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ECONOMIC COMMISSION FOR LATIN AMERICA
Ad Hoc Committee on Economic Development
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Mexico, D.F.
Item 5 of the Agenda

FINANCING OF ECONOMIC DEVELOPMENT

Draft Resolution Approved 10 June 1951, by the Working
Group on Programmes and General Problems of Economic
Development

THE ECONOMIC COMMISSION FOR LATIN AMERICA;

CONSIDERING that an increased rate of capital formation in Latin America is imperative in order progressively to extend the use of modern productive techniques and to raise the standard of living;

CONSIDERING that the achievement of a satisfactory rate of economic development requires large amounts of capital which can be raised only by means of a sustained and integrated national effort combined with adequate and timely cooperation on the part of industrialized countries and of international organizations established for that purpose;

CONSIDERING that, despite the very low consumption of the

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mass of the population, it is advisable to examine the possibility of increasing, directly or indirectly, savings derived from higher income groups particularly at the expense of the consumption of luxury goods, especially as productivity and real income increase;

CONSIDERING that, in addition to the measures taken to increase savings, other steps should be taken to direct them toward more productive and more socially useful investments contributing to economic development;

CONSIDERING the desirability of increasing the inflow of foreign capital for the purpose of complementing domestic capital formation;

CONSIDERING that the existing international public investment facilities and the potential sources of private funds in the developed countries can be used more extensively by public and private entities to accelerate development in underdeveloped countries;

CONSIDERING that governments should use appropriate means to increase the flow of private foreign capital to the countries of Latin America, and that in many cases special measures appear to be required at present to achieve this object;

CONSIDERING that the Latin American countries regard one of the most effective incentives to the adequate expansion of the flow of private capital towards Latin America to be the suppression of double taxation in such a way that income is taxed only in the

/country in

country in which it is earned; and

CONSIDERING that some other countries believe tax credits for taxes paid to foreign countries, coupled with a programme of bilateral tax agreements, to be a flexible and effective weapon for suppressing international double taxation and removing tax deterrents to the free flow of investment, while preserving the equity of the separate tax systems, and

1. NOTES with interest the report of the group of experts prepared at the request of the Economic and Social Council under its Resolution 290 (XI);

2. RECOMMENDS that the Executive-Secretary give due attention in his annual reports to the problems of financing economic development;

With respect to the domestic financing of economic development:

3. REQUESTS the Executive Secretary, bearing in mind the studies already completed by the United Nations and especially the recent report of the group of experts appointed by the Secretary-General on "Measures for the Economic Development of Underdeveloped Countries", and on the basis of the experience and practices of Latin American countries, to suggest the most appropriate means:

- (a) to increase the rate of domestic capital formation by providing appropriate facilities and incentives for the promotion of savings; and

/(b) to direct such

- (b) to direct such savings into private and public investments which help to increase production and productivity and to reduce the vulnerability of Latin American countries to external fluctuations;

4. TAKES NOTE AND APPROVES the Executive Secretary's proposal to supplement his report on "Some Theoretical and Practical Problems of Economic Growth", submitted to this session, with a study of the process of savings and investment and with an analysis of inflation as it relates to economic development;

5. REQUESTS the Executive Secretary also to study and report on the monetary, banking, credit and fiscal policies best adapted to the economic development needs of Latin American countries;

6. REQUESTS the Executive Secretary to submit a report on the organization and structure of the capital markets in Latin America, with special reference to the cost of financing;

7. NOTES with satisfaction the offer made by the International Monetary Fund at the present session, to cooperate with the Secretariat of ECLA in an analysis of monetary and exchange problems relating to economic development, and suggests that the Executive Secretary should prepare the above-mentioned studies jointly with the Fund; and recommends also that the cooperation of the International Bank for Reconstruction and Development and of other specialized agencies of the United Nations should be requested in matters concerning them;

/8. REAFFIRMS its

8. REAFFIRMS its resolution on domestic capital markets adopted on 19 July 1950 (E/CN.12/197):

9. RECOMMENDS to the governments of Latin American countries that they should adopt general policies increasing and directing investment, both public and private, towards purposes consistent with economic development, such policies to include principles applying to currency, credit and taxation aspects;

10. REQUESTS the Executive Secretary to assist governments, which so request, in the formulation of these principles;

With respect to the foreign financing of economic development:

11. NOTES with satisfaction that some countries have announced plans to provide greater assurance that profits earned on private foreign investments may be transferred to the country of origin, including guarantees of convertibility extended by capital exporting countries, and recommends that all countries accelerate further consideration of such plans, adopting such measures as may be appropriate;

12. RECOMMENDS to the Economic and Social Council that it consider the adoption of resolutions for the purpose of establishing certain formulae for the suppression of international double taxation, such formulae to pay special attention to creating fiscal incentives to the investment of private foreign capital in the underdeveloped countries;

13. REQUESTS the Executive Secretary, if necessary in

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collaboration with the appropriate organs of the United Nations, to prepare a report on the influence that the fiscal system of capital exporting countries may have on the decisions of private investors in those countries to make foreign investments;

14. REQUESTS the specialized agencies entrusted with granting of credits for economic development to take note of the expanding demands placed upon underdeveloped countries by their economic development programmes, and to attempt continually to assure that the justifiable requests of the underdeveloped countries are met;

15. NOTES the measures being taken by developed countries to assure the continued availability of sufficient public funds for financing appropriate development projects in underdeveloped areas;

16. RECOMMENDS that all countries give continuous attention to the problem of availability of public funds for international investment with the objective of assuring that such funds are always adequate for soundly conceived projects suitable for public international financing.
