deficit, particularly important during the initial stages of the present inflationary process, in 1962; and the inelasticity of the supply of agricultural products. The Subcommittee also stated that this complex inflationary process requires solutions that are not limited to monetary and fiscal policy, but that constitute a joint strategy aimed at solving the short and long-term difficulties that confront the country in this connection. In the cases of Argentina and Brazil, the subcommittees also took note of the distortions caused by inflation in the process of development of those countries and of the consequent need for reaching a relatively stable price level that would permit an orderly execution of the economic and social policy. In both cases, it was indicated that the slowness of the expansion of agricultural production for domestic consumption, and the wage and salary policy as well as deficits of the public enterprises, were some of the most important inflationary elements. In the case of Colombia, the Subcommittee stressed the importance of increasing the national government's saving as a prerequisite for the country to finance the current volume of public investments required for its development without increasing the inflationary pressures to which its economy is still subjected.

Table II.13

LATIN AMERICA: VARIATIONS IN THE INDICES OF THE COST OF LIVING - YEARS 1954-1963

(Percentages of variation in the 12 months ending in December of each year)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964 1/
Argentina	16	8	16	26	50	102	12	19	32	27	23
Bolivia	99	68	473	-14	19	10	11	7	3	- 2	11
Brazil	23	17	27	15	23	42	32	44	62	81	89
Chile	71	84	37	17	32	33	5	10	28	45	48
Colombia	1	2	7	24	7	5	7	5	5	46	24
Costa Rica	7	2	- 1	4	2	0	3	0	5	3	5
Ecuador	4	- 2	- 1	- 2	0	0	3	3	5	4	6
El Salvador	7	1	3	- 6	3	- 1	0	- 4	2	2	2
Guatemala	2	3	0	- 1	1	0	- 3	3	- 2	1	2 2/
Haití	10	- 5	10	- 3	- 3	- 2	- 8	3	...	...	...
Honduras	7	0	- 1	- 2	5	0	0	0	5	3	4
México	12	17	- 2	14	8	0	8	- 2	2	0	2
Nicaragua	13	16	-14	1	2	- 2	2	- 2	0	4	6
Panamá 3/	0	0	0	0	0	0	0	0	1	1	...
Paraguay	18	25	18	15	3	9	14	...	...	...	...
Perú	5	4	6	7	9	20	9	7	5	10	12
Dominican Republic	- 1	- 1	1	7	- 5	3	- 6	- 5	15	11	2
Uruguay	17	9	6	18	20	46	36	10	11	44	44
Venezuela	2	- 2	1	1	2	4	2	1	- 2	1	2

1. Variation in prices between June 1963 and June 1964.
2. Variation in prices between May 1963 and May 1964.
3. Indices estimated on the basis of annual and quarterly averages.

Source: IMF, International Financial Statistics.

/29. It should

29. It should be noted that, as a rule, the relatively more developed countries of the hemisphere have undergone the highest degree of inflation. In most of those countries (Argentina, Chile, Colombia and apparently Brazil during the past year), the periods of greatest acceleration of prices have coincided with lower rates of real growth. The economies in which a large sector of subsistence agriculture still prevails, in which pressures of wages are weak and there is a lower level of urbanization and industrialization, as may be expected, a greater price stability prevails. In fact, among the larger countries, only Mexico and Venezuela have been able, during the last years of the period, to maintain an important economic growth with satisfactory stability, possibly as a result of their greater capacity to import. On the other hand, among the relatively less developed countries, only Bolivia and Paraguay were subject to the problem of inflation, but they have both been successful in their recent efforts toward stabilization. The incipient process of inflation in the Dominican Republic appears to be explained by the eruption of social forces following the political changes that were necessary there.

30. Inflation in the Latin American countries is due to complex interdependent causes that it is not pertinent to analyze in this report. However, in the meetings of the subcommittees some causative elements were mentioned that have a particularly direct influence on the present situation. The following can be mentioned: the important expansion of public expenditures as a result of social demands, in view of which the increase in tax revenue has not been sufficient; a lack of coherent and well-defined policies on prices and wages; a reduced capacity to import, which has been mentioned, caused primarily by the slowness of the expansion of exports and by the increasing pressure of the service of the external debt on the balance of payments. This situation has become more serious in its effects owing to a failure to adopt suitable import policies and the relative inelasticity of supply in the agricultural sector. Some of the subcommittees recognized that the removal of those causes would require a gradual and persistent effort on the part of the governments, which would have to be supported by international financial cooperation.

/4. Structural

4. Structural Reforms

a. Fiscal reform

1. The Subcommittees of the CIAP examined this problem in connection with the objectives of the fiscal reform that should be made within the framework of the Alliance for Progress, which can be summarized as follows: a) an increase in public revenues; b) a more equitable distribution of the tax burden; c) providing fiscal incentives for investment; and d) maintenance of reasonable conditions of stability favorable for development.1/

2. In general, the subcommittees observed that since the beginning of the Alliance, all the countries had made efforts to introduce structural reforms in their tax systems and to strengthen the administration of taxes. This is probably one of the fields in which the greatest domestic effort has been made, notwithstanding the political problems that any reform of this nature entails. In spite of those efforts, in view of the increase in expenditures, the increase in current revenues has not always reached the rate of growth required for it to be the fundamental basis for the formation of public savings, upon which the efficient execution of investment programs in development plans depends.

3. The Subcommittees considered that the problems and limitations of tax reforms could probably be attributed--with respect to the goal of increasing the public resources--to the need for obtaining, at the same time, a more just treatment for taxpayers and for offering suitable incentives to private investment. For those reasons, it was considered that the progress achieved in the adoption of tax reform should be evaluated as a whole, taking into consideration the scope of the aims that have been sought. The following considerations on the process of reform are made along these lines.

4. The subcommittees considered it important to emphasize that, at the present time, all the Latin American countries have a general system of income tax and that in more than half of the countries, efforts have been made to strengthen this tax, that vary from the total replacement of the former system by new laws (Colombia, Chile, The Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, and Uruguay) to important changes in structure, such as modifications in tax rates, minimum exemptions, procedures for collection, and the like (Argentina, Bolivia, Brazil, Costa Rica, Mexico, Panama, Paraguay, Peru, and Venezuela.)

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1. See "The Alliance for Progress: its First Year, 1961-1962" (Pan American Union, Washington, D. C., 1963) page 47.

5. Although

5. Although the foregoing measures have not yet led to very important increases in tax collections, they have introduced elements of equity into the systems, which still rely almost entirely upon indirect taxation.

6. Reforms tending in the same direction have been made in the structure of capital, inheritance, and gift taxes in Panama, Guatemala, Costa Rica, Colombia, Chile, Ecuador, Nicaragua, Paraguay, Uruguay, and Venezuela.

7. In relation to indirect taxation, which in general, is more easily administered--the probable reason for the marked dependence upon this group of taxes to obtain public revenue--reforms have been made that lay a greater burden on nonessential consumer goods, thus introducing progressive elements into the system. These are the tax changes, in all probability, that have affected collections most. They have taken the form of introducing or modifying the sales tax, as in Colombia, Costa Rica, Honduras, and Peru, or of changes in specific excise taxes, as in Argentina, Brazil, Guatemala, Mexico, El Salvador, Ecuador, Panama, Paraguay, and Venezuela.

8. Export duties, which are particularly important in some countries, are of the same nature as excise taxes. Modifications have also been introduced in these duties and in import duties, in most cases for reasons of tax collection. Instances of the former are furnished by Argentina, Brazil, Costa Rica, Ecuador, Guatemala, Paraguay, and Peru, and of the latter by Argentina, Colombia, Nicaragua, and Panama.

9. Reforms designed to develop an incentive policy have been carried out in Argentina, Brazil, Costa Rica, Ecuador, El Salvador, Chile, Mexico, Panama, and Guatemala and by the Central American Tax-Incentives Agreement.

10. As with the structural changes noted above, some countries have worked to strengthen tax administration, which is one of the most effective ways to increase collections.

11. Within the Subcommittees the consensus was that an almost universal effort to adopt reforms in compliance with the mandates of the Charter of Punta del Este is clearly apparent. It must nevertheless be pointed out that since by its very nature the adoption of reforms is usually a slow process, a sustained effort must be maintained over a relatively long period of time in order to achieve satisfactory results. Without ignoring the political and even technical difficulties inherent in so vast a reform, the CIAP subcommittees stressed the importance of redoubling efforts toward the adoption of reforms, and in one meeting, attention was called to the need for supporting, by means of timely external financing, the efforts of countries where results are subject to unavoidable delays. It would appear, moreover, that the measures indicated have not always been adopted in such a way as to harmonize with administrative reform and with the formulation and execution of development plans--a fact that might eventually constitute a serious limitation upon development by making it difficult to meet the goals for financing public investments.

/12. The CIAP

12. The CIAP Subcommittees therefore considered it of major importance to indicate the urgency of integrating reform programs with general development plans so as to attain the necessary levels of public savings to achieve the financing objectives of the plans.

13. Some Subcommittees also agreed that many countries have the capacity to increase government income because the over-all tax is still at moderate levels. On the other hand, in certain cases, the present structure and the reforms introduced have not succeeded in fundamentally changing the inequitable distribution of the tax burden. In this connection, it was considered indispensable that the tax system effectively place a fair share of the common burden on the sectors with the largest resources.

14. Furthermore, the Subcommittees emphasized that only through substantial increases in public revenue, not by means of tax reform alone but by making needed adjustments in other aspects of the public sector, such as the price policy of autonomous institutions, the social security system, and public spending policy, can the fundamental objectives of development be attained and economic and social inequalities be corrected.

15. Because of all this, it was emphasized that the countries of Latin America must intensify their efforts to achieve tax reforms and effective tax administration within a reasonable time, despite political difficulties and the obstacles that certain groups place in the path of the reform process.

b. Agrarian reform

1. In considering the problems of agrarian reform, the CIAP subcommittees took due account of the fact that since 1961 eleven countries have adopted legislation on the subjects, pointing out that only three of them (Bolivia, Mexico, and Venezuela) had begun reform action prior to the Charter of Punta del Este. The new legislation was adopted in the remaining eight countries as follows: Colombia and Costa Rica in 1961; Chile, Guatemala, Honduras, Panama, Peru, and the Dominican Republic in 1962; Nicaragua and Paraguay in 1963; and Ecuador and Peru this year.

2. Besides this legislation some of the countries have adopted specific measures relating to other aspects of the problems of agricultural development, such as resettlement programs, agricultural credit, and technical assistance, that can be of help in achieving reform (Argentina, Brazil, El Salvador, Haiti, and others).

3. At the meetings of some of the Subcommittees, reference was made to the decisive importance of the agrarian structure in hampering the development of the agricultural sector, which necessitates the adoption of measures modifying the existing system so as to achieve a more rapid and vigorous development of agriculture.

/4. Some

4. Some subcommittees indicated their pleasure at the adoption of laws and the initiation of reform programs in the respective countries. It was nevertheless observed that, in general, the advances in the region's agrarian-reform programs have not yet had the impact that the importance and magnitude of the problem calls for. The difficulties and obstacles to be overcome, and the complications involved in changing the agricultural structure, cannot be ignored, but it can be objectively stated that no change in the agrarian structure, on the scale needed in a majority of countries, is yet perceptible.

/5. Other

5. Other Fields of Action C ed by the Subcommittees

a. Regional economic integration

1. The broadening of national markets was recognized by the Latin American countries in the Charter of Punta del Este as an indispensable condition for speeding up the economic development process of the Hemisphere and as a suitable means of obtaining greater productivity, through industrial complementarity and specialization. As a result the subcommittees of CIAP were also concerned, in their country studies, with this sphere of action, and stated that countries with plans in preparation should keep it in mind in drawing up the pertinent policies.

2. The Central American Subcommittee also recognized the importance of setting up the Fund for Economic Integration of this region, and noted that this subject was discussed by the delegates of the countries and officials of the Central American Bank, the General Secretariat of the Treaty of Economic Integration (SIECA), and the Agency for International Development (AID), who in order to advance this important project deemed it advisable:

a. To recommend to the Central American Integration Bank (BCIE) that it finish its study on the various alternatives for Fund operation, presenting solutions to such specific problems, as the system of national contributions.

b. To complete study of the projects that would be financed by the Fund, in order to determine their stage of preparation, their schedule, and their corresponding priority.

c. To request the Agency for International Development to communicate to the Central American Bank of Economic Integration in as great detail as possible, suggestions about points that should be clarified or settled in order to facilitate the establishment of the Fund, so that these may be considered in the aforementioned study.

d. To convene next month, when the foregoing information has been compiled, a meeting of representatives of the Central American governments, BCIE, SIECA, AID, IDB, IBRD, and IMF for the purpose of adopting pertinent recommendations.

b. Administrative reform

1. The public administration systems of the Latin American countries are not, in general, established in such a manner as to meet the needs attendant on the preparation, execution, and control of economic and social development plans. The CIAP subcommittees suggested that it would be well if those systems--including relations with local governments, decentralized agencies, and nongovernmental organizations--were adapted to the duties that execution of the Alliance for Progress will entail especially in relation to carrying out a planned development polic

/2. On several

2. On several occasions the subcommittees stressed the importance of administrative reform, and they had an opportunity to study, especially in the case of Chile, the reforms carried out in the area of tax administration. Many of the government representatives mentioned the programs that are being carried out in their countries, and the subcommittees could appreciate the efforts made; however, these have not yet, generally speaking, taken full effects, as can be seen in the shortcomings observed in the drafting of projects and in other fields of development policy.

c. Integration of national markets

1. At the First Meeting of CIAP, held in Mexico City, a broad study was made of proposals for achieving the objectives of the Alliance for Progress through the integration of national markets, which was considered one of the most effective forms of supporting the efforts under way for Latin American regional economic integration and of helping to create favorable conditions for increased exports of agricultural and manufactured products.

2. The subcommittees of CIAP examined this sphere of action from different points of view, through projects relating to a) agricultural marketing and credit--storage, transportation, distribution and so on; b) marketing of animal products--slaughterhouses, meat-packing plants, and so on; c) improvement in the utilization of industrial capacity; d) marketing of fish; and e) transportation and communications systems. The subcommittees felt, in general, that this was one of the fields still neglected by development policy and one in which there were many possibilities for effective projects.

d. Policies aimed at increasing cooperation between the public and private sectors

1. The subcommittees on some of the countries spoke of the need to intensify efforts toward integrating the private sector into the planning job.

2. In general, the Subcommittees expressed the opinion that it is advisable for the governments of Latin America to initiate and/or intensify policies aimed at helping the private sector, through the granting of technical assistance credits, to increase and diversify its production. The Subcommittee on Mexico emphasized that country's success in this field, and the one on Central America stressed how important it is that the regional financing agencies, mainly the Central American Bank, facilitate procurement of working capital for industrial enterprises.

/e. Housing

e. Housing

The subcommittees recognized the shortage of housing in Latin America, and stated the need for increasing the construction of low-cost housing for low-income families. They further noted that the real housing shortage is greater than the visible one because so many inadequate dwellings need replacement.

f. Other fields of action

1. The CIAP Subcommittee on Costa Rica placed in its conclusions a request that a new consultative group be sent to this country to make a concrete evaluation of the situation there as soon as the results of the coffee harvest are known.

2. The Subcommittee on Honduras expressed particular interest in cooperating in the effort that should be made to prevent as much as possible the serious consequences of the plague that is affecting the forest wealth of Honduras and threatening other Central American countries. To orient immediate action, it was decided to set up a working group to formulate recommendations without delay.

6. External Financing

a. Summary of the balance-of-payments projection for 1965 and 1966

1. For purposes of determining the requirements of external financing, the subcommittees took note of the balance-of-payments projections for 1965 and 1966 that are summarized in Table II.14, which covers countries that are carrying out development programs that have been, or are being, evaluated by the Panel of Experts, and Table II.15, which covers the other countries of the region.

2. The subcommittees felt that the projections mentioned in the preceding paragraph were generally consistent with the economic structure of the Latin American countries, with the trend of their external sector, and with the conscious development effort in which the Hemisphere is engaged in accordance with the principles of the Charter of Punta del Este. In the case of countries having a plan, it should also be remembered that the projections were made within the general framework furnished by the program and by the evaluation conducted by the ad hoc committees, all of which supplied a broader base for determining the requirements of external resources to meet the goals of economic growth and social development.

3. The subcommittees likewise recognized that the projections pertaining to countries that do not now have plans evaluated by ad hoc committees are subject to correction when the programs have been drawn up and studied as set forth in the Charter of Punta del Este. Nevertheless, the subcommittees accepted the figures for those years as representing the relative magnitude of the variables in the external sector of those countries.

4. As may be seen by considering Tables II.14 and II.15 together, the total gross requirements of external resources of the Latin American countries, excluding Venezuela, come to around 3 500 million dollars in 1965 and 2 900 million in 1966. The origins of those requirements and their distribution between private and official sectors can be summarized as follows:

	1965	1966
Deficit in current account	1 280.0	1 499.6
Amortization in the public and financial sectors	1 862.7	1 343.8
Variations in gross amounts of gold and foreign exchange of the financial sector	133.0	84.7
TOTAL	3 275.7	2 928.1
LESS		
Net receipts of private capital	318.1	508.3
Gross requirements of the public and financial sectors	2 957.6	2 419.8

/Table II.14

Table II.14

COUNTRIES WITH PLAN: BALANCE-OF-PAYMENTS PROJECTIONS FOR 1965 AND 1966

(Millions of dollars)

	Exports of goods	Imports of goods	Merchandise balance	Balance on services, private transfers and other current transactions g/	Balance on current account	Net inflow of private capital	Amortization in public and financial sectors h/	Variations in gross monetary assets of financial sector	Gross requirements of public and financial sector	Predictable disbursements of financing already granted	Additional requirements of external resources for the public and financial sectors
	(1)	(2)	(3=1+2)	(4)	(5=3+4)	(6)	(7)	(8)	(9=5+6+7+8)	(10)	(11)
1965:											
Bolivia a/	95.8	- 135.5	- 39.7	- 24.3	- 64.0	17.5	- 11.3	-	- 57.8	54.9	- 2.9
Colombia b/	600.0	- 600.0	-	- 125.0	- 125.0	30.0	- 137.0 i/	-	- 232.0	104.0	- 128.0
Chile c/	563.0	- 592.0	- 29.0	- 150.0	- 179.0	10.0	- 182.0 j/	-	- 351.0	110.0	- 241.0
Ecuador d/	190.5	- 157.1	33.4	- 72.6	- 39.2	17.4	- 10.7	- 1.8	- 34.3	18.2	- 16.1
Mexico	1072.0	-1488.0	- 416.0	126.0 k/	- 290.0	221.0	- 167.0	- 68.0 l/	- 304.4	161.4 r/	- 142.6
Panama e/ f/	65.2	- 167.6	- 102.4	73.0 m/	- 29.4	14.0	- 3.0	- 4.4	- 22.8	15.4	- 7.4
Peru	680.0	- 690.0	- 10.0	- 67.0	- 77.4	10.0	- 35.0	- 38.0 l/	- 140.0	87.0	- 53.0
SUBTOTALS	3266.5	-3830.2	- 563.7	- 239.9	- 803.6	319.9	- 546.0	- 112.2	-1141.9	550.9	- 591.0
Venezuela	2761.0	-1396.0	1365.0	-1163.0	202.0	- 187.0	- 36.0	- 129.0	- 150.0	110.0	- 40.0
TOTALS	6027.5 g/	-5226.2 g/	801.3	-1402.9	- 601.6	132.9	- 582.0	- 241.2	-1291.9	660.9	- 631.0
1966:											
Bolivia a/	101.3	- 144.8	- 43.5	- 26.0	- 69.5	20.2	- 16.6	-	- 65.9	36.1	- 29.8
Colombia e/	629.0	- 627.0	2.0	- 145.0	- 143.0	35.0	- 115.0 i/	-	- 223.0	32.0	- 191.0
Chile p/	600.0	- 605.0	- 5.0	- 144.0	- 149.0	20.0	- 246.0 j/	-	- 375.0	55.0	- 320.0
Ecuador d/	200.0	- 168.5	31.5	- 77.9	- 46.4	20.3	- 11.1	- 10.1	- 47.3	5.7	- 41.6
Mexico	1094.0	-1529.0	- 435.0	116.0 k/	- 319.0	215.0	- 176.0	- 40.0 l/	- 320.0	200.0 r/	- 120.0
Panama e/ f/	67.0	- 176.3	- 109.3	77.4 m/	- 31.9	20.0	- 3.2	- 2.0	- 17.1	12.5	- 4.6
Peru	720.0	- 755.0	- 35.0	- 73.0	- 108.0	15.0	- 43.0	19.0 l/	- 155.0	33.0	- 122.0
SUBTOTALS	3411.3	-4005.6	- 594.3	- 272.5	- 866.8	345.5	- 610.9	- 71.1	-1203.3	374.3	- 829.0
Venezuela	2872.0	-1496.0	1376.0	-1237.0	139.0	- 94.0	- 40.0	- 113.0	- 108.0	64.0	- 44.0
TOTALS	6283.3 g/	-5501.6 g/	781.7	-1509.5	- 727.8	251.5	- 650.9	- 184.1	-1311.3	438.3	- 873.0

Table II.14 (cont.)

Table II-14 (cont.)

Notes

a. The Subcomittee also accepted an alternative projection, with fewer exports, underwhich the additional requirements of external public funds would amount to US$10.2 million (see minutes of the Subcommittee).
b. The Subcommittee estimated that the colombian requirements of external resources from loans or gifts unauthorized as of the middle of 1964 would amount to between US$100 and $150 million in 1965 (see minutes of the Subcommittee).
c. The Subcommittee on Chile accepted these projections provisionally, since it was felt that final estimates of requirements will depend upon the policy adopted by the new government. The technical mission of the new administration that attended an informal meeting of the subcommittee presented an alternative projection, which the subcommittee did not have time to study carefully, under which the additional requirements would be US$356 million instead of US$241 million (see supplementary minutes of the Subcommittee on Chile).
d. The estimate of external financing requirements resulting from these projections was considered a minimum by the Subcommittee (see minutes of the Subcommittee).
e. No balance-of payments projectionwas included in the minutes of the Subcommittee, and these figures were therefore taken from working documents.
f. In these projections no consideration was given to the need--accepted by the Subcommittee--for emergency aid to counteract the effects of the Canal crisis (see minutes of the Subcommittee).
g. Official transfers are not included.
h. Generally speaking, variations in the assets of commercial banks have not been taken into consideration.
i. Figure adjusted according to the conclusions of the Subcommittee, reducing the projection presented by the technical staff of the Panel of Experts by 16 million dollars (see minutes of the Subcommittee).
j. Includes 46 million dollars for reduction of arrears in import payments.
k. Includes net balance of border transactions, derives partly from movements of merchandise.
l. Includes short-term capital movements and transactions in securities.
m. Includes the net balance of transactions with the Canal Zone, derived partly from movement of merchandise.
n. The Subcommittee also accepted an alternative projection, with fewer exports, under which the additional requirements of external public funds would be US$37.8 million (see minutes of the Subcommittee).
o. The Subcommittee estimated that the requirements of Colombia for external resources from loans and gifts unauthorized as of the middle of 1964, would be $150 in 1965 and $200 million in 1966 (see minutes of the Subcommittee).
p. The Subcommittee on Chile accepted these projections provisionally, since it was felt that the final estimate of requirements will depend upon the policy adopted by the new government. The technical mission of the new administration that attended an informal meeting of the Subcommittee presented an alternative projection, which the Subcommittee did not have time to study carefully, under which the additional requirements would be US$362 million instead of US$320 million (see minutes of the Subcommittee).
q. These figures, added to the totals of Table II.15, represent the total exports and imports of Latin America. To arrive at the total exports and imports of the region considered as a unit, the estimates for inter-Latin American trade would have to be deducted from the total presented here. Since the deduction would affect exports and imports equally, the balance would remain the same.
r. Provisional estimates of the technical staff of the Panel of Experts.

Source: Evaluation Reports, minutes, and working documents.

/Table II.15

Table II.15

COUNTRIES WITHOUT PLAN: BALANCE OF PAYMENTS PROJECTIONS FOR 1965 AND 1966

(Millions of dollars)

	Exports of goods	Imports of goods	Balance of goods	Balance on services private transfers, and other current transaction f/	Balance on current Account	Net inflow of private Capital	Amortization in public and financial sectors	Variations in gross monetary assets of financial sector g/	Gross requirements of the public and financial sectors	Predictable disbursements of financing already granted	Additional requirements external resources for public and financial sector
	(1)	(2)	(3=1+2)	(4)	(5=3+4)	(6)	(7)	(8)	(9)	(10)	(11)
1965:											
Argentina	1360.0	-1129.0	231.0	- 194.0	37.0	- 225.0	- 505.0	-	- 693.0	200.0	- 493.0
Brazil	1550.0	-1450.0	100.0	- 390.0	- 290.0	154.0 h/	- 725.0	-	- 861.0	329.0 i/	- 532.0
Costa Rica a/	98.2	- 127.3	- 29.1	- 7.0	- 36.1	14.3	- 11.9	- 1.5	- 35.2	13.4	- 21.8
El Salvador b/	185.9	- 187.4	- 1.5	- 12.0	- 13.5	- 2.8	- 5.2	- 6.0	- 27.5	11.9	- 15.6
Guatemala c/	170.3	- 182.4	- 12.1	- 38.5	- 50.6	32.1	- 8.0	- 4.2	- 30.7	16.5	- 14.2
Haiti	42.1	- 44.5	- 2.4	- 3.9	- 6.3	1.2	- 2.3	-	7.4	1.9	5.5
Honduras	87.8	- 96.5	- 8.7	- 14.3	- 23.0	5.2	- 1.6	- 1.0	20.4	4.6	15.8
Nicaragua	142.0	- 132.0	10.0	- 22.8	- 12.8	5.5	- 4.5	- 2.0	13.8	10.0	3.8
Paraguay d/	46.1	- 54.8	- 8.7	- 9.9	- 18.6	4.0 j/	- 2.7	- 2.1	19.4	14.1	5.3
Dominican Republic	168.0	- 168.0	-	- 43.0	- 43.0	5.0	- 2.4	- 4.0	44.4	25.3	19.1
Uruguay	205.0	- 228.0	- 23.0	3.5	- 19.5	4.7	- 48.1 k/	-	62.9	22.1	40.8
TOTALS	4055.4 1/	-3799.9 1/	- 255.5	- 731.9	- 476.4	- 1.8	-1316.7	- 20.8	-1815.7	648.8	-1166.9
1966:											
Argentina	1408.0	-1218.0	190.0	- 174.0	16.0	- 95.0	- 338.0	-	- 417.0	142.0	- 275.0
Brazil	1600.0	-1600.0	-	- 395.0	- 395.0	180.0	- 324.0	-	- 539.0	146.0 m/	- 393.0
Costa Rica a/	112.5	- 132.4	- 19.9	- 9.0	- 28.9	14.0	- 9.4	- 1.5	- 25.8	17.6	- 8.2
El Salvador	194.8	- 201.2	- 6.4	- 13.0	- 19.4	2.4	- 5.6	- 2.0	- 24.6	10.0	- 14.6
Guatemala c/	179.1	- 194.5	- 15.4	- 41.5	- 56.9	39.2	- 8.3	- 1.9	- 27.9	12.8	- 15.1
Haiti	47.8	- 49.5	- 1.7	- 2.8	- 4.5	1.2	- 1.9	-	- 5.2	0.5	- 4.7
Honduras	94.0	- 102.5	- 8.5	- 14.8	- 23.3	- 3.1	- 1.9	- 1.1	- 29.4	5.7	- 23.7
Nicaragua	147.6	- 137.2	10.4	- 23.1	- 12.7	5.4	- 4.7	- 1.8	- 13.8	8.0	- 5.8
Paraguay e/	50.1	- 59.7	- 9.6	- 11.5	- 21.1	4.0 g/	- 2.3	- 2.3	- 21.7	16.3	- 5.4
Dominican Republica	174.0	- 173.0	1.0	- 46.0	- 45.0	10.0	- 4.4	- 4.9	- 44.3	5.3	- 39.0
Uruguay	201.0	- 247.0	- 46.0	4.0	- 42.0	4.7	- 30.5 n/	-	- 67.8	19.4	- 48.4
TOTALS	4208.9 1/	-4115.0 1/	93.9	- 726.7	- 632.8	162.8	- 731.0	- 15.5	-1216.5	383.6	- 832.9

Table II.15 Cont.

Notes - Table II.15

a. In these projections, no account has been taken of the additional sums needed to help to Government of Costa Rica overcome the effects on its economy of the activity of the Irazú Volcano. The minutes of the Subcommittee of the CIAP did not include the projection of the balance of payments, but the Subcommittee took note of the projections presented in the working document CIAP/107 Addendum 1, which are reproduced in this table.

b. The figures appearing in this summary correspond to the balances of individual items, appearing in the balance of payments of which the Subcommittee took note. Because of an original error in copying, these balances do not coincide with the deficit in current account and with the additional requirements for financing of $9.8 and $11.9 million, respectively, which appear in the corresponding minutes.

c. No balances of payments projection was placed in the minutes of the Subcommittee, and these figures were therefore taken from revised working documents. At the request of the Representative of the Guatemalan Government, the minutes show that the estimates of that government of its requirements for external resources in 1965 and 1966 is higher than is indicated in this table (see minutes of the Subcommittee).

d. The Subcommittee also took note of an alternative projection presented by the Government of Paraguay, under which additional requirements would be US$20.3 million (see minutes of the Subcommittee.)

e. The Subcommittee also took note of an alternative projection presented by the Goverment of Paraguay, under which additional requirements would be US$13.1 million (see minutes of the Subcommittee).

f. Does not include official transfers.

g. Generally speaking, changes in the assets of commercial banks have not been considered.

h. Includes net direct investments, net short-term credits, and gross long-term credits. Amortizations of long-term private credits are included along with those of the public sector in the figures in column (7).

i. The figures on predictable disbursements in 1965 of financing already granted includes US$92 million for refinancing debts falling due that year and US$100 million that it is hoped will be loaned under the terms of U.S. Public Law 480.

j. Includes 0.5 million dollars collected by the government abroad in consular fees.

k. Includes 13.7 million dolars for amortization of obligations of the Bank of the Republic to foreign private banks, and 23.7 million in deferred payment for imports.

l. These figures, added to the totals of Table II-14, represent the total exports and imports for the Latin American countries. To arrive at total exports and imports of the region considered as a unit, it would be necessary to deduct the estimates for inter-American trade from the totals presented here. Since the deduction would affect exports and imports equally, the balance would remain the same.

m. The figure on predictable disbursements of financing already granted includes US$90 million that it is hoped will be loaned under the terms of U.S. Public Law 480.

n. Includes 13.7 million dollars for amortization of obligations of the Bank of the Republic to foreign private banks and 6.4 million dollars in deferred payment for imports.

Source: Evaluation reports, minutes, and working documents.

/Venezuela has

Venezuela has been omitted from these figures because its external sector has peculiar characteristics that set it apart substantially from the rest of the region and that, if included in those totals, might change the general conclusions that can be drawn from them.

5. By comparing Tables II.14 and II.15 it can be seen that aside from Venezuela most of the shortage in the region's current account pertains to the countries with a plan. This is owing mainly to the greater need of these countries for real external resources caused by their implementation of development programs compatible with the economic and social goals set by the Charter of Punta del Este. The larger amount for total gross requirements in countries without plans results mainly from external obligations falling due during the next two years, a factor also of significance for some of the countries that are carrying out development programs.

6. In taking note of the balance-of-payments projections, some subcommittees confined themselves to analyzing the capital-account projections for purposes of determining requirements of external resources. However, as the current-account balance is included in the analysis, the order of magnitude of the tiems forming that balance may be regarded as having been implicitly considered.

7. In some cases the subcommittees took express note only of the figure for financing necessary to carry out public investment plans; the balance-of-payments figures contained in the respective tables are consistent with those recommendations of the subcommittees. In some other countries, for specific reasons set forth at the foot of Tables II.14 and II.15, the subcommittees received alternative projections or took note of the provisional character of the projections presented for their consideration. It should be noted that any variations that might finally result from these cases would not alter the order of magnitude of the regional totals or substantially modify the conclusions to be drawn from their analysis.

8. In the case of Colombia the subcommittee noted the statement drawn up by representatives of the government and of the International Bank of Reconstruction and Development on the proper functioning of the consultative group in relation to financing the national development program. This is the first--and so far the only--case of a multiple arrangement between international, regional, and national financial agencies to finance a Latin American country's general economic and social development plan on a regular and continuing basis. Therefore the subcommittee asked Colombia and the IBRD to keep CIAP informed on the course of that financial arrangement which may form the basis for similar arrangements with other countries.

/9. In the

9. In the following pages the projections for 1965 and 1966 are compared with figures for recent years and estimates for the present year, and a summary is given of the CIAP subcommittees' comments on each of the individual items of the balance of payments. The tables present two regional totals, one excluding Venezuela and the other including that country, since, as mentioned previously, the characteristics of the external sector of Venezuela differ significantly from the rest of the region, and thus make separate study necessary.

b. The current account

i. Exports of goods

1. The subcommittees recognized the strategic importance of the exporting sector in the development of the Latin American economy, and gave special attention to the prospects for basic products, price levels on the international markets, possibilities for diversification and increase of exports, and the need to accelerate the processes of economic integration--emphasis being given to the importance of these factors in determining the countries' requirements for external financing. 1/

2. Table II.16 presents the subcommittees' projections of exports of goods for 1965 and 1966, figures for the years 1960-1963, and estimates for the current year. As can be seen, the average rate of growth of exports from 1961 to 1963 was 4.9 percent annually including Venezuela and 6 percent excluding that country. The annual growth rates for 1964 and the projections for 1965 and 1966 are as follows:

	Including Venezuela	Excluding Venezuela
1964	6.8%	7.8%
1965	2.9%	2.5%
1966	4.1%	4.1%

The drop in growth rate for 1965 is due mainly to the reduction projected in exports from Argentina; the increase projected in exports from the region excluding Argentina would be 4.8 percent for 1965 and 4.1 percent for 1966.

3. As has already been indicated elsewhere in this Report, 2/ the increase in total value of exports from the region during 1963 and the estimate for 1964 resulted in large measure from the price recovery experienced by most basic products in these two years. It has been assumed

1. For a more detailed analysis of the importance of exports in the development of the Latin American economy, see pages to of this document.

2. See Section on Exports, paragraphs 2 to 8.

/Table II.16

Table II.16

LATIN AMERICA: EXPORTS OF GOODS, F.O.B., ACTUAL FIGURES 1960-1963; ESTIMATES 1964, PROJECTIONS 1965-1966 a/

(Millions of dollars)

Country	1960	1961	1962	1963	1964	1965	1966
Argentina	1 079.2	964.1	1 216.0	1 365.5	1 480.0	1 360.0	1 408.0
Bolivia	54.4	59.9	62.0	71.9	84.0	95.8	101.3
Brazil	1 270.0	1 405.0	1 214.0	1 407.0	1 450.0	1 550.0	1 600.0
Colombia	495.0	477.0	492.0b/	482.0	570.0	600.0	629.0
Costa Rica	86.8	85.2	93.8	96.6	108.4	98.2	112.5
Chile	480.6	444.7	485.0	542.0	555.0	563.0	600.0
Ecuador	148.7	132.6	143.6	161.3	179.8	190.5	200.0
El Salvador	116.8	119.3	138.9	153.8	168.8	185.9	194.8
Guatemala	112.5	110.2	109.3	143.7	172.4	170.3	179.1
Haiti	38.1	32.4	40.3	43.1	41.5	42.1	47.8
Honduras	64.4	74.1	82.5	83.4	85.5	87.8	94.0
Mexico	786.4	844.3	943.9	982.7	1 025.9	1 072.0	1 094.0
Nicaragua	63.9	69.9	90.4	106.7	129.2	142.0	147.6
Panama c/	30.2	32.4	46.2	54.7	63.7	65.2	67.0
Paraguay	36.8	43.9	40.4	39.5	44.2	46.1	50.1
Peru	445.3	511.1	557.0	556.0	628.0	680.0	720.0
Dominican Republic	157.4	138.9	169.9	174.2	170.0	168.0	174.0
Uruguay	129.4	174.7	153.4	165.2	189.2	205.0	201.0
Subtotal	5 595.9	5 719.7	6 078.6	6 629.3	7 145.6	7 321.9	7 620.2
Venezuela	2 393.0	2 452.0	2 517.0	2 549.0	2 655.0	2 761.0	2 872.0
Total	7 988.9	8 171.7	8 595.6	9 178.3	9 800.6	10 082.9	10 492.2

a. See notes for Tables II.14 and II.15.
b. IBRD estimate of May 1964.
c. Includes exports to the Canal Zone.

Source: Minutes, reports, and working documents.

/that for

that for 1965 and 1966 prices will remain at approximately their present levels and that there will be a moderate increase in the volume exported, which, if Argentina is excluded, would be around 5 percent in 1965 and 4 percent in 1966.

ii. Imports of goods

4. Taking note of the import projections for 1965 and 1966 that are given in Table II.17, the subcommittees considered that they are consistent with the rates projected for economic growth and social development and that, in terms of these latter, they constitute the levels necessary to give the Latin American economies the capital goods necessary for attaining suitable investment levels, and the raw materials and consumer goods required to supplement national production.

5. The figures projected for 1965 and 1966 presuppose the adoption of measures aimed at proper rationalization of imports, with priority given to goods needed for economic development and social progress and, because of the scarcity of foreign exchange, restrictions placed on purchases abroad of luxury goods. Table II.18 shows the percentage of total imports represented by capital goods in 1960 and 1963, the proportion estimated for 1964, and the proportion projected for 1965 and 1966; the share of imports intended for capital formation remained last year, and is expected to remain this year, at the same level as in 1960; a significant increase is projected for 1965 and 1966.

6. The subcommittees recognized the effort toward substitution of imports made by a large number of Latin American countries. At different times those attending the subcommittee meetings indicated the importance of orienting that process on a rational basis in terms of the characteristics of the internal market and the purposes of Latin American economic integration. It was also noted that in some countries this process of substitution has already reached a level at which it is difficult to continue to diversify production for the domestic market, on an economic basis.

7. In the aforementioned Table II.18 the projections are compared with corresponding data for the period 1960-1963 and estimates for 1964. As may be observed, no growth occurred in imports in 1962, and in 1963 their total value fell to the level of 1960. The drop was due, in considerable part, to the recession in Argentina and to the lowered growth rate in Brazil and other countries of the region. The projected level of imports presupposes rates of growth of national product that will be, with a few exceptions, compatible with the goals set forth in the Charter of Punta del Este.

8. Past figures on imports presented to the subcommittees for consideration come from the official statistics of each country and in some cases from the International Monetary Fund. In the case of some countries, these figures are in FOB terms and in others they are based

/Table II.17

Table II.17

LATIN AMERICA: IMPORTS OF GOODS, F.O.B.
ACTUAL FIGURES 1960-1963; ESTIMATES 1964; PROJECTIONS 1965-1966 a/
(Millions of dollars)

Country	1960	1961	1962	1963	1964	1965	1966
Argentina b/	1 249.3	1 460.3	1 356.5	981.0	1 029.4	1 129.0	1 218.0
Bolivia	70.3	75.2	91.5	104.5	117.0	135.5	144.8
Brazil	1 293.0	1 292.0	1 304.0	1 294.0	1 250.0	1 450.0	1 500.0
Colombia	496.0	531.0	516.0 d/	461.0	570.0	600.0	627.0
Costa Rica	99.8	97.4	103.2	112.5	125.0	127.3	132.4
Chile b/	540.3	614.4	549.2	637.0	580.0	592.0	605.0
Ecuador	110.2	109.3	110.1	118.5	142.9	157.1	168.5
El Salvador	122.4	108.7	124.8	151.7	177.2	187.4	201.2
Guatemala	124.1	120.6	119.9	150.3	170.1	182.4	194.5
Haiti b/	41.7	41.2	47.1	37.5	40.4	44.5	49.5
Honduras	65.4	66.3	73.9	87.5	91.5	96.5	102.5
Mexico b/	1 186.4	1 138.8	1 143.0	1 239.7	1 377.5	1 488.0	1 529.0
Nicaragua	56.4	58.7	78.7	91.0	121.3	132.0	137.2
Panama c/	108.5	123.6	144.3	162.7	158.9	167.6	176.3
Paraguay	45.9	44.0	45.7	42.2	47.6	54.8	59.7
Peru b/	372.8	461.3	532.6	553.5	600.0	690.0	755.0
Dominican Republic	90.3	72.1	131.3	150.4	175.0	168.0	173.0
Uruguay b/	228.6	207.9	229.9	176.9	175.0	228.0	247.0
Subtotal	6 301.4	6 622.8	6 701.7	6 551.9	6 948.8	7 530.1	8 120.6
Venezuela	1 145.0	1 108.0	1 065.0	1 045.0	1 216.0	1 396.0	1 496.0
Totals	7 446.4	7 730.8	7 766.7	7 596.9	8 164.8	9 026.1	9 616.6

a. See notes to Tables II.14 and II.15.
b. Imports CIF.
c. Includes imports of goods from the Canal Zone.
d. IBRD estimate of May 1964.

Table II.18

LATIN AMERICA: IMPORTS OF CAPITAL GOODS,[a] ACTUAL FIGURES 1960 AND 1963, ESTIMATES 1964 AND PROJECTIONS 1965-1966
(In percentages of total imports of goods)

Country	ACTUAL FIGURES 1960	ACTUAL FIGURES 1963	ESTIMATES 1964	PROJECTIONS 1965	PROJECTIONS 1966
Argentina	42.7 %	49.0 %	36.0[p] %	41.2[p] %	48.0[p] %
Brazil	36.8	30.3[c]	n.d.	n.d.	n.d.
Bolivia	37.2	29.9	41.9	45.0	44.8
Colombia	30.5[b]	30.3	42.5	42.0	41.6
Costa Rica	25.3[b]	26.3	27.2	29.3	28.4
Chile	35.7[b]	33.9	36.9	37.8	38.7
Ecuador	33.8	30.9[c]	47.0	48.0	49.0
El Salvador	22.3[b]	22.9	21.1	19.0	21.0
Guatemala	25.2[b]	27.3	29.6	32.5	33.3
Haiti	n.d.	n.d.	n.d.	n.d.	n.d.
Honduras	21.3[b]	27.6	29.0	30.1	31.0
Mexico	47.9	46.9[c]	44.9	45.8	46.0
Nicaragua	24.0[b]	29.5	26.2	28.0	29.9
Panama	22.1	23.1	23.4	22.4	21.8
Paraguay	46.8	35.0	38.6	45.2	46.4
Peru	41.2	46.5[c]	48.4	51.0	52.5
Dominican Republic	n.d.	n.d.	n.d.	n.d.	n.d.
Uruguay	22.7	36.0	33.1	41.7	43.7
Venezuela	43.2	42.2	43.0	44.6	50.3
TOTALS[d]	39.4	38.3	39.5	41.9	44.5

Note: See Tables II.14 and II.15.
a. Includes contruction materials.
b. 1961 figures.
c. 1962 figures.
d. Beginning with 1964, totals are not absolutely comparable with those of the past, because they exclude Brazil.
p. Provisional figures from the report of the Secretariat to the CIAP.
n.d. No information in the working documents presented to the subcommittees or in the minutes of the meetings.

Source: Working documents presented to the subcommittees of the CIAP.

/on CIF.

on CIF. The projections are also FOB or CIF. The bases for each country are identified on the footnotes to Table II.17. For countries that have development programs under way and for others that are concluding their preparation, the aims of those programs and the composition of the corresponding investment plans have been taken into account in making the projections.

iii. Net balance of services

9. The subcommittees took note of the projections of services presented in Table II.19, in the preparation of which consideration was given to the past figures listed in the table itself and the other balance-of-payments projections.

10. The net balance of services as presented in Table II.19 includes: freight and insurance (with the exception of services on imports of merchandise from those countries that register them in CIF terms); income: from profits, interest, and other capital credits; net balances from tourist travel and from other related services; and the net balance from private transfers. In the case of Brazil, however, this last heading does not figure in the current-account balance.

11. In Table II.19, it may be observed that the totals, excluding Venezuela, and even those including this country show a rising deficit balance, caused basically by a growing foreign debt service and by a rise in imports, especially in projections for 1965 and 1966.

iv. Deficit in current account

12. Table II.20 gives projections for 1965 and 1966, past data, and estimates for the current year of the current-account balance of the countries of the region. The subcommittees took note of these projections, viewing them as the net balance of actual foreign resources required by the Latin American economies in the next two years to achieve, with few exceptions, the rates of growth proposed in the Charter of Punta del Este and in the national development programs.

13. Excluding Venezuela, the total current-account deficits projected for 1965 and 1966 are the same as those for 1960-1962. For the following reasons, the lower deficit for 1963 is not an adequate basis for comparing projected levels:

a. The reduction of Argentina's total domestic expenditure during 1963 (in which year the gross domestic product declined by 4.5 percent) seems to have been one of the fundamental reasons for the net variation of 527 million between 1962 and 1963 in the net movement of external resources--from a deficit in current account of 273 million dollars in 1962 to a surplus of 256 million in 1963. That variation represents almost 60 percent of the reduction of 885 million dollars in the current-account deficit of the entire region, excluding Venezuela.

/Table II.19

Table II.19

LATIN AMERICA: BALANCE OF SERVICES AND PRIVATE TRANSFERS
ACTUAL FIGURES 1960-1963; ESTIMATES 1964; PROJECTIONS 1965-1966 a/
(millions of dollars)

Country	1960	1961	1962	1963	1964	1965	1966
Argentina	-34.8	-88.5	-132.3	-128.7	-138.0	-194.0	-174.0
Bolivia	-17.0	-14.0	-16.5	-14.8	-20.1	-24.3	-26.0
Brazil	-537.0	-417.0	-403.0	-260.0	-294.0b/	-390.0b/	-395.0b/
Colombia	-78.0	-80.0	-96.0	-121.0	-120.0	-125.0	-145.0
Costa Rica	-5.8	-1.6	-8.2	-8.1	-4.9	-7.0	-9.0
Chile	-90.0	-110.1	-98.8	-95.0	-144.0	-150.0	-144.0
Ecuador	-55.3	-44.6	-53.7	-42.0	-67.3	-72.6	-77.9
El Salvador	-18.6	-11.0	-11.6	-11.4	-12.0	-12.0	-13.0
Guatemala	-14.4	-10.0	-15.6	-27.3	-37.5	-38.5	-41.5
Haiti	6.1	3.7	4.9	-5.4	-4.8	-3.9	-2.8
Honduras	3.6	-7.7	-16.5	-15.5	-14.3	-14.3	-14.8
Mexico	121.7	114.9	105.8	154.0	123.3	126.0	116.0
Nicaragua	-15.1	-14.5	-21.4	-20.6	-20.4	-22.8	-23.1
Panamac/	37.9	53.6	60.2	73.4	66.9	73.0	77.4
Paraguay	-4.6	-5.6	-7.4	-7.0	-7.9	-9.9	-11.5
Peru	-40.8	-31.6	-44.6	-50.0	-60.0	-67.0	-73.0
Dominican Republic	-24.4	-24.8	-41.9	-42.0	-42.0	-43.0	-46.0
Uruguay	12.1	12.1	-18.3	6.4	4.0	3.5	4.0
Subtotals	-754.4	-676.7	-814.9	-615.0	-793.0	-971.8	-999.2
Venezuela	-1.092.0	-1.087.0	-1.114.0	-1.081.0	-1.085.0	-1.163.0	-1.237.0
Totals	-1.846.4	-1.763.7	-1.928.9	-1.696.0	-1.878.0	-2.134.8	-2.236.2

a. See notes to Tables II.14 and II.15.
b. Does not include private transfers.
c. Includes exports of goods from the Canal Zone and the annual fee paid by the United States for use of the Canal.

Source: Minutes, evaluation reports, and working documents.

/Table II.20

Table II.20

LATIN AMERICA: DEFICITS IN THE BALANCE OF PAYMENTS IN CURRENT ACCOUNT - ACTUAL FIGURES 1960-1963, ESTIMATES 1964, AND PROJECTIONS 1965 AND 1966 a/

(millions of dollars)

Country	1960	1961	1962	1963	Estimate 1964	Projections 1965	1966
Argentina	- 204.9	- 584.7	- 272.8	+ 255.8	+ 312.6	- 37.0	+ 16.0
Bolivia	- 32.9	- 29.3	- 46.0	- 47.4	- 53.1	- 64.0	- 69.6
Brazil	- 560.0	- 304.0	- 493.0	- 147.0	- 94.0	- 290.0	- 395.0
Chile	- 149.7	- 279.8	- 163.0	- 190.0	- 169.0	- 179.0	- 149.0
Colombia	- 79.0	- 134.0	- 120.0	- 100.0	- 120.0	- 125.0	- 143.0
Costa Rica	- 18.8	- 13.8	- 17.6	- 24.0	- 21.5	- 36.1	- 28.9
Ecuador	- 16.8	- 21.3	- 20.2	+ 0.8	- 30.4	- 39.2	- 46.4
El Salvador	- 24.2	- 0.4	+ 2.5	- 9.3	- 20.4	- 13.5	- 19.4
Guatemala	- 26.0	- 20.4	- 26.2	- 33.9	- 35.2	- 50.6	- 56.9
Haiti	+ 2.5	- 5.1	- 1.9	+ 0.2	- 3.7	- 6.3	- 4.5
Honduras	+ 2.6	+ 0.1	- 7.9	- 19.6	- 20.3	- 23.0	- 23.3
Mexico	- 278.3	- 179.6	- 93.3	- 103.0	- 228.3	- 290.0	- 319.0
Nicaragua	- 7.6	- 3.3	- 9.7	- 4.9	- 12.5	- 12.8	- 12.7
Panama	- 40.4	- 37.6	- 37.9	- 34.6	- 28.3	- 29.4	- 31.9
Paraguay	- 13.7	- 5.7	- 12.7	- 9.7	- 11.3	- 18.6	- 21.1
Peru	+ 31.7	+ 18.2	- 20.2	- 47.5	- 32.0	- 77.0	- 108.0
Dominican Republic	+ 42.7	+ 42.0	- 3.3	- 18.2	- 47.0	- 43.0	- 45.0
Uruguay	- 87.1	- 21.1	- 94.8	- 5.3	+ 18.2	- 19.5	- 42.0
Subtotal	-1 459.9	-1 579.8	-1 438.0	- 537.6	- 596.2	-1 354.0	-1 499.6
Venezuela	+ 156.0	+ 257.0	+ 338.0	+ 423.0	+ 354.0	+ 202.0	+ 139.0
TOTAL	-1 303.9	-1 322.8	-1 100.0	- 114.6	- 242.2	-1 152.0	-1 360.6

a. See notes to Tables II.14 and II.15.
(-) Indicates surplus.

Source: Evaluation reports, minutes, and working documents.

/At the same

At the same time, in Brazil and in other countries there were significant declines in the rate of development. Moreover, the projections for 1965 and 1966 are based on the supposition that Argentina and most of the other Latin American countries must reach rates of growth in 1965 and 1966 compatible with the principles of the Charter of Punta del Este.

b. The net outflow of foreign exchange for services temporarily declined in 1963, owing principally to the restriction placed by Brazil on remittances abroad.

c. The region's capacity to import was adversely affected in 1963 by the reduction in the net entry of private capital.

14. It has been estimated that the region's deficit on current account for 1964 will be slightly greater than for the previous year, basically as a result of a slower rate in the growth of imports compared with that of exports. This tendency can be attributed to Latin America's over-all expansion of import capacity, which seems to be limited during the current year by the reduction in net private capital inflows (see Table II.22) and by the amortization of the debts of the public and monetary sectors that come due this year (see Table II.23).

15. In comparing Tables II.16, II.17, II.19 and II.20, it may be seen that in recent years the factor that has most influenced the current-account deficit of most of the countries of the region--excluding Venezuela--has been the balance of services. This factor constituted a much higher negative balance than that of the regional trade balance, which became a positive balance in 1963. If Venezuela is included in the analysis, it may be seen that the trade balance was positive in each of the years between 1960 and 1963.

/c. Financing

c. Financing of the current-account deficit

i. Relationship between net needs for external resources and available resources

1. According to the projections compiled by the CIAP subcommittees, in 1965 the net needs for external resources of the Latin American economies--considered as a whole and excluding Venezuela-- are same $240 million less than the projected net inflow of private capital and the anticipated disbursements for that year of financing already granted, most of which has been earmarked for specific investment projects or for the importation of capital goods (see Table II.21). This means that the funds already available to the region and those that should normally come in through private enterprise ought to be sufficient during the coming year to finance the net entry of real external resources (goods and services) required by the Latin American economies to achieve the desired development aims. In terms of balance of payments, the remaining needs for financing coincide almost exactly with the debt-amortization figures for the period.

2. The statement made in the foregoing paragraph regarding regional totals with the exception of Venezuela applies to all the countries of the region, since even in the case of Chile, which has a sizable deficit not covered by such financing, it may be expected that that deficit can easily be financed by conventional credits earmarked for specific investment projects. For Venezuela, Brazil, Argentina, Mexico, and Peru, the resources mentioned appreciably exceed the current-account deficit. That surplus will serve to compensate partially for outflows due to amortization of external credits and will also help, in some cases, to raise slightly the level of monetary reserves.

3. The foregoing, of course, does not mean that the countries of the area do not need additional credits to finance projects or that they do not need more inflow of private capital. As will be seen in the following paragraphs, the importance of both matters was fully recognized by the subcommittees of the CIAP, since the entry of more resources for the purposes mentioned would relieve the pressure on the Latin American countries caused by maturing debts and also would reduce the amount needed to refinance debts falling due in the next two years.

4. Projections for 1966 indicate a situation similar to that already described, since it is to be hoped that the current-account deficit not covered by the net inflow of private capital, and by the disbursements of credits already granted, may be financed by conventional credits earmarked for specific development projects.

/Table II.21

Table II.21

LATIN AMERICA: NET FINANCING NEEDS, INFLOW OF PRIVATE CAPITAL, AND DISBURSEMENTS OF LOANS ALREADY GRANTED TO THE PUBLIC SECTOR, PROJECTIONS 1965 AND 1966 a/

(Millions of dollars)

	Deficit in current account of balance of payments		Net inflow of private capital		Net needs for official financing		Disbursements of official loans already obtained		Surplus (+) or deficit (-) in net financing	
	1965	1966	1965	1966	1965	1966	1965	1966	1965	1966
	(1)		(2)		(3)=(1)-(2)		(4)		(5)=(3)-(4)	
Argentina	37.0	16.0	- 225.0	- 95.0	- 188.0	- 79.0	200.0	142.0	12.0	63.0
Bolivia b/	- 64.0	- 69.5	17.5	20.2	- 46.5	- 49.3	54.9	36.1	8.4	- 13.2
Brazil	- 290.0	- 395.0	154.0	180.0	- 136.0	- 215.0	329.0	146.0	193.0	- 69.0
Chile b/	- 179.0	- 149.0	10.0	20.0	- 169.0	- 129.0	110.0	55.0	- 59.0	- 74.0
Colombia b/	- 125.0	- 143.0	30.0	35.0	- 95.0	1108.0	104.0	32.0	9.0	- 76.0
Costa Rica	- 36.1	- 28.9	14.3	14.0	- 21.8	- 14.9	13.4	17.6	- 8.4	2.7
Ecuador b/	- 39.2	- 46.4	17.4	20.3	- 21.8	- 26.1	18.2	5.7	- 3.6	- 20.4
El Salvador	- 13.5	- 19.4	- 2.8	2.4	- 16.3	- 17.0	11.9	10.0	- 4.4	- 7.0
Guatemala	- 50.6	- 56.9	32.1	39.2	- 18.5	- 17.7	16.5	12.8	- 2.0	- 4.9
Haiti	- 6.3	- 4.5	1.2	1.2	- 5.1	- 3.3	1.9	0.5	- 3.2	- 2.8
Honduras	- 23.0	- 23.3	5.2	- 3.1	- 17.8	- 26.5	4.6	5.7	- 13.2	- 20.7
Mexico b/	- 290.0	- 319.0	221.0	215.0	- 69.0	- 104.0	161.4 c/	200.0 c/	92.4	96.0
Nicaragua	- 12.8	- 12.7	5.5	5.4	- 7.3	- 7.3	10.0	8.0	2.7	0.7
Panama b/	- 29.4	- 31.9	14.0	20.0	- 15.4	- 11.9	15.4	12.5	-	0.6
Paraguay	- 18.6	- 21.1	4.0	4.0	- 14.6	- 17.1	14.1	16.3	- 0.5	- 0.8
Peru b/	- 77.0	- 108.0	10.0	15.0	- 67.0	- 93.0	87.0	33.0	20.0	- 60.0
Dominican Republic	- 43.0	- 45.0	5.0	10.0	- 38.0	- 35.0	25.3	5.3	- 12.7	- 29.7
Uruguay	- 19.5	- 42.0	4.7	4.7	- 14.8	- 37.3	22.1	19.4	7.3	- 17.9
Subtotals	-1280.0	-1499.6	318.1	508.3	- 961.9	- 991.3	1199.7	757.9	237.8	- 233.4
Venezuela b/	202.0	139.0	- 187.0	- 94.0	15.0	45.0	110.0	64.0	125.0	109.0
TOTALS	-1078.0	-1360.6	131.1	414.3	- 946.9	- 946.3	1309.7	821.9	362.8	- 124.4

a. See notes to Tables II.14 and II.15.
b. These countries are conducting development programs that have been evaluated or are in the process of being evaluated by the ad hoc committees.
c. Provisional estimates.

Source: Evaluation reports, minutes, and working documents.

ii. Net movements of private capital

5. In Table II.22 the CIAP subcommittees' projections of net inflow of private capital are compared with data for the past two years and estimates for the current year. As can be seen, according to these projections the trend toward decrease in net private-capital inflow that has characterized the region since 1962 will be reversed in 1965. It should also be remembered that, 1965 and 1966 figures for various countries include sizable amounts for amortization of credits obtained by private enterprises from suppliers during recent years, and that limits on such transactions are planned for the future; this is particularly important in the case or Argentina, whose projected 1965 balance of private capital movements is highly negative for the reason given. The amounts set aside by Chile and Uruguay to reduce their arrears in payment have not been included in these projections, since part of these debts has been assumed by banking institutions, they are regarded as retirement of financial-sector obligations.

6. The subcommittees of CIAP, recognizing the important role that foreign private initiative can play in the economic development of the region, both financially and in the transmission of technical and management know-how, recommended on several occasions that the Latin American governments adopt policies to stimulate, without prejudice to the national interest, the net input of long-term private capital. As has been said, much stress was also laid on properly regulating the short- and medium-term credit that foreign suppliers have been extending to Latin American firms.

7. The behavior of the Venezuelan economy has presented special characteristics in this respect, which are expected to continue to influence the external sector during the next few years. As opposed to the transitory factors that determine the net outflow of private capital anticipated for Argentina in 1965, and the small negative balances that this item constitutes for El Salvador in 1965 and for Honduras in 1966, the net outflow of private capital in Venezuela is due to a longer-term factor: the amortization of paid-up concessions and other investments by the oil companies. This is also why the net input of private capital in Chile is relatively low, for the outflow of capital resulting from the amortization of investments by the copper companies amounts to approximately 50 million dollars a year. In Honduras, the fundamental reason why the net input of private capital will be reduced 50 percent in 1965 and will be negative in 1966, is that the foreign banana companies are hastening the amortization of investments made in 1963 and 1964 and the pertinent amounts are recorded as capital outflow.

/Table II.22

Table II.22

LATIN AMERICA: NET INFLOW OF PRIVATE CAPITAL, 1960-1963, ESTIMATES FOR 1964, AND PROJECTIONS FOR 1965-1966 a/

(millions of dollars)

Country	1960	1961	1962	1963	Estimate 1964	Projection 1965	Projection 1966
Argentina b/	325.2	284.4	-31.4	-87.1	-246.1	-225.0	-95.0
Bolivia	19.4	10.6	10.0	5.8	6.2	17.5	20.2
Brazil c/	200.0	224.0	259.0	80.0	82.0	154.0	180.0
Chile b/	54.1	114.1	14.5	-10.0	-10.0	10.0	20.0
Colombia	92.0	-1.0	-5.0	-4.0	-	30.0	35.0
Costa Rica	4.7	4.3	-0.4	16.6	14.2	14.3	14.0
Ecuador	3.6	1.8	9.6	10.3	12.4	17.4	20.3
El Salvador	5.2	11.6	7.6	15.4	2.8	-2.8	- 2.4
Guatemala d/	15.4	2.9	26.2	34.6	37.7	32.1	39.2
Haiti	-1.8	-4.8	-5.8	-1.6	-1.0	1.2	1.2
Honduras	-0.4	-7.5	3.2	10.0	10.9	5.2	-3.1
Mexico e/	67.8	123.8	125.8	130.3	171.0	221.0	215.0
Nicaragua	7.0	2.6	14.0	6.0	4.7	5.5	5.4
Panamá d/	29.6	12.0	17.9	11.8	13.2	14.0	20.0
Paraguay f/	5.0	3.0	4.6	6.7	3.5	4.0 g/	4.0 g/
Peru	12.5	0.3	6.1	2.0	5.0	10.0	15.0
Dominican Republic	-15.9	-26.4	5.6	31.6	-	5.0	10.0
Uruguay	36.2	2.2	40.0	-16.8	2.9	4.7	4.7
Subtotal	724.0	757.9	501.5	241.6	109.4	318.1	508.3
Venezuela	-166.0	-137.0	-231.0	-189.0	-277.0	-187.0	-94.0
Total	558.0	620.9	270.5	52.6	-167.6	131.1	414.3

Table II.22 (cont.)

a. Includes long- and short-term capital movements.
b. Data taken from working documents presented by the Secretariat and the technical personnel of the Panel to the subcommittees of the CIAP.
c. Data for the period 1960-1963 refer to net inflow of long- and short-term private capital. As amortization projection for the period 1964-1966 does not permit a distinction between the public and the private sectors, those years cover direct net investments, net short-term credits for the private sector, and gross inflow of long-term credits for the same sector. Total amortization of long-term credits has been included for 1964-1966 as part of the obligations of the public and financial sectors.
d. Balance of payments projections were not included in the minutes of the subcommittee and these figures have therefore been taken from the working documents.
e. Excludes short-term capital movement and securities transactions.
f. The subcommittee accepted both the projection figures of the Secretariat reproduced in this table and those of the government, which do not distinguish between net inflow of official and private capital.
g. Includes US$0.5 million collected by the government abroad in consular fees.

Source: Evaluation reports, minutes, and working documents.

iii. Disbursements of financing already granted

8. The projections adopted by the subcommittees of the CIAP imply a greater agility, as a rule, in the use of external resources than that shown in recent years. The subcommittees therefore stressed the need for most of the Latin American countries to accelerate the process of preparation and execution of investment projects. On various occasions, participants in the meetings indicated the advisability of simplifying the procedures used by financing institutions for approving projects and disbursing funds.

9. In analyzing in an over-all manner the projections of disbursements of credits granted, it should be remembered that the information available for each country, when the working documents were prepared that were submitted to the respective subcommittees for consideration, referred to nonuniform dates, taking into consideration credits granted, according to each case, through June, July, or August 1964. In the case of Chile, an estimate of disbursements was included, corresponding to all the credits granted through August plus those it is expected to obtain before the end of 1964. For Brazil, projected disbursements in 1965 of financing already granted include US$100 million that it is expected will be obtained under the terms of U.S. Public Law 480 and $92 million for refinancing debts already negotiated and falling due in 1965.

10. The subcommittees of the CIAP did not give detailed consideration to the composition of official financing received by Latin America in recent years. Furthermore, available statistics in various countries do not permit an accurate determination of the role of official capital disbursements in long-term credit for development which would be comparable with statistics on disbursements projected for 1965 and 1966. In this respect, therefore, it has not been possible to make an exact comparison with historical figures. According to information compiled in the working documents presented to the subcommittees, disbursements of this kind of credit during the current year may vary between $1 200 and $1 300 million, but these are only tentative estimates. Besides these disbursements, the public and monetary sectors of Latin America require between $1 000 and $1 100 million during the current year to meet estimates of the remaining items in the balance of payments. These needs are evidently being covered by short- and medium-term credits and by refinancing or deferring debts that fall due in 1964. Because of the methods used by Latin American countries to estimate balance of payments, a large part of these latter entries of capital will not appear as such in the statistics, but as reductions in amortization payments this year.

/d. Debts

d. Debts amortization of the public and monetary sectors

1. The subcommittees of the CIAP took note of the projections of debt amortization of the public and monetary sectors for 1965 and 1966, shown in Table II.23 jointly with the figures for the last few years and those estimated for the current year. It should be pointed out that the projected figures are not directly comparable with the historical figures as the statistics available for recent years, in most cases, show only the obligations paid and not those whose maturity dates have been extended, while in the projections, all the official debts have been included that fall due within the next few years. Estimates for 1964 include all debts falling due this year, except those for which it is definitely known that agreements have been made with the creditors for postponing part of the payments until 1965 and 1966.

2. The subcommittees of CIAP recognized that the high level of maturities of external debt, particularly short-term debts, during the next two years is one of the most serious financial problems the region faces. The Subcommittees on Argentina, Brazil, Colombia, and Chile--countries in which the difficulties connected with the service of the external debt are most serious--gave preliminary consideration to some of the possibilities of refinancing that should be explored by the aforementioned countries. On numerous occasions, the Subcommittees underscored the need for limiting the contracting of short-term debts, which can increase balance-of-payments difficulties in the near future.

e. Variations in the international assets of the monetary sector

1. Table II.24 shows the projections of variations in the gross international monetary reserves adopted by the subcommittees of the CIAP for 1965 and 1966, as well as date for the years 1961-1963 and estimates for 1964. The statistics for 1961-1963 included in that table were taken from publications of the International Monetary Fund as, in some cases, the data presented to the subcommittees for consideration were consolidated results of movements of monetary assets and liabilities and therefore were not directly comparable to the projections.

2. As a rule, the subcommittees have not endeavored to project a significant increase in the level of gross international assets of the monetary sector. In the cases where a higher accumulation is projected--Venezuela, Mexico, and Peru-- the figures are a residual result of the other balance-of-payments projections. It has been estimated for those countries, that the balance of current operations, movements of private capital, and disbursements of credits already granted and of conventional credits under negotiation, will produce the accumulation of reserves projected without having to obtain significant amounts through special financing under conditions other than those that can be obtained with relative ease to finance reasonably well-prepared investment projects.

/Table II.23

Table II.23

LATIN AMERICA: AMORTIZATION BY THE PUBLIC AND MONETARY SECTORS DURING THE PERIOD 1961-1963, ESTIMATES FOR 1964, AND PROJECTIONS FOR 1965 AND 1966 a/

(Millions of dollars)

	Actual figures (Payments) b/			Estimates	Projections (Maturities) b/	
	1961	1962	1963	1964	1965	1966
Argentina c/	148.7	154.4	44.8	388.2	505.0	338.0
Bolivia	14.0	6.5	11.5	13.1	11.3	16.6
Brazil d/	339.0	282.0	...	674.0	725.0	324.0
Chile e/	31.5	41.5	37.4	103.0	182.0	246.0
Colombia f/	33.0	28.0	33.0	59.0	1,7.0	115.0
Costa Rica	16.3	14.0	6.6	12.9	11.9	9.4
Ecuador g/	6.6	8.4	6.2	18.2	10.7	11.1
El Salvador	4.0	4.8	2.9	4.0	5.2	5.6
Guatemala	3.5	11.6	7.3	6.3	8.0	8.3
Haití	0.2	0.8	0.7	0.5	2.3	1.9
Honduras	4.9	2.1	1.5	1.6	1.6	1.9
México	184.0	268.0	234.0	217.8	167.0	176.0
Nicaragua	2.7	4.1	4.4	4.4	4.5	4.7
Panamá	0.8	1.3	1.8	2.2	3.0	3.2
Paraguay	2.5	2.0	2.7	3.6	2.7	2.3
Perú h/	33.9	38.8	36.0	36.0	35.0	43.0
Dominican Republic	0.2	3.6	0.1	36.2	2.4	4.4
Uruguay i/	11.3	4.9	4.1	44.5	48.1	30.5
Subtotal	837.1	876.8	...	1.625.5	1.862.7	1.341.9
Venezuela	264.0	168.0	131.0	62.0	36.0	40.0
Total	1.101.1	1.044.8	...	1.687.5	1.898.7	1.381.9

a. See footnotes to Table II.14 and II.15.

b. Past figures and estimates for 1964 on amortization refer to actual or expected payments and do not include debts deferred at maturity. Projections include all official debts falling due, without considering the possibility of their deferral.

c. For 1961 and 1962 the information refers only to long-term capital, while for 1963 and 1964 its includes outflows of short-term capital in the amounts of 19.1 million dollars and 11.0 million, respectively. The estimates for 1965 and 1966 refer only to outflows of long-term capital.

d. Includes total amortizations of long-term credits for official and private sectors.

e. Includes only amortization of credits by the Central Bank and amortization of official credits. For 1965 and 1966, 46 million dollars have been included for each year for reduction of arrears in payments for imports.

f. For 1965 and 1966, the figures of Doc. CIAP/98 have been reduced by 16.0 million dollars in order to reconcile them with the most recent information received from Colombia.

g. Figures for 1961-63 were taken from statistics received from the Central Bank.

h. The data for the period 1961-1963 are the most recent that were available (see CIAP/131, Addendum).

i. Includes amortizations by the Bank of the Republic to foreign private banks amounting to 11.3 million dollars in 1964, and 13.7 million dollars in each of the years 1965 and 1966, and deferred payments for imports in the amount of 25.0 million, 23.7 and 6.4 million dollars respectively, for 1964, 1965 and 1966.

Source: Evaluation reports, minutes, and working documents.

/Table II.24

Table II.24

LATIN AMERICA: VARIATIONS OF RESERVES OF THE MONETARY SECTOR IN THE PERIOD 1961-1963 AND PROJECTIONS FOR 1964-1966 a/

(millions of dollars)

Country	1961	1962	1963	1964	1965 b/	1966 b/
Argentina c/	193.6	340.3	-155.0	-	-	-
Bolivia	-2.5	4.8	-5.1	-5.0	-	-
Brazil	-121.0	250.0	151.0	52.0	-	-
Chile d/	11.0	36.9	1.8	-10.0	-	-
Colombia	80.0	46.0	29.0	-	-	-
Costa Rica	4.6	-5.1	-2.9	-	-1.5	-1.5
Ecuador	13.8	-11.7	-11.9	6.6	-1.8	-10.1
El Salvador	6.6	-5.7	-14.9	-	-6.0	-2.0
Guatemala	5.8	1.5	-10.2	-13.2	-4.2	-1.9
Haiti	-3.0	5.3	2.5	0.6	-	-
Honduras	3.4	1.1	2.2	-1.2	-1.0	-1.1
Mexico e/	-113.6	-116.2	-205.4	-118.7	-68.0	-40.0
Nicaragua	-1.3	-4.0	-5.9	-6.6	-2.0	-1.8
Panama	9.1	0.7	-5.6	-6.2	-4.4	-2.0
Paraguay	-1.7	-1.2	-1.2	-1.7	-2.1	-2.3
Peru	-38.8	-12.6	-34.8	-34.0	-38.0	-19.0
Dominican Republic	28.4	-0.7	-23.6	41.1	-4.0	-4.9
Uruguay	-33.5	+73.8	-4.0	-	-	-
Subtotal	+40.9	603.2	294.0	-96.3	-133.0	86.6
Venezuela	19.0	2.0	-150.0	-120.0	-129.0	-113.0
Total	59.9	605.2	-444.0	-216.3	-262.0	-199.6

a. The minus sign indicates an increase. See notes to Tables II.14 and II.15.

b. Projections do not include variations in liabilities of the monetary sector.

c. Refers to variation in gross monetary reserves, and includes international reserves of the commercial banks.

d. It has been assumed that the level of the gross international reserves as of the end of 1963 will be maintained during the period 1964-1966.

e. Includes short-term capital, transactions in securities, and errors and omissions. For the years 1961-1965 the figures could be distributed as follows:

	1961	1962	1963
1. Short-term capital) Transactions in securities) Private and national banks)	-5.1	-85.0	-41.5
2. Net variation in reserves	21.5	-17.0	-109.8
3. Errors and omissions	-130.0	-64.2	-54.2

Source: Evaluation reports, minutes, and working documents.

/In most

In most of the other countries, for which a slight increase in reserves has been projected, the increase corresponds to the improvement in prices for export goods. Even though the rise foreseen in the prices of basic products has also brought about a reduction in the estimate of requirement for external financing, the subcommittees considered that it was not reasonable to expect in every case that domestic savings could be transferred and utilized immediately with maximun efficiency.

f. Additional requirements for external financing for the public and monetary sectors

1. Table II.25 shows the amount of the deficit in balance of payments not covered by disbursements of official credits already granted to the countries of the region and by the foreseeable net inflows of private capital--or, as the case may be, of the amounts by which such financing exceeds the deficit on current account;--the amount of the amortizations of obligations of the public and monetary sectors that fall due within the next two years; and the amount of the variation foreseen in the international assets of the monetary sector. The total amounts determined in this manner, for 1965 and 1966 are equivalent to the region's requirements for additional financing during those years.

2. A portion of the additional financing required will have to be covered, in the opinion of the subcommittees, by disbursements of new credits granted for the financing of specific investment projects and/or imports of capital goods. It is to be expected that in this way the non-financed balance of the deficit on current account of some of the countries can be offset.

3. The projections adopted by the subcommittees imply that, for the Latin American countries to be able to achieve the desired goals of investment, economic growth, and social development, it is necessary for them to obtain the financing needed to offset the deficit of external resources not covered by the means indicated previously. This deficit is made up principally by the maturities of official obligations during the next two years, although an important part of it is also attributable to obligations of short-term and medium-term private debt that, it has been assumed will on occasion be refinanced, by the public sector or have been considered as official for methodological reasons. It can be assumed that significant proportion of the additional resources required will have to be covered by refinancing or extension of those debts, under conditions suitable to an eventual solution of the problem of the next two years without aggravating that of the immediately subsequent years. Nevertheless, the subcommittees also recognized that if this refinancing is not obtained under suitable conditions, the debt would in all probability be refinanced through the postponement of payment for some debtors and obtaining short-term and medium-term loans to liquidate the obligations of others, with a consequent increase in the cost of the debt. These temporary solutions only serve to create even more intense pressures inthe near future.

/Table II.25

Table II.25

LATIN AMERICA: ADDITIONAL REQUIREMENTS FOR EXTERNAL PUBLIC FINANCING IN 1965 AND 1966 a/

	(1) Surplus or deficit (-) of net financing		(2) Amortization by the public and monetary sectors		Net variation in reserves b/		(4)=(1)+(2)+(3) Additional requirements for external resources	
	1965	1966	1965	1966	1965	1966	1965	1966
Argentina	12.0	63.0	-505.0	-338.0	-	-	493.0	-275.0
Bolivia c/	8.4	-13.2	-11.3	-16.6	-	-	2.9	-29.8
Brazil	193.0	-69.0	-725.0	-324.0	-	-	532.0	-393.0
Chile c/	-59.0	-74.0	-182.0	-246.0	-	-	241.0	-320.0
Colombia c/	9.0	-76.0	-137.0	-115.0	-	-	128.0	-191.0
Costa Rica	-8.4	2.7	-11.9	-9.4	-1.5	-1.5	21.8	-8.2
Ecuador c/	-3.6	-20.4	-10.7	-11.1	-1.8	-10.1	16.1	-41.6
El Salvador	-4.4	-7.0	-5.2	-5.6	-6.0	-2.0	15.6	-14.6
Guatemala	-2.0	-4.9	-8.0	-8.3	-4.2	-1.9	-14.2	-15.1
Haiti	-3.2	-2.8	-2.3	-1.9	-	-	5.5	-4.7
Honduras	-13.2	-20.7	-1.6	-1.9	-1.0	-1.1	15.8	23.7
Mexico c/	92.4	96.0	-167.0	-176.0	-68.0	-40.0	142.6	-120.0
Nicaragua	2.7	0.7	-4.5	-4.7	-2.0	-1.8	3.8	5.8
Panama c/	-	0.6	-3.0	-3.2	-4.4	-2.0	7.4	-4.6
Paraguay	-0.5	-0.8	-2.7	-2.3	-2.1	-2.3	5.3	5.4
Peru c/	20.0	-60.0	-35.0	-43.0	-38.0	-19.0	53.0	-122.0
Dominican Republic	-12.7	-29.7	-2.4	-4.4	-4.0	-4.9	19.1	39.0
Uruguay	7.3	-17.9	-48.1	-30.5	-	-	40.8	48.4
Subtotal	237.8	233.4	-1 862.7	-1 341.9	-113.0	-86.6	1 757.9	1 661.9
Venezuela c/	125.0	109.0	-36.0	-40.0	-129.0	-133.0	40.0	-44.0
Total	362.8	-124.4	-1 898.7	-1 381.9	-262.0	-199.6	1 797.9	1 705.9

a. See notes to Tables II.14 and II.15.
b. The minus sign (-) indicates an increase.
c. These countries are carrying out development programs that have been or are being evaluated by ad hoc committees.

Source: Evaluation reports, minutes, and working documents.

SECOND ANNUAL MEETING OF THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL AT THE MINISTERIAL LEVEL

RESOLUTION 1-M/63

CREATION OF THE INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS (ICAP)

The Second Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level.

...

II. DUTIES AND FUNCTIONS

2. The Inter-American Committee on the Alliance for Progress shall carry out its duties and functions in keeping with the general orientation and lines of policy established by the Inter-American Economic and Social Council in its meetings at the ministerial level.

3. To fulfill the purpose set forth in the preceding chapter, the Inter-American Committee on the Alliance for Progress shall have the following duties and functions:

...

c. To make an annual estimate of the financing actually needed for Latin American development and of the total funds that may be available from the various domestic and external sources.

d. To make a continuing review of national and regional plans, steps taken, and efforts made within the framework of the Alliance , and to make specific recommendations to the members of the Alliance and to the regional organizations in the Hemisphere concerning those plans, steps and efforts. In discharging this duty, consideration shall be given to the evaluation reports of the ad hoc committees set up under the Charter of Punta del Este or those deriving from steps taken pursuant to paragraph 9 of this resolution.

e. On the basis of the estimates referred to in paragraph 3.c and the review and the recommendations referred to in paragraph 3.d:

(i) To prepare and present proposals on the amount and sort of domestic resources each country would have to utilize to achieve the objectives of the Alliance, and

/(ii) To

(ii) To prepare and present annual proposals for determining the distribution among the several countries of public funds under the Alliance for Progress, referred to in Chapter V.7 of Title II of the Charter of Punta del Este, which contribute to the external financing of general plans and specific programs for the development of the Latin American countries, giving special consideration to the progress which, in line with its basic characteristics, each country makes toward reaching the objectives of the Charter of Punta del Este, and being especially mindful of Title I.1 of the Charter.

FINAL REPORT
FIRST MEETING OF THE INTER-AMERICAN
COMMITTEE ON THE ALLIANCE FOR PROGRESS (CIAP)

Chapter V

A. ORGANIZATION AND PROCEDURES

... 1. Regulations

2. CIAP Procedures for Annual Country Reviews

Stage 1 (August-October 1964)

In compliance with the requirements established in paragraphs c., d., e., and f. of Section 3 (Chapter II) of Resolution 1-M/63 of IA-ECOSOC, the CIAP will procede in the following manner:

Because of the budgetary procedures of member countries, a set of approximate recommendations for all countries for 1965 and 1966 should be made by October 1964.

These recommendations will have to be based on country studies, which, in view of the time limitations involved, will be of varying degrees of thoroughness. However, it will be possible to make the necessary estimates, provided it is recognized that:

a. A reasonably firm judgment on internal efforts and external needs can be made only for the countries whose plans have been evaluated by the Panel of Experts.

b. Where the plan does not cover the period under review, or no plan has yet been presented, the estimates will have to be based, for this interim period, on the information submitted by the countries and other information available to CIAP.

c. To obtain the best estimates, the technical resources of all agencies in Washington (IDB, IMF, IBRD, AID, etc.) with a role in Latin America, will have to be mobilized to assist the Secretariat in preparing the technical background materials. For this, the cooperation of these agencies will be requested by CIAP.

To initiate the review process for countries with evaluated plans, the Panel of Experts, in collaboration with the technical staff of the Secretariat, will prepare as soon as possible, but in no case later than the end of September 1964, plan evaluation reports or progress reports.

For all other countries, reasoned estimates of external and internal requirements will be prepared by the Secretariat.

/All country

All country reviews will be carried out by subcommittees of CIAP established by the Chairman. The Chairman or a member of CIAP whom he may designate shall preside over the subcommittees. The subcommittees shall include one or more additional members of CIAP, and ad hoc representative named by the country concerned, members of the Panel of Experts and of the Secretariat. In addition, the international financial agencies, US Government agencies, and possibly others, will be invited to participate in an advisory capacity in the meetings of the subcommittees.

In the case of a country that has not prepared a plan for evaluation, and where the Secretariat's estimates should differ significatly from information supplied by the country, consultations with the latter shall take place prior to the convening of the respective subcommittee. If the differences should not be resolved in these consultations, both estimates shall be forwarded to the subcommittee for its review. The subcommittees, on the basis of the reports and estimates prepared by the Panel of Experts and the Secretariat, as well as their deliberations, will submit their recommendations to CIAP through its Chairman.

The recommendations of the country review subcommittees will be acted upon by CIAP at its October 1964 plenary meeting in order to arrive at a global recommendation on external requirements for external financing for Latin America for 1965 and 1966, as well as preliminary estimates on its distribution by countries in support of their self-help measures and mobilization of internal resources.

During the transition period, CIAP authorizes its Chairman to assist countries in the implementation of the recommendations of Ad Hoc Committee plan evaluation reports, when such services are requested.

Stage 2 (after October 1964)

In subsequent years, full country reviews will be carried out under a similar procedure by subcommitteees that shall meet as often as required in the course of the year. In the case of countries with plans evaluated by the Panel of Experts, these subcommittees, through the Chairman of CIAP, will make such recommendations as may be necessary to the financial agencies and to the countries concerned, in order to enable the latter to carry out their development plans, with due regard for the external assistance requirements and the internal efforts that are called for under IA-ECOSOC Resolution 1-M/63.

In the case of ther countries, the reviews by the subcommittees will be based on country reports prepared by the Secretariat in consultation with the country, in order that CIAP may assist the latter in obtaining the external resources required and in taking the self-help measures that may be needed.

At its October plenary meeting, CIAP will consider the country reviews of the subcommittees, and, in the light of its information on available resource, shall make its estimates and recommendations as required by Resolution 1-M/63. These estimates and recommendations will cover the following two years.

/In view of

In view of the great amount of information which the member states must supply to the different financial agencies, CIAP requests the Chairman to form a Working Group wherein international agencies are represented, in order to establish under the auspices of CIAP standard procedures which will eliminate, wherever possible, duplication in requests for information and lack of uniformity.

SCHEDULE OF THE MEETINGS OF THE SUBCOMMITTEES OF THE CIAP FOR THE COUNTRY REVIEWS

AUGUST

		Day
1.	Ecuador	11 - 12
2.	Panama	14 - 15
3.	Mexico	17 - 18
4.	Colombia	27 - 28

SEPTEMBER

5.	Venezuela	9 - 10
6.	Central America	11 - 12 - 14
7.	Paraguay	18 - 19
8.	Dominican Republic	22 - 23 - 24
9.	Bolivia	22 - 23 - 24
10.	Uruguay	25 - 26

OCTOBER

11.	Haiti	3 - 5
12.	Peru	6 - 7
13.	Chile	12 - 13
14.	Argentina	16 - 17 - 18
15.	Brazil	20 - 21 - 23

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LIST OF WORKING DOCUMENTS OF THE SUBCOMMITTEES OF CIAP
USED FOR THE COUNTRY REVIEWS

Doc. No.	Topic	Title	Language
		Evaluation Reports Presented by the Panel of Experts:	
		Ecuador México Panamá	
CIAP/84	Panamá	Proyección de balance de pagos de Panamá para 1965 y 1966	C
CIAP/85	México	Proyección de las transacciones externas de México en los años 1965 y 1966	C
CIAP/87	México	Información básica para el CIAP (Informe que presenta el Gobierno de México a solicitud del Presidente del CIAP)	C
CIAP/88	Panamá	Financiamiento del programa de desarrollo económico y social de la República de Panamá	C
CIAP/90	Ecuador	Resumen de la evaluación de la economía ecuatoriana, las metas principales y el financiamiento del plan en 1964-1966	C
CIAP/98	Colombia	La ejecución del programa de desarrollo durante 1962-1964 y las necesidades de financiamiento para 1965-1966 (Informe preliminar presentado al CIAP por el personal técnico de la Nómina de los Nueve)	C
CIAP/99	Costa Rica	Informe preliminar de la Misión del CIAP en Costa Rica	C
CIAP/101	Costa Rica	Informe de la Misión del CIAP a Costa Rica (Incluye como anexo el Informe Preliminar)	C
CIAP/102	Venezuela	Documento de trabajo preparado por el personal técnico de la Nómina de los Nueve	C
CIAP/103	Venezuela	Balanza de pagos de Venezuela. Documento de trabajo presentado al CIAP por el Gobierno de Venezuela	C

Doc. No.	Topic	Title	Language
CIAP/107	Central America	INTRODUCCION. El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de Centroamérica	C
CIAP/107, Corr.	Central America	Corrigendum a la Introducción	C
CIAP/107,Add.1	Central America	COSTA RICA. El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de Centroamérica	C
CIAP/107,Add.2	Central America	EL SALVADOR. " " "	C
CIAP/107,Add.3	Central America	GUATEMALA " " "	C
CIAP/107,Add.3 Corr.	Central America	Corrigendum al Capítulo de Guatemala	C
CIAP/107,Add.4	Central America	HONDURAS. El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de Centroamérica	C
CIAP/107,Add.5	Central America	NICARAGUA " " "	C
CIAP/107,Add.5 Corr.	Central America	Corrigendum al Capítulo de Nicaragua	C
CIAP/108	Venezuela	Suplemento al documento CIAP/102. Revisión de las proyecciones de balance de pagos	C
CIAP/110	Central America	Financiamiento de programas regionales centroamericanos: Fondo para la Integración Económica Centroamericana	C
CIAP/111	Central America	Inversiones públicas sobre el Gobierno de Nicaragua (Documento informativo presentado por el Gobierno de Nicaragua)	C
CIAP/112	Central America	Algunos aspectos del Plan de Desarrollo Económico y Social de Costa Rica (Documento informativo presentado por el Gobierno de Costa Rica)	C
CIAP/113	Central America	Documento informativo presentado por la Delegación de Guatemala	C

Doc. No.	Topic	Title	Language
CIAP/115	Paraguay	El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo del Paraguay	C
CIAP/115,Corr.	Paraguay	Corrigendum al documento CIAP/115	C
CIAP/116	Central America	Observaciones sobre el desarrollo de la planificación. Centroamérica (Intervención de Alberto Fuentes Mohr, Jefe de la Misión Conjunta de Programación para Centroamérica	C
CIAP/118	Central America	Memorándum presentado por las ciones centroamericanas (Algunos problemas relacionados con la preparación de proyectos en los países centroamericanos	C
CIAP/121	Bolivia	Documento de trabajo preparado por el personal técnico de la Nómina de los Nueve	C
CIAP/122	Bolivia	Información presentada para la reunión del CIAP por el Gobierno de Bolivia	C
CIAP/123	Dominican Republic	Necesidades de financiamiento externo (Documento preparado por la Secretaría)	C
CIAP/126	Uruguay	El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo del Uruguay	C
CIAP/126,Corr.	"	" " " "	C
CIAP/128	Chile	La ejecución del programa de desarrollo durante 1961-1964 y las necesidades de financiamiento para 1965 y 1966	C
CIAP/128,Corr.	"	Corrigendum	C
CIAP/129	Perú	Datos presentados por el Gobierno del Perú a la Reunión del Subcomité del CIAP sobre Perú	C
CIAP/131	Perú	Documento de trabajo para la Reunión del CIAP sobre el Perú	C
CIAP/132	Haití	El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de Haití	C

Doc. No.	Topic	Title	Language
CIAP/132,Rev.	Haiti	L'effort interne et les besoins de financement extérieur pour le developpement d'Haiti	F
CIAP/140	Argentina	El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de la Argentina	C
CIAP/142	Brasil	El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo del Brasil	C
CIAP/143	Brasil	Capital inflow requirements for the Brazilian Government Program	E

/APPENDIX B

APPENDIX B

FINAL REPORT OF THE FIRST MEETING OF THE CIAP

INTRODUCTION

With the establishment of the Inter-American Committee on the Alliance for Progress (CIAP), the OAS member governments reaffirmed their decision to put forth during this decade a maximum effort to achieve a higher level of economic development and social justice within a democratic framework. These objectives, defined in the Charter of Punta del Este, are at one and the same time the basic frame of reference for the work of CIAP.

CIAP is fundamentally the expression of a multilateral concept of the Alliance and of the need to intensify the achievements of the Alliance through multilateral action. The efforts and sacrifices implied in the Alliance are mainly the responsibility of the Latin American peoples and they must assume a leading role in this undertaking. Their governments have committed themselves during this decade to confront and resolve--by democratic means--the critical problems of economic, social and political modernization; and these responsibilities requiere a participation in the direction of the Alliance.

The Alliance for Progress is also multilateral in the sense that its success presumes a close collaboration within the whole inter-American system backed by the international development and financing institutions, as well as other countries outside the system that want to assist in the program. Finally, the Alliance requires joint action because one of its major objectives is to facilitate the economic integration of the Latin American nations, and this implies economic cooperation and mutual support.

The creation of CIAP responded to a second judgment of the member governments: namely, that after three years of experience with the Alliance it was time to identify the problems that were delaying forward movement and to attack them energetically.

These two facts--the multilateralization of authority, and the need for acceleration--have oriented CIAP's approach at its first meeting in facing the major dimensions of the Alliance: the domestic effort of the Latin American nations, foreign trade, external assistance, and regional integration.

/Chapter I

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Chapter I

ASPECTS OF DOMESTIC EFFORT

The Committe paid special attention to various aspects of the Latin American countries' domestic efforts on behalf of the Alliance for Progress. There is an intimate relationship between the capacity of a nation to carry out essential self-help measures and the effectiveness and flexibility of the external assistance it may receive. The association of peoples in the Alliance for Progress is based on the will to carry out a multilateral effort which is an essential condition for the success of the common task.

The Committee considered, in particular, domestic efforts in the fields of planning and project preparation, the improvement of national markets, and public enterprises.

A. PLANNING AND PROJECT PREPARATION

The Charter of Punta del Este gave particular importance to the preparation of development plans which could serve to orient economic and social policy on a rational and far-sighted basis. The existence of such plans is essential to the Alliance, not because they in themselves are a panacea to the development problem, but because they offer a useful method for establishing priorities, for achieving balanced economic growth, and for identifying critical bottlenecks. They also provide a rational basis for the allocation of external aid.

To date there are nine Latin American countries which have presented development plans that have been, or are being, evaluated by the ad hoc committees in accordance with established procedures. This experience has been very useful in following the progress of domestic efforts and for gathering information and criteria which permit the countries to gradually improve their planning process. This experience is also valuable in guiding the work of countries that have not yet presented their plans.

The CIAP listened with great interest to the presentation made by Mr. Raul Saez, Coordinator of the Panel of Experts who summarized the work accomplished until now in the field of planning. He emphasized that the initiation of the planning process has made an important advance in practice, which is demonstrated by the fact that the majority of the Latin American countries have presented or are preparing national development plans and that they have created or strengthened the instruments for the preparation and implementation of plans. The Panel of Experts has preferred to be flexible with respect to the nature of the plan since they did not want to obstruct the initial planning effort, and because of the need to gain experience. However, it considers that the essential factor in judging the adequacy of a plan is the effectiveness of the complex of measures proposed to guide and accelerate the economic growth of the nation within the immediate future, in addition to serving as the master

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plan which will provide the framework for the preparation or completion of specific projects and the execution of economic policies.

Mr. Saez pointed out that the plans studied generally had the following weaknesses:

a. Deficiences in basic statistics;

b. The use of mathematical methods that are unnecessarily complicated;

c. The lack of a sufficient number of projects;

d. The lack of adequate attention to the stages of implementation and control of the plans;

e. Lack of coordination between the national plans and the process of economic integration;

f. The measures of economic policy required by the plan are treated too generally;

g. Little or no participation by the private sector in the preparation of the plan;

h. Absence of consideration of manpower resources in the plan;

i. Problems in financing as a consequence of insufficiency and lack of flexibility in external assistance;

j. The weakness of the instruments which should insure the preparation and execution of the plan in all its phases.

The CIAP agreed that these constructive criticisms do not diminish the importance of the work performed in the field of planning. The shortcomings observed are to be expected in an effort so newly undertaken and so inherently complex. These shortcomings in no way invalidate the benefits derived from submitting the development effort to a rational discipline. The Committee noted that progress is already evident in those countries that have prepared their plans, especially (as was pointed out by the Coordinator of the Panel) in the financial aspects and in the provision of foreign aid, bringing it nearer to the requirements foreseen in the evaluation. In some countries an acceleration in the rate of growth can already be noticed. Nevertheless, there are certain sectors in which planning deficiences are very significant. This is particularly so with regard to policies relating to the private sector, in which gaps have been evident.

CIAP also studied carefully the problems that derive from the lack of projects. This deficiency is one of the principal constraints on the availability to Latin America of external resources from lending institutions and

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an important reason for the sluggish rate of growth characterizing the firts efforts of the development process. Without the timely preparation of a sufficient number of projects it will be impossible to attain the rate of growth required by the Alliance for Progress. While it is true that the deficiency in the machinery for the preparation of projects is a consequence of the organizational shortcomings typical of developing countries, it is no less true that the action of the state should give high priority to the measures required to overcome this deficiency.

In subsequent chapters of this report mention is made of other aspects of the planning process that were considered by the CIAP, but they are more directly related to the procedures to be followed in the estimation of the external assistance requirements.

With the foregoing in mind, CIAP decided to:

1. Reaffirm the need for economic and social development planning as one of the essential elements of the Alliance and one of the most important indications of domestic effort. CIAP will not be able to fulfill its responsibilities unless the countries prepare their development plans within a reasonable period. The Committee conceives of planning as a continuous process which starts with the formulation of projects and the elaboration of the plan and is completed with its orderly execution, efficient administration, and evaluation of the final results. Consequently, it recommends to the countries that the agencies responsible for this process be strengthened, without neglecting the improvement of basic statistics, which must be adapted to the requirements of the planning process. CIAP asks its President to transmit these comments to the governments and to make them known to the agencies which provide technical assistance in examining what action will be required to fill the more obvious gaps in social and economic planning.

   The Committee recommends, on the other hand, that an effort also be made to permit the Special Development Assistance Fund to give particular attention, and provide more resources, for the preparation of development projects.

2. Urge the countries which have not yet presented development plans to proceed with their preparation, and the countries with plans to initiate or continue the preparation of long-term plans. In this connection CIAP asks its Chairman to communicate with the various governments in order to determine progress made and discuss the collaboration which the Committee could provide to assure the prompt preparation of their plans.

3. Request the Panel of Experts to prepare an analytic report on planning in Latin America, based on experience to date, and to ask ECLA, the Inter-American Development Bank and other international financial agencies to transmit their experience in the field of planning.

/4. Request

4. Request the Panel of Experts to prepare a set of guidelines that might be covered in a strategy for the development of the private sector in Latin America.

5. Ask the Tripartite Committee OAS/IDB/ECLA for an evaluation of the work accomplished by their various planning advisory groups.

B. THE IMPROVEMENT OF NATIONAL MARKETS 1/

1. Background and Study of the Problem

The Committee examined in detail proposals for accelerating the Alliance for Progress through national economic integration.2/ The need to improve and widen national markets is considered to be one of the most important means to accelerate this national economic integration and at the same time to reinforce the efforts under way for regional economic integration in Latin America, and to help develop conditions under which exports of Latin American agricultural products and manufactures could be expanded.3/

Thus, measures to improve and expand national markets, while important, in no way substitute for other better known programs of the Alliance for Progress, such as the development of infrastructure, agrarian reform, tax reform, etc.

The symptoms of this problem of natural markets, described in detail in document CIAP/50, are well known: substantial underutilization of existing industrial capacity, sluggishness in the growth of agricultural production and income, and an increased disparity between development levels of urban and rural areas. The importance of this pressing problem has long been recognized. Limited and poorly organized national markets are parts of the underdevelopment problem itself.

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1. The term "national market" should not be taken literally. It is understood that it can apply to regions within nations, to contiguous regions of two or more nations, or to a group of small nations. It is evident, for example, that this concept may be applied to the Central American Common Market.

2. Accelerating the Alliance for Progress through National Economic Integration. (Document Based on the Paper Prepared by the U. S. Representative on the CIAP) OEA/Ser.H/XIII, CIAP/50 (English), 7 July 1964.

3. Some possibilities in this regard are considered in Resolution C-16/M62, First Annual Meeting of the IA-ECOSOC at the Ministerial Level, Mexico City, 1962.

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The CIAP expressed its firm conviction that it was time to make a fresh attack on this chronic problem and to stimulate a conscious strategy to improve and expand national markets in the Latin American countries. The essence of this strategy is to develop new initiatives and an experimental and imaginative approach on the part of individuals, private groups and public bodies in Latin America leading to the launching of specific national or local projects.

The major focus would be on improvements in marketing conditions: to reduce distribution costs and improve techniques for the achievement of greater efficiency in the marketing of agricultural products in the urban centers, to improve marketing conditions in the rural areas for manufactured products; and to facilitate marketing of agricultural and manufactured products to the ports. This approach, which would necessarily involve the improvement and expansion of many existing policies and activities, could be formulated in the following manner:

1. In the agricultural sector. Improvements in agricultural marketing and related activities (for example, storage, transport, etc.) leading not merely to lower urban prices for agricultural and fishery products but also to increase output of cash crops, to increase the share received by the farmer, and to diversify agricultural production.

2. In the industrial sector. The diversification of manufacturing production designed to produce goods for mass marketing at lower unit costs; and new and imaginative programs to tap and develop rural markets for the products of industry, including improved distribution and marketing systems. The provision of consumer credit, under fair terms, can be part of this program in cases where inflationary pressures have been brought under control.

The achievement of these ends, together with land reform and other agricultural measures, would increase effective demand for manufactured products; and the availability in rural areas of efficiently marketed manufactured goods could serve as an incentive for the diversification of agricultural production. New and improved credit practices, national and international, would be a necessary complement to these efforts. The provision of crop and livestock insurance would also contribute to these objectives.

CIAP felt that a successful effort to expand national markets would have other important consequences. The diversification and improved efficiency of industrial and agricultural production and a successful organization and expansion of national markets would help to surmount the very similar problems faced in diversifying and expanding exports of agricultural products and manufactured goods. In the same manner, the broadened base of domestic industry would facilitate the expansion of intraregional trade and the success of the integration movements in Latin America. By providing more full and efficient use of industrial plant and the more effective exploitation of agriculture and fishery potential it will also assist the Latin American nations in their

/efforts to

efforts to earn more foreign exchange. Raising agricultural incomes could also serve to ease the implementation of structural reforms in the agricultural sector.

CIAP recognized that the obstacles to the expansion of national markets are numerous and complex. Present marketing practices and institutional arrangements are deeply rooted. Multiple private interests are involved and a delicate interplay and reinforcement of public policies and private efforts are required, which can only be judged and worked out by those charged with this responsibility in each of the countries of the Hemisphere.

The experience of the Panel of Experts in the evaluation of national development plans is also significant. This experience has indicated:

1. A relative neglect of the agricultural sector in the preparation of national plans, and

2. The great difficulties of incorporating private sector projections and policies--including marketing policies--in the national plans.

While recognizing these difficulties, the Committee felt it was opportune to press forward with a new program to improve and expand national markets since the relative lag in growth of the agricultural sector and widening gap between urban and rural areas are matters of growing concern. There is also an awareness on the part of entrepreneurs of the limitation of the present market structure. The Committee proposed a dual effort to:

1. Promote vigorously the idea of a concerted national market strategy to persuade private groups and governments to examine afresh this problem in its realistic national setting and to press forward with practical projects and programs, recognizing that success in this area is largely dependent on many local and national iniciatives.

2. Promote a concerted action by the community of international and national public agencies to assist these national efforts with the varied technical and financial resources at their disposal.

2. Action Program

The CIAP proposed that the Chairman of CIAP undertake the following concrete measures to improve and to expand national markets.

1. To encourage an active discussion of the national market concept by the National Committess for the Alliance for Progress as well as other interested groups (e.g., industry, labor, agriculture, fisheries, research institutions, cooperatives, etc.) in order to apply this concept, in practical terms, to the unique problems of their several countries and to generate specific projects by interested

/groups in

groups in Latin America. For this purpose a revised version of "Accelerating the Alliance for Progress through National Economic Integration (CIAP/50)," must be distributed widely.

2. To encourage governments to include a coherent national market strategy in the preparation and implementation of their development plans, and to propose that the Tripartite Global Missions presently working with planning authorities in various of the Latin American countries incorporate marketing specialists in their staffs.

3. To request the Panel of Experts to take account of such programs in the evaluation of national development plans.

4. To suggest that research in marketing, a neglected research area in many of the Latin American countries, be stimulated in the appropriate private groups, e.g., universities, trade associations, cooperatives, and in the relevant governments agencies. Furthermore, to request various international agencies, and especially CIDA and ECLA, to devote special attention to practical research endeavors in the national marketing problem, especially in those countries preparing development plans.

5. To request the Secretary General of the OAS to establish within the Secretariat a unit for national markets affairs.

6. To invite the various institutions that may be in a position to offer technical assistance and financing to give their full support to this national efforts and to promote the best possible coordination of their assistance. It is noted that certain international financial agencies have already pledged their support of both technical assistance and capital. Accordingly, the Chairman of CIAP will form a working group consisting of representatives of those international or national agencies presently dealing with the many facets of the national market problem, i.e., industrial expansion, agricultural development, external financing and technical assistance. The tasks of this working group would be:

   a. To study systematically the practical lessons to be derived from existing experience in Latin America in their efforts to modernize marketing institutions,

   b. To identify, based on available information, specific projects which, if implemented, might carry forward national economic integration, and

   c. To provide technical assistance and financing of such projects upon the request of the Latin American governments and responsible private groups.

/This group

This group could include IDB, OAS, ECLA, CIDA, United States AID, IBRD. EXIMBANK, and at the discretion of the Chairman of CIAP any other public or private group that, in specific situations, can make a contribution to the solution of the problem. This group would be chaired by the Chairman of CIAP or one of the members designated by him.

7. Urge private enterprises in Latin America to assume a responsibility in the effort to improve and expand national markets by modernization of their methods and institutions. The study of the private sector requested from the Panel of Experts (see A.4 of this chapter) should take into account this function of private enterprise.

8. Establish contact with foreign private enterprises urging them to play a progressive and cooperative role in exploring the opportunities for assisting with national market projects, in consultation with the appropriate authorities in the Latin American countries in which they are active.

9. Request the Secretary General of the OAS, through the OAS Fellowship Program, to accelerate the extension of fellowships in the field of marketing, giving special attention to training in countries whose experience is most relevant to Latin American problems, and also to suggest a similar emphasis to other international agencies providing fellowships abroad.

C. PUBLIC ENTERPRISES

CIAP agreed that each nation has the righ to decide what part of its economy should be operated publicly or by private enterprise and that this is undoubtedly a basic aspect of its sovereignty. No ther nation or international institution can or should attempt to interfere with that decision. On the other hand, the efficient use of resources is a matter which can be properly presented for multilateral consideration within the Alliance for Progress. Some public enterprises in the Latin American countries operate with large deficits. In many cases these losses, cause a heavy drain on fiscal resources which are reflected in the national budget deficit. These deficits are one of the major causes of inflation in some of the countries of the region. Nevertheless, and without prejudice to the general and specific conditions that each financial institution establishes for its credit authorizations, when a public enterprise is efficient and well managed it should have access to the credit of international institutions.

The CIAP indicated its concern with the problem of inefficiency of some public enterprises and its possible influence on the inflationary process.

CIAP requested the Panel of Experts to give special attention to this problem in the evaluation of plans and programs submitted for their consideration.

Chapter II

FOREIGN TRADE

The CIAP studied the difficult situation confronting Latin America in the field of foreign trade. During the last few decades traditional Latin American exports have lost ground in the world market and terms of trade have tended to deteriorate, though prices of some export products have increased in the last two years. Although the volume of Latin American exports has risen since 1960 at an average rate of 5 percent annually, the external purchasing power has increased only 1.6 percent.1/

If the situation of Latin American exports does not improve substantially, at a time that population increases rapidly and the Latin American countries require greater purchasing power abroad in order to carry out their development programs, the success of all such efforts undoubtedly can be endangered, and it will become even more difficult to attain the goals of the Alliance for Progress. Furthermore, it is necessary to stimulate the diversification of exports, an essential requirement of which is the access of Latin American manufactured products to industrialized countries. The utilization of external resources, by means of loans, cannot serve as a substitute for income derived from trade.

The CIAP felt that Latin America's capacity to contract loans tends to decline rapidly because debt services and the profits earned by foreign capital are absorbing an important amount of foreign exchange in income in some Latin American countries. The United Nations Conference on Trade and Development dealt with these problems and a series of principles and recommendations were drawn up at that meeting which will tend to solve them on a world wide scale.

The CIAP felt that Latin America is interested basically in the reorganization of international trade to accelerate development and that financial resources of external origin constitute a true additional contribution to those economies and not simply a compensation for the relative decrease in export income.

Consequently, it asked the Chairman to establish close contact with international and inter-American agencies entrusted with foreign trade matters and suggested that he present a report at the Second Meeting of the CIAP.

Moreover, in order to deal properly with the problems confronting Latin American exports, the CIAP requested its Chairman to set up a Working Group to advise him on this subject and prepare a report to be presented at the next meeting. This report will include suggestions about the action that it would be advisable for the Committee to carry out in that field, their organization, and the relations that could be maintained, or initiated, with the various qualified international agencies and, very especially, with the new agencies that will be formed as a result of the recent United Nations Conference on Trade and Development.

1. Information from the Economic Commission for Latin America.

/Chapter III

Chapter III

MAJOR ASPECTS OF EXTERNAL ASSISTANCE

CIAP considers that only a detailed analysis of the economic situation of each country, in terms of the criteria of Punta del Este, can determine the amount and composition of the foreign aid needed. In such analysis--which will be made according to the procedures estavlished in Chapter IV of this report--special attention will have to be given to each country's foreign trade problems, external indebtedness and domestic effort to achieve the minimum goals established in Punta del Este.

Although the results of these reviews should not be prejudged, certain important aspects are already becoming apparent and suggest concret conclusions and decisions, which can be placed into four categories:

A. The need for greater flexibility in the use of the available resources;

B. The need for measures to accelerate the utilizations of external resources;

C. The need to study the problems of foreign debts;

D. The need to increase the flow of available resources.

A. THE NEED FOR GREATER FLEXIBILITY IN THE USE OF THE AVAILABLE RESOURCES

As a growing number of countries move forward in the preparation of their over-all development plans, it becomes more urgent to devise new formulas to insure the availability of the resources needed in implementing these plans. Some progress has already been made in this field; some agencies that at one time only financed individual projects are now participating in consortia to finance project packages. But it is obvious that this can only be the beginning of a continuous search for the formulas that are most appropriate to each country. It should be especially noted that over-all development program financing is appropriate to the needs of countries with mixed economies in which the plan assigns an important role to investments in the private sector, but in which it is not wished to prescribe to this sector narrowly the fields in which it is to function. In such cases it may be expedient to promote the kind of development that is desired, by providing the monetary authorities with the foreign exchange needed to follow a policy designed to stimulate private investments. The creation of development banks designed to provide resources to the private sector is proving an effective way to achieve this result in certain Latin American nations.

Global allocations of foreign aid funds may also be justified in the case of countries that suffer from inflationary pressures which they are trying to control

/through effective

through effective domestic policy measures, but which require external support during the transitional period in order to avoid severe unemployment and recession.

Greater flexibility may also be justified in the practices followed with respect to project financing. For example, it would be useful in certain cases in which projects already initiated cannot be completed because of a lack of resources; that, where the priority and economic and financial justification is clear, the financing agencies be prepared to provide the funds needed to complete these projects, taking into account the domestic contribution that has already been made. Similarly, there are cases in which it may be advisable for the international institutions to broaden the practice of covering the local currency expenditures on some projects.

CIAP therefore requests its Chairman to bring these considerations to the attention of lending institutions and agencies, and recommends that they be taken into account in the country studies described in Chapter IV.

B. THE NEED FOR MEASURES TO ACCELERATE THE UTILIZATION OF EXTERNAL RESOURCES

For a number of reasons it is of great importance to the Alliance that the time elapsing between the authorization of loans and their full disbursement be reduced to an essential minimum.

A preliminary examination of the experience with other regions indicated that the rate of drawings on loans to Latin America is not low in comparative terms.

In view of the importance of this problem CIAP requests its Secretariat to pursue further the study of the pipeline that has already been initiated, and that it report its results through the Chairman, at the next plenary meeting.

One cause of the lag in disbursements mentioned above is the conditions under which some loans are granted, either because of legal requirements or operating practices under which the lending agencies operate. For example, U.S. law severely limits the use of AID funds for purchases outside the United States and imposes the obligation that at least half of such shipments be made in U.S. vessels. The CIAP believes that flexibility in the respective laws and procedures is much needed. The willingness which has been expressed by the U.S. authorities to study this possibility is highly welcome and the CIAP views with satisfaction efforts now being made by the United States to modify procedures which hitherto may have caused delay in some cases. CIAP also considers that a revision of this legislation is needed. It therefore requests its Chairman to continue the constructive efforts that he has already initiated with the U.S. authorities, with the view to achieving these ends.

The development plans that have been prepared by a number of Latin American countries have in many instances been found to suffer from a shortage of well prepared projects that might be submitted to the financial agencies as a basis for requests. Consequently, not all of the potentially available external development capital could be utilized by these countries. Among the principal causes for this deficiency are the inadequate institutional structures of the public and private sectors, a shortage of adequately trained technical and managerial personnel, the inadequate organization of such personnel, and the requirement imposed by some governmental lending institutions that foreign consulting firms must be used for the preparation of feasibility studies.

CIAP therefore urges the Latin American governments to give high priority to the internal reforms that are needed to overcome these institutional deficiencies. At the same time CIAP requests its Chairman to make the necessary representations to lending agencies, so that these devote greater resources to project preparation and, more especially, to feasibility studies. In these additional efforts to increase the technological capacity of countries to prepare and carry out projects, local consulting firms should be used whenever possible and should at least be given the same opportunity as foreign consultants. to participate in project preparation. Joint ventures between foreign and domestic consulting firms should be fostered for this purpose.

To carry forward this effort, the Chairman is requested to form a working group which would mobilize the advice and experience of all the relevant lending agencies, making contact with governments when necessary, and making recommendations for the acceleration of project generation with special attention to the improvement of Latin American capabilities.

C. THE NEED TO STUDY THE PROBLEM OF FOREIGN DEBTS

In some countries the present level and structure of existing debts presents a problem that is not inferior in magnitude and importance to that of the needs of official development capital. The existence of these debts reflects primarily four phenomena: 1) the past lack of development plans and policies which would justify receipt of long-term financing; 2) the unfavorable terms of trade of the last decade; 3) the fact that certain capital exporting nations almost exclusively have granted medium-term financing, much of it in the form of supplier's credit; 4) the absence of centralized control in the countries over the contracting of foreign debt. To find formulas that will allow the Latin American countries concerned to repay these debts without seriously interfering with their development potential, hindering the setting in order of their fiscal and monetary systems, and prejudicing their international financial relations, may be considered one of the primary tasks of CIAP in the field of external financing.

CIAP therefore requests its Chairman to keep himself informed of current debt renegotiation efforts, and to be prepared to asist the member countries, if it is judged useful by the participants.

/In addition,

In addition, CIAP requests its Chairman to form a Working Group consisting of himself, any member of CIAP who may wish to participate, and the regional, international or governmental institutions that he may wish to invite in order to examine the long-run and more basic aspects of foreign indebtedness; and to propose recommendations about measures that should be adopted to avoid excessive short-term debts in the future. The Chairman will report on the results achieved by this Working Group at the next plenary meeting of CIAP.

Another important problem of foreign debt financing is the conditions under which debts are contracted. The present indebtedness of some countries, and the need for development credits, require that financing be granted on more favorable terms than those generally prevailing in the past.

D. THE NEED TO INCREASE THE FLOW OF AVAILABLE RESOURCES

A large part of the work of this session of CIAP was taken up with a preliminary examination of the requirements of the Latin American nations in their efforts to achieve the Punta del Este goals and of the external resources available for that purpose. It is the intention of CIAP to publish a paper on requirements and availabilities at its next meeting, it being understood that any estimate of this type will have to take into account basic commodity price levels, the internal efforts and external indebtedness of each country. At that time CIAP should have available more reliable estimates of requirements on a country-by-country basis.

Nevertheless, the available facts indicate that the over-all goals of the Charter of Punta del Este are not now being fully achieved and that efforts to strengthen measures of self-help as well as to enlarge the flow of external assistance are required. The increasing internal efforts that are taking place in Latin America make it likely that in 1965 and 1966 larger amounts of external financing will be required.

CIAP therefore requests its Chairman to hold discussions with the international and national lending agencies with a view to determining the prospects of additional resources becoming available for 1965 and 1966. The Chairman is requested to coordinate these actions with those of the IDB. CIAP also recommends member countries to give the greatest support possible to the endeavors of the IDB to mobilize additional financial resources, especially in Europe, in conformity with the resolution approved at the last meeting of the Bank's Board of Governors (Panamá, April 1964).

In this respect, special attention should be paid to the fulfillment, on the part of the industrial countries and of Latin America, of the recommendations with regard to development financing, which were approved at the United Nations Conference on Trade and Development.

The CIAP noted with satisfaction the resolution of the Board of Governors of the IDB approved at Panama to increase the resources of the Fund for Special

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Operations in the amount of $900 million and welcomed the statement of the Bank's President to the members of CIAP in which he declared his intention to cooperate with CIAP and to establish policies for the Fund and its administration which will provide support for the social and economic objectives of the Charter of Punta del Este and the development policies formulated by CIAP.

The CIAP requests its Chairman to inform all member governments of the importance CIAP attaches to assuring the continued activity of the Fund for Special Operations by a timely replenishment of its resources, and of the urgency it attaches to each member government's taking whatever steps may be necessary to permit the resolution increasing the resources of the Fund for Special Operations to become operative.

The CIAP also noted, in this connection, the statement of its member, Dr. Roberto Campos, to the effect that in view of the resolution of member governments approving the expansion of the resources of the Fund for Special Operations, it would be appropriate for CIAP to suspend further examination of the proposal of the Brazilian government for an Inter-American Development Fund (FIDAP) as set forth in the resolution 23-M/63 of the IA-ECOSOC and as further amended by CIAP/43. The other members of CIAP concurred in this view.

CIAP requests that its Secretariat and the Panel of Experts prepare a study to be submitted at its next meeting regarding the criteria that countries that do not yet have general development programs should use to establish priorities that will permit them to properly select the project to be prepared.

It is a cause of concern that the full potentialities of foreign private enterprise are not being woven into the fabric of the Alliance for Progress. There are undoubtedly problems on the side of both potential investors and recipients. To find formulas under which this flow may be expanded is an inescapable task for CIAP. To achieve this end, it is necessary to provide an adequate sense of security and to insure that foreign capital enter under equitable conditions and that it follows lines of conduct compatible with the national interest of each country.

CIAP, therefore, requests that its Chairman explore all possible means of increasing the flow of private investments. As a basis for this effort he is requested to assemble all the available information on the effectiveness of different measures, looking toward the establishment by responsible authorities of norms of international behavior with respect to private investment; having due regard for the national policies and constitutional provisions of each country. For this he will use the services of the Secretariat and request the services of the IDB and of other competent organizations, being authorized also to consult prominent representatives of the public and private sectors.

/Chapter IV

Chapter IV

ECONOMIC INTEGRATION

In compliance with the mandates entrusted to the CIAP, and particularly that regarding its responsibility to "coordinate those initiatives within the framework of the Alliance requiring multilateral action, such as economic integration..." an examination was made of the present status of the process of integration in Latin America. It was taken into account that at this time simultaneous efforts are being made by the countries comprising the Latin American Free Trade Association (LAFTA) and the Central American Common Market, and that there is on the other hand a third group of countries who still do not participate in these efforts.

The importance of the process of integration in achieving the rate of development for Latin America as projected in the Alliance programs, was once again recognized and emphasized, and it was deemed at this jucture to be of the utmost importance to seek formulas for the acceleration of the progress of that process.

A. EXAMINATION OF THE PRESENT STATUS OF THE PROCESS OF INTEGRATION

With regard to the above mentioned mandate, the CIAP considers that a study to orient it in coordinating and promoting the process of integration, is a basic necessity.

The CIAP is very much aware of the fact that LAFTA and the Central American Economic Council are already responsible for regional programs of integration, and that there are other inter-American agencies such as the OAS, IDB, ECLA, and CEMLA which are deeply interested and closely related to the promotion of integration.

Greater coordination of the activities of these agencies would be a very important factor in accelerating the process. Some of these institutions--particularly ECLA--are now carrying out intesive studies oriented toward the diagnosis of the principal factors impeding the progress of integration and the search for formulas to neutralize or eliminate them. Furthermore, CEMLA has presented a memorandum to the CIAP stating the necessity for financial coordination and cooperation in Latin America, and some very interesting institutional formulas for achieving these ends.

The CIAP considers it its duty at this crucial moment in the process of integration, to investigate the course of action it might adopt to make an effective contribution in the promotion and acceleration of the process of economic integration of the region. In carrying out the studies, it will be necessary to work very closely with the organs of LAFTA and the Central American Common Market.

/Therefore, CIAP

Therefore, CIAP charged its Chairman with the convocation of a Group of Experts to carry out the following tasks, in consultation with qualified agencies of LAFTA and the Central American common Market and the ECLA Secretariat:

a. To identify the basic factors and circumstances which impede greater progress in the process of Latin American economic integration.

b. To suggest steps to be taken by CIAP and formulas and measure that could be proposed for acceleration of this process.

In carrying out this study, the Group will mainly examine the advance of the process of integration and of the two existing groupings; the studies already carried out and the status of those being pursued or to be initiated in various agencies; and the manner and the extent to which problems related to integration are handled within the framework of the Alliance.

It will consider the economic, legal, institutional, and other types of obstacles which may be holding back the two programs of integration; the relation between these and the possibility of incorporating the countries which do not participate in either of these two programs. It will examine the problems arising from the different size and degree of development of the countries for the purpose of identifying and promoting possibilities of production for the integrated market in countries of smaller size and growth. It will evaluate the studies and the initiatives being carried out or being planned in order to improve transportation and communication facilities among the Latin American countries, perfect the mechanism of international payments and harmonize monetary, exchange, and foreign trade policies, and other aspects important for the process of integration. It will also analyze present domestic and external financing conditions to promote integration.

In the measure the studies allow this, the Group will make suggestions that place CIAP in position to define its role with reference to regional integration as well as on criteria for harmonizing national plans and their financing with the purpose of integration.

c. The Group will inform the Second Meeting of CIAP of the state of its work.

The Chairman of the CIAP will request the General Secretariat of the OAS, the organs belonging to LAFTA and the Central American Common Market, the IDB, ECLA, CEMLA, and Panel of Experts, to supply the Group with the collaboration necessary for the accomplishment of its duties.

B. MULTINATIONAL PROJECTS

CIAP considered that one of the most important functions assigned to it is "to obtain information on the progress made in multilateral investment programs" and to procure its financing.

During its preliminary meeting, CIAP approved Resolution 64/2 which created a Working Group to inform and advise it on specific project of a regional scale, of multinational infrastructure, and of border development. This Group preparated a report (Doc. CIAP/46) containing a provisional list of projects which, although still incomplete, records thirty-five multinational infrastructure projects.

At its first meeting CIAP examined the excellent report of the Working Group and arrived at the conclusion that it is first necessary to formulate and maintain a complete inventory of multinational projects and, secondly, to establish a permanent mechanism which--acting in accord with the interested countries and agencies--will allow CIAP to promote implementation and procure financing for those multinational projects tending to accelerate Latin American economic integration and which have sufficient priority and justification from the national and regional point of view.

During his recent visit to Central America the Chairman of CIAP took cognizance of various multinational projects that the Central American countries wish to carry out with financing of the Central American Bank for Economic Integration (BCIE).

As a result of the preceding, CIAP charged its Chairman with the formation of a "Permanent Committee of Multinational Projects" comprised as follows: two members of CIAP, two members of the Panel of Experts, the Secretary General of the OAS, the Executive Secretary of CIAP, the President of the IDB or someone of his choosing, and the Executive Secretary of ECLA or his representative.

The Permanent Committee shall obtain and maintain complete up-to-date information on Latin American multinational projects and shall serve as a "forum" for studying and adopting the policy measures necessary to obtain the implementation of studies and agreements required to carry out and finance multinational projects that comply with the aforementioned criteria.

It will request the collaboration of the countries and institutions interested in the project in question and especially of the financing agencies.

The Chairman shall establish contact with the governments and suggest they contact him when they wish to carry out or finance any multinational project.

The CIAP shall use IDB as its main instrument for carrying out studies of feasibility, preparation of projects, organization of financial groups of consortia, etc., for which purpose the IDB is asked to give its valuable cooperation.

When dealing with projects referring to the Central American countries, the CIAP shall seek the participation of IDB as well as the BCIE.

/In view of

In view of the importance of certain projects of this type in which many governments are actively interested, CIAP has agreed to recommend that the Permanent Committee take steps that it deem advisable to complete the necessary arrangements and to promote the immediate carrying out and financing of the following:

a. The portions of highways still to be constructed in Panama and Colombia linking the highway system of North America and Central America with that of South America; and

b. The Inter-American Telecommunications Network.

To this end, the Permanent Committee, through the Chairman of CIAP, may propose to the appropriate organs the convocation of meetings of the Pan American Highway Congress and of the Inter-American Commission of Telecommunications.

Taking into account requests received by the Chairman from the Central American governments as well as from the Central American Bank for Economic Integration, for the purpose of obtaining support of CIAP for various important projects of economic infrastructure in Central America, it was thereby agreed to charge the Permanent Committee with the adoption of the measures it deems advisable to complete the necessary arrangements and to procure the financing of the following Central American projects:

a. Central American Highway Network.
b. Telecommunications Network.
c. Evaluation of natural resources and survey of fiscal cadaster.
d. Grain storage.
e. Electrical interconnection.

The Permanent Committee shall inform the CIAP meetings of the development of its work and of the progress made in the execution of Multinational Projects.