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Washington, D.C.

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McNamara Papers

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Travel Briefs, Colombia 01

Folder 10/4

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VISIT TO LATIN AMERICA, November 2-8, 1975

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Oct. 30	1730	2230	Depart Washington	UA55
Thurs.	1940	0340	Arrive Los Angeles	
Nov. 2	1115	1915	Depart Los Angeles	BN923 (DC8) non-stop
Sun.	2115	0215	Arrive Bogota--Dr. Botero will meet at airport	Firstclass Bogota Hilton
Nov. 3	0715		Departure to Military Airbase "TAM" Bogota	by car
Mon.	0745		Arrive Military Airbase	
	0800		Depart to Machangara Airport, Popayan	by Presidential plane; breakfast served.
	0835		Arrive Machangara Airport	
	0900		Visit Rural Development District, Mercaderes, La Sierra y Los Sauces, Cauca	by helicopter
	1045		Return to Machangara Airport	
	1100		Arrive Machangara Airport	
	1125		Depart to Pereira Airport	
	1145		Arrive Pereira Airport	
	1200		Visit Coffe Zone "Chinchina"	
	1330		Drive to Pereira Airport	
	1410		Depart to Cali Airport	by plane; sandwich lunch served
	1445		Arrive Cali Airport	
	1500		Arrive CIAT	
	1500		Visit CIAT	Mr. John Nickel, host.
	1530-1600		"The Nutrition Model," presentation by Dr. Luis Fajardo, Director of Nutrition Planning Studies	
	1630		Dr. Oscar Echeverry, Director CIMDER (rural health services)	
	1630-1700		"The PRIMOPS Program," presentation by Dr. Alfredo Aguirre, Program Director	
	1730		Depart Cali Airport to Military Base, Bogota	
	1800		Arrive Military Base, Bogota	
	1900-2030		Meeting with Economic Team Dr. Rodrigo Botero, Chairman Evening free	

General Remarks

1. Visit Participants:

Colombia: Dr. Rodrigo Botero, Minister of Finance  
Dr. Miguel Urrutia, Director, Nat'l Planning Dept. (NPD)  
Dr. Sergio Duran, Chief, Agriculture Studies (NPD)  
Dr. Carlos Rodado, Chief, Social Studies, (NPD)  
Dr. Joaquin de Pombo, Vice-Minister, Agriculture  
Dr. Ernesto Franco, ED, IBRD

Bank: Messrs. McNamara,  
Clark  
Krieger  
Burmester  
Quijano  
van der Heijden

Dress: Field clothes, heavy shoes or boots

2. Party will be joined as follows by:

Popayan: Dr. Aurelio Irragorry, Governor of Cauca

Pereira: Dra. Maria Esabel Mejia, Governor of Rissaralda  
Dr. Jorge Cardenas, Deputy Manager of National  
Coffee Growers Association

Cali: Dr. Jose Raul Orejuela, Governor of Valle

Nov. 4	0800	Depart Bogota Hilton for Dr. Lleras' residence	by car
Tues.	0830	Interview with Dr. Carlos Lleras Restrepo, former President	Dr. Lleras' residence
	0930	Depart for Bogota Hilton	by car
	1000-1030	Meeting with Dr. Jaime Garcia Parra, Minister of Communications	Bogota Hilton
	1030-1100	Meeting with Dr. Juan Jose Turbay, Minister of Mines and Energy	" "
	1130	Depart for Presidential Palace	by car
	1200-1500	Working lunch at Presidential Palace	

Attendance:

Colombia: President Lopez  
Dr. Rodrigo Botero, Finance Minister  
Dr. Ramirez Ocampo, Development Minister  
Dr. Miguel Urrutia, Director of Planning  
Dr. Prieto Ocampo, Mayor of Bogota  
Dr. Virgilio Barco, former ED  
Dr. Abdon Espinoza, former Finance Minister  
Dr. Ernesto Franco, ED

Bank: Messrs. McNamara, Krieger, Quijano, van der Heijden

	1530-1600	Meeting with Dr. Calvo Nunez, Minister of Health	Bogota Hilton
	1600-1630	Meeting with Dr. Pardo Buelvas, Minister of Agriculture	" "
	1630-1700	Meeting with Dr. Tamayo, Director of PRO FAMILIA, and Dr. Angel, Director of Health Program, National Coffee Growers Federation Subject: Family Planning in Colombia	" "
	1700-1745	Meeting with Dr. Roberto Junguito, Director FEDESARROLLO (economic research institute)	" "
	1745-2030	Free	
	2030	Small dinner by Dr. and Mrs. Rodrigo Botero	Botero Residence
Nov. 5	0800-0900	Free--Dr. Botero suggests tennis with Mr. McNamara	
Wed.	0930-1030	Meeting with Editors of Bogota newspapers, i.e. El Espectador El Tiempo El Siglo La Republica	Bank Office

1030	Depart for Banco de la Republica	by car
1100-1200	Meeting with private sector	Board Room (Banco de la Republica)
<u>Attendance:</u>	Dr. Benjamin Martinez, President Financiera del Valle	
	Dr. Luis Fernando Echevarria, former Finance Minister, President ANDI (Employers Assn.)	
	Dr. Carl Paris, Entrepreneur from Barranquilla	
	Dr. Francisco Mejia, Industrial Manager	
	Dr. Jose Alejo Cortez, President Seguros Bolivar	
	Dr. Jorge Mejia Salazar, President Banco de Bogota	
1200-1400	Lunch with Government economic team, top bankers and industrialists	Banco de la Republica
1400	Depart for Bogota Hilton	by car
1430	Depart to Military Airbase, Bogota	by car
1500	Depart for Cartagena	by plane
1600	Arrive Cartagena Airport	
1630-1700	Helicopter trip around Cartagena	
1700-1800	Visit to proposed urban development project site, Slum Cienaga de la Virgen	
1900 0000	Depart for Costa Rica	Presidential plane

General Remarks

Government party in Cartagena will be joined as follows:

Dr. Jose Vicente Magallon, Chief of Construction Association  
 Dr. Nicolas del Castillo, Governor of Province of Bolivar  
 Mayor of Cartagena

	1930 0130	Arrive San Jose
	2000	Airport Reception
	2015	Depart for Hotel Cariari
Nov. 6		
Thurs.	0900	Meeting with Presidents
	1200	Private lunch with Presidents
	1330	Visit to low-income area in San Jose
	1500	Meetings with individual country delegations
	2000	Informal dinner with small group of Costa Ricans
Nov. 7		
Fri.	0900	Helicopter flight to Siquirres and Turrialba
	1000	Visit to Bank-financed farm
	1100	Arrive at Rio Macho: presentation of plans and programs by Power and Telecommunications Company
	1200	Lunch
	1400	Visit to rural health and nutrition centers
	1600	Arrive San Jose
	1700	Meeting with Economic Policy Committee
	1745	Meeting with group of businessmen
		Evening free

SVEN BURMESTER

COLOMBIA

Table of Contents

- A. Itinerary
- B. Airport Statement
- C. Map and State Department Notes
- D. List of Cabinet Members and Biographical Data
- E. General Background Paper
- Attachments:
  - 1. Memorandum of January 10, 1974 -  
Conversation with President López
  - 2. Note on Recent Economic Developments
  - 3. 1975 Consultative Group Meeting -  
Closing Statement by Dr. Botero Montoya
  - 4. Status of Operations
- F. Reference Material
  - 5. Country Program Paper
  - 6. Brief on PRIMOPS
  - 7. Brief on CIAT
  - 8. Brief on Nutrition Program
  - 9. Brief on Urbanization
  - 10. Brief on Rural Development
- G. Bank Group Operations
  - 11. Statement of Loans, Credits and IFC Operations
  - 12. Projects in Execution
  - 13. Prospective Operations
- H. UNDP Activities
- I. Press Clippings  
Information Media

A

Itinerary for Mr. McNamara's Visit to Colombia

Local Time      November 3

- 06:50      Depart Hotel Hilton for Military airport.
- 07:30      Depart by Presidential plane to Popayán. Breakfast will be served on the plane.
- Bank Party: Messrs. McNamara, Krieger, Clark, van der Heijden, Quijano, Burmester.
- Colombian Party: Rodrigo Botero (Minister of Finance), Joaquín de Pombo (Vice-Minister of Agriculture), Miguel Urrutia (Director of the National Planning Department, NPD), Cristian Mosquera (Director of Public Credit and Government Coordinator for the visit), Sergio Durán (Chief Agricultural Studies, NPD). Briefing will be given in the plane by Miguel Urrutia and Sergio Durán.
- 08:05      Arrive Popayán.  
Mr. Aurelio Irigorri, Governor of Cauca Department will join the official party.
- 08:15-10:15      Depart Popayán by helicopter for aerial tour of a Rural Development Project site (Area I). Mr. Sergio Durán of NPD will give the briefing.
- 10:30      Depart Popayán by Presidential plane. The Governor of Cauca Mr. Aurelio Irigorri will leave the official party at the airport.
- 11:00      Arrive Pereira airport for visit to coffee area.  
Mr. Hugo Valdés from the Coffee Federation will join the official party and will give the briefing.
- 11:15      Depart Pereira airport.
- 11:30-13:40      Visit to coffee area by jeep.
- 14:00      Depart Pereira. Light lunch will be served in the plane.  
Mr. Hugo Valdés will leave the official party.
- 14:30      Arrive Palmira. The Governor of the Department of Valle, Mr. Raúl Orejuela, will join the official party.



Local Time

November 3

(Cont...)

- 14:45-15:40 Aerial view of agro-industries and commercial agriculture in the Valle del Cauca. Mr. Sergio Durán will give the briefing.
- 15:45 Depart to CIAT (Centro Internacional de Agricultura Tropical). Mr. John Nickel, Director of CIAT will join the official party.
- 16:00-16:30 Arrive CIAT. Tour of CIAT installations.
- 16:35-17:35 The Colombian Nutrition Program. The briefings will be given by Dr. Luis Fajardo, Professor at Valle University, Oscar Echeverri, Director of CIMDER (Multidisciplinary Center for Rural Studies) and Alfredo Aguirre, Director of PRIMOPS (Research Program in Health Delivery Models). The presentation will last 30 minutes and there will be a questions and answers period of 30 minutes. Mr. Carlos Rodado, Chief of the Social Studies Unit of NPD and the principal official in charge of the preparation of the Nutrition Project will be present. Since this is our last activity of the day, we could extend the period of discussions.
- 17:45 Depart to Palmira airport.
- 18:00 Departure to Bogotá.
- 18:30 Arrive Bogotá.
- 19:15 Arrive Hotel
- Evening Free

$\frac{1}{2}$  (Mr. Quijano has suggested an informal dinner in his home. I told him, you would probably prefer to leave the evening entirely open) AS

Contingency Program for November 3, in case of  
Unfavorable Climatic Conditions in Bogotá, Popayán and Pereira

Local Time

- 08:30 Breakfast at the airport.  
Depart by car from Military airport Bogotá.  
Mr. Sergio Durán and Miguel Urrutia will give the briefing.
- 10:00 Arrive Rural Development Project Area Cáqueza, (Area 2) in  
the Department of Cundinamarca.
- 10:10-11:30 Visit to Project Area.
- 11:35 Depart to Bogotá.
- 13:00 Arrive Military Airport.
- 13:05 Depart to Palmira. Light lunch will be served in the plane.
- 13:35 Arrive Palmira. The Governor of the Department of Valle,  
Mr. Raúl Orejuela, will join the official party.
- 13:40-14:40 Aerial view of agro-industries and commercial agriculture  
in the Valle del Cauca. Mr. Sergio Durán will give the  
briefing.
- 15:00 Depart to CIAT (Centro Internacional de Agricultura Tropical).  
Mr. John Nickel, Director of CIAT will join the official party.
- 15:30-16:00 Arrive CIAT. Tour of CIAT installations.
- 16:00-17:00 The Colombian Nutrition Program.  
The briefings will be given by Dr. Luis Fajardo, Professor at  
Valle University, Oscar Echeverri, Director of CIMDER (Multi-  
disciplinary Center for Rural Studies) and Alfredo Aguirre,  
Director of PRIMOPS (Research Program in Health Delivery  
Models). The presentation will last 30 minutes and there  
will be a questions and answers period of 30 minutes. Mr.  
Carlos Rodado, Chief of the Social Studies Unit of NPD and  
the principal official in charge of the preparation of the  
Nutrition Project will be present. Since this is our last  
activity of the day, we could extend the period of discussions.
- 17:30 Departure to Bogotá.
- 18:00 Arrive Bogotá.  
  
Evening Free.

Local Time      Tuesday, November 4

- 07:30      Depart Hotel Hilton.
- 08:00-09:40      Meeting with Economic Team at the Ministry of Finance. This group meets every Monday evening to review and discuss the economic situation and formulate economic policy. Depending on the issue other officials are asked to participate. Today you will meet the core of the group: Rodrigo Botero, Minister of Finance, Chairman. Jorge Ramirez Ocampo, Minister of Development. Miguel Urrutia, Director of Planning. Clara Eugenia López, Economic Advisor to the President. Francisco Ortega, Deputy Manager, Banco de la República. Eduardo Sarmiento and Juan Camilo Restrepo, Advisors to the Monetary Board, Joaquín Bohorquez, Vice-Minister of Finance, Alvaro Velásquez Cock, Director National Department of Statistics, Guillermo Perry, National Tax Director, Cristian Mosquera, Director of Public Credit, Rudolf Homes, Advisor to the Ministry of Finance on International Economics.
- Bank Party: Messrs. McNamara, Krieger, Clark, van der Heijden, Quijano, Burmester.
- 10:00-10:30      Meeting with Jaime García Parra, Minister of Communications. Minister's office.
- 11:00-11:30      Meeting with Juan José Turbay, Minister of Mines and Energy. Minister's office.
- 12:00-15:00      Lunch at Presidential Palace, San Carlos
- Colombian Party: President Alfonso López Michelsen. Minister of Finance, Rodrigo Botero. Minister of Development, Jorge Ramirez Ocampo. Director of the National Planning Department, Miguel Urrutia, Mayor of Bogotá, Luis Prieto Ocampo. Messrs. Abdón Espinosa, Virgilio Barco, Hernando Agudelo Villa. Executive Director World Bank Ernesto Franco Holguin.
- Bank Party: Messrs. McNamara, Krieger, Clark, van der Heijden, and Quijano.
- 15:10      Depart San Carlos Palace.
- 15:30-16:00      Dr. Haroldo Calvo, Minister of Health. Minister's Office.
- 16:10      Depart Ministry of Health

Local Time      Tuesday, November 4

(Cont...)

16:30-17:00      Dr. Rafael Pardo Buelvas, Minister of Agriculture.  
Minister's Office.

17:10              Depart Ministry of Agriculture

17:30-18:15      Drs. Gonzalo Echeverri and Miguel Trias, PROFAMILIA  
Hotel Hilton.

18:20-19:30      Meeting with prominent economists and sociologists.  
Hotel Hilton.

Dr. Roberto Junguito, Director of Fedesarrollo  
Father Alejandro Angulo, Director of CIAS  
Dr. Eduardo Aldana, Director of SER  
Dr. Haroldo Calvo, Director of CEDE

20:30              Informal Dinner at Mr. and Mrs. Rodrigo Botero's house.

*(The President and Mrs. Lopez, you and  
Mrs. McNamara, Mr and Mrs. Quijano,  
Mr. Krieger)*

Local Time      Wednesday, November 5

09:30-10:30      Meeting with editors of four major newspapers in Bogotá  
IBRD office.  
*want to meet with them to hear their views*

(Names to be provided later on)

11:00-12:00      Meeting with leading industrialists and bankers  
Banco de la República Board Room  
  
Benjamín Martínez, President Corporación Financiera del Valle.  
Jorge Mejía Salazar, President Banco de Bogotá.  
Luis F. Echavarría, President of ANDI, National Industrialists  
Association.  
Francisco Mejía, Director Azulejos Corona.  
José Cortés, President Seguros Bolívar.

12:00-12:15      Courtesy visit to Germán Botero de los Ríos, Manager Banco  
de la República.

12:15-14:00      Lunch at Banco de la República with leading industrialists,  
bankers and Board Members of the Banco de la República.

Colombian Party: Rodrigo Botero, Minister of Finance.  
Germán Botero de los Ríos, Manager Banco de la República.  
Ernesto Franco-Holguin, IBRD Executive Director.

Banco de la República

Antonio José Gutiérrez  
Angel María Medina  
Mariano Ospina Pérez (former President of Colombia, conservative)  
Alvaro Dugán Donado  
Jorge Mejía Palacio (former Bank Executive Director)  
Rodrigo Múnera Zuluaga  
Arturo Sarmiento Angulo  
Abel Mery Fernández  
Benjamín Martínez Moriones  
Alvaro Araujo Noguera (Manager Caja Agraria)

Local Time

Wednesday, November 5

Industrialists and Bankers

Luis Fernando Echavarría, President of ANDI  
Fabio Echeverry Correa, Manager of ANDI  
Eduardo Góez, Stock Exchange Manager  
Jorge Méndez Munévar, Manager of Instituto de Fomento Industrial  
Jorge Mejía Salazar, President Banco de Bogotá  
Jaime Michelsen, President Banco de Colombia  
José Cortés, President Seguros Bolívar  
Francisco Mejía, Director Azulejos Corona  
Hernando Echavarría Olózaga, Prominent Industrialist, former  
Ambassador to the U.S.A.

Political Leaders

Alvaro Gómez Hurtado, Presidential candidate of the conservative party in las elections.

Maria Eugenia Rojas de Moreno Díaz, Presidential candidate of the Popular party in the last elections.

Hernando Echeverri Mejía, Presidential candidate of the UNO a leftist coalition including the communist party.

Bank party

Messrs. McNamara, Krieger, Clark, van der Heijden, Quijano, and Burmester.

International Monetary Fund

Jorge del Canto, Director Latin America Department.

14:00 Depart Banco de la República

14:30 Arrive Military Airport Bogotá.

14:55 Depart Bogotá. The Minister of Development and wife will join the official party. Mr. Cristian Mosquera will also join the official party. Bank Group: Mr. and Mrs. McNamara, Messrs. Krieger, Clark, van der Heijden, Quijano, Burmester.

15:45 Arrive Cartagena. The Governor of Bolívar, Nicolás del Castillo and the Mayor of Cartagena, Raimundo Angulo, will join the party.

16:00-17:00 Overflight by helicopter of the city of Cartagena and the area of the Barú-Cartagena Tourism Project.

... had been geared to transfer  
... several areas to urban areas as  
... priority to support urban  
industrialization & advancement of middle-class

Brings to mind of dilemma of democratic politicians: incompatibility  
of political & economic cycles

The Pres's answer was to select at least some short cycle  
econ prog. e.g. child health improvement

"The teachers union of 1940s is seen by some as a very opportunity  
to awaken the spirit of independence in the young" - the Pres  
from the Union left to the 1st grade they seek to empower the people  
that what is wrong is the democratic system

American fact has changed flow of trade dramatically in 6 yrs  
from 22 to 332 +

need "The danger is misdiagnose & focus on admin. things & programs  
Fighting on 2 fronts: normal course of protection + red/p

Cartagena shows  
Robinson self-advance

Local Time

Wednesday, November 5

(Cont...)

- 17:00-18:00 Visit by car to the Slums of Ciénaga de la Virgen, site of a proposed Bank Urban Development Project.
- 18:15-18:35 Courtesy meeting at the airport with Mr. Douglas Olliden, UNDP Resident Representative. Mr. Olliden is in Cartagena to sign a contract for an urban master plan, related to the proposed Bank Urban Development and Tourism Projects in Cartagena.
- 19:00 Depart to San José.



Columbia

The ~~agony~~ <sup>agony</sup> ~~of~~ <sup>of</sup> capacity & financial power of the private (but ~~highly~~ <sup>highly</sup> public integrated) coffee Federation is unique.

It ~~is~~ <sup>is</sup> not only controls coffee production & optimum price but has also ~~discovered~~ <sup>discovered</sup> the notes of a new coffee variety (Caturra) with a 5 fold yield increase with all that implies in affecting price, credit, marketing, land ownership & a massive distribution effort. Extraordinarily well-organized it has moved as well within schools & the gift shop & use it as a ~~base~~ <sup>base</sup> for its nutritional program

The ~~rural~~ <sup>rural</sup> health (Cimbeba) & urban maternal/child health & prospective nutritional programs are the most impressive I

have seen anywhere (except <sup>in</sup> ~~the~~ <sup>the</sup> ~~region~~ <sup>region</sup> ~~of~~ <sup>of</sup> ~~Cimbeba~~ <sup>Cimbeba</sup>) ~~they~~ <sup>they</sup> are advanced for ~~the~~ <sup>the</sup> development of "delay systems"

They believe ~~level~~ <sup>level</sup> & ~~radius~~ <sup>radius</sup> of care are not incompatible - need a shift in rules affecting relations between agri & business sector: removal of subsidies in ~~upward~~ <sup>upward</sup> rates, interest rates, food prices, etc. availability of credit, etc. ~~radius~~ <sup>radius</sup> of care is also necessary to avoid ~~bad~~ <sup>bad</sup> of ~~paying~~ <sup>paying</sup> diff. ~~error~~ <sup>error</sup> with high input content of poor & middle & higher income consumers necessary for ~~that~~ <sup>that</sup> reason as well as others to control inflation which ~~keeps~~ <sup>keeps</sup> lower rice prices

A very sophisticated team ~~is~~ <sup>is</sup> concerned with such questions as ~~such~~ <sup>such</sup> being greatest benefits to low rice prices at the margin: rural elec, roads, or ~~other~~ <sup>other</sup>

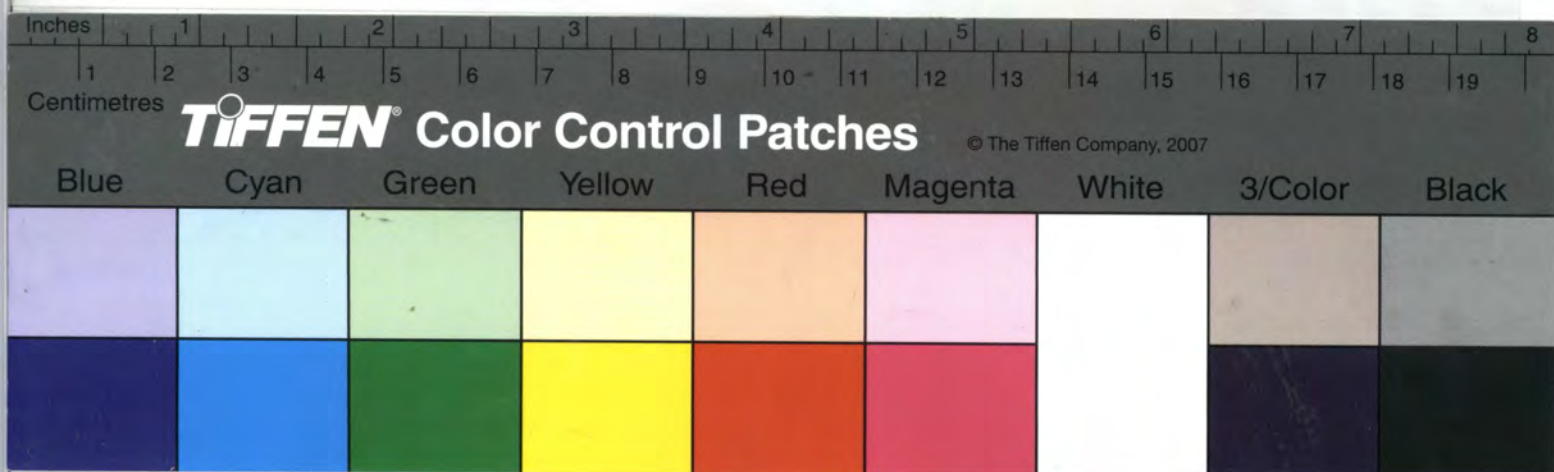
Have introduced a "dualist" equation as basis of income & wealth taxation: ~~presumptive~~ <sup>presumptive</sup> rice, coffee gains, wealth of ~~interest~~ <sup>interest</sup>

Operated on the "one theory" - gave the program then in! at 90 days take the vested interests by surprise to the ~~point~~ <sup>point</sup> ~~of~~ <sup>of</sup> the bureaucracy: there is a war between the ~~team~~ <sup>team</sup> & the ~~university~~ <sup>university</sup> -

Are in a hurry to produce results to ~~plum~~ <sup>plum</sup> ~~up~~ <sup>up</sup> ~~the~~ <sup>the</sup> ~~offer~~ <sup>offer</sup> ~~carry~~ <sup>carry</sup> on the offer. <sup>would</sup> <sup>poli</sup> <sup>support</sup>



Base 77848 4-70



75 51 76 48 69-73 574 76-80 1844  
Largest amount: 74-78 762

1. 1/2 inch type (1) absence in land  
notes. So we do. Look for them  
in the box of form in '33 + 22 and  
find out. He goes -

2. How will they stand around (H2) -  
is a pleasure in his  
ability to carry all year.

3. How will they maintain, 20th  
stage, say. Kind of hope next to  
from.

4. What is the best one die.  
(top 1002 = 552; bottom 1002 = 151) -  
What is they should not  
now what kind of they  
they are adequate now -  
why not.

4. The Colorado "July-20" Act  
should be RR long to USC -  
on the head -

5. How	72	Progs	77	480	2/14
DFC	80	80	77	77	77
Ag Co	64	81	40	40	1/17
Towers	70	61	48	48	1/16
6. What do you think about			Stam. Sup. fac	13	4/17
Should be done to make			Col. Swain	15	4/17
what is possible of efforts			Rand. W. Sta	25	4/17
			R/R	35	4/17

B

MR. ROBERT MCNAMARA'S ARRIVAL STATEMENT IN COLOMBIA

I am delighted to be back in Colombia and to have an opportunity to meet your President whose speech in Washington I listened to with such interest and admiration a few weeks ago. I was particularly impressed by one passage in that speech where he said: "Although it is true that we don't cling to any specific form of social system and even less to any foreign model and that we are ready to seek a better redistribution of our income through the implementation of programs such as tax, agrarian and educational reforms, there is nonetheless something upon which we cannot compromise. That is the quality of our life and, therefore, the right to think our own thoughts and dream our own dreams."

I am looking forward to seeing how your development program is proceeding to achieve your dreams for your country.

I have always said since I came to the Bank that a country's development is 80% in its own hands, financed from its own resources, carried out by its own people. All that the outside world, the developed world, can do is to add that margin of help which makes it somewhat less difficult for you to achieve your ambitions, your ideals, your dreams.

We at the World Bank do not consider ourselves outsiders in Colombia, after all it is your Bank. You pay us back the money we lend, and it is in a sense, your money. We are not outsiders also because we have been very much involved in Colombia, which is the fifth largest borrower from the Bank in the whole world. That is to say we have invested more of our resources in Colombia (over \$1,400 million to date) than in most other countries, because we believe you could make good use of it.

We invested some US\$27 million in the Caqueta rural settlement project, and another US\$21 million in the Córdoba II agricultural development project, because we believed you wanted to raise the standards of living of your poorest farmers and you knew that this could be done best by making them more productive. In addition, we are working very hard on preparing for future investments in support of the Government's Integrated Rural Development and Nutrition Programs.

I hope to see something of all of this in my visit to this beautiful, exhilarating and friendly country.

C

Certain islands of the Archipiélago de San Andrés y Providencia (13°00'N 81°30'W) and the Isla de Malpelo (3°58'N 81°35'W) belonging to Colombia are not shown on this map.



Base 58440 5-68

**POLITICAL DIVISION AND  
POPULATION OF CAPITAL**

<u>DEPARTMENT</u>	<u>CAPITAL</u>	<u>POPULATION (thousands)</u>
Antioquia	Medellín	1,100
Atlántico	Barranquilla	662
Bolívar	Cartagena	313
Boyacá	Tunja	77
Caldas	Manizales	231
Cauca	Popayán	94
Cesar	Valledupar	110
Córdoba	Montería	149
Cundinamarca	Bogotá, D.E.	2,855
Chocó	Quibdó	49
Huila	Neiva	121
La Guajira	Riohacha	39
Magdalena	Santa Marta	128
Meta	Villavicencio	92
Nariño	Pasto	149
Norte de Santander	Cúcuta	269
Quindío	Armenia	145
Risaralda	Pereira	210
Santander	Bucaramanga	298
Sucre	Sincelejo	76
Tolima	Ibagué	204
Valle del Cauca	Cali	923
<u>INTENDENCIAS</u>		
Arauca	Arauca	7
Caquetá	Florencia	31
Putumayo	Mocoa	6
San Andrés y Providencia	San Andrés	14
Casanare	Yopal	n.a.
<u>COMISARIAS</u>		
Amazonas	Leticia	6
Guainía	Puerto Inírdia	1
Vaupés	Mitú	1
Vichada	Puerto Carreño	2
	<b>Total</b>	<b><u>8,361</u></b>

Source: Departamento Administrativo Nacional de Estadística-DANE Census 1974



# background NOTES

## Colombia

department of state \* august 1975

OFFICIAL NAME: Republic of Colombia

### GEOGRAPHY

Colombia, located in the northwest corner of South America, is bordered

by Venezuela, Brazil, Peru, Ecuador, and Panama. It is the fourth largest country on the continent and has a coastline of more than 900 miles on

the Pacific Ocean and 1,100 miles on the Caribbean Sea.

The Andes Mountains enter Colombia in the southwest and fan out into three distinct ranges which run through the country from southwest to north and northeast. Colombia has three main topographical regions: (1) flat coastal areas broken by the high Sierra Nevada de Santa Marta mountain range; (2) central highlands; and (3) sparsely settled eastern plains (the llanos) drained by the tributaries of the Orinoco and Amazon Rivers.

The climate varies from tropical heat on the coast and the eastern plains to cool, springlike weather with frequent light rains in the highlands. The two dry seasons in the highlands are from December to February and from June to August. Bogotá is 8,630 feet above sea level. Average daily high temperature is between 64° and 68°F; its low ranges between 48° and 51°F.

### PROFILE

#### Geography

AREA: 440,000 sq. mi. (about as large as Tex., Okla., and N. Mex. combined). CAPITAL: Bogotá (pop. 2.8 million). OTHER CITIES: Medellín (1.1 million), Cali (920,000), Barranquilla (700,000).

#### People

POPULATION: 23.8 million (1974 est.). ANNUAL GROWTH RATE: 2.8%. DENSITY: 53 per sq. mi. ETHNIC GROUPS: 58% mestizo, 20% Caucasian, 14% Mulatto, 4% Negro, 3% Negro-Indian, 1% Indian. RELIGIONS: 95% Roman Catholic; about 90,000 Protestants and 12,000 Jews. LANGUAGE: Spanish. LITERACY: 73%. LIFE EXPECTANCY: 61 yrs.

#### Government

TYPE: Republic. INDEPENDENCE: July 20, 1810. DATE OF CONSTITUTION: 1886 (amended).

BRANCHES: Executive—President (Chief of State and Head of Government). Legislative—bicameral Congress. Judicial—Supreme Court.

POLITICAL PARTIES: Liberal Party (L), Conservative Party (C), National Popular Alliance (ANAPO). SUFFRAGE: Universal over 21. POLITICAL SUBDIVISIONS: 22 Departments, 5 Territorial Districts, 4 Special Districts, 1 Federal District.

FLAG: Top half yellow, bottom half blue stripe and red stripe of equal widths.

#### Economy

GNP: \$10.59 billion (1974 est.). ANNUAL GROWTH RATE: 6.2% (1974). PER CAPITA INCOME: \$445. PER CAPITA GROWTH RATE: 3.5%.

AGRICULTURE: Land 20%. Labor 45%. Products—coffee, bananas, rice, corn, sugarcane, plantains, cotton, tobacco.

INDUSTRY: Labor 14%. Products—textiles, processed food, clothing and footwear, beverages, chemicals, metal products, cement.

NATURAL RESOURCES: Petroleum, natural gas, coal, iron ore, nickel, gold, copper, emeralds.

TRADE: Exports—\$1.499 billion (1974 est.): coffee, agricultural products, apparel, chemicals, metals. Partners—U.S. 30.4%, F.R.G. 11.2%, Japan, Andean Pact countries. Imports—\$1.789 billion (1974 est.): machinery, electrical equipment, chemical products, metals and metal products, transportation equipment. Partners—U.S. 42.3%, F.R.G. 9%, Japan 7.8%, Andean Pact countries.

OFFICIAL EXCHANGE RATE: 30.6 pesos=US\$1 (May 1975).

ECONOMIC AID RECEIVED: Total—\$1.513 billion (FY1962-74): international development agencies loans and grants. U.S. only—\$1.382 billion (FY1962-74): see chart on p. 7.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: U.N. and most of its specialized agencies, Organization of American States (OAS), International Bank for Reconstruction and Development (IBRD), Inter-American Development Bank (IDB), Latin American Free Trade Association (LAFTA), Andean Pact, International Coffee Organization.

### PEOPLE

Colombia is the fourth most populous nation in Latin America after Brazil, Mexico, and Argentina. A large population of dependent young people burdens Colombia's educational and health facilities. Moreover, movement from rural to urban areas has been heavy, and the trend continues. Persons living in urban areas increased from 40 percent of the total population in 1951 to about 63 percent in 1973. The nine eastern departments and territories, with 54 percent of Colombia's area, have less than 3 percent of the population at a density of two persons per square mile. The



country has 23 cities with 100,000 or more inhabitants.

The diversity of ethnic origins results from the intermixture of indigenous Indians, Spanish colonists, and Negro slaves brought from Africa. Today only about 1 percent of the people can be identified as fully Indian on the basis of language and customs. Few foreigners have immigrated to Colombia. In 1974 over 12,000 U.S. citizens were living in Colombia.

## HISTORY

In 1549 the area now known as Colombia was established as a Spanish colony with the capital at Bogotá. In 1717 Bogotá became the capital of the Viceroyalty of New Granada, which included what is today Venezuela, Ecuador, and Panama. Thus the city became one of the principal administrative centers of the Spanish possessions in the New World, along with Lima and Mexico City. On July 20, 1810, the citizens of Bogotá created the first representative council in defiance of Spanish authority. Total independence was proclaimed in 1813, and in 1819 the Republic of Greater Colombia was formed.

### The Republic

After defeat of the Spanish Army, the Republic included all the territory of the former Viceroyalty. Simón Bolívar was elected first President and Francisco de Paula Santander Vice President of Greater Colombia. In 1822 the United States became one of the first countries to recognize the new Republic and to establish a resident diplomatic mission. In 1830 Ecuador and Venezuela withdrew from the Republic and became independent states. Panama remained part of Colombia until 1903.

Two political parties, the Liberals and the Conservatives, dominate Colombian politics. The parties grew out of conflicts between the followers of Bolívar and Santander. Bolívar's supporters, who later formed the nucleus of the Conservative Party, advocated a strong centralized government, a close alliance between the government and the Catholic Church, and a limited franchise. Santander's followers, forerunners of the Liberals,

wanted decentralized government, state rather than church control over education and other civil matters, and a broadened suffrage. Those were the principal topics of political debate throughout the 19th and early 20th centuries, although today they are no longer active issues. The Conservatives succeeded in establishing a highly centralized government. The Liberals eventually won universal adult suffrage and a large measure of separation of church and state, although the Catholic Church retains some important powers, e.g., the right to give religious instruction in all public schools.

Colombia, unlike many Latin American countries, established early a solid tradition of civilian government and regular free elections to decide between competing parties. The military has seized power only three times in Colombian history—in 1830, 1854, and 1953. On the first two occasions the military dictator was overthrown and civilian rule restored in less than a year. Colombia has also had only one full-fledged civilian dictatorship (1884-94). Elected Liberal administrations were in power from 1860 to 1884 and from 1930 to 1946. Conservatives held office from 1884 to 1930 and 1946 to 1953.

Despite Colombia's commitment to democratic institutions, its history has not been free from periods of violent conflict. Two civil wars growing out of bitter rivalry between the Conservative and Liberal Parties were particularly tragic. The War of a Thousand Days (1899-1902) is estimated to have cost 100,000 lives. During La Violencia ("the violence") of the 1940's and 1950's, some 100,000 to 200,000 people were killed.

A military coup in 1953 brought to power Gen. Gustavo Rojas Pinilla. Initially, Rojas enjoyed wide popular support, partly for his success in reducing La Violencia. But when he did not promptly restore democratic government, the military, with the backing of both political parties, overthrew him in 1957 and a provisional government took office.

### The National Front

In July 1957 the last Conservative President, Laureano Gomez (1950-53),

## TRAVEL NOTES

*Climate and Clothing*—Climatic variations depend on altitude. Knits and lightweight wools are useful for Bogotá.

*Customs*—Visitors need a passport, a smallpox immunization certificate, and, depending on the length of visit, a tourist card, which can be obtained from the nearest Colombian Consulate.

*Health*—Medical facilities are satisfactory; many doctors have been trained in the U.S. and speak English. Common medicines are available. Water is safe in the large cities; food should be well prepared.

*Telecommunications*—Long-distance telephone and telegraph service is available.

*Transportation*—Flights to Bogotá's El Dorado International Airport are easily arranged from the U.S., Europe, and Latin America. Local air service is excellent; trains serve the densely populated areas; and buses provide service throughout the country. Taxis provide the most reliable public transportation in the cities.

and the last Liberal President, Alberto Lleras Camargo (1945-46), issued the "Declaration of Sitges" in which they proposed the formation of a "National Front" under which the Liberal and Conservative Parties would govern jointly. Through regular elections the Presidency would alternate between the parties every 4 years. The parties would also have parity in all other elective and appointive offices.

Colombian voters approved a series of constitutional amendments necessary to put these proposals into effect, and in 1958 the provisional government relinquished power to Lleras Camargo, who had been elected the first President of the National Front government with 80 percent of the vote. As called for in the National Front agreement, a Conservative, Guillermo Leon Valencia, was nominated to succeed Lleras Camargo in 1962, and he won with 62 percent of the vote. Another Liberal, Lleras Camargo's distant cousin Carlos Lleras Restrepo, was elected President in 1966 with 71 percent of the vote.

The first three National Front Presidents brought an end to La Violencia

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These titles are provided as a general indication of the material published on this country. The Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

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Pamphlets on various aspects of Colombian life and the regions of Colombia (including a monthly newsletter, *Colombia Today*) are available without charge from the Colombian Information Service, 140 East 57th Street, New York, New York 10022.

and the blind partisanship which had afflicted both parties. They committed Colombia to the far-reaching social and economic reforms proposed in the Charter of the Alliance for Progress and, with assistance from the United States and the international lending agencies, made major strides in economic development. In December 1968, after 2 years of effort, President Lleras Restrepo won ratification by Congress of important constitutional

reforms. These abolished the requirement of a two-thirds majority in Congress for passage of major legislation, increased the powers of the executive branch in economic and development matters, and provided for a carefully measured transition from the National Front to traditional two-party competition.

The last President under the National Front alternating system was Misael Pastrana, a Conservative,

elected in 1970. Pastrana won the Presidency with 40.3 percent of the vote, defeating three other candidates. His closest contender was Gen. Gustavo Rojas Pinilla, the candidate of the National Popular Alliance (ANAPO), a populist opposition party. President Pastrana continued the Lleras administration's emphasis on social objectives and economic development with high priority given to generating employment, primarily by stimulating urban construction.

Departmental and municipal council elections in April 1972 resulted in a victory for Colombia's traditional parties and a defeat for ANAPO, now permitted under National Front rules to run as a separate party. (Prior to that election ANAPO had run as a faction of the Liberal or Conservative Party.) The Liberals received 46 percent of the total vote; the Conservatives won 31 percent; and ANAPO, 19 percent.

The parity arrangement for other offices has been phased out in stages. Parity in departmental legislatures and city councils ended in 1970 and in the Congress in 1974. Parity in the appointment of the Cabinet, governors, and mayors will prevail until 1978.

## GOVERNMENT

The Constitution adopted in 1886 has been amended frequently and substantially. It guarantees freedom of religion, speech, assembly, and other basic rights. The national government has separate executive, legislative, and judicial branches. The President is elected for a 4-year term and may not serve consecutive terms. The extensive powers which he may exercise include appointing Cabinet Ministers and departmental and territorial governors without congressional confirmation.

There is no Vice President as such. Every 2 years Congress elects a "designate" of the same political affiliation as the President who becomes Acting President in the event of the President's absence from the country, ill health, death, or resignation. If the President's inability to serve is permanent, the Acting President must call new elections within 3 months. The designate has no duties and receives no

salary; he may hold other public or private positions while serving as designate. If Congress fails to elect a designate, the Foreign Minister becomes Acting President should the President be unable to serve.

Colombia's bicameral Congress consists of a 118-member Senate and a 210-member Chamber of Representatives, all elected on the basis of proportional representation. Members are elected at the same time as the President but may be reelected indefinitely. Should a member of Congress be absent temporarily or permanently, his seat is taken by an alternate who is elected the same time as the member. Congress meets annually from July 20 through December 16; and the President may call it into special session at other times.

Judicial power is exercised by a 20-member Supreme Court of Justice and subordinate courts. Half of the justices of the Supreme Court are elected by the Senate and half by the Chamber of Representatives from lists submitted by the President. The justices serve 5-year terms and may be reelected indefinitely. Lower court judges are elected by the Supreme Court.

The country is divided into 22 Departments, the federal district of Bogotá, five *intendencias*, and four *comisarias* (territories of lesser rank not having local legislatures). Governors and mayors, who are appointed by the President, are considered agents of the national government, although their powers are somewhat limited by the elected departmental legislatures and city councils. The latter two bodies are elected to 2-year terms.

#### Principal Government Officials

President—Alfonso Lopez Michelsen (L)

#### Ministers

Foreign Relations—Indalecio Lievano Aguirre (L)

Finance—Rodrigo Botero Montoya (L)

Labor—Maria Elena De Crovo (L)

Education—Hernando Duran Dussan (L)

Justice—Samuel Hoyos Arango (C)

Health—Haroldo Calvo Nunez (L)

Government—Cornelio Reyes (C)

Economic Development—Jorge Ramirez Ocampo (C)

Agriculture—Rafael Pardo Buevas (C)  
Public Works—Humberto Salcedo Collantes (C)

Communications—Jaime Garcia Parra (C)

Mines and Energy—Juan Jose Turbay (L)

Defense—Gen. Abraham Varon Valencia (P)

Bogotá Mayor—Alfonso Palacio Rudas  
Ambassador to the U.S.—Julio Cesar Turbay Ayala

Ambassador to the U.N.—Aurelio Caicedo Ayerbe

Colombia maintains an Embassy in the U.S. at 2118 Leroy Place, NW., Washington, D.C. 20008.

#### POLITICAL CONDITIONS

The April 1974 elections marked a return to normal competition for the Presidency as candidates from all parties were permitted to run. Alfonso Lopez Michelsen, the Liberal Party candidate, won with 55 percent of the vote, and the Liberals gained a large working majority in both houses of the Colombian Congress. Lopez' nearest rival, Conservative Alvaro Gomez, received 31 percent of the vote; and ANAPO candidate Maria Eugenia Rojas, daughter of Gen. Rojas Pinilla, received about 9 percent. Two other candidates, a Marxist and a Christian Democrat, received 2 percent and 0.1 percent respectively.

President Lopez was inaugurated on August 7, 1974. The son of a former President, Alfonso Lopez Pumarejo, President Lopez has taught and practiced administrative law and has been a journalist. He has served as a Senator, as Governor of the Department of Cesar, and as Minister of Foreign Relations under President Carlos Lleras from 1968 to 1970.

The Lopez government has concentrated on policies aimed at solving Colombia's broad economic problems—inflation, unemployment, and income distribution—and has taken decisive action to restructure Colombia's tax system, to end a variety of government subsidies, and to cut government spending.

#### ECONOMY

Colombia's growth rate in 1974 was slightly lower than in 1973, but a healthy rate of growth continued for

the seventh year. Industrial growth for 1974 is estimated at 7.2 percent, and the labor-intensive construction sector grew by an estimated 11.6 percent. Agriculture showed a growth rate increase from 4.7 percent in 1973 to 5.6 percent in 1974. High coffee prices and a rapid expansion of non-traditional exports gave Colombia a favorable foreign exchange reserve position in 1971-73. In 1974 some weakening in the balance of payments occurred due to sharply increased imports, a reduced inflow of foreign capital, and a downturn in coffee prices. The major problem facing the Colombian economy has been inflation, which reached a level of 25 percent in 1974.

#### Trade

Colombia is, after Brazil, the world's second largest producer and exporter of coffee—a mild, rich product which is regarded as one of the world's best coffees and normally receives a premium price on the world market. Colombia sells about 40 percent of its coffee to the United States, which is about 12 percent of U.S. coffee imports. Until recently coffee accounted for about 50 percent of Colombia's foreign exchange receipts. Colombia's export earnings are highly vulnerable to conditions in the coffee market. In order to provide for stable coffee prices, Colombia supports reactivation of the International Coffee Agreement, whose economic provisions expired in 1973.

Export diversification is one of Colombia's principal policy objectives. During the last several years so-called "minor" exports expanded at a rapid rate and surpassed coffee in foreign exchange earnings for the first time in 1973 and by a wider margin in 1974.

Petroleum exports were suspended in 1974 due to declining production, and Colombia has begun to import crude oil and gasoline. These imports will not soon constitute a serious burden on the balance of payments, but the impact could be considerable in a few years unless new oil reserves are found in Colombia and developed quickly.

#### Agriculture, Natural Resources, and Industry

The economy is still predominantly

agricultural, but manufacturing has increased in importance with the strong encouragement and support of the national government. Agriculture contributes about 30 percent of the gross domestic product and employs nearly half of the labor force. Due to the diverse climate and topography of Colombia, a variety of crops can be grown. Cacao, sugar cane, coconuts, bananas, plantains, rice, tobacco, cassava, and most of the nation's cattle are produced in the hot regions (0 to 3,280 feet above sea level). The temperate regions (3,280-6,562 feet above sea level) are better suited for coffee, corn, and vegetables, and fruits such as citrus, pears, pineapples, and tomatoes. The cold regions (6,562-9,842 feet above sea level) produce wheat, barley, potatoes, cold climate vegetables, dairy cattle, and poultry. All of these regions yield forest products of a wide variety ranging from tropical hardwoods in the hot country to pine and eucalyptus in the colder areas. Vegetation is sparse in the highest region (above 9,842 feet).

Proven oil reserves in Colombia are about 628 million barrels. There are about 18 billion tons of known coal reserves, the largest in Latin America. Colombia produces 90 percent of the world's supply of emeralds and is an important producer of gold and platinum. Other mineral resources include iron ore, nickel, phosphate rock, limestone, gypsum, and salt.

Colombia is the most industrialized member of the six-nation Andean Pact. It has four major industrial centers located in four distinct geographical regions: the Atlantic coast, centered in Barranquilla; the southwest, in Cali; the northwest, in Medellín; and the center, in Bogotá.

#### Foreign Investment

Foreign investment in Colombia at the end of 1973 was estimated at about \$1 billion. Some \$727 million was from the United States and of that about \$277 million was in petroleum. Feasibility studies for two large mining ventures, both involving U.S. investors, have been underway for some time. When full-scale development begins of the Cerro Matoso nickel deposit and the Cerrejon coal deposit, hundreds of

millions of dollars in investment will be required. Eventually, large investments will also be needed for the natural gas field discovered on and offshore the Guajira Peninsula.

The outlook for foreign investment has been complicated by Colombia's adherence to the Andean Pact's Foreign Investment Code. However, the Colombian Government welcomes foreign investment under the terms of Colombia's own investment priorities, particularly in sectors where Colombian capital does not suffice.

The international lending agencies have been important sources of aid for Colombia. The International Bank for Reconstruction and Development (IBRD) chairs the Consultative Group on Colombia, an organization of five international agencies, 10 West European countries, Japan, Canada, the United States, and Colombia itself, which meets regularly to consult on the members' aid programs and the economic progress being made by Colombia. Loans extended in fiscal years 1962-74 totaled \$881.3 million from the IBRD, \$549.8 million from the Inter-American Development Bank (IDB), \$19.5 million from the International Development Association (IDA), and \$22 million from the International Finance Corporation (IFC). Grants from the United Nations amounted to \$40.2 million. Loans from foreign governments, other than the United States, are estimated at \$150 million (1960-73).

#### FOREIGN RELATIONS

The Colombian Government has said that it seeks friendly diplomatic and commercial relations with all countries, regardless of their ideologies or political or economic systems. Colombia has played an important role in the United Nations and the Organization of American States (OAS) and their subsidiary agencies since their founding. It was the only Latin American country to contribute troops to the U.S. Forces in the Korean war. Former President Alberto Lleras Camargo was the first Secretary General of the OAS (1948-54). Colombia has also been active in the effort to improve conditions of international trade for the developing

countries through the International Coffee Organization, which it helped found, the U.N. Conference on Trade and Development (UNCTAD), the Latin American Free Trade Association (LAFTA), and the Inter-American Economic and Social Council.

Colombia took the lead in the negotiations which led to the signing at Bogotá on May 26, 1969, of an agreement to gradually create an Andean Common Market, a sub-regional grouping within LAFTA. The other members are Ecuador, Peru, Bolivia, Chile, and Venezuela. The reduction of trade barriers among the Andean countries and the coordination of their economic policies as a result of the 1969 agreement are expected to have important long-term effects of major benefit to the peoples of the region.

The Lopez government has maintained and strengthened Colombia's traditionally active role in international forums. Colombia has recently played a key role in efforts to restructure the Organization of American States and in the resolution of important hemispheric issues within the regional organization. Colombia has no major bilateral problems with any country. Talks with Venezuela over resolution of a longstanding territorial limits question in the border area and the Gulf of Venezuela continue.

#### U.S.-COLOMBIA RELATIONS

Colombia has long maintained close and friendly relations with the United States. President Alberto Lleras Camargo visited the United States in 1960; President John F. Kennedy paid a state visit to Colombia in 1961; and President Carlos Lleras Restrepo made a state visit in June 1969.

The record of U.S.-Colombian relations has been one of constructive cooperation. A 3-year multifiber textile agreement signed on May 28, 1975, resolved a trade matter of importance to both countries. In 1972 the United States and Colombia signed a treaty by which the United States renounced all claims of sovereignty to three cays in the Caribbean in return for U.S. fishing rights in the area.

In recent years the flow of illicit narcotics, especially cocaine, from

Colombia to the United States has grown and both governments are concerned. The joint efforts of the U.S. and Colombian Governments to combat this traffic have increased, but much more needs to be done.

For several years the U.S. Agency for International Development (AID) program in Colombia was the largest in Latin America. During fiscal years 1962-74, U.S. aid to Colombia, in millions of dollars, was:

	<u>Loans</u>	<u>Grants</u>
AID	\$ 894.0	\$ 60.3
P.L. 480 (Food for Peace)	58.8	146.4
Export-Import Bank	136.4	-
Peace Corps	-	37.1
Social Progress Trust Fund	49.0	-
<b>Total</b>	<b>\$1,138.2</b>	<b>\$ 243.8</b>
<b>Total Loans and Grants</b>		<b>\$1,382.0</b>

AID and Peace Corps grants represent primarily the value of services rendered by AID technical advisers to the Colombian Government and by Peace Corps volunteers. Public Law 480 grants represent the value of U.S. surplus agricultural commodities

which have been given to charitable organizations for distribution to the needy. P.L. 480 loans have been provided to enable Colombia to purchase U.S. surplus agricultural commodities. The pesos generated from the local sales of the commodities have been used for development projects, primarily in the agricultural sector. The major part of AID assistance has been in the form of "program" and "sector" loans. During the 1960's, program loans financed imported goods for development programs and private sector growth. The Colombian peso "counterpart funds" generated by the sale of AID dollars for such imports were invested by the Government of Colombia through its national budget in public works and services—such as schools, roads, water supplies, hospitals, and supervised credit for small farmers. Beginning in 1968 emphasis was given to sector loans designed to provide additional resources and impetus to Colombian development programs in the agricultural, educational, urban/regional, and health sectors.

Since 1974 the AID program has shifted toward project loans aimed chiefly at improving income distribution and the quality of life of the poorer sector of the population with a focus on nutrition, education, and

small farm production. Colombia has also received \$101.8 million in U.S. loans and grants for military equipment and training.

#### Principal U.S. Officials

Ambassador—Viron P. Vaky  
Deputy Chief of Mission—Robert E. White  
Director, U.S. AID Mission—Philip Schwab (acting)  
Political Counselor—Donald Johnston  
Economic Counselor—Melvin E. Sinn  
Chief, Consular Section—Virginia Weyres  
Defense and Army Attache—Col. William H. Vail  
Air Attache—Lt. Col. Michael Mills  
Agricultural Attache—Alfred Persi  
Scientific Attache—Dr. Willard F. Shadel  
Public Affairs Officer (USIS)—Robert L. Chatten  
Chief, Administrative Section—Verne Larson  
Commercial Attache—Stephen Gibson  
Peace Corps Director—Jose Manuel Villalobos  
Consul, Medellín—James Ford Cooper  
Consul, Cali—James E. Kerr, Jr.

The U.S. Embassy in Colombia is located at Calle 37, No. 8-40, Bogotá; the AID Mission is located at Edificio Bavaria, Carrera 10, No. 28-49, Bogotá.

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COLOMBIA

Dr. Alfonso López Michelsen                      President of the Republic

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Dr. Indalecio <u>Liévano Aguirre</u>	Minister of Foreign Relations
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Ms. Clara Eugenia López	Economic Adviser to the President
Dr. Diego López	Treasurer of the Republic

Alfonso López Michelsen President of the Republic of Colombia

Born: June 30, 1913 in Bogota

Profession: Lawyer (Specialized in Juridical and Constitutional Law)

Education: Bachiller, Liceo Pascal, Paris, France; Further studies in the Liceo Frances, London, England; University studies: Facultad de Derecho del Colegio Mayor del Rosario - Constitutional Law

Publications: "Derecho Publico"  
"La Posesion en elCodigo de Bello" (1936)  
"Introduccion al Estudio de la Constitucion de Colombia" (1943)  
"La Estirpe Calvista de Nuestras Instituciones" (1946).

Experience: Mr. Lopez Michelsen lived several years in Mexico. On his return to Colombia he entered business, journalism and politics. He was Director of the Newspaper "La Calle". He also was elected as Representative to the Congress. Mr. Lopez Michelsen was the leader of a liberal group "Movimiento Revolucionario Liberal" (MRL), now defunct. Later he was nominated to the post of Governor of the Department of Cesar and subsequently to the post of Minister of Foreign Affairs.

Languages: French and English

Travel: Has travelled extensively to several countries in South America, Canada, England, Mexico, and also to several countries in the Far East.

Married with Mrs. Cecilia Escobar

Sons: Alfonso, Juan Manuel and Felipe.

Biographical Note

Former

President Carlos Lleras Restrepo

1908

Year of birth.

1929

Entered politics as leader of the University Students Federation. From this position he was catapulted into national politics, becoming second chairman of the Liberal Party.

1933

Elected to the House of Representatives, where he started his activities by introducing Agrarian Reform Legislation. His struggle for agricultural reform lasted through 1961, when as a Senator, Dr. Lleras headed the commission that drafted the agrarian reform law of 1961 that created the Colombian Institute for Agrarian Reform (INCORA).

1935

Elected President of House of Representatives. At the same time, he was serving in the House of Representatives as chairman of the Taxation Committee. Dr. Lleras drafted and achieved congressional approval for the tax reform of 1935. This was the first time in history that a Latin-American country introduced progressive income taxation, which from then on became the cornerstone of Colombia's fiscal policy. Played a leading role in the Constitutional Reform of 1936, guaranteeing the freedom to strike, the freedom of religion, the freedom of education, and other social benefits.

1936-38

While continuing as congressional leader, Dr. Lleras was elected by Congress to serve simultaneously as Controller General of the Republic. In this position Dr. Lleras modernized the nation's accounting methods and organized its current statistical system.

1938-42

Appointed Minister of Finance. Reorganized systems for internal and external credit. He was his country's delegate before the Foreign Bond Holder's Committee of the United States, and negotiated the conversion of 6 percent 10-year maturity bonds, into 3 percent bonds payable in 30 years. During his tenure, Dr. Lleras also originated the following institutions: Instituto de Credito Territorial (Housing Development Institute), Fondo de Fomento Municipal (The Municipal Development Fund), the Geographical and Cadastral Institute, the Livestock Development Fund, the Industrial Development Institute, the National Coffee Fund, the Grancolombian Merchant Fleet, the Coffee Bank, the Agrarian Insurance Co., and revamped the Caja Agraria (Agricultural Development Bank) into its present form.

- 1941 Dr. Lleras was elected National Chairman of the Liberal Party, a position that he was to take several times more. While in this position, the President of the Republic, Dr. Lopez, resigned the Presidency. Dr. Lleras was nominated to the Presidency by unanimous proposition of congressmen belonging to the Liberal Party. He resigned this nomination when President Lopez withdrew his resignation.
- 1943 Reappointed Minister of Finance, serving in this position for one year. When he left the Ministry he was elected president of the National Coffee Committee, a position in which he served for 7 years.
- 1944 Led Colombia's delegation to Bretton Woods, writing a book entitled "International Monetary Fund" on the proceedings and conclusions of the conference.
- 1945 Delegate to the first General Assembly of the United Nations and in 1947 headed the Colombian delegation to the Employment and Trade Conference of Havana, Cuba.
- 1952 While being National Co-Chairman, jointly with ex-presidents Lopez and Santos, of the Liberal Party, he had to take political asylum in Mexico while the Government of Colombia was taken over by the military dictatorship of General Gustavo Rojas Pinilla.
- 1957 After having been at the United Nations working on the theory of planning economic development and on studies for the development of river bank resources, he was appointed member of the Bipartisan Institutional Readjustment Committee by the Military Junta that overthrew the Rojas Pinilla regime. In this position he was one of the leading members of the Committee's group drafting the constitutional reform that led to the creation of the National Front, the political system that has since ruled Colombia.
- 1959 Dr. Lleras withdrew from politics until 1960 when Congress elected him Vice-President of the Republic. Also in 1960, as a Senator, proposed and led the drafting of the Agrarian Reform Law.
- 1963 Appointed by the United Nations' Economic Commission for Latin-America to head one of the technical groups in charge of preparing working papers and recommendations for the United Nations Trade and Development Conference that took place in 1964. Dr. Lleras was the head of the Colombian delegation to that meeting.

1965

Dr. Lleras accepted the nomination for the Presidency, which he resigned in May because of opposition principally from groups of the Conservative Party. In October a bipartisan Committee headed by ex-president Lleras Camargo, asked him to accept again the nomination.

1966

Elected President of the Republic on May 1, 1966

1970-74

Upon completion of his presidential term in August 1970, Dr. Lleras resumed leadership of the Liberal Party. He also plunged into a heavy schedule of personal appearances, often outside the country, and became involved in a number of special studies. A few years ago, for instance, he led a high-level FAO commission in an assessment of agrarian reform as an element of development. Late in 1973 he encountered difficulties within his party, and effectively withdrew from active participation in domestic politics (the party leadership passed to Mr. Turbay and the presidential nomination was won by Mr. Lopez). At present Dr. Lleras is very much involved in rural and urban development studies, and is reportedly seeking to identify ways in which the two topics can be integrated.

Rodrigo Botero Montoya - Minister of Finance

Born - Medellin, Colombia - 1934

Profession - Economist

Education - Was educated in the United States, receiving a B.S. in Engineering from M.I.T. in 1957 and a M.A. in Economics from George Washington University in 1966.

Publications - Economic Journal (Foundation for Higher Education and Development)

Experience - Between 1958 and 1966 he held a number of Government positions in the fields of Finance and Economic Development, the last of which was as Economic Counselor of the Embassy in Washington. (Though it is not stated in his official biography, he was a member of the staff of the IDB for a brief period prior to joining the Embassy.)

With the election of Carlos Lleras Restrepo as President in 1966, Dr. Botero became Economic Secretary to the President and played a role in the formulation of economic policy during 1966-70. Subsequently he founded and directed the Foundation for Higher Education and Development which today publishes a leading journal on the Colombian economy.

Dr. Botero is married and has three children. He is bilingual. Recent reports indicate that he has come to believe Colombia must assert greater independence of action in its international relationships, as opposed to what is today often described by Latin Americans as the "dependency" syndrome of the past.

Rafael Pardo Buelvas - Minister of Agriculture

Born: Monteria, Colombia - 1928

Profession: Lawyer

Education: Studied law at the Universidad Javeriana

Experience: Has served in positions such as Director and Deputy Manager for Finance at the Caja Agraria. Was also General Manager of the Industria Colombiana de Fertilizantes, and from 1966 General Manager of the Federation of Cotton Growers. He has represented Colombia in a number of international meetings.

Married with four children.

Haroldo Calvo Nunez - Minister of Health

Born: Cartagena, Colombia - 1920

Profession: M.D.

Experience: Spent most of his professional career at the John Hopkins Hospital of Baltimore and at the Maimonides Hospital of New York, where he specialized in pathology. Has advocated larger decentralization of the health administration.



Jorge Ramirez Ocampo - Minister of Economic Development

Born: Bogota, Colombia - 1936

Profession: Economist

Education: Universidad Javeriana - studied mathematics and liberal sciences.  
Universidad de los Andes - Economics  
Williams College in Massachusetts - Masters in Economics. Management studies in England.

Experience: Has been a professor of economic development, project evaluation and political economy. He has held a number of positions in the Government of the Department of Cundinamarca. From 1966-1973 he was alternate delegate of Colombia at the International Coffee Organization, where he was also president of the Finance Committee. Since 1973 he had been Assistant for International Affairs to the general manager of the National Federation of Coffee Growers.

Married with two children.

Roberto Salcedo C. - Minister of Public Works

Born: Barranquilla, Colombia - 1907

Jaime Garcia Parra - Minister of Communications

Born: Bucaramanga, Colombia - 1933  
Profession: Lawyer  
Experience: Mayor of Barranquilla (1973-1974)  
Education: Has a Law Degree from the Javeriana University of Bogota. He specialized in Economics for 10 years in London, at the London School of Economics, where he studied under David Knox.  
Married with three children.  
Experience: He has been Financial Vice-President of Avianca Airlines. He has been a member of the Departmental and National Committee of Coffee Growers. Has actively practiced his profession by managing a law firm. He has also participated in various international meetings as representative for Colombia.

Married with three children.

Humberto Salcedo C. - Minister of Public Works

Born: Barranquilla, Colombia - 1927

Profession: Civil Engineer

Education: Graduated as a Civil Engineer from the Escuela de Minas of Medellin

Experience: Mayor of Barranquilla (1973-1974). For many years has run his own construction firm "Salcedo & Cia."

Married with two children.

Miguel Urrutia Montoya - Director, National Planning Department

Born: Bogota, Colombia - 1935

Profession: Economist

Education: Harvard School of Economics  
Ph.D. in Economics from University of California  
at Berkley

Publications: Income Distribution in Colombia  
Study on Unemployment, published by the Center  
for Development Studies of the Universidad de los Andes.

Experience: Professor of Economics at the Universidad de los Andes.  
Has been Secretary General of the Ministry of Finance  
and was part of the Mussgrave Commission.

Married with three children.

German Botero de los Rios - General Manager, Banco de la República

Profession - Lawyer

Experience - Joined the Banco de la Republica 30 years ago as a Research Economist. He subsequently advanced to become Director of the Economic Research Department, Deputy General Manager of the Bank, and--in 1969--General Manager.

A somewhat shy man, he speaks but little English.

His major personal interest is in the life of Simon Bolivar.

JORGE MEJIA SALAZAR	President, Banco de Bogotá, Bogotá
LUIS FERNANDO ECHAVARRIA	Asociación Nacional de Industriales, Medellín
JOSE ALEJANDRO CORTES	Compañía de Seguros Bolivar, Bogotá
JUAN MANUEL RUISECO	Cementos Caribe, Barranquilla
GUSTAVO GOMEZ	Cartón de Colombia, Cali
BENJAMIN MARTINEZ	Corporación Financiera del Valle, Cali
KARL PARRISH	Businessman, Barranquilla
HERNAN ECHAVARRIA O.	Economist, <del>Colombia</del> Bogotá

AGUDELO Villa, Hernando- Congressman for Antioquia.

52 years old. Has represented Antioquia in Congress for a number of years. Studied economics in the University of Antioquia and the London School of Economics. He has been a congressman four times; Minister of Finance from 1958-61; executive director of the IDB in 1962; was associated with the Alliance for Progress from 1962-64. He has been an active member of the liberal party at the regional and national levels.

AGUIRRE Castaño, Alfredo- Associate Professor, Valle University.

37 years old. Associate Professor, Pediatrics and Social Medicine and Chief of Health Services Administration and Planning Section, Valle University since 1970. Studied medicine and specialized in pediatrics in the Valle University. From 1966-70 he has taught in the Valle University.

ALDANA Valdés, Eduardo- Professor, University of Los Andes.

41 years old. Professor of University of Los Andes and Director of SER (Institute of Research). Studied Civil Engineering in the University of Los Andes and the University of Illinois; and to the Ph. D. level in MIT. He has been associated with University of Los Andes, as a professor, dean and, from 1973-75, president.

ANGULO Novoa, Alejandro- Director of Population Program  
Javeriana University.

41 years old. Studied philosophy and theology in the Javeriana University; sociology at master's level in the University of California and demography at doctor's level in the University of Paris. He has worked as a professor in USA, Colombia and France; he has been associated from 1971-74 with the Colombian Institute of Family Welfare, the Center for Social Research and Action, and the Foundation for Higher Education and Development.

ARAUJO Grau, Alfredo- Former-Director of "El Siglo".

64 years old. Senator. He has been director of "El Siglo", a Bogotá daily, since 1966 to July 1975. Studied law at the National University, Bogotá. He has occupied a number of public positions, inter alia, Governor of Bolívar, Minister of Labour, Minister of Mines and Petroleum, Minister of Communications, Minister of Justice, senator, ambassador to the UK, etc. He has been a law professor and legal adviser to various enterprises.

CALVO Stevenson, Haroldo- Director of Center for Economic Development Studies.

30 years old. Studied economics in the University of Los Andes in Bogotá and in the University of Pennsylvania. He has, since 1970, been involved in teaching and economic research.

CANO Isaza, Guillermo- Editor of "El Espectador".

50 years old. Newspaperman. He has worked with "El Espectador", one of the largest Bogotá dailies, in a number of positions since 1944.

CORTES Osorio, José- President of Seguros Bolívar.

44 years old. Studied in Pomona College and the University of Michigan. He worked in USA with Pacific Mutual Life Insurance in 1953; Seguros Bolívar in Colombia from 1955-56; Insurance Co. of North America in USA in 1957; and back to Seguros Bolívar where he held a number of positions before being elected President in 1968.

DE POMBO, Joaquín - Vice-Minister of Agriculture.

44 years old. Vice-Minister of Agriculture since 1974. Studied law and economics in the Javeriana University, Colombia and Columbia University, USA. He worked in Caja Agraria from 1955-64 leaving as Deputy Manager Finance and Commercial; in the IDB from 1964-69 as financial analyst, loan officer and division chief; in Deltec International from 1968-71 as vice-president; in Compass Bank and Trust Co. from 1972-74 as vice-president.

DURAN Torres, Sergio - Chief, Unity of Agrarian Studies, National Planning Department.

33 years old. Studied high school in Canada and Agricultural Engineering in Louisiana State and Utah University. Chief, Unit of Agrarian Studies, National Planning Department since 1974. He worked from 1964-71 with INCORA in a number of positions, including Director of the Atlántico Project financed by the Bank; from 1972-74 as a consultant in agricultural production, reforestation and irrigation.



ECHEVERRI, Gonzalo- Director of PROFAMILIA.

54 years old. Director of PROFAMILIA since 1967. Studied medicine at the National University. He has practiced and taught gynecology and obstetrics; has been elected twice president of the Colombian Society of Gynecology and Obstetrics.

ECHEVERRI Cardona, Oscar- Director of CIMDER.

Director of CIMDER since 1974. Studied medicine in the Valle and the John Hopkins Universities. From 1965 to date he has been involved in teaching and research.

FAJARDO, Luis - Associate Professor, Valle University.

34 years old. Associate Professor, Pediatrics Dept., Valle University since 1973. Studied medicine in Valle University, and Nutritional Biochemistry at MIT. From 1966-73 he has taught and practiced his profession.

GOMEZ, Gustavo- President of Cartón de Colombia.

45 years old. Studied Chemical Engineering and Industrial Administration in the Valle University. Joined Cartón de Colombia in 1952 occupying a number of positions until been elected President in 1973.

LIEVANO Aguirre, Indalecio- Minister of Foreign Affairs.

58 years old. Minister of Foreign Affairs since 1974. Studied law and economics at the Javeriana University. He has represented Colombia as ambassador in a number of conferences, congressman from 1964-66 and 1968-70 and prominent member of the liberal party caucus. He is a historian and biographer.

MARTINEZ Moriones, Benjamín- President of Corporación Financiera del Valle.

49 years old. Studied law in the National University, and Industrial Administration in the Valle University. After a number of positions in the private sector, he joined Corporación Financiera del Valle in 1961 as Executive Vice-President and was elected President in 1967.

MEJIA Salazar, Jorge - President of Banco de Bogotá.

62 years old. President of Banco de Bogotá since 1963. Studied Petroleum Engineering in the University of California. He was with Mobil Oil from 1934 to 1951; general manager of Raymond Concrete Pile from 1951-57; Minister of Agriculture from 1957-58; back to Mobil Oil as Regional Executive Vice-President from 1959-62.

MOSQUERA, Cristian- General Director of Public Credit.

30 years old. General Director of Public Credit since 1973. Studied law in the Javeriana University; economics in the Javeriana University and the Tallahasee University. Worked as a lawyer from 1965-68; from 1970-72 worked with the Tallahasee University as a research assistant and instructor.

ORTEGA, Francisco- Assistant Technical Manager, Banco de la República.

37 years old. Studied economics in the Andes University and Vanderbilt University. Assistant Technical Manager of Banco de la República since October 1975. He has occupied a number of positions in the Center for Economic Development Studies, The Andes University from 1961-69; dean of the economic department from 1969-70; adviser to the Monetary Board from 1970-75.

PRIETO Ocampo, Luis- Mayor of Bogotá.

47 years old. Mayor of Bogotá for about two months. Studied Chemical Engineering in Colombia and Finances in USA. He has been General Manager of the Institute of Industrial Development and President of the National Association of Industrialists. He has promoted a number of private enterprises, and been a board member of a number of private and public enterprises and institutions.

SANTOS Castillo, Hernando- Editor of "El Tiempo".

53 years old. Newspaperman. Editor of "El Tiempo". Studied law and has, through the whole of his career, been associated with "El Tiempo", the largest Colombian newspaper, where he has occupied a number of positions.

TRIAS Fargas, Miguel- Director of PROFAMILIA.

51 years old. Director of Urban Programs, PROFAMILIA. Studied medicine in the National University, Bogotá. From 1949 to 1972 practiced his profession; from 1971-73 President of the Colombian Society for the Scientific Study of Population.

URRUTIA Montoya, Miguel- Director, National Planning Department.

36 years old. Director of the National Planning Department since 1974. Studied economics at undergraduate level in Harvard University, and at master and Ph. D. level in the University of California, Berkeley. He has been director of the Center for Economic Development Studies, The Andes University; General Secretary, Ministry of Finance; Adviser to the Monetary Board; Technical Deputy Manager, Banco de la República.

E

General Background for  
Your November 2 - November 5, 1975 Visit

A. Background

1. You will recall that you met President Lopez on September 25, 1975 at the occasion of his state visit to Washington, as you did early last year, prior to his election, when you exchanged views with him regarding the problems facing Colombia and the need to raise the living level of the lower income groups while simultaneously sustaining rapid economic growth (see Attachment 1, Memorandum of Conversation, January 10, 1974).

2. Since taking office in August 1974, the López administration has successfully implemented a far-reaching program of economic and social reform. Badly needed, but politically difficult, reforms of the fiscal and monetary systems aimed at strengthening resource mobilization, broadening the distribution of the benefits of economic growth and increasing allocational efficiency have been carried out. The tax system has been converted from an outmoded, regressive, inelastic and difficult to administer one to a modern, more equitable, and more efficient system capable of generating substantially increased resources for investment. The monetary reform included a restructuring of interest rates, simplification of the complex reserve system and elimination of many of the more rigid and cumbersome controls which inhibited the system's allocational efficiency and effectiveness in mobilizing private savings. The reform has produced a more balanced flow of resources through Colombia's financial system and a substantial increase in financial savings. These reforms, when taken in their entirety, stand as a landmark in the recent history of such undertakings. As a result, Government revenues in real terms are about 30 percent over those of last year. At the same time the Government reduced the annual rate of inflation in Colombia from 28 percent in early 1974 to an expected 20 percent for the end of the year. (See Attachment 2 - Note on Recent Economic Developments).

3. At the June Consultative Group Meeting the Colombian Minister of Finance, Dr. Rodrigo Botero, noted that the major problems facing the Colombian economy in the immediate future are disequilibrium in the balance of payments, increasing unemployment and the loss of self-sufficiency in petroleum production. A petroleum pricing policy aimed at maintaining the price of crude, gasoline and other derivatives at artificially low levels resulted in declining domestic production of crude and the country has for the first time in the postwar period become an importer of gasoline and crude petroleum. Recently, however, President López introduced a major policy change in this field. Producer prices for crude are now at remunerative levels and gasoline prices have been increased and further increases will occur on a monthly basis. During the first half of this year it appeared that the need to import crude petroleum, reduced demand for the country's nontraditional exports stemming from recession in the industrialized countries, lower world coffee prices and increased prices for most of Colombia's major imports would result in a substantial loss of foreign exchange reserves. Partial recovery of the growth of nontraditional exports, continued low demand for imports, and sharply, higher

world coffee prices have turned this situation around and, by the end of this year, Colombia is expected to increase its foreign exchange holdings to the level prevailing (US\$430 million) at the beginning of the year. In 1976 Colombia is expected to accumulate foreign exchange reserves.

4. The major problem now faced by Colombia is reduced economic growth and increasing unemployment. The rate of growth of GNP has declined over the past year as a result of depressed levels of economic activity in every sector but agriculture. Urban unemployment has increased and the López administration has come under attack as pursuing policies which have aggravated the position of the lowest income groups. Rapid growth of government expenditures together with substantially increased real incomes of coffee producers are expected to increase growth in the last quarter of the year and GNP for the year as a whole is expected to expand slightly in real terms. In addition, the Government is instituting nutrition, health, education and agricultural programs designed to improve the level of living of the poorest 50 percent of the population. Because of their complexity these programs have been slow in getting started and every effort will now have to be made to implement them. While these programs will benefit the poor, they may not have an immediate positive impact on employment and more will have to be done to return the economy to the high growth path achieved in 1970-73. *ing... subject*

5. As President López indicated last year, shortly after winning an overwhelming victory in his bid for the presidency, such a victory does not assure continued political support. Early this year, with economic growth declining, unemployment increasing, inflation continuing at a high rate and the tax burden on middle and higher income groups having been increased by the recently completed tax reform, the López administration lost much of its political support despite the party's majority in Congress. Guerrilla activity appeared to be on the rise, and the increased frequency of street demonstrations in protest of the worsening economic situation gave rise to widespread rumors of military intervention. Since that time, both the economic and political situations have improved and President López appears to have recovered much of the political support lost in the early months of his administration. *←*

#### B. External Assistance

6. The López administration is deeply aware of the need for developing countries to take charge of the primary responsibility for the development process and to avoid excessive reliance on either advice or financial support from the outside. This deeply-held view has been clearly expressed by Finance Minister Botero in his Closing Speech at the June Consultative Group Meeting (see Attachment 3). In addition, the Government has consistently taken the position that it sees no justification for Colombia (with a per capita income of around US\$500) continuing to receive concessionary aid (for this reason USAID programs will come to an end by September 1976, as was agreed during the September visit to Washington), but rather that Colombia should have adequate access to sources of external finance at conventional terms on the basis of a normal banker/borrower relationship. These points are stressed as they may affect the character of your visit: the visit program has been designed by the authorities to inform you about what the Government is doing in the way of tackling problems of development, rather than to show you what the Bank has done or might do.

C. The Bank Program in Colombia

7. In recent years there has been a decline in the relative importance of our lending for economic infrastructure in favor of agriculture, industry, education and water supply projects which directly benefit lower income groups. Our current lending program continues this trend, and thus supports the López administration's strategy of shifting public investment to nutrition, health, education, and urban and rural development programs which benefit the poorest 50 percent of the population. Since the beginning of the current calendar year, we have signed five loans with Colombia for land settlement, small farm development, small scale industry, water supply, and telecommunications, totaling US\$88 million. The appraisal process is proceeding on schedule for the sixth DFC, second agricultural credit, and tourism projects, for which we expect to make loans totaling US\$164 million in FY76. We are planning to begin appraisal of six new projects in the next six months for rural development, nutrition and health, power, railways, and telecommunications. Less advanced are projects in support of high priority programs for slum improvement and rural water supply (see Attachment 4 for project status).

D. Points you may wish to raise with President López

8. You may wish to congratulate the President on his successful implementation of comprehensive economic, social and financial reforms and indicate the Bank's continued strong support of the nutrition, health, urban and rural development programs aimed at benefitting the lowest income groups.

9. You may wish to ask about the growth and employment situation. The nutrition, health, and other programs aimed at benefitting the poor are important but even if their implementation is accelerated, their full impact will not be felt for a number of years. It is desirable, therefore, that economic growth, especially in the industrial and construction sectors, be accelerated so that unemployment can be reduced.

Attachments (4)

ECONOMIC POLICY AND GOVERNMENT FREEDOM OF ACTION

Excerpts of a presentation made by Mr. Rodrigo Botero, Minister of Finance, in the XIII National Banking Convention and VI Financial Institutions National Convention, which took place in Cartagena, on October 30, 1975.

(free translation)

The Minister summarized the position of the Government vis-a-vis international agencies as follows:

The balance of payments situation and the measures that have been taken to strengthen it, imply a fundamental change in the nature of the relationship of the country with international financing agencies, particularly with the International Monetary Fund and the World Bank. The Government considers that it is not up to international agencies to make recommendations on economic and social policy, an area which should be left solely to the national authorities. Commitments of any type regarding overall economic policy cannot be made with international agencies. The period of "letters of intention" or similar documents implying commitments on present or future economic measures with institutions abroad is over. The only acceptable commitments are those agreed upon in loan contracts, regarding technical and financial aspects of an specific project which in the government's judgement requires external financing. In the same manner, to guarantee the strengthening of the technical and intellectual infrastructure of the country, an effort will be made that the technical assistance for the study and development of investment projects be provided by Colombian personnel. To this end, the Government is supporting the work of public and private institutions dedicated to research.

The Minister also made other statements on the same subject, as follows:

The belief that the scarcity of capital was the critical factor in the development of countries, motivated the establishment of mechanisms of external assistance in the developed countries to bring about a transfer of financial resources to less developed countries. At the present time, the elimination of this obstacle is conceived in a different manner thanks to experiences not always favorable of the past policies. The Colombian Government seeks to replace that method of capital transfer by more dynamic process, consisting in the mobilization of internal savings and in a stable generation of foreign exchange. The Government seeks to reduce dependency on foreign resources, since it is considered that they must not constitute an essential part of the financing of overall investment. Their role must be subordinated to various requisites,



particularly to the generation of a sufficient volume of internal savings. Therefore, we sustain that external savings must be understood only as a complement to internal efforts and not as a substitute.

In the past, structural problems on the balance of payments was one of the reasons why Colombia resorted systematically to external borrowing. Thus the inflationary implication of such borrowing was not given much importance, and the need for internal savings was underestimated. More recently, when the accumulation of foreign reserves permitted to satisfy freely the demand for imports, we noticed that the main limitation to growth has not been shortage of foreign exchange, but insufficient internal savings.

In general terms, it could be said that only when there is an external resource gap, the inflationary impact of external borrowing can be disregarded.

External borrowing must have an specific objective, besides complementing internal savings. Activities financed with foreign resources must be able to generate foreign exchange to cover the amortization of the loan and the payment of interests. That is why only highly productive activities which save or generate foreign exchange can take advantage of external borrowings.

The decision of the Government to do away next year with USAID loans must be analysed with the above statements in mind. Since the chronic imbalance in the balance of payments has disappeared, such loans lack justification from that point of view. Simultaneously, in the light of monetary policy, they have a disturbing effect, since they bring about an increase in money supply. Furthermore, in view that the Government carried out a tax reform to eliminate the structural deficit in the national budget, the justification that previously may have existed for long term external borrowings to finance local expenditures disappeared. To these strictly economic factors, others can be added. Among them, an important one is that of the national freedom of action, in two aspects: in first place, the effect of these loans on the public expenditure distribution. The freedom of the Government to direct its resources to specific objectives has been limited by commitments with external agencies. Therefore, the decision adopted will return to the Government its freedom of action in public expenditures policy. In second place, it should be remembered that USAID financing together with a deteriorating volume of public savings, contribute to the maintenance of fiscal deficits. In fact, the concession of loans from this entity

was conditioned to the carrying out of additional expenditures in local currency (counterpart funds) which had to be financed with internal resources. In a situation of severe fiscal difficulties, the need to generate those counterpart funds made it necessary to resort to Central Bank borrowing.

COST OF LIVING - NATIONAL INDEX <sup>1/</sup>

Percent Change October

	<u>Blue Collar Worker</u>	<u>White Collar Worker</u>
1974	4.3	3.9
1975	1.0	1.0

Percent Change December - October

1974	23.0	21.7
1975	16.5	15.9

Percent Change October - October

1974	27.2	25.6
1975	20.2	19.2

Source: DANE

<sup>1/</sup> Preliminary

EMPLOYMENT SURVEY

3 Major Cities

November(October for 1975)

<u>Unemployment</u>	<u>Bogotá</u>	<u>Cali</u>	<u>Medellín</u>
1971	8.4	10.7	12.7
1972	6.6	13.3	13.0
1974 <u>1/</u>	7.9	12.5	12.9
1975	8.5	10.4	13.8

<u>Under-Employment</u>			
1971	12.5	17.8	26.1
1972	14.1	15.8	17.9
1974 <u>1/</u>	16.6	15.8	12.6
1975	17.0	16.2	19.5

<u>Participation Rate</u>			
1971	33.5	34.6	31.0
1972	32.3	33.9	34.8
1974 <u>1/</u>	35.6	35.9	34.2
1975	35.4	35.1	33.4

Source: DANE

1/ The survey was not conducted during 1973.

COST OF LIVING - BOGOTA

Percent Change - October

	<u>Blue Collar Worker</u>	<u>White Collar Worker</u>
1971	1.9	1.3
1972	3.2	1.3
1973	0.4	0.5
1974	4.9	3.7
1975	2.1	1.8

Percent Change December - October

1971	12.5	10.4
1972	15.5	12.7
1973	17.1	15.6
1974	26.0	21.9
1975	13.5	13.8

Percent Change October - October

1971	12.4	11.3
1972	17.0	13.6
1973	18.1	18.4
1974	30.3	25.4
1975	18.5	18.1

Source: DANE



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 19, 1975

FROM: Adalbert Krieger

SUBJECT: COLOMBIA: Visit of President Alfonso López Michelsen, September 24-26A. Background

1. President Alfonso López Michelsen will visit Washington on a state visit September 24-26. He has requested that you visit with him at Blair House on September 25 at 7:20 p.m. You will recall that you met President López early last year prior to his election and exchanged views with him regarding the problems facing Colombia and the need to raise the living level of the lower income groups while simultaneously sustaining rapid economic growth (see Attachment I, Memorandum of Conversation, January 10, 1974, and Attachment II, President López's Curriculum Vitae). *What happens*

2. Since taking office in August 1974, the López administration has successfully implemented a far-reaching program of economic and social reform. Badly needed, but politically difficult, reform of the fiscal and monetary systems aimed at strengthening resource mobilization, broadening the distribution of the benefits of economic growth and increasing allocational efficiency have been carried out. The tax system has been converted from an outmoded, regressive, inelastic and difficult to administer one to a modern, more equitable, and more efficient system capable of generating substantially increased resources for investment. The monetary reform included a restructuring of interest rates, simplification of the complex reserve system and elimination of many of the more rigid and cumbersome controls which inhibited the system's allocational efficiency and effectiveness in mobilizing private savings. The reform has produced a more balanced flow of resources through Colombia's financial system and a substantial increase in financial savings. These reforms when taken in their entirety stand as a landmark in the recent history of such undertakings. As a result, Government revenues in real terms are about 30 percent over those of last year. At the same time the Government reduced the annual rate of inflation in Colombia from 30 percent in early 1974 to less than 22 percent at present.

3. At the recent Consultative Group Meeting the Colombian Minister of Finance Rodrigo Botero noted that the major problems facing the Colombian economy in the immediate future are disequilibrium in the balance of payments, increasing unemployment and the loss of self-sufficiency in petroleum production. A petroleum pricing policy aimed at maintaining the price of crude, gasoline and other derivatives at artificially low levels resulted in declining domestic production of crude and the country has for the first time in the postwar period become a net importer of petroleum products. Recently, however, President López introduced a major policy change in this field. Producer prices for crude are now at remunerative levels and gasoline prices have been increased and further increases will occur on a monthly basis. During the first half of this year it appeared that

September 19, 1975

the need to import crude petroleum, reduced demand for the country's non-traditional exports stemming from recession in the industrialized countries, lower world coffee prices and increased prices for most of Colombia's major imports would result in a substantial loss of foreign exchange reserves. Partial recovery of the growth of nontraditional exports, continued low demand for imports, and sharply higher world coffee prices have turned this situation around and, by the end of this year, Colombia is expected to increase its foreign exchange holdings to the level prevailing (US\$430 million) at the beginning of the year. In 1976 Colombia is expected to accumulate foreign exchange reserves.

4. The major problem now faced by Colombia is reduced economic growth and increasing unemployment. The rate of growth of GNP has declined over the past year as a result of depressed levels of economic activity in every sector but agriculture. Urban unemployment has increased to 14 percent and the López administration has come under attack as pursuing policies which have aggravated the position of the lowest income groups. To reverse this trend the Government is now taking action to increase both public and private investment. These measures are expected to increase growth in the last quarter of the year and GNP for the year as a whole is expected to expand by about 4.5 percent. In addition, the Government is instituting nutrition, health, education and agricultural programs designed to improve the level of living of the poorest 50 percent of the population. Because of their complexity these programs have been slow in getting started and every effort will now have to be made to implement them. While these programs will benefit the poor, they may not have an immediate positive impact on employment and more will have to be done to return the economy to the high growth path achieved in 1970-73.

5. As President López indicated last year, shortly after winning an overwhelming victory in his bid for the presidency, such a victory does not assure continued political support. Early this year, with economic growth declining, unemployment increasing, inflation continuing at a high rate and the tax burden on middle and higher income groups having been increased by the recently completed tax reform, the López administration lost much of its political support despite the party's majority in Congress. Guerrilla activity appeared to be on the rise, and the increased frequency of street demonstrations in protest of the worsening economic situation gave rise to widespread rumors of military intervention. Since that time, both the economic and political situations have improved and President López appears to have recovered much of the political support lost in the early months of his administration.

#### B. The Bank Program in Colombia

6. In recent years there has been a decline in the relative importance of our lending for economic infrastructure in favor of agriculture, industry, education and water supply projects which directly benefit lower income groups. Our current lending program continues this trend, and thus supports the



September 19, 1975

López administration's strategy of shifting public investment to nutrition, health, education, and urban and rural development programs which benefit the poorest 50 percent of the population. Since the beginning of the current calendar year, we have signed five loans with Colombia for land settlement, small farm development, small scale industry, water supply, and telecommunications, totaling US\$88 million. The appraisal process is proceeding on schedule for the sixth DFC, second agricultural credit, and tourism projects, for which we expect to make loans totaling US\$164 million in FY76. We are planning to begin appraisal of five new projects in the next six months for rural development, nutrition and health, power, railways, and telecommunications. Less advanced are projects in support of high priority programs for slum improvement and rural water supply (see Attachment III for project status).

C. Points you may wish to raise with President López

7. You may wish to congratulate the President on his successful implementation of comprehensive economic, social and financial reforms and indicate the Bank's continued strong support of the nutrition, health, urban and rural development programs aimed at benefiting the lowest income groups.

8. You may wish to ask about the growth and employment situation. The nutrition, health, and other programs aimed at benefiting the poor are important but even if their implementation is accelerated, their full impact will not be felt for a number of years. It is desirable, therefore, that economic growth, especially in the industrial and construction sectors, be accelerated so that unemployment can be reduced.

Attachments (3)

*Set up one for strong B&Lending*

cc: Messrs. Knapp

Knox, Director, LAC Projects  
 Wiese, Director, LAC II (o/r)  
 Skillings, Acting Director, LAC II  
 Quijano, Res. Rep. Bogota, LAC II  
 van der Heijden, Div. Chief, LAC II

FZJaspersen/dpb

January 15, 1974

Memorandum for Record

Gerald Alter

Meeting of Mr. McNamara with Dr. Alfonso López Michelsen,  
Senator, Colombian Congress

1. Mr. McNamara was visited on January 10 by Dr. Alfonso López Michelsen, the presidential candidate of Colombia's Liberal Party (see my memorandum of January 10). Dr. López was accompanied by Dr. Virgilio Barco, Executive Director of the Bank. Mr. Alter was also present.
2. Dr. López was confident that he would win the coming elections, referring to recent public opinion polls. He pointed out that the Cabinet would still be a coalition Cabinet and, while the President under the Colombian Constitution was in a strong position, he would still need broad support in the Congress, particularly for taxation measures. Expanding on his philosophy, he indicated that he wanted the Colombian Government to move rapidly in achieving a better distribution of income, while at the same time expanding output. He hoped to be able to make a start in the conversion of Colombia from "the two Colombias to a showcase in human affairs". Essential was action to put a stop to the rapid inflation and he was thinking a great deal about what kind of an incomes policy would contribute to this objective. There was an exchange of views between Dr. López and Mr. McNamara on various aspects of the problem of raising the living level of the lower income groups, while sustaining economic growth. Mr. McNamara emphasized the importance of increasing the productivity of the rural poor, rather than simply transferring income to these groups.
3. Dr. López pointed out that between the election in April and the inauguration in August, he wanted to work out the details of the economic and social program which he would hope to initiate in the first 100 days of his administration. He requested the Bank's advice and assistance during this period. Mr. McNamara agreed that the Bank would do what it could to assist him, but that we were far away from having the answers to many difficult questions in this area.



Note on Recent Economic Developments

Background

1. Since the beginning of the year Colombia has been going through severe contraction in the level of economic activity. Growth of every major productive sector, with the exception of agriculture is expected to be negative for the year as a whole and it is unlikely that GDP will show any significant real increase over 1974. The Government moved only last week to reinstate the national employment survey which has in previous years been carried out during the second, third and fourth quarters of the year. While the results of the survey are not yet available it is estimated that open urban unemployment has increased from 11 percent last year to about 14 percent at present. Resumption of growth in the industrialized countries and substantial real increases in incomes of Colombian coffee producers are, during 1976, expected to result in strengthened domestic and foreign demand for manufactured products. Inventories of manufactured goods appear to have been drawn down in recent months and this, combined with increased aggregate demand, should stimulate gradual recovery of the economy next year.

2. The recession seems to have been triggered by the end of a construction boom and a drop in demand for certain manufactured exports. Overbuilding during the 1973-74 construction boom together with modifications in interest rate policy aimed at bringing about a more balanced flow of resources through the financial system which have reduced the flow of funds to construction, have resulted in a sharp contraction in the building industry. Reduced demand for exports of some of Colombia's key branches of industry together with depressed demand for industrial inputs used by the construction sector have brought about a recession in industry, which in turn has adversely affected commercial activity. Critics of the Government's economic program have argued that the Government has through its fiscal and financial reforms pursued excessively contractionary policies, thereby causing a much more severe recession than would have otherwise occurred. However, despite the substantial increase in real interest rates and of Government tax collections stemming from the financial and fiscal reforms, monetary and fiscal operations of the Government have, since the beginning of the year, been generally expansionary.

Fiscal

3. Successful implementation of fiscal and financial reforms earlier this year has resulted in a reduction of inflation from an annual rate of 28 percent in early 1974 to an expected 20 percent by the end of 1975 (see Graph 1). Sharply increased revenue from the reformed income and sales taxes has resulted in a 56 percent increase in National Government revenue but total Government expenditures have over the same period increased about 50 percent (see Table I). Much of this increase (70 percent) is due to growth of current expenditures stemming from increased wage payments to public sector employees and to increased current transfer payments to Departmental and Municipal Governments. While the Administration's critics are correct in pointing out that the tax reform has generated a large increase

in tax collections (estimated at 2 percent of GDP), only a small budgetary surplus has been generated. Moreover, utilization of this surplus has been expansionary, as it has, together with resources which the Treasury has borrowed from the Central Bank, gone to retirement of government debt held by the private sector, thereby putting increased liquidity into the hands of the public. Given current expectations of the business community in Colombia, it is unlikely that this increased liquidity will be channeled into investment in plant and equipment and there are indications that the Government is now considering increasing public investment spending as a more effective way of accelerating economic recovery.

4. The Administration has recently introduced legislation to Congress which would modify the individual, corporate and stamp taxes. These modifications would eliminate some "nuisance" stamp taxes and reduce distortions caused by inflation, thereby improving the present tax structure, but would result in a reduction of tax revenue by Col\$2.0 billion in 1976. This will be partially offset by an expected Col\$1 billion increase in tax collections on coffee exports stemming from increased world coffee prices.

#### Monetary

5. The Government is attempting to bring about an expansion of money supply which will allow a recovery of economic activity but will not provide additional stimulation to inflation. Historically, inflation has followed changes in growth of the money supply with a three to four month lag. Up to July the increase in the money supply had been limited to an annual increase of under 20 percent, a rate of expansion compatible with the Government's targeted 18 percent increase for the year as a whole. Growth of the money supply has now accelerated to 26 percent in part a result of continued strong growth of net domestic credit and some recuperation in the level of net international reserves which has taken place since the middle of the year (see Table II). Last week the Government, in response to this acceleration in the rate of growth of the money supply, introduced a number of measures aimed at restricting monetary expansion, including an increase in reserve requirements of commercial banks, and limitation on the amount of credit exporters can obtain abroad through the mechanism of anticipated exchange surrender (reintegró anticipado).

6. Sharply increased Central Bank lending to the Government (67 percent), in part a reflection of the Treasury's reluctance to sell bonds with a sufficiently high yield to capture substantial resources and thereby exert upward pressure on interest rates at a time when recessionary forces are gaining momentum, has been an important contributing factor to the rapid growth of net domestic credit of the monetary authorities. During the first half of this year strong growth of domestic credit was offset by loss of foreign exchange reserves of the Bank of the Republic and the increase in the money supply was held close to the targeted level.

Since early June, however, foreign reserves have begun to recover with the result that the full impact of the increase in domestic credit on growth of the monetary base is being felt. Given the improved outlook for the balance of payments and the expectation that net international reserves will continue to increase for the foreseeable future the Government may have difficulty achieving its monetary growth target this year. However, given the severity of the recent recession and the considerable unemployment and excess capacity which exists in the economy this may not pose a serious threat to the stabilization program and could contribute to more rapid economic recovery.

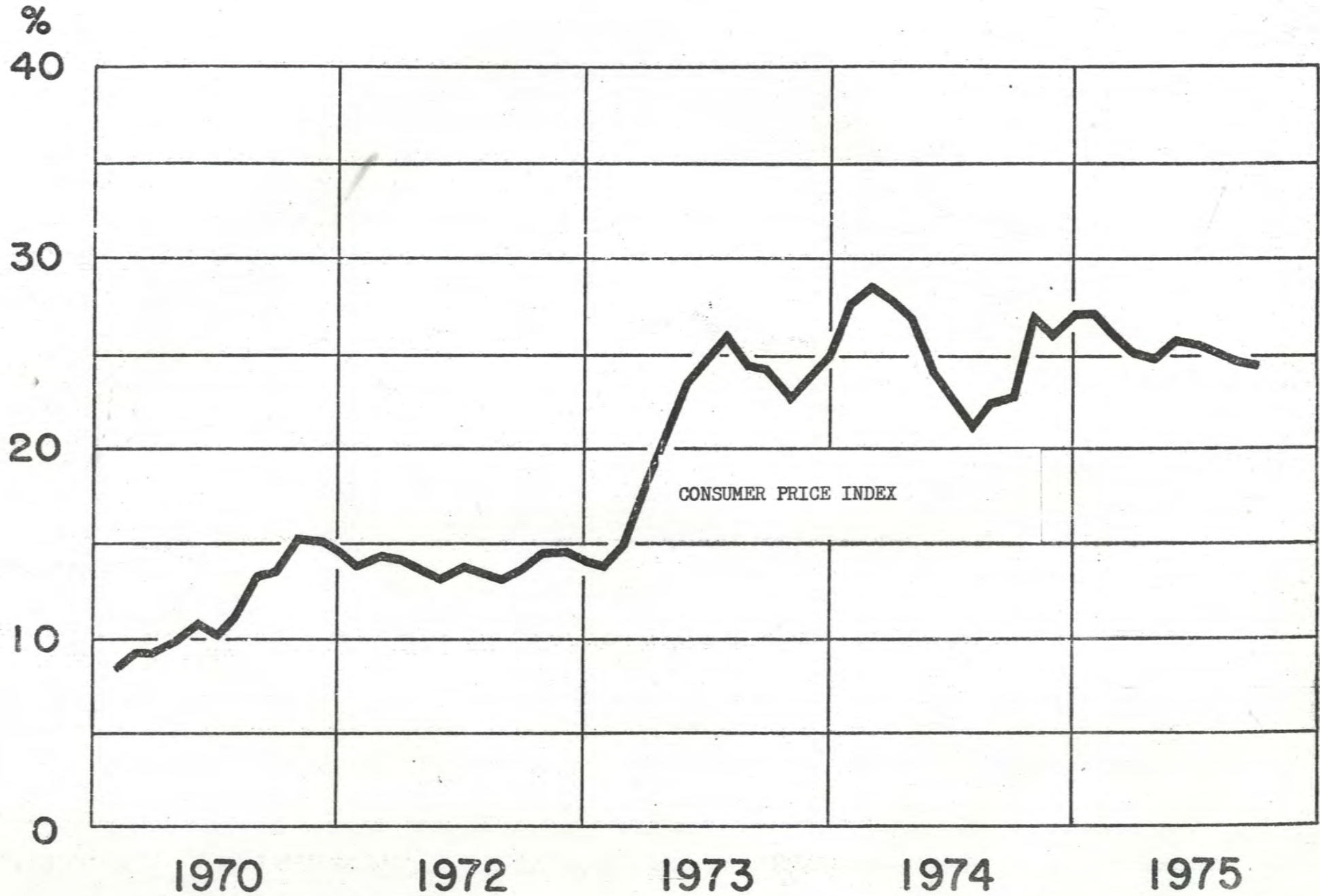
Balance of Payments

7. During the first half of this year sharply reduced export earnings stemming from continued depressed world coffee prices and lower demand for Colombia's non-traditional exports resulted in a loss of net foreign exchange reserves of about US\$90 million. Since June, improved performance of non-traditional exports, increased coffee receipts, and some external commercial borrowing by IDEMA, the State Marketing Board, have resulted in a recovery of foreign reserves by US\$60 million. Net international reserves are currently about US\$400 million, a level sufficient to cover almost three months of imports of goods and non-factor services (see Table III), and are expected to increase further to about US\$428 million by year end. The outlook for 1976 is for continued strong world coffee prices and improved performance of non-traditional exports. Growth of aggregate demand should result in some recovery of imports which have been depressed throughout 1975. Despite this, net international reserves are expected to increase in 1976.

Development Plan

8. The 1975-78 Development Plan is currently being discussed by the cabinet and is to be submitted to Congress by the end of the year. The Plan aims at creating the conditions necessary for achieving full employment through appropriate factor pricing, tax reform and reallocation of public investment resources. The tax system has been made more progressive with the objective of shifting effective demand toward mass consumption goods which are produced with labor intensive techniques of production. Public expenditure is being reoriented toward nutrition and primary education programs which increase the productivity of the poorest 50 percent of the population. The main focus of the Plan is on the periphery both in a geographical and economic sense through investments which benefit Colombia's poorest regions - Choco, Nariño, Boyacá, the North Coast - and the rural and urban poor. Special priority has been assigned to agriculture because it is in the rural areas where the greatest concentration of poverty exists and in agricultural activities where the highest employment impact can be achieved. Commercial agriculture is also to receive support due to its strong contribution to export and employment growth. Policies for promoting decentralization of industry away from the four largest cities in the country have been adopted to accelerate integration of more backward, periphery areas into the modern sector of the economy.

ANNUAL RATE OF GROWTH OF PRICES



Source: Banco de la República  
October 21, 1975

Graph No. 1

Table I: COLOMBIA: OPERATIONS OF THE NATIONAL GOVERNMENT, January-August 1974-75

(Col.\$)

	Jan-Aug. 1974	Jan-Aug. 1975	% Change
Current Income	<u>17,006.4</u>	<u>26,488.5</u>	<u>55.8</u>
Current Expenditures	<u>10,400.5</u>	<u>17,025.3</u>	<u>63.7</u>
Current Account Balance	<u>6,605.9</u>	<u>9,463.2</u>	<u>43.2</u>
Investment	<u>6,542.6</u>	<u>8,077.0</u>	<u>23.4</u>
Overall Balance	<u>63.3</u>	<u>1,386.2</u>	
External Credit (net)	<u>-132.6</u>	<u>-637.5</u>	
Loans	<u>444.8</u>	<u>233.8</u>	
Amortization	<u>577.4</u>	<u>-871.3</u>	
Domestic Credit (net)	<u>69.3</u>	<u>-748.7</u>	
BOR	<u>-330.9</u>	<u>788.3</u>	
Loans	<u>792.0</u>	<u>1,570.5</u>	
Amortization	<u>-1,122.9</u>	<u>-782.2</u>	
Private	<u>930.4</u>	<u>-1,707.9</u>	
Loans	<u>1,760.4</u>	<u>412.4</u>	
Amortization	<u>-830</u>	<u>-2,120.3</u>	
Change in Cash Balance	<u>-530.2</u>	<u>170.9</u>	

Source: Bank of the Republic



Table II: COLOMBIA: SUMMARY ACCOUNTS OF THE MONETARY AUTHORITIES, 1974-75

(Col \$)

				% Changes	
	Sept. '73	Sept. '74	Sept. '75	Sept. '73/Sept. '74	Sept. '74/Sept. '75
I. Foreign Assets (net)	<u>12,368</u>	<u>11,627</u>	<u>9,983</u>	-6.0	-14.1
II. Domestic Credit (net)	<u>19,899</u>	<u>26,087</u>	<u>35,545</u>	29.1	33.0
1. National Government	<u>5,143</u>	<u>4,161</u>	<u>6,950</u>	-19.1	67.0
2. Special Exchange Account	-755	48	1,452	--	--
3. Commercial Banks	3,285	6,180	6,271	88.1	1.5
4. Other Official Entities	10,090	13,068	16,129	29.5	23.4
5. Private Sector	2,123	2,230	3,370	5.0	51.1
6. Unclassified	13	400	1,373	--	--
III. Liabilities of BOR	<u>12,732</u>	<u>15,921</u>	<u>18,750</u>	25.0	17.8
1. Commercial Banks	307	377	556	22.8	47.5
2. Other Official Entities	4,785	6,005	9,698	25.5	61.5
3. Private Sector	5,369	6,804	5,512	26.7	-19.0
4. Other Medium- and Long-Term	2,271	2,735	2,984	20.0	9.1
IV. Official Capital and Reserves	<u>256</u>	<u>310</u>	<u>411</u>	21.1	32.6
V. Base Money (I+II-III+IV)	<u>19,791</u>	<u>22,103</u>	<u>27,189</u>	11.7	23.0

Source: Bank of the Republic

Table III Colombia: Balance of Payments 1974-75  
(US\$)

	<u>1974</u>	<u>Jan.-Sept. 1975</u>	<u>1975</u>
Exports	<u>1444</u>	<u>1316</u>	<u>1804</u>
Goods	<u>1231</u>	<u>965</u>	<u>1312</u>
Coffee	543	393	550
Other	688	571	762
Services	213	267	386
Other	-	84	106
Imports	<u>1557</u>	<u>1427</u>	<u>1908</u>
Goods	<u>1118</u>	<u>1041</u>	<u>1388</u>
Services	439	387	520
Transport	112	89	119
Interest	185	172	230
Other	142	126	171
Current Balance	<u>-113</u>	<u>-111</u>	<u>-104</u>
Capital Account (net)	<u>26</u>	<u>62</u>	<u>101</u>
Private Capital	<u>30</u>	<u>-9</u>	<u>12</u>
Loans	-70	7	30
Direct Investment	15	7	10
Other	85	-23	-28
Official Capital	8	62	78
Loans Project	94	22	77
Loans Multiple Purpose	90	111	111
Amortization	-176	-72	-110
Other	-12	+9	+11
Change in Reserves	86	-49	-3
Net Reserves of BOR	(430.9)	(381.9)	(427.9)

Source: Bank of the Republic



MEETING OF THE CONSULTATIVE GROUP FOR COLOMBIA

Paris, Monday and Tuesday, June 23 and 24, 1975

Closing Statement by Dr. Botero Montoya

What should the BK  
say to the  
delegation for development -  
should not  
let lead the  
3rd of 5.  
This over

In making my closing remarks I should like to take a look at the outcome of the intensive and very interesting discussions we have had during this meeting. But first, may I express our recognition to the World Bank, our host, to our Chairman, Dr. Adalbert Krieger, and to his distinguished group of colleagues for their efforts to efficiently and impartially prepare the basic technical documentation for the meeting and subsequently lead the discussions so as to ensure a successful outcome.

At this time of world crisis, when people are forgetting solidarity and the international responsibilities that are particularly incumbent on the wealthier countries, the World Bank is a vox clamantis in deserto reminding the world in general and the leaders of the most privileged nations in particular, of the existence of international obligations and responsibilities. Mr. McNamara, President of the World Bank, has played a very important role in this battle, and each and every one of his colleagues present at this meeting exemplifies dedication to the international cause, technical competence, and is an example of what can happen when the international community sets its mind to hammering out mechanisms for cooperation.

I should also like to express my appreciation to the Bank for having made its Paris offices available for this meeting, and to the Secretariat staff for their efficient collaboration. Last, but not least, my thanks to the interpreters, who have ensured such smooth and easy communication among persons speaking different languages.

I should now like to comment on the particular aspects of these discussions that have given me and all the members of my delegation food for thought. I return to Colombia more than ever convinced of the need for us to help ourselves. I believe that, just as a man attains maturity only when he realizes that it is by his own individual efforts that he will attain his goals in life, so a nation cannot really start out on the road to development until it is convinced that the solution to its problems lies in the exploitation of its own energies and resources.

The solutions to Colombia's problems are to be found within its borders. These meetings have been very interesting and instructive and we have enjoyed attending them, but more than ever I am convinced that it is not in Paris or in Washington or in any of the capitals of the industrialized countries that major decisions affecting Colombia can be taken. Such decisions can be

taken only in Bogota, in each and every one of Colombia's cities and towns and, in the last analysis, by every Colombian man and woman who wishes to achieve a higher standard of material and cultural life.

Thus I have been strengthened in my conviction that, whatever external financing and international cooperation have to offer, it is of relatively little importance -- and in Colombia's case, of diminishing importance -- to national development. It has been very interesting to note, during the course of these discussions, how the new thrust of the Colombian Development Plan is affecting our external financing requirements. In its desire to channel more public expenditure toward helping the poorest sectors of our population, the Government is assigning priority to projects in the fields of health, education, sewage disposal, water supply, integrated rural development and nutrition. It has been most gratifying to note the interest that some of the delegations have expressed in the new goals of this Investment Plan. Without underestimating the importance of infrastructure projects, since we need these in order to increase our productive capacity, Colombia's policymakers are going to have to pay more and more attention to improving the material and cultural standards of our least privileged inhabitants. It is noteworthy that some of the delegations have declared themselves in favor of such projects.

It is also interesting to reflect on the apparent paradox that as a country achieves greater and greater success in its internal development effort, so external conditions become more and more difficult. Certainly this is the case with Colombia. We have been endeavoring for many years to improve our institutions, to increase our capacity to mobilize domestic savings, to increase our capital formation and to invest in our human resources. And while we have been continually adopting better formulated and better coordinated economic policies, we have found that the terms of external financing have become harder and our international trade has come up against increasing protectionism by the industrialized countries. This is not a complaint but a simple statement of fact.

It is interesting that the terms on which we are now obtaining foreign financing are not only considerably harder than they were five or ten years ago but are also less favorable than the terms on which more than one of the industrialized nations began reconstruction following the Second World War.

This meeting brought out the advantages of the policies of liberalization of external trade. The policy known as international market integration has in fact been pursued by Colombia in the past 15 years. These advantages, however, have also implied costs. In the past months, we have been feeling the disadvantages of this greater integration into the world economy, with events completely beyond our control bringing about a marked decline in our international trade and undermining our efforts to diversify exports. Our domestic economic activities have also been adversely affected by the monetary disorder that has prevailed in the world during the past three or four years.

Thus, while we have benefited from our integration into the world's economy, we have at the same time suffered from the adverse effects of the recession in the industrialized countries and of the inflationary situation that is caused by the result of monetary disorder and an undisciplined international monetary system.

I should now like to refer to what could be described as the symmetry between our domestic and our international position. I am well aware that within the Third World Colombia occupies a very different position from that of countries that are just beginning to have an independent existence, only just starting out on the road to development, some of them under conditions that might be termed disastrous, since they barely meet the requirements of survival. Colombia may not be the richest Latin American country, but neither is it the poorest; in fact, some Third World countries would regard Colombia's present level of income and economic progress as quite advanced. If internally our position is that Governmental effort should be channeled to the weakest sectors, to the most vulnerable groups, such as children of pre-school age, the under-privileged sectors of our urban populations, and the rural areas, we could not conclude that international efforts should favor "upper middle-income" countries at the expense of the truly poor ones.

I should like to take this opportunity to reaffirm Colombia's support for the World Bank's position, i.e. that while funds are scarce, particularly funds on soft terms, which truly imply a transfer of resources, they should be allocated preferentially to countries with the lowest per capita incomes.

Considering its domestic situation, the Government of Colombia could hardly ask the international agencies, and specifically the World Bank, to discriminate against countries more in need of international cooperation by continuing indefinitely to assist countries which, although they have not yet joined the ranks of the industrialized countries, are every day, every year, improving their income levels and their capacities to achieve with their own resources, a higher standard of living for the people.

I would also like to mention some of the activities which Colombia, within the constraints of its internal economic situation, is developing with respect to countries whose economic situation is relatively less favorable. Not recently but for some time now, Colombia has been operating a technical assistance program, particularly in areas of its institutional development, that can be of interest to other Latin American countries. Thus, many missions from neighboring countries have benefited from Colombia's work in the field of apprenticeship: Colombia's SENA has provided technical assistance to a growing number of countries for the establishment of apprenticeship services in Latin America. Colombia's ICETEX has in the last 25 years trained a considerable number of specialized technicians abroad and is today furnishing technical assistance to other countries that wish to set up similar training services. And in a number of other fields, in agricultural research, in technological research, what little of Colombian experience can be helpful to other developing countries has been made available to them.

On a more modest scale, financial assistance is being provided at the present time to the English-speaking countries of the Caribbean. Colombia is a member of the Caribbean Development Bank and has already made a considerable contribution to its resources. Being a contributing country, Colombia will not seek loans from the Caribbean Development Bank. Its contribution will be made available to the Bank to enable the development effort to reach

a number of Caribbean countries and territories that are in a specially difficult economic situation.

Turning to trade policy, I should like to point out to the delegates that Colombia is granting preferential trade treatment to two members of the Andean Group, Ecuador and Bolivia. For a number of years now, the Colombian market has been completely open, without barriers, free not only of administrative controls but also of customs duties on products from Ecuador and Bolivia. In addition Colombia is studying, within LAFTA and within the framework of our legal commitments to the Andean Group, the possibility of extending unilaterally without reciprocity, customs preferences to the Caribbean and Central American countries.

My purpose is simply to point out that, although Colombia has not reached the status of an industrialized country, although Colombia cannot be described as a rich country, it is aware that international responsibilities exist and that even if the road is long and difficult, there are others who have even further to travel, others following behind us, to whom something from the Colombia experience can be useful, and that we have some obligation toward them.

In the course of its efforts toward export diversification, to which reference has been made a number of times during these discussions, Colombia has learned a few things. And I should like to stress that, as one of the delegates has quite rightly pointed out, we have to distinguish between trade and aid. As we have made the transition from exporting agricultural products or basic commodities to exporting -- although on a modest scale -- capital goods, we have learned that financing has to be provided for these exports. But we do not call it aid, we do not regard it as a favor, when export credit is granted for exports of Colombian boilers, or of fishing craft, or of machine tools to neighboring countries. We are providing a service to our metal engineering industry, to our capital goods industry; we are not providing any service to our purchasers. Thus I want to underscore here what one of the delegates has said: export credit is not aid, export credit is a necessity in order to be able to compete. As we continue to advance in the process of export diversification, we are obviously going to extend credit to our exporters of capital goods, but we do not expect anybody to thank us.

I should like to make another point, again not as a complaint but as a thought, about how complicated the world is becoming and how difficult the road to development becomes for a country as it reaches certain stages along it. Listening to some of the speeches, I couldn't help thinking to myself that this is perhaps a reflection of the complexity of our world, perhaps a simple reflection of how large the governments of all of our countries have become, that perhaps because of the very size of the bureaucracy, what the Ministry of Commerce does is not always communicated to the Ministry of Foreign Affairs or to the Ministry of Finance, or perhaps it is simply another example of "not letting your left hand know what your right hand is doing."

Listening to some of the speeches, we have heard references to the interest with which the Colombian effort is being observed and to the desirability that Colombia continue diversifying its exports, promoting development, promoting employment, promoting social programs, while at this very time other representatives of these same countries are imposing administrative quotas on Colombian exports, non-tariff barriers on those products through which Colombia is trying to expand employment, to strengthen its balance of payments, and to improve its competitive position on world markets so that it does not have to resort to international credit, because we prefer so far as we can to earn our own foreign exchange through our exports. But, as I have said, this may simply mean that the governments of countries are becoming very large and inter-bureaucracy communications do not always operate with due speed and coordination.

I should like also to refer to the statement by the delegation of one country -- a country which certainly has benefited substantially from international cooperation in the past and from the liberal policies in the postwar world, and which could hardly be described as a model of international responsibility in its behavior over the last thirty years. The delegate of that country stated that his Government had concluded that it was unable to extend loans to Colombia on concessional terms, since Colombia has reached, as mentioned earlier, a per capita income of US\$ 500 and, therefore, could not be considered a developing country. To this I should like to respond that Colombia is not asking for credit on soft terms -- with a per capita income of US\$ 500 we are certainly not a rich country but neither do we need to appeal to the humanitarian sentiments of the international community to solve our basic problems. That country has benefited from trade with Colombia, maintains a trade balance regularly in surplus, and I am sure that its interest in the list of Colombian projects consists exclusively in seeing how to sell us capital goods. And I should like to reply to the delegation of that country that it can examine thoroughly the list of projects for Colombia, make whatever proposals it sees fit, but let them not make the mistake or believe that we make the mistake of thinking that, when they propose to finance turbines or to finance locomotives, we are receiving assistance. They are providing services to their capital-goods exporters in the same way that Colombia does. But, I repeat, we are not asking for aid, we are not asking for any special concessions, we are not asking for loans on concessional terms.

*What country?*

To conclude, Mr. Chairman, I wish to express on behalf of my delegation that we return to our country confident in its future, sure that with an intelligent and self-disciplined people, Colombia will be able to face up to the challenge of development and will continue to play the role of a responsible country which aspires, not only to comply internally with its responsibilities and the obligations implicit in the social orientation impressed upon it by this Government, but also to continue to play within the international community the role of a country that is conscious that in the last analysis we are all responsible for each other. Thank you.





STATUS OF OPERATIONS

A. FY 1976 Lending Program

1. SIXTH DEVELOPMENT FINANCE COMPANIES PROJECT

Borrower: Banco de la Republica (Central Bank)  
Loan Amount: US\$80 Million  
Project Cost: Approximately US\$300 million in industrial investment.  
Scheduled Board Date: January 1976  
Project Description: Continuation of Bank lending to manufacturing, mining, and tourism firms in Colombia, through intermediation of Central Bank and private industrial finance companies (financieras). Innovative features of the proposed Sixth DFC loan are: (1) requirement that large firms (except those proposing to export incremental output, or locate outside main industrial regions) assume foreign exchange risk on sub-loans; (2) creation of technological development fund; and (3) creation of equity financing fund. Retroactive financing to July 1, 1975 of US\$5 million equivalent is proposed.  
Project Status: Project is on schedule.

2. SECOND AGRICULTURAL CREDIT PROJECT

Borrower: Banco de la Republica (Central Bank)  
Loan Amount: US\$64 Million  
Project Cost: Approximately US\$175 million in agricultural and agro-industry investment.  
Scheduled Board Date: March 1976  
Project Description: Nationwide program of term credit for commercial crop and livestock farmers and small agro-industry investments, with portion of loan proceeds reserved for low-income farmers producing for the market. Funds would be channeled through the Central Bank's Fondo Agropecuario to public and private financial intermediaries in the form of rediscounts.  
Project Status: Project appraisal has been somewhat delayed as a result of personnel constraints and reorganization of LAC Projects Department but should reach the Board by March 1976.

2. BARU-CARTAGENA TOURISM

Borrower: Corporación Nacional de Turismo

Loan Amount: US\$20 Million

Project Cost: US\$37 Million

Scheduled Board Date: June 1976

Project Description: To furnish infrastructure and basic services for tourism development on the island of Baru, located 25 km south of Cartagena. Existing villages on Baru will be upgraded, and selected urban improvements will be made in Cartagena.

Project Status: An appraisal mission returned from Colombia on October 21. The Issues Paper is being prepared.

B. FY 1977 Lending Program

1. INTEGRATED RURAL DEVELOPMENT PROJECT

Borrower: The Government of Colombia

Loan Amount: US\$70 Million

Project Cost: US\$150 Million

Scheduled Board Date: December 1976

Project Description: To furnish credit, technical assistance, and economic and social infrastructure to small farmers in three designated areas (Antioquia, Cundinamarca, Cauca-Nariño).

Project Status: An FAO/CP final preparation mission in which Bank staff is participating is expected to complete its work on October 31. Project appraisal is scheduled for January 1976.

2. NUTRITION AND HEALTH

Borrower: The Government of Colombia

Loan Amount: US\$40 Million

Project Cost: US\$80 Million

Scheduled Board Date: January 1977

Project Description: To provide the necessary inputs for growing, processing, distributing and marketing of foods with a high nutritive content. The Government intends to ask for retroactive financing of certain project components.

Project Status: A mission visited Colombia during September 28 - October 3 to review the status of the project. Preparation work has proceeded unevenly and even if steps are taken to remove existing bottlenecks it appears that a pre-appraisal mission will be required in January 1976, and that appraisal will be delayed until April 1976.

3. NORTH/CENTRAL POWER INTERCONNECTION PROJECT

Borrower: Interconexion Electrica, S.A. and Corporación Electrica de la Costa Atlantica (CORELCA).

Loan Amount: US\$40 Million equivalent.

Project Cost: US\$83 Million (excluding financial charges).

Scheduled Board Date: July 1, 1976

Project Description: The project involves building a 500 KV transmission line from San Carlos near Medellin to Sabanalarga near Cartagena, a distance of about 500 km. The line would connect the Atlantic coastal area which is presently dependent on thermal power (oil and gas) to the grid in the central region which relies almost exclusively on hydroelectric power. Parallel financing with Kreditstantalt fur Wiederaufbau is being arranged.

Project Status: A joint IBRD/KfW appraisal is scheduled for November 1975.

4. MULTI-CITIES SLUM IMPROVEMENT PROJECT

Borrower: Republic of Colombia

Loan Amount: US\$3 Million equivalent for first phase.

Project Cost: US\$5.5 Million for first phase (US\$24 Million for complete project).

Scheduled Board Date: Early calendar 1977

Project Description: The project comprises a number of cities (about 10 in the initial phase) where it contemplates the construction and equipping of new community development centers, providing health, education and other services; and creation of work banks to assist in job creation and training.

Project Status: Feasibility studies are being prepared by local authorities and consultants.

5. II CALI WATER SUPPLY AND SEWERAGE

Borrower: Empresas Municipales de Cali (EMCALI)

Loan Amount: US\$15 Million equivalent

Project Cost: US\$33 Million

Scheduled Board Date: February 1977

Project Description: The proposed project comprises EMCALI's plan for investments in water supply and sewerage works in 1977-80. The works would include water pollution control facilities.

Project Status: Appraisal is scheduled for June 1976.

6. WATER SUPPLY FOR SMALL CITIES AND RURAL AREAS

Borrower: Instituto Nacional de Fomento Municipal (INSFOPAL)

Loan Amount: US\$25 Million equivalent

Project Cost: US\$45 Million

Scheduled Board Date: December 1976

Project Description: Construction of water and sewerage works in some thirty small cities and rural communities and investments in a national solid waste disposal program.

Project Status: Appraisal is scheduled for March 1976.

7. SEVENTH RAILWAYS PROJECT

Borrower: Colombian National Railways

Loan Amount: US\$35 Million

Project Cost: About US\$60 Million

Scheduled Board Date: February 1977

Project Description: CNR's investment program for 1976-77, aiming at further rehabilitation and modernization of the railways.

Project Status: Appraisal is currently scheduled for February 1976 but may be postponed to April or May 1976, depending on the progress made by CNR on project preparation and in railways operations.

8. CARTAGENA SLUM IMPROVEMENT PROJECT

Borrower: Republic of Colombia  
Loan Amount: US\$15 million  
Project Cost: Not determined  
Scheduled Board Date: April 1977  
Project Description: The project involving slum rehabilitation and provision of sites and services in the southeastern part of Cartagena; the population of the project area is about 80,000, predominantly of the lowest income groups.  
Project Status: A project preparation mission is scheduled for December 1975

9. SEVENTH HIGHWAYS PROJECT

Borrower: Republic of Colombia  
Loan Amount: US\$50 million  
Project Cost: US\$100 million equivalent  
Scheduled Board Date: June 1977  
Project Description: The project involves the rehabilitation of about 1,000 km of trunk highways and bridges; purchase of maintenance equipment and spares; and technical assistance for planning.  
Project Status: Delays have been encountered in project preparation and the definition of the roads to be rehabilitated has not been completed. Accordingly, it has not yet been possible to set a firm date for appraisal.

10. SAN CARLOS HYDROELECTRIC PROJECT

Borrower: Interconexión Eléctrica, S.A.

Loan Amount: US\$80 Million

Project Cost: US\$280 Million

Scheduled Board Date: February 1977

Project Description: The construction of a large (620 MW) hydroelectric power station at San Carlos (near Medellín).

Project Status: Appraisal is scheduled for April 1976 and the prospects are now reasonably good that the conditions for appraisal (assurance of the necessary local resources) can be met.





CONFIDENTIAL

June 30, 1975

**DECLASSIFIED**

**APR 09 2013**

**WBG ARCHIVES**

Country Program Paper - Colombia

POSTSCRIPT

76. The Country Program Paper was reviewed at a meeting chaired by Mr. McNamara on June 19, 1975. The staff was instructed to reduce the proposed Lending Program for FY 1976-80 from the recommended level of US\$1.3 billion to US\$1.050 billion, with the reduction to be applied to the last four years of the program. Mr. McNamara also directed that the power sector component in the proposed Operations Program, totaling US\$400 million, be substantially reduced and that there should be only one further telecommunications project. Regarding the power sector, Mr. McNamara specified that any future power loan should be conditioned upon the realization of the Bank's sector objectives, which were summarized as the achievement of centralized investment planning and the adoption of adequate rate policies.

77. Mr. McNamara noted that Attachment 1 to the Country Program Paper gave the impression that rural development was not an important part of the Operations and Lending Program. The staff pointed out, however, that the proposed Operations Program contained several projects which were either wholly or partially aimed at increasing the productivity of low-income farmers. Mr. McNamara took note of this and instructed the staff to insure that the program for Colombia does contain a reasonable rural development component.

78. Mr. McNamara directed the region to submit a revised Operations and Lending Program in accordance with his instructions. Subsequently the region prepared a new Attachment 1, which is appended to this postscript. In addition to the changes requested by Mr. McNamara, the revised Attachment 1 shows the Cordoba Agricultural Development Project within the FY 1975 program, since the loan was approved by the Executive Directors on June 26, 1975, instead of in FY 1976 as expected when the original Attachment 1 was prepared.

Attachment

Population: 24.5 m.; 3.2% p.a.  
 Per Cap. GNP: \$440 (1973); 3.2% p.a. 1975-79  
 Area: 1,139,000 sq. km.  
 Literacy: 74% adult pop. (1972)

REVISED

ATTACHMENT 1

COLOMBIA -- ACTUAL AND PROPOSED LENDING THROUGH FY80  
 (US\$ million)

	Through		Actual					Current FY75	Program					Total FY69-73	Total FY74-78	Total FY75-79	Total FY76-80
	FY68	FY69	FY70	FY71	FY72	FY73	FY74		FY76	FY77	FY78	FY79	FY80				
<b>LARGELY SMALL-HOLDER ORIENTED:</b>																	
Irrigation I	9.0																
Irrigation II					5.0												
Land Settlement I				8.1													
Land Settlement II																	
Land Development I							19.5										
Land Development II							21.0										
Land Development III										30.0							
Rural Development									70.0						20.0		
Fisheries										15.0							
Agricultural Extension											20.0						
<b>OTHER AGRICULTURAL PROJECTS:</b>																	
Agricultural Equipment Imports	10.0																
Agricultural Credit I		17.0															
Agricultural Credit II									70.0								
Agricultural Credit III											80.0						
Livestock I	16.7																
Livestock II				18.3													
Forestry I										10.0							
Forestry II																40.0	
Agriculture - Unidentified																30.0	
<b>Telecommunications:</b>																	
Telecommunications I	16.0																
Telecommunications II					15.0												
Telecommunications III								15.0									
Telecommunications IV									40.0								
<b>Development Program and Export Expansion /1</b>																	
Industry - Paz del Rio						60.0											
Industry - DFC I - II	30.0																
Industry - DFC III	37.5																
Industry - DFC IV		25.0															
Industry - DFC V					40.0												
Industry - DFC VI						60.0											
Industry - Small-Scale I								5.5									
Industry - Small-Scale II										20.0							
Industry - Small-Scale III												30.0					
Industry - Nickel										35.0							
Industry - Coal											50.0						
Industry - Unidentified											80.0						
Industry - Unidentified																100.0	
<b>Education:</b>																	
Education I		7.6															
Education II			6.5														
Education III																21.2	
Education IV (Unidentified)																	
<b>Nutrition and Health:</b>																	
Nutrition and Health I										40.0							
Nutrition and Health II											50.0						
<b>Power:</b>																	
Power I - XV	222.8																
Power XVI - Interconnection		18.0															
Power XVII - Chivor					52.3												
Power XVIII - Guatape II						56.0											
Power XIX - San Carlos									80.0								
Power XX - N./Cen. Interconnection									20.0								
Power XXI - Mesitas										60.0							
Power XXII - Distribution												40.0					
Pre-Investment Studies							8.0										
<b>Tourism - Cartagena/Baru</b>																	
Tourism - Cartagena/Baru									15.0								
<b>Transport:</b>																	
Transport - Highways I - IV	66.9																
Transport - Highways (IDA)	19.5																
Transport - Highways V		17.2															
Transport - Highways VI			32.0														
Transport - Highways VII									50.0								
Transport - Railways I - IV	76.3																
Transport - Railways V		18.3															
Transport - Railways VI																25.0	
Transport - Railways VII										35.0							
Transport - Railways VIII												60.0					
<b>Urbanization:</b>																	
Urbanization - Cartagena										15.0							
Urbanization - Bogota													50.0				
Urbanization - Slum Improvement										35.0							
<b>Water Supply and Sewerage:</b>																	
Water Supply - Bogota I	14.0																
Water Supply - Bogota II					88.0												
Water Supply - Cali			18.5														
Water Supply - Palmira				2.0													
Water/Sewerage - Med. Cities I																9.1	
Water/Sewerage - Med. Cities II								27.0									
Water/Sewerage - Cali									15.0								
Water Supply - Small Cities & Rural										25.0							
Bogota River Regulation											20.0						
Water/Sewerage - Unidentified												50.0					
<b>Operations Program</b>																	
No.								88.0	270.0	375.0	305.0	300.0	240.0			1,348.0	1,500.0
								5	6	10	8	7	5			36	36
<b>Lending Program</b>																	
No.	518.7/2	103.1	127.6	153.1	65.0	125.1	54.2	88.0	200.0	210.0	210.0	210.0	220.0	573.9	762.2	918.0	1,050.0
	32/2	6	5	5	2	3	3	5	4	6	6	5	5	21	23	25	26
<b>Lending Program (Constant 1974 dollars)</b>																	
Deflator (FY74 = 100)		131.2	145.3	155.0	58.7	102.2	40.8	62.0	133.0	132.6	126.2	120.2	119.9	592.4	494.6	574.0	631.9
		78.6	87.8	98.8	110.7	122.4	132.7	141.9	150.4	158.4	166.4	174.7	183.5				
<b>Commitments of Other Capital (CY)</b>																	
<b>Multilateral</b>																	
IDB (includes loans repayable in local currency)	189.7	55.5	23.1	78.9	49.9	32.2	73.7	80.0	100.0	115.0	130.0	150.0	170.0	239.6	498.7	575.0	665.0
<b>Bilateral</b>																	
United States	n.a.	116.4	90.4	108.1	99.7	42.6	25.3	48.0	39.0	43.0	48.0	54.0	60.0	457.2	203.3	232.0	244.0
United Kingdom	n.a.	30.3	79.7	62.0	155.0	268.4	92.7	221.4	274.0	435.0	540.0	622.0	694.0	595.4	1,563.1	2,092.4	2,565.0
Germany																	
Others																	
<b>IBRD o/s /3</b>																	
Including undisbursed	398.7	484.0	595.6	721.7	791.1/4	928.6/5	935.2/6	986.9	1,145.0	1,309.9	1,468.6	1,627.5	1,789.6				
Excluding undisbursed	277.2	300.9	325.1	373.8	443.7/4	575.2/5	604.2/6	666.0	714.5	783.7	882.5	992.2	1,099.3				
<b>IBRD/IDA Gross Disbursements</b>																	
Less: Amortization	378.5	38.5	40.2	66.9	61.5	88.8	75.1	98.1	90.4	114.3	150.2	160.8	165.0	295.9	528.1	613.8	680.7
Equals: Net Disb.	101.2	14.8	16.0	18.2	18.1	22.8	26.1	36.4	41.8	45.1	50.5	51.0	57.8	89.9	199.9	224.8	246.2
Less: Interest & Charges	277.3	23.7	24.2	48.7	43.4	66.0	49.0	61.7	48.6	69.2	99.7	109.8	107.2	206.0	328.2	389.0	434.5
Equals: Net Transfer	95.7	16.7	18.7	21.6	25.5	31.1	38.6	41.8	46.6	52.2	60.1	70.2	80.7	113.6	239.3	270.9	309.8
	181.6	7.0	5.5	27.1	17.9	34.9	10.4	19.9	2.0	17.0	39.6	39.6	26.5	92.4	88.9	118.1	124.7
<b>IBRD/IDA Gross Disb.</b>																	
Less: Amortization	397.5	39.1	40.2	66.9	61.5	88.8	75.1	98.1	90.4	114.3	150.2	160.8	165.0	296.5	528.1	613.8	680.7
Equals: Net Disb.	101.2	14.8	16.0	18.2	18.3	23.0	26.3	36.6	42.0	45.3	50.7	51.2	58.0	90.3	200.9	225.8	247.2
Less: Interest & Charges	296.3	24.3	24.2	48.7	43.2	65.8	48.8	61.5	48.4	69.0	99.5						

CONFIDENTIAL

May 28, 1975

COLOMBIA - COUNTRY PROGRAM PAPER

IBRD Lending Program  
(Current US\$ millions)

FY69-73      FY74-78      FY76-80

1974 Population: 24.5 million	IBRD	573.9	811.2 <sup>2</sup>	1,300.0
1974 GNP per capita: US\$500 <sup>1</sup>				
Current Population Growth Rate:				
3.2% per annum				
Current Exchange Rate:	No.	21	27	28
US\$1 = Col\$ 30.5				

IBRD Operations Program

\$ Total	1,800
No. of Operations	40
No./million pop.	1.6

Ann. Avg. Per Capita: Current \$ (Const. FY74\$)

IBRD	4.7 (6.2)	6.6 (4.3)	10.6 (6.3)
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*was cut to about 7.5*

<sup>1</sup> Updated from 1974 World Bank Atlas, using the methodology prescribed in the Atlas.

<sup>2</sup> The proposed FY74-78 lending program compares with the program for the same period approved at the last CPP review (May 14, 1973), and amended in October 1973, as follows:

	<u>FY74-78 Lending Program</u>		<u>Percentage Change</u>
	<u>Approved</u>	<u>Proposed</u>	
Current \$ millions	683	811	+ 19 %
Constant 1974 \$ millions	454	523	+ 15 %
Per Capita p.a. (Const. FY74 \$)	3.71	4.27	+ 15 %

## A. INTRODUCTION

1. The last CPP for Colombia was reviewed in May 1973 at approximately the same time that the last country economic report was issued. The strategy that was recommended and approved was the continuation of the Bank's efforts of the previous several years to de-emphasize infrastructure projects and to move increasingly into the commodity-producing sectors in more direct support of the Government's efforts to maintain a high rate of economic growth. At the same time we proposed to increase our efforts in fields offering benefits to the lower-income segments of the population, through operations in rural development, colonization, and land development; education; urbanization; and water supply. The strategy we are proposing at this time differs only slightly; in view of the change in the world energy situation in the intervening two years, we believe it is urgent for the Bank to resume an important role in the financing and institutional evolution of the power sector. Support for this position is contained in the preliminary findings of the Bank economic mission which visited Colombia in January 1975, whose report has been distributed to the participants in the Consultative Group Meeting for June 1975.


2. A new Government assumed office in August 1974 under Dr. Alfonso Lopez Michelsen, who had won a resounding victory in the first open election for President the country had conducted since the establishment of the National Front in 1957. The son of a former President and candidate of the Liberal Party, Dr. Lopez entered the Presidency when Colombia appeared to be riding the crest of seven years of rapid economic growth. However, several disquieting signs had appeared: inflation was accelerating; the weaknesses of the country's fiscal system were becoming increasingly obvious, requiring cutbacks in investment programs and making control of inflation more difficult; a loss of petroleum self-sufficiency was imminent; and, there were signs that the rate of economic growth was beginning to decelerate. Moreover, there were already indications that world economic developments were about to overtake Colombia and uncertainty was growing about the future of coffee prices and of manufactured exports, which are the keys to the country's balance of payments performance.

3. The new Government acted with alacrity: assembling a highly skilled economic team, Dr. Lopez assumed decree powers under the Constitution for a 45-day period and moved quickly to adopt a stabilization program which included major fiscal and monetary reforms designed to improve the elasticity and progressivity of the tax system and to bring about a more balanced flow of resources through the financial system. The short-term political impact of the stabilization program was severe, coming at a time when economic growth, employment, and real wages had already entered a decline. Moreover, as part of its reforms the Government introduced an increase in sales tax rates and adjusted the prices of several items which are important in the consumer price index. This corrective action had the immediate effect of vitiating the fight against inflation as prices increased by 27 percent for the year as a whole, the same rate as in 1973. Thus, the Government's program heightened the social tensions which have in the past threatened to interrupt the stability of Colombia's political institutions.

4. Management of the Colombian economy in 1975-76 will be a complex task, since there is the danger that contractionary forces already set in motion by the Government's stabilization program could be amplified by recessionary pressures from abroad. It is already clear that GDP growth during this period will be below the average of 1970-74 and that the balance-of-payments situation will be considerably weaker. The new economic team is aware that the economy is going through a period of transition in which the situation could change rapidly, and is following policies aimed at reducing inflation, minimizing the contraction in the rate of growth of output and employment, and protecting the level of foreign exchange reserves. It has made significant reforms in the financial system and pursues a flexible exchange rate policy benefitting the growth of exports. In addition, the Government is anxious to step up its development effort. Simultaneous accomplishment of these goals would require increases in domestic saving and investment and substantial inflows of foreign capital.

5. The development challenge as seen by the Government is to return the economy to the higher rates of growth achieved in the recent past and provide increased employment opportunities and a broader distribution of the benefits of economic growth to all segments of the population. The Government has already achieved considerable success in enacting fundamental monetary and fiscal reform which should provide the framework for increased saving and a more efficient allocation of that saving into investment opportunities. It is now turning its attention to achieving the goals of rapid growth and a more equitable distribution of its benefits through initiation of a development program aimed at accelerating agricultural and industrial growth, at increasing the participation of the most deprived regions of the country in the development process, at improving the productivity of the poorest population groups through better education and nutrition, and at continuing the export diversification drive. Special emphasis is being placed on expansion of employment opportunities and increased investment in education, health, and nutrition programs aimed at benefitting the poorest 50 percent of the population.

#### B. COUNTRY OBJECTIVES AND PERFORMANCE

6. Since 1967 Gross Domestic Product has increased by an average 6.5 percent per annum in real terms, well above the historical average of less than 5 percent per annum (1950-67), and real per capita GNP has increased by an average 3.2 percent. During this period substantial structural transformation has taken place in the Colombian economy, and the country is now well advanced in the transition from a predominantly rural, agricultural, and largely self-contained economy to an urban industrial economy, more oriented toward expanding international trade. Broadening of the country's productive base has been accompanied by development of a modern sector which relies to a considerable extent on imported inputs. Merchandise exports have increased three-fold since 1967 and, most significantly, non-traditional exports have become a more important source of foreign exchange earnings than coffee, increasing from 27 percent of merchandise exports to over 50 percent in 1974. Despite the rapid development of Colombia over the past seven years, however, it remains an essentially poor country with a relatively small modern sector superimposed on a large, traditional, and very poor base. 

7. While, as a consequence of the strong overall growth performance, employment opportunities grew more rapidly between 1967 and 1974 than at any other time in the post-war period, rural-urban migration accelerated and both participation and unemployment rates increased in most of Colombia's major urban centers. Data on unemployment are sparse, but the available figures for 1972 point to an improvement in Bogota accompanied by deterioration in Medellin, Barranquilla, and other large cities. If rough weights by city are applied, a slight overall deterioration seems to have occurred during the 1968-72 period. Moreover, it seems clear that the existing distribution of personal income is markedly unequal. The poorest fifth of the population appears to be receiving 4 percent of total income, while the richest fifth gets about 60 percent. Rural incomes appear to be more highly skewed than urban incomes, and the increasing concentration of the population in urban areas would seem to present a prima facie case for presuming a modest improvement in the overall national income distribution. This conclusion is to some extent supported by national income accounts data which indicate that the share of wage and salary income of GDP increased from 36 percent in 1950 to 40 percent in 1970. Few Colombians would accept past rates of improvement as adequate, however, and a great deal remains to be done in order to spread the benefits of economic growth more widely. The new Government recognizes that rural development and a vigorous effort to boost overall production and employment growth are needed, and it has already initiated action in a number of important areas.

*why after  
to study  
p. 2  
Bogota  
Medellin  
Barranquilla  
to Bogota*

8. The new Government of Colombia faces a formidable task. It has a deep concern for social equity and wishes to introduce major long-term programs and reforms to raise the income and improve the productivity of the poor. It recognizes that this can only be accomplished within the context of vigorous economic growth. At the same time, it is facing the short-term task of stabilizing the economy, bringing inflation under control and keeping the balance of payments deficit within manageable bounds. Finally, it must restore GDP growth within the framework of a much less favorable world economic situation.

9. The major immediate problem is the weakened balance of payments situation. During 1970-73 Colombia had little difficulty in obtaining the foreign exchange necessary to finance its development, due to rising exports and a large inflow of foreign capital. In 1974, however, there was a turn-around in this situation due to sharply increased expenditures on imports, reduced world coffee prices, and curtailed levels of external capital inflow to the public sector related to the deterioration of the public savings performance. As a result, Colombia was forced to finance a portion of its emerging external-resource gap by drawing down its foreign exchange reserves. Official reserves declined by \$87 million by year end, leaving the country with reserves of \$429 million, sufficient to cover about three months of goods and non-factor service imports at the expected 1975 rate. Preliminary estimates

1/ It should be noted that preliminary information recently received from Colombia indicates a decline in foreign exchange reserves of commercial banks of about US\$244 million in 1974. This is, however, of relatively minor significance, since it represents an increase in short-term trade financing which is rolled over.

for 1975 indicate a balance of payments deficit of some US\$200 million which will require an increase in the private capital inflow. There is considerable uncertainty about near-term balance of payments prospects because of the lack of clarity about the impact of world recession on Colombia's manufactured exports and because of the volatility of coffee prices. The aforementioned deficit, while based on the relatively conservative assumption of a 12 percent real decline in manufactured exports, assumes an average coffee price of 65¢ a pound in 1975. The coffee price used is about the same as the Bank Commodity Department's latest projections but above that being made by the IMF. It should be noted that every 1¢ decline in the coffee price costs Colombia about \$10 million in foreign exchange earnings. It is entirely possible then that despite acceleration of devaluation of the peso and reduced GDP growth, the balance of payments deficit will be greater than projected. This implies that Colombia will probably have to resort to increased borrowing from foreign financial intermediaries to protect its reserves in 1975 and may even be forced to consider entering into a stand-by arrangement with the IMF.

10. The Government has already taken measures to stabilize the economy, not in an ad hoc or piecemeal way but by introducing fundamental reforms which will over the longer run improve the capacity of monetary and fiscal systems to generate savings and to produce a more balanced flow of these savings into alternative investment opportunities. The monetary reform included a restructuring of interest rates, a simplification of Colombia's complex reserve requirement system, the elimination of numerous portfolio requirements, the elimination of several rediscount facilities, and the adoption of more stringent controls over existing facilities. The reforms will allow interest rates available to savers to more accurately reflect liquidity and risk of financial instruments and will permit greater flexibility of rates to reflect changes in the domestic price level. While the Government has thus moved in the direction of a more rational interest rate structure, however, interest rates still do not fully reflect market forces, and the transition to market-determined rates will require additional adjustments.

11. Colombia's post-war experience suggests that strengthening of the country's fiscal system is a necessary first step to achieving an adequate level of self-sustained growth. Shortfall in revenues resulted in chronic government deficits which were major sources of inflation and which impeded expansion of infrastructure investment and social programs vital to acceleration of development. Overall tax buoyancy declined sharply in the 1973-74 period as a result of the strong negative impact on Government cash revenue of the increased use of tax credit certificates (CATs)<sup>1/</sup> and as a result of administrative deficiencies. With the exception of 1972 when there was a sharp jump in

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<sup>1/</sup> Used to subsidize exports.



National Government investment spending made possible by a three-fold increase in external borrowing, deterioration of public finances has been reflected in a declining level of investment by the National Government in real terms. Investment spending by the National Government declined from an average 4 percent of GDP in the 1967-72 period to 3.4 percent in 1973-74. The deterioration of the National Government's financial performance since 1971 has been accompanied by weakening of the capacity of the rest of the public sector (departmental and municipal government and public enterprises) to mobilize domestic resources and execute investment. In order to overcome these problems, the new Government implemented a tax reform of major proportions in the last four months of 1974, as part of a comprehensive set of stabilization measures under economic emergency authority provided in the Constitution. The reform covered almost every important component of the tax system and represents a clear and significant improvement over the prior system on nearly all counts. While the reform did not serve to purge the revenue system completely of pre-existing defects, it stands as a landmark in the recent history of such undertakings, both among developing and developed nations.

12. One further area where Government action is called for, and, indeed, is under active consideration, is petroleum pricing policy. Through its ownership of refining activities the Colombian Government has control over the prices of crude oil and gasoline. This power has in the past been used to hold the price of crude oil at an artificially low level (\$1.65 per barrel), and petroleum production has declined from a peak of 80 million barrels in 1970 to 61 million in 1974. Crude exports, which reached \$60 million in 1970, have now stopped because of the need to ensure crude supplies for local refineries, and this year Colombia will have to import crude for the first time since 1945. Prices to producers for existing flows of petroleum (including that from secondary recovery), as well as prices at refinery and consumer levels, have not been changed since June 1971 and are among the lowest in the world (US\$0.11 per gallon of gasoline at retail). Creation of appropriate incentives for increased exploitation of oil from fields already in production, and a dampening of domestic demand by means of long-overdue price increases would permit Colombia to hold down the level of its crude oil imports. The Government's position has been defined: producer prices will be increased to whichever level necessary for at least regaining self-sufficiency, with the price increase to be passed on to the consumer. Discussions are currently underway with the main oil producers operating in Colombia. If decisive action is taken in 1975 to encourage exploration and drilling, moreover, it is entirely possible that new oil, sufficient to meet domestic demand, will become available in 5-6 years. Failure to act in the near future, however, would in the early 1980's result in a heavy burden on Colombia's external balance.

13. The Government is also aware that upward adjustment of petroleum prices is required to correct the misallocation of resources which has taken place in the energy sector. The present mix of energy consumption in Colombia is undesirable for several reasons. Petroleum accounts for 42 percent of total

energy consumption and its share has increased from 29 percent in 1960. This overdependence stems in part from the large subsidies that traditionally have been granted to petroleum derivatives, especially gasoline. The result is that the country has not made use of its considerable potential to generate alternative energy sources such as hydro-electric energy which currently provides only 5 percent of total energy consumption.

14. Additionally, there is a relationship between petroleum pricing policy and fiscal performance. Since June 1971 the petroleum exchange rate has been frozen at Col\$20 per dollar and the resulting fiscal loss, estimated at Col\$730 million in 1975, is borne by the Central Government. Elimination of the petroleum exchange rate differential, coupled with an increase in the external reference price for crude to a level sufficient to stimulate vigorous conservation and secondary recovery efforts in and around existing oil fields would result in substantial savings to the Government.

15. The new Government has indicated that one of the principal objectives of economic policy will be to sustain the high rates of growth of output and employment achieved in recent years. If growth in the developed countries resumes in late 1975 and Colombia is able to improve its saving and investment performance, growth in GDP could begin to pick up in 1976 and again reach 7.0 percent by 1978. Reestablishing the 7 percent growth path would, however, imply an increase in the share of gross fixed investment of GDP from 18.7 percent in 1970-74 to 21 percent in 1980, an increase in the savings coefficient from about 19.5 percent in 1970-74 to about 22 percent in 1980 (marginal savings rate of .31). Measures already taken to strengthen the financial system and improve public finances make these rates of investment and savings attainable.

COLOMBIA: ECONOMIC AND SOCIAL OBJECTIVES (1980)

Unit	Current Level (1974)	Country Target		Bank Projection	
		Absolute	Growth Rate	Absolute	Growth Rate
GNP (constant 1972 prices)	Col\$(1,000's)	207,789	n.a.	300,616	6.3%
Population		24,496	n.a.	29,591	3.0%
GNP per capita		500	n.a.	604	3.2%
Employment percent of labor force		88%	n.a.	91%	3.0%
Investment	(constant 1972 prices)	39,505	n.a.	69,502	9.9%
Savings		39,337	n.a.	66,894	9.3%
Exports	(million of US\$ current)	1,870	n.a.	4,235	14.6%
Imports	"	1,880	n.a.	4,503	15.7%
Net Capital Inflow		278	n.a.	735	17.6%
Debt-Service Ratio		13.5%	n.a.	19.5%	-
P.c. Calorie Supply % of requirements '70		88%	n.a.	n.a.	n.a.
Adult Literacy Rate (1970)		74%	n.a.	n.a.	n.a.

C. EXTERNAL ASSISTANCE

16. Our projections assume a gradual increase in the price for Colombian coffee to 81 cents in 1980 and growth in other exports of an average 13 percent in real terms during calendar years 1975-80. Total exports are projected to increase by an average 8 percent annually in real terms over the period, while import requirements are projected to increase by an average 6 percent annually. We have also assumed that net foreign private direct investment will rise from the level of \$45 million in 1975 to \$150 million in 1980, and that there will be a gradual build-up in net foreign exchange reserves totaling \$400 million over the six-year period.

17. During the six calendar years 1975-1980 Colombia will require gross external official financing totaling about \$4.5 billion, of which some \$784 million (12 percent) will be disbursed from commitments made through the end of 1974. The remaining \$3.8 billion must be financed by new commitments which should average about \$900 million a year. Of the latter amount, about half would be obtained from suppliers' credits, foreign bond sales, and borrowings from commercial banks, and the other half through loans from public bilateral and multilateral agencies.

18. The gross financing requirement is substantially higher than that foreseen at the time the last CPP was reviewed in May 1973, since economic expansion during the next few years is expected to produce increasing deficits in the current account of the balance of payments. As in recent years, capital inflow to cover such deficits will mainly take place through public loans, since the Government is expected to continue to be selective in its approval of private direct foreign investment and private external borrowing is apt to be limited by monetary controls. It is unlikely that the public sector will be able to mobilize external funds of sufficient magnitude through project loans alone. In 1972 and 1973 public sector borrowing from foreign commercial banks totaled US\$170 million, and such borrowing is being repeated this year and is expected to become relatively more important during the 1976-80 period.

19. The growth in external public debt and the hardening of its terms will result in an increase in the debt service ratio from the current 14 percent to about 16 percent in 1978 and 20 percent in 1980. While these debt service ratios are manageable, the burden of debt service is significantly higher than Colombia has experienced in the past and should not be permitted to increase to a substantially higher level. The new Government has acted prudently to undertake badly needed fiscal and financial reform, and may be expected to display similar prudence in the management of its external debt. Colombia should thus be able to return to the high levels of growth achieved in the early 1970's and remain creditworthy for an increasing amount of commercial borrowing provided a significant proportion of its external capital requirements continues to be obtainable from public bilateral and multilateral sources.

*2/20/74  
2/21/74  
2/22/74*

COLOMBIA: PUBLIC EXTERNAL CAPITAL REQUIREMENTS, 1975-80<sup>1</sup>  
(Millions of Dollars)

	1975	1976	1977	1978	1979	1980
<u>Gross Disbursements</u>						
<u>IDB</u>						
Pipeline <sup>2</sup>	58.4	27.6	18.1	11.8	9.4	.6
New	8.0	34.0	57.5	79.5	100.0	123.2
<u>IBRD</u>						
Pipeline	82.6	71.5	53.1	40.1	27.6	12.5
New	2.9	18.9	54.5	102.3	153.2	201.9
<u>AID/Ex-Im</u>						
Pipeline	22.4	14.7	11.4	10.3	9.2	8.8
New	16.7	38.0	33.9	40.3	48.4	52.6
<u>Other Bilateral</u>						
Pipeline	3.7	4.0	2.7	1.9	1.4	1.1
New	8.7	15.9	20.0	34.3	29.7	33.6
<u>Suppliers' Credits</u>						
Pipeline	13.3	3.3	.8	.4	-	-
New	60.0	80.0	100.0	120.0	110.0	160.0
<u>Financial Credits</u>	<u>136.0</u>	<u>170.0</u>	<u>309.0</u>	<u>390.0</u>	<u>448.0</u>	<u>494.0</u>
<u>TOTAL</u>	<u>412.7</u>	<u>477.9</u>	<u>661.0</u>	<u>833.9</u>	<u>966.9</u>	<u>1088.3</u>
<u>Amortization Payments</u>	118.8	118.9	196.6	274.5	379.9	509.4
<u>Net Disbursements</u>	263.9	329.0	464.4	559.4	587.0	578.9
<u>Commitments</u>						
IDB	80	100	115	130	150	170
IBRD	96	215	245	275	305	340
AID/Ex-Im	48	39	43	48	54	60
Other Bilateral	25	24	26	30	34	40
Suppliers' Credits	60	80	100	120	110	160
<u>Financial Credits</u>	<u>136</u>	<u>170</u>	<u>309</u>	<u>390</u>	<u>448</u>	<u>494</u>
<u>TOTAL</u>	<u>445</u>	<u>628</u>	<u>838</u>	<u>993</u>	<u>1131</u>	<u>1264</u>
<u>Debt Service Ratio</u>	14%	13%	14%	16%	18%	20%
<u>Bank Share of Debt</u> <sup>3</sup>	26%	24%	23%	22%	23%	23%
<u>Bank Share of Debt Service</u>	28%	27%	22%	18%	15%	13%

<sup>1</sup> Calendar years.

<sup>2</sup> Contracts signed through Dec. 31, 1974.

<sup>3</sup> Disbursed and outstanding at year-end.

D. LENDING STRATEGIES OF OTHER OFFICIAL LENDERS

20. AID strategy toward Colombia in the years 1968 to 1974 was marked by concentration on sector lending, chiefly in agriculture but also in education, health, and urban development. Such lending, largely for local costs, attempted to combine support for Colombia's balance of payments with encouragement of comprehensive planning in the selected sectors and an increase in the Government's allocation of budgetary resources to the sectors. AID also had a voice in the use by the Colombian Government of the counterpart pesos generated by the dollar loans and, in the case of the agricultural sector loans, increasingly channeled the counterpart to INCORA for use in supervised credit programs benefiting small and medium farmers. The year 1974 was a transition year for AID. Sector lending was terminated and the size of the assistance program reduced for a variety of reasons, including Colombia's strong balance of payments performance which made sector lending harder to justify and, of course, the overall change in the size and objectives of AID's programs in Latin America. In the specific case of agriculture there was also a feeling that the sector loans had failed to achieve their objectives. IDB lending to Colombia has recently suffered from a diminution of the project preparation pipeline, aggravated in 1974 by the fact that it was a year of governmental transition. The IDB approved no loan to Colombia in 1974 and at the present moment has no projects in an advanced stage of preparation. However, the IDB sent a high-level mission to Colombia in February 1975 and hopes to approve loans approximating \$80 million in 1975 and to approve a rising annual level of loans reaching \$170 million in 1980. Both AID and the IDB are stressing projects that will have an impact on income distribution, particularly in the rural sector.

E. BANK GROUP STRATEGY

21. The Bank has pursued a variety of goals in its past lending to Colombia. A consistent theme has been support to economic growth in the form of loans for economic infrastructure (power, highways, railways, and telecommunications) and industry. Beginning in FY 1966 lending for agriculture became important, and in FY 1968 we began to assist in the financing of social sectors (education and water supply and sewerage). In FY 1971 we began reducing our support for economic infrastructure projects and initiated efforts to help the Colombian Government in improving the distribution of income, especially in the rural sector; in fact, as early as FY 1967 our lending to the agricultural sector had begun to include support for small farmers through credit, irrigation, and colonization projects. As noted, we have throughout stressed the growth objective, as well as the development and strengthening of institutions in both the public and private sectors.

22. Notable successes were achieved by the Bank in developing a group of sound privately-owned industrial-finance companies, expanding the availability of medium and long-term credit for farmers, initiating the creation of a national power grid, and strengthening the national telecommunications agency. On the other hand, results have been mixed in the transportation and social sectors. The national railways have made good progress, but serious deficiencies remain in the capacity of the Ministry of Public Works to plan and maintain highways. Water supply and sewerage projects have in general been successful, but efforts to help Colombia improve its secondary education have experienced difficulty. There have been two notable disappointments: the gestation period for rural development projects has been quite long and nothing has yet emerged apart from a successful Amazon colonization project launched in 1971. And despite temporary strengthening of the fiscal system between 1967 and 1971, persistent Bank efforts to encourage the Colombians to increase public savings have produced inadequate results.

23. At the present time we look forward to recovery of our annual lending level, which for a combination of reasons declined from \$125 million in FY 1973 to \$54 million in FY 1974. A major cause was the fact that 1974 was an election year, the first since 1957 to see an open race for the Presidency between the two major parties. This interrupted the pace of project preparation and made it difficult to resolve certain problems in the execution of ongoing projects whose solution was a precondition for the appraisal of new projects. We are, however, off to a slow start in the establishment of a dialogue with the new Government. To date our principal discussions have concerned industrial and capital market policies, rate problems related to ongoing projects in the power and water supply sectors, and the arrangements for financing ongoing and proposed investments in the new national power grid. The discussions have been promising, since the National Government shares our views that insofar as possible public services should be self-financing and that power development should be rationalized through national planning and maximum exploitation of hydroelectric potential. The problems lie at the regional level where there is a strong tradition of local autonomy. Besides the foregoing, we have accelerated the preparation of new projects in rural development, nutrition, agricultural credit, and industry. But to date there has been no overall review of investment programs and policies, because the new economic team devoted its first months in office to dealing with financial stabilization. Only recently has it turned its attention to the formulation of its longer-range development program.

24. The Consultative Group for Colombia will meet in Paris on June 23, 1975 to consider the country's external financial requirements in support of the new Government's development strategy. That meeting will specifically focus on the volume, terms, and sectoral distribution of foreign assistance inflows while, at the same time, enabling the Government to enunciate its policies regarding petroleum pricing and balance of payments management.

Meanwhile, local meetings of the Consultative Group are being held about twice a year in Bogota with local representatives of Group members in attendance. The Consultative Group, therefore, functions rather effectively to ensure that both the Government of Colombia and the major aid donors formulate their development and assistance policies in a timely and coordinated fashion. There is every reason for the Group to continue.

25. In these circumstances the basis for a fruitful relationship between the Bank and the Government exists. The general orientation of the new Government closely parallels that of the Bank, as indicated by the President's repeated emphasis on the importance of programs to directly benefit the poorest 50 percent of the population. Moreover, the top economic policymakers are well-trained, technically-oriented, and energetic. Careful diplomacy is called for, however, since they are also determined to demonstrate their independent capacity to shape their nation's destiny. Because the Bank has played such an important role in Colombia's recent past development, its presence arouses ambivalent emotions. With this in mind, the composition of the proposed operations and lending program has recently been discussed with the Government in Bogota and complete agreement has been reached.

26. The diversification of the Bank's lending to Colombia--which is likely to be intensified during the coming five years--requires a good deal of on-the-spot project supervision with the particular objective of signaling implementation problems at an early stage. This is one of the most important tasks which the Resident Mission in Colombia can undertake. A further aspect of the Bank's diversified approach to Colombia needs special emphasis: It has led to a number of understandings regarding sector policies and project implementation covering a wide spectrum of Colombia's Governmental activities, which necessarily limits the Government's freedom of action in a number of important policy areas such as public utility pricing, agricultural and industrial interest-rate policies, and public investment planning. At times, such understandings might be perceived as an encroachment upon sovereignty, particularly at the local level, and it is in this area where the Resident Mission is playing--and will continue to play--an important role in terms of fully explaining the Bank-Borrower relationship. Finally, the Resident Mission will continue assisting both the Colombians and Bank staff in the preparation of new projects currently proposed for inclusion in the operations program. We believe that, for the time being, the present staffing is adequate in relation to the tasks which we are setting for the Resident Mission.

27. The IFC has made investments in 21 enterprises in Colombia with a total original commitment of \$30.3 million. It holds \$16.6 million at present after deducting repayments, participations, and cancellations. The largest investment is of \$7.6 million for the production of synthetic fibers; investments in five development finance companies represent the second largest commitment, totaling \$5.7 million. The IFC has also made investments in the fields of cement, textiles, food products, livestock, steel forging, fibre-board, metal cans, electric equipment, tourism, and furniture.

28. The IFC has assisted the Bank in its DFC lending through participation in studies of the capital market. An effort in domestic resource mobilization by the development finance companies was made a condition of the fifth DFC loan, and at the present time more comprehensive recommendations have been formulated in preparation for appraisal of the sixth DFC loan, embracing domestic resource mobilization and industrial promotion by the DFCs, as well as desirable improvements in Government financial policies affecting industry. The IFC has also invested in a savings and loan association (DAVIVIENDA) and has proposed to the Government the establishment of an institution specialized in short-term money market activities. The Government has not yet acted on this two-year old proposal which may be modified in view of the recent financial sector developments.

29. The IFC is mounting at present a promotional program to identify initiatives and promote projects which are at their early stages, in those areas which are of the most importance for the economic and social development of the country. The Corporation will continue to support projects which save foreign exchange through efficient import substitution but, in addition, will give special attention to the promotion of export-oriented industries. For instance, there are several investment possibilities in the mining sector and a project for cement export. It should be possible for Colombia to take advantage of opportunities arising within the Andean community and any such possibilities will receive strong support.

#### F. THE PROPOSED BANK PROGRAM

30. We propose an FY 1976-1980 program equivalent to \$775 million in constant 1974 dollars, or 6.3 dollars per capita on an annual average basis. This program, for the 1974-1978 period, proposes lending, also in constant 1974 dollars, in the amount of \$523 million which compares with a lending program approved in 1973 of \$454 million, an increase of 15 percent.

31. The increase in the real level of lending would constitute recognition of Colombia's recent good growth and export performance, its courageous monetary and fiscal reforms in the face of recent adversity, and the express intention of the new Government to vigorously pursue continued growth while at the same time taking stronger action to distribute the benefits of growth more widely. The proposed lending program would supply approximately one-third of Colombia's estimated gross external capital requirements during FY 1976-80 to support a growth rate of 7 percent. Despite the higher real level of Bank financing, the proposed lending program would reduce the Bank's share of Colombia's external public debt outstanding and disbursed from 26 percent at present to an estimated 23 percent in 1980. Some local-cost financing would be required, to give the Bank a meaningful role in the agriculture, rural development, and social sectors, where the foreign-exchange component of projects is likely to be low.



32. Achieving the proposed level of lending will, of course, be dependent on Colombia's success in mobilizing the domestic resources required to control inflation while carrying out an increased public investment program. While we do not propose to place any specific macro-economic performance conditions on our lending targets, we have used the occasion of the discussions between the Bank and the Government of the recent economic report to stress the inevitable relationship between the country's macro-economic performance and the ability of the Bank to achieve a high level of lending.

33. We recommend an operations program for FY 1976-80 of \$1.8 billion and a lending program of \$1.3 billion (current dollars). A slippage factor of 30 percent has been assumed. The number of projects in the proposed operations program is 40, compared with 35 in the FY 1974-78 operations program approved in the 1973 CPP review. The proposed program would be responsive to the development priorities of the Lopez Government and to the express request of the Government to the Bank for assistance in the preparation and execution of rural development and nutrition projects. At the same time the program would represent a renewal of the Bank's past major role in the integration and rationalization of the power sector, which we believe has assumed additional importance as the world energy situation has changed, particularly in the light of the loss of Colombia's self-sufficiency in petroleum. As noted above, the Government shares our view of the high priority of a rational energy policy, the absence of which could threaten both the development of industry and the expansion of exports. The Government believes the participation of the Bank in the financing of the power sector is important to the successful completion of the interconnection system and to the adoption of sound investment and pricing decisions, and we agree. In the telecommunications sector the Bank also can continue to make a contribution to national integration.

34. The sector composition of our proposed Operations Program, and a comparison with the program approved in 1973, is set forth in the table below (in millions of current dollars):

<u>Sector</u>	<u>Approved</u> <u>May 1973</u>		<u>Proposed</u>	
	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
<u>Primarily Social</u>				
Urban Development	60	3	105	3
Nutrition and Health	-	-	90	2
Education	40	2	20	1
Water Supply and Sewerage	60	3	105	4
	<u>160</u>	<u>8</u>	<u>320</u>	<u>10</u>
<u>Productive Expansion</u>				
Agriculture	210	10	415	11
Industry	315	8	415	7
Tourism	15	1	15	1
	<u>540</u>	<u>19</u>	<u>845</u>	<u>19</u>
<u>Supporting Infrastructure</u>				
Electric Power	60	2	400	6
Telecommunications	40	2	90	2
Transportation	73	3	145	3
Pre-investment	5	1	-	-
	<u>178</u>	<u>8</u>	<u>635</u>	<u>11</u>
<u>Grand Total</u>	<u>878</u>	<u>35</u>	<u>1,800</u>	<u>40</u>

The proposed change to the Operations Program primarily originates in the power sector, where we propose to work on six possible loans, compared with two in the previously approved operations program, and, in nutrition and health, where two loans are proposed versus none in the earlier program. In agriculture we are suggesting the inclusion of 11 projects in the operations program, or one more than in the FY 1974-78 program. In addition, reflecting the policy of the new Colombian Government we have not proposed any additional loans in the colonization field. One less operation in the DFC/industry sector is now suggested--seven, against eight in the FY 1974-78 operations program--although the average amount of the loans in this area would be substantially larger. We do not propose to repeat the pre-investment studies loan signed in FY 1974, but in water supply and sewerage we contemplate the inclusion of four possible operations in the operations program, compared with three in the previously approved program. There would be no change in the number of possible loans on which Bank staff would be working in the telecommunications, tourism, transport, or urban development sectors. On balance, the proposed Operations Programs conforms to the composition of Colombia's public investment program which is in support of the Government's development objectives as outlined in paragraph 33.

Agriculture

35. The growth rate of agriculture averaged 4.5 percent in 1963-73, well above the previous decade. Gains in crop output occurred chiefly in the coastal lowlands and eastern plains and largely because new producers, including agrarian reform beneficiaries, expanded the planted acreage. Yields did not increase much, except in the case of rice where introduction of advanced irrigation technology has led to an exportable surplus in 1975. Livestock production, generally utilizing extensive management techniques, has grown faster than crops and could expand even faster if intensive methods could be more widely introduced.

36. Domestic food production has kept pace with population growth. On the whole, policies and programs to stimulate output have been well conceived, despite exceptions such as a low official price for refined sugar and a subsidy for imported wheat (the latter abolished in 1974 by the new Government). However, the rising per capita income has not been accompanied by an improved average diet, and hence the Government's acute concern with improving the nutrition of low-income families.

37. Land distribution remains badly skewed and effective rural unemployment is high. Government fiscal support for INCORA, the Government's land reform agency, has decreased since 1971. Legal interference from landowners also slowed INCORA's activities although this problem may have been solved by strengthening of the agrarian reform legislation in 1973. The new Government's attitude toward land reform has not yet been clarified.

38. The Bank has had a particularly close relationship with INCORA, which is the beneficiary agency for a credit project as well as for one colonization and two irrigation projects, and the Bank would continue to assist in financing those projects that contribute to improve land distribution patterns and develop the largely un- and underutilized land resources which Colombia needs to bring into production, if it is expected to feed a growing population while sustaining its level of agricultural exports. A second loan for INCORA's Caqueta Colonization Project has just been approved by the Executive Directors, and we anticipate approval in FY76 of a loan for small- and medium-farm development in INCORA's Cordoba drainage district <sup>1/</sup>. Two additional land development projects have been included in the operations program. Furthermore, the unidentified project included in the program might prove to be a drainage and irrigation project in the Magdalena or Cauca Valley growing out of studies now under-way in INDERENA with Dutch Technical assistance. The Bank is assisting these studies through our pre-investment studies loan of FY74. The association of the Bank with these projects would depend on the land reform effects they entail.

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<sup>1/</sup> Present plans, however, call for Board presentation of this project in June 1975.

39. There exists a large number of small farmers who form what is called the "traditional agricultural" sector with largely untapped development potentials. The Government has declared its intention to give priority to the development of this sector and proposes to do so, inter alia through socially oriented integrated rural development projects. We propose to support this effort with a US\$70 million first loan for an integrated rural development project scheduled for FY77. However, the delays encountered in the preparation and processing of such complex integrated projects and their limited geographical coverage suggest that this approach needs to be supplemented by plans to develop commercial agriculture through agricultural credit projects. We have therefore included several of such projects in the proposed program. Within the framework of such projects we would try to maximize the credit funds going to small farmers.

40. Credit for small farmers is not widely available. This distortion is due in part to the low interest spread permitted intermediaries which gives banks an incentive to make large loans, and is partly due to AID's termination of its supervised small farmer credit program with INCORA. In the proposed Bank program, we would insist on specific progress being made in the provision of credit to small farmers.

41. Strengthening of agricultural extension is a sine qua non of success in all agricultural initiatives, particularly with traditional farmers. The principal agency in this field (ICA) is adept at research but devotes only some 15 percent of its budget to extension activities. In particular, ICA is short of field agents. While INCORA and the agricultural credit institutions have provided some technical assistance to their beneficiaries, this assistance has been mainly in the form of credit supervision rather than transfer of technology. There is no easy solution to this problem because of the particular vocation of each institution and the difficulties in ensuring cooperation between them. Thus, for the near future, provision should be made for expansion of technical assistance, particularly for traditional farmers, under the various land development and credit projects. In addition, a separate project scheduled for FY78 is tentatively included to strengthen the extension services' general organizational set-up and field operations in areas not covered by other projects.

42. An agency in need of strengthening is the chronically under-financed institute responsible for fisheries and forestry development (INDERENA). Colombia has excellent possibilities for expanding its production of both forest and fishery products. We propose to begin an institution-building relationship with INDERENA through a series of three possible loans beginning in FY77. Tentatively identified are (1) a project to provide credit through INDERENA for forestation on private farms in the Medellin and Popayan regions, which could produce important foreign exchange benefits when growth is sufficient to support the construction of pulp and paper mills in each region; and (2) a project to restore the fish and shellfish production of the Santa Marta Lagoon, which has been adversely affected by construction of a highway across the lagoon's mouth.

Urban Development

43. As mentioned above, urban growth is proceeding rapidly in Colombia and urban inhabitants now account for nearly 60 percent of the total population. The Government is highly conscious of this and, like its predecessor, is placing high priority on the rational development of the cities and will stress housing for workers, the creation of satellite cities, and decentralized growth to relieve the pressures on the major metropolitan centers.

44. Several Bank loans for electric power, water supply, transportation, and education have had an impact on urban development. In Bogota, the Bank has been executing agency for a series of UNDP-financed studies which have led to the recommendation by consultants that a "city within the city" type of development be promoted in an area located between the airport and the center of the city. The Government, however, has reservations about the scale of the development program proposed by the consultants and is currently formulating proposals for a smaller scale program more compatible with available public investment resources. This may take time; a project has been included for FY80. Our program for the sector also includes a project to upgrade a section of Cartagena's worst slum, for which studies have been prepared and are currently under consideration, as well as an unidentified project which may materialize as a slum-improvement project in several smaller cities, which will seek to stimulate the creation of employment opportunities and expand social infrastructure for low-income groups.

Nutrition and Health

45. The close association of disease and malnutrition with the learning curves of school children and the efficiency and productivity of the working population is a matter of considerable concern to the present Government, which is particularly anxious that the most vulnerable groups, pregnant and nursing mothers and young children, receive the greatest emphasis.

46. The Government's investment program emphasizes (i) increasing the nutritional content of the diet of the poorest 50 percent of the population, by increasing production of relatively low-cost and high nutritional-value food crops; (ii) increasing food-processing facilities for fortified and enriched foods; (iii) upgrading the existing food storage and marketing systems; (iv) establishing a supplemental feeding program for the poorest 10 percent of the population; (v) creating rural health posts offering medical, maternal, and family planning services; (vi) training para-medical workers to staff rural health posts; and (vii) establishing a program of mass-media nutrition education. We propose supporting the Government's important initiative in this field, and the Bank and the Government are presently involved in defining what role the Bank might play in meeting the investment goals discussed above.

Education

47. During the 1960's enrollment increased greatly, and great stress was placed on the existing education system, especially in cities and towns. The Government reacted by moving to increase enrollment capacity and to link education more closely to the skills required in a developing economy. Extra shifts were introduced into existing schools, and comprehensive secondary schools (INEM's) were initiated with Bank assistance to integrate academic

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and vocational training. However, the new Government feels that this program has been too costly and has not adequately dealt with basic structural problems in rural education. Rural schools have high student drop-out rates and irregular attendance, and they lack both teachers and facilities. Although schools in urban areas are generally of a much higher standard, retention rates have not improved sufficiently. This problem is compounded by the fact that most students who complete secondary school continue to follow an academic program, and there is a lack of job opportunities for such graduates. Meanwhile the economy continues to suffer from a shortage of specialized technicians.

48. The Government has recently focused more closely on the rural problem with emphasis on providing more primary schools and teachers and on introducing an extra shift into rural schools. The Government has also lowered basic educational requirements by reducing primary education from five to four years. However, Government policy for secondary education has not been defined, and the status of the INEM program is unclear. Three loans amounting to \$35 million have previously been made for secondary education, and the Bank is currently assisting the Government in clarifying its goals through the financing of a sector study. We have included for FY 1979 an unidentified education project in the Operations Program to implement the recommendations resulting from this study. This project will most probably deal with the need for improving primary education services in rural areas.

#### Water Supply and Sewerage Sector

49. Like most other developing countries, Colombia is experiencing a process of very rapid urban growth. As a result, there has been a pronounced tendency for public utilities, including water supply and sewerage, to lag behind. One fourth of the urban population still does not have direct access to public water supply; only about half the urban population has access to sewerage services and less than 30 percent of the rural population is connected to public water supply and sewerage networks. The insufficiency of water supply and sewerage services has been due primarily to poor planning by the local entities and inadequate allocation of central government investment funds, as well as to traditionally low tariffs which have made it impossible to raise the large capital sums needed for new works. Inflation and local opposition to tariff increases has aggravated the situation.

50. Since 1968, the Bank has lent \$159 million for water supply and sewerage. The largest amount, \$102 million, has been lent for improving the water supply and sewerage system of Bogota where the investments being assisted by Bank financing will provide sufficient water to meet the city's demand until 1982 when the population is estimated to reach 6.5 million. The remainder, \$56 million, has been lent for improving the water supply and sewerage systems in the large cities of Cali, Barranquilla, and Cartagena as well as in 14 medium-size cities and 30 small towns. The total Bank program is making a substantial impact on the water and sewerage standards in the communities involved.

51. Bank lending is serving as a vehicle for achieving considerable financial and institutional improvements in the sector. Through the provisions of the Bank loans, the communities benefitting from our financing are assuming the obligation to maintain tariffs at a level sufficient to cover operating costs, debt service and--in most cases--a reasonable share of capital investment. The Government fully supports this policy. The principle of automatic monthly tariff adjustments has already been applied for several years in Cali and there are good prospects of widening the area of application to other cities.

52. Two of the Bank loans have been made to the national water and sewerage agency, the Instituto Nacional de Fomento Municipal (INSFOPAL), for onlending to 15 large and medium cities and 30 small towns. Through this lending, we are assisting the transformation of INSFOPAL from an over-extended agency planning, financing, designing, and administering a number of local water and sewerage services into an agency limited to planning and to onlending government and external funds. This reform has been embodied in a Presidential decree of April 1974 and is gradually being implemented.

53. In our future lending, we expect to continue our assistance to INSFOPAL through a loan for 36 small cities and some rural areas, the latter through INPES, Colombia's rural water supply development agency. We also expect to finance further development of the water supply and sewerage system in Cali in order to protect the city's water supply and to extend services to the low-income areas of the city, and to lend for the regulation of the Bogota River which is essential to the future development of the capital.

### Industry

54. Colombia's industrial development has passed through three stages since World War II. From 1945 to 1963 the Government fostered import substitution, achieving an average annual industrial growth rate of 8 percent. Between 1963 and 1968 there was relative stagnation, with the average growth rate dropping to 5 percent as import substitution opportunities became scarcer and more difficult. Then, in 1968, under the stimulus of new Government policies, there began an export drive which saw foreign sales of manufactures increase sixfold to \$330 million in 1973. During the latter period the industrial growth rate averaged 9 percent, and employment in the sector increased proportionately as the export drive was led by labor-intensive industries such as textiles and clothing.

55. Despite the export expansion, however, there has been little change in the structure of production. The shares of consumer, intermediate, and capital goods in output and employment have changed relatively little, and Colombia's degree of dependence on foreign suppliers for intermediate and capital goods has been virtually unaffected, indicating that production of intermediate and capital goods has increased without much actual gain in value added. This raises the question whether a breakthrough to more sophisticated lines of production might be achieved, without neglecting Colombia's considerable comparative advantage of low labor costs, by a mix of policies which would combine promotion of new investments, fostering of the capacity to innovate and adapt technology, and selective export subsidies and promotion. In this connec-

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tion, the Andean Common Market provides an important incentive, and Colombia is wisely advocating a moderate external tariff policy for the Market because it recognizes its own special advantages among the six nations as a comparatively advanced industrial producer.

56. Industrial employment in Colombia is concentrated in the four main cities, rather than in only one or two development poles as in most Latin American countries. Moreover, because of historically high internal transport costs, small firms serve local markets throughout the country. Although this form of protection has decreased as internal transport has improved, with adverse effects for many small firms, the transport system is now well developed, and small firms are expected to continue to play an important role in industrial investment and employment. The Government has rightly opposed costly subsidies to further stimulate decentralization, recognizing that for many firms the external economies of concentration are important.

57. The protective system compares favorably with other Latin American countries. Despite wide divergencies, the average level of tariff protection is not excessive, and import licensing used to protect new industries is flexibly administered so as to discourage inefficiency or inordinate profits. More importantly, Colombia has an energetic entrepreneurial class which competes effectively, reducing the cost of many items, especially consumer goods. Nevertheless, in selected cases the protective system could be appropriately used as a policy instrument to encourage greater manufacturing efficiency, especially when there is export potential.

58. Although Colombia has a reasonably well developed financial system in comparison with most other countries in Latin America, this system has operated under a high degree of Government control and regulation. Interest rates have been held at artificially low levels, and financial institutions have operated under cumbersome regulations that forced them to direct a high proportion of their resources into priority sectors at subsidized rates. Resource mobilization by the private sector has been hampered by unequal competition from tax-exempt public sector instruments with immediate liquidity at guaranteed redemption prices and by the distortionary effects of the indexed instruments issued by the savings and loan associations. As a result of the severe constraints on the supervised financial sector a large and very active extra-bank market has developed which has weakened Government control over the money supply.

59. Many of the fiscal and monetary reforms enacted by the new Government have attacked these problems. The interest-rate structure has been rationalized by narrowing interest rate differentials for both borrowers and savers, especially with respect to the savings and loan system. Most interest rates have been raised, and the Government has ceased to issue tax-exempt securities with guaranteed liquidity. The overall effect of the tax reform, however, is to subject savings instruments to a higher tax rate, and after-tax yields remain negative. Corporate shares still suffer from a tax system which serves as a disincentive to equity investment.



60. For the industrial sector overall, there is need for an institutional framework to facilitate the formulation of a national industrial policy. As things are now, responsibility for the sector is dispersed among various ministries, the central bank, the Instituto de Fomento Industrial (which invests official funds), and several specialized agencies. What is required is a centralized body to collect and publish market and cost data, to identify industries for which Colombia has comparative advantages, to conduct industrial promotion, and to coordinate promotion with research, technological adaptation, incentives, training, etc. Such functions can be performed without interference in private decision-making, although by illuminating the choices they can facilitate such decisions. We propose to continue our dialogue with the Colombian authorities on the formulation of improvements to the Government's industrial strategy.

61. To date the Bank has made five DFC loans to Colombia totaling \$162.5 million. Through these loans the Bank has supported the expansion of seven industrial finance companies which, in turn, have been a major source of medium and long-term financing for the larger Colombian firms. Recently, a study commissioned by the Bank was completed in which a sample of the industrial sub-projects carried out under our DFC loans was analyzed. This showed encouraging results: high average real rates of both financial and economic return for the sub-projects, and an average investment cost of \$7,000 for each industrial job directly created. We propose to make a sixth DFC loan in FY76; in addition, one of the unidentified industrial projects included in the program for FY78 and FY80 could become a follow-on DFC loan. The other could be for the processing of gas deposits in the Guajira area. An important distinction between our past DFC loans and the proposed ones is that, whereas in the past we were chiefly concerned with the growth of the development finance companies, we have now broadened our interest to give explicit support to the Government's overall industrial, export promotion and capital market policies.

62. During FY 1975 we approved for Colombia our first loan in Latin America exclusively for small-industry development. We propose repeater loans through the same beneficiary institution--the Government's Corporacion Financiera Popular--in FY 1977 and FY 1979.

63. We have included possible loans of \$35 million for the Cerro Matoso Nickel project in FY 1977 and \$50 million for the El Cerrejon Coal project in FY 1978. Both are joint ventures of the Instituto de Fomento Industrial to develop promising deposits, the former with Hanna Mining Corporation and the latter with the Peabody Coal Company. Agreements have been signed in both cases to proceed with pre-investment studies, to include a pilot project in the case of the nickel project with Hanna. In this connection, we intend to explore the feasibility of co-financing arrangements.

### Tourism

64. Colombia's most valuable assets from the viewpoint of international tourism lie on its northern Caribbean coast, where clear waters, agreeable climate, good quality beaches, historical monuments, and relatively low costs offer an attraction to foreign tourists. Colombia is readily accessible to the U.S. and Venezuelan markets, both important sources of tourism. Government strategy focuses on developing three "poles" simultaneously, in Baru-Cartagena, Santa Marta, and San Andres. The Baru-Cartagena project, for which Bank financial assistance has been requested, would be oriented to developing the tourist potential of the excellent beaches of Baru Island, 30 km. from Cartagena, and the colonial section of Cartagena. In the colonial period Cartagena was the main port of transshipment of New World wealth to Spain and was the prime target of buccaneers. The city is therefore dominated by fortifications and historical landmarks. While Cartagena thus has considerable historical and cultural interest, the old city has been poorly preserved. Its beaches are of secondary importance, and hence the Baru component would complement it well. Feasibility studies have been completed for the Baru-Cartagena project, which is included in the Bank's lending program for FY 1976.

### Electric Power

65. The organization of the power sector in Colombia reflects the continued importance of regional influences in the country's economy. In the two major regions centered in Bogota and Medellin, power generation and distribution is handled by municipally constituted companies. In Cali, generation and distribution is entrusted to separate companies, one government-owned and the other a municipal entity. A national agency is responsible--directly or through majority ownership of local utilities--for generation and distribution in the rest of the country, including many rural areas. <sup>1/</sup> Superimposed on the regional framework, a nationally oriented transmission company (ISA) was established in 1967 to assume responsibility for a projected grid between the main regions in the central area and to plan, own, and operate major new generation facilities, thus gradually promoting national integration of the power sector and achieving a functional division of labor within the sector whereby the regional companies would concentrate their efforts on distribution.

66. The Bank has been intimately associated with the remarkable growth of the power sector from a generation capacity of only 270 MW in 1950 to over ten times that figure today. Through 18 loans totalling about \$350 million, the Bank has made available more than 70 percent of the total external financing for capital investment in power (the IDB accounts for most of the remainder). The Bank has exerted considerable influence in the direction of improved organization of the power sector, culminating in the establishment of ISA.

67. Although ISA was set up in 1967, the grid in the central region was completed only by the end of 1971, and ISA's first generation plant will not come on stream until the middle of next year. This has meant that ISA has been dependent financially on its shareholders (the regional companies and ICEL). Because of an accelerated rate of inflation and reluctance by both local and (until recently) national authorities to compensate the public utility companies through appropriate tariff increases, the power companies have come under heavy financial pressure, mainly shown in their inability to generate funds for capital investments. The financial problems also appear to have led to a resurgence of regional differences and some of the companies have had second thoughts about ISA's emerging role in the national integration of the sector. Discussions are currently under way on possible solutions to these institutional problems.

68. Assuming a satisfactory resolution of the financial and institutional problems of the Sector, we propose to reverse our decision of two years ago and allocate a major portion of our proposed lending to the sector. Future Bank involvement in the sector on the scale proposed should go far in assisting Colombia to: (i) establish power sector planning and investment goals consistent with an overall energy sector policy; (ii) set tariffs at levels sufficient to generate a reasonable proportion of investment requirements; and, (iii) help mobilize additional sources of external finance. We believe the Bank's continued identification with the integration objective is essential in order to support the Government's efforts to achieve regional cooperation with rational investment and rate-making policies. Advice from the Bank has already led to the introduction of automatic monthly tariff increases, a practice that promises to forestall a repetition of the current financial crisis of the power sector, since these monthly increases have been accepted by consumers without much opposition. The Bank still has a role to play in seeing that the facilities of the Sector are operated with maximum economy and in extending electricity supply to rural consumers.

#### Telecommunications

69. While the long distance service is the responsibility of Empresa Nacional de Telecomunicaciones (TELECOM), the local exchange systems are operated by 54 different entities including TELECOM. Colombia is among the very few countries with such fragmentation of the sector, which even under the best of circumstances causes a number of unnecessary problems. As can be expected under these circumstances, the services in many of the smaller cities, towns and rural areas spread over large parts of Colombia are unsatisfactory. This neglect in providing access to and growth of telecommunication services in the provincial and rural areas has hampered economic and administrative activities.

70. The Government is aware of the problem. At the Government's request, the Bank undertook a sector study to assist it in assessing investment requirements, establishing priorities for investment, and considering possible sources of funds. The main conclusions of the study are that the present fragmentation of the sector has resulted in increased costs and lowered

efficiency, as well as poor coordination in policy planning, investment programming and budgeting, procurement, and regulatory control. The study also revealed a number of other weaknesses in the sector organization. Its most important recommendations are (a) the many separate entities should be consolidated and absorbed by TELECOM, (b) TELECOM should be vested with a national role in improving the efficiency of the sector and in extending and improving the service to large areas of Colombia which are now poorly served, (c) TELECOM should progressively invest in the expansion programs of these entities, and at the same time provide the necessary technical, financial and managerial support to the smaller entities, and (d) TELECOM should take over many of the functions now dispersed among a number of Government departments hardly equipped for the tasks. These actions together represent under current conditions in Colombia an optimum way to achieve badly needed sector reform and to maintain adequate growth, and for extending service to areas now lacking service, without recourse to Government or municipal budgets. Such a course would considerably help the rural areas.

71. The Bank has made three loans to TELECOM totalling \$16 million to improve and expand telecommunications services. At the same time, the Bank has paid particular attention to strengthening TELECOM as an institution. While TELECOM has been successful in increasing both its operations and its efficiency, more effort is needed to upgrade investment and technical planning, internal control and project execution if TELECOM is to assume a national role in the rationalization and integration of the sector. The proposed fourth and fifth loans to TELECOM would help in fully achieving the objectives of the Bank's work of many years in the sector; lending for the sector would be phased out thereafter.

#### Transportation

72. The unique ruggedness of the topography of Colombia makes surface transportation a major economic problem, and substantial investments have been required to build up the present transport system linking the main economic regions of the country which are divided by massive mountain barriers. Most of the present transport system has been built up within the last 25 years, and the Bank has been actively associated with this process. A series of six loans to the highways, totalling \$135 million, has helped provide paved connections (except for a few sections shortly expected to be completed) between the main ports and cities. Six loans to the railways have assisted in unifying and modernizing the former separate companies using different gauges which operated railways linking the major cities and the closest river ports. Two of the loans were devoted to building a new line of about 700 km connecting the central railway system with Santa Marta. The other four loans were devoted to track rehabilitation, equipment purchases and improvements in operations.

73. The operational and financial performance of the railways was not impressive until the last two years when a marked improvement occurred. In the lending program, we propose two loans in FY1977 and FY1979, primarily to continue the process of modernization and improvement of the railway system, supported by our earlier loans. The new loans would probably also include feasibility studies and perhaps later financial support for proposed new lines, including a line (Ibague-Armenia) to connect the Cali and Bogota regions, a line (Barbosa-Pto. Berrio) to provide improved access to Bogota from the Magdalena Valley and a rail connection to Barranquilla from where freight is now carried substantial distances by road and river to be transferred to the railways.

74. Future external loans for expansion of the highway system are expected to be provided by the IDB. The only recommended Bank highway project is designed to support the repaving program which is important to preserve the economic benefits of highways whose construction was previously financed by the Bank. We would expect that such a project would also bring with it additional benefits in the form of improved management of ongoing construction projects and improved planning efforts. It should be noted that one precondition would be the correction by the Government of the present situation whereby the underpricing of petroleum products leads to distortion in resource allocation.

Conclusions and Recommendations:

75. The case for the proposed increase in Bank lending to Colombia essentially rests on the demonstrated willingness of the new Government to deal with the country's economic and social problems in a vigorous and innovative manner. It does so under relatively adverse external circumstances, like the recessionary tendencies in the world at large, which are beyond the Government's control. Yet, the Bank cannot ignore the possibility of worsening economic conditions in the world, and we consider it therefore prudent to gradually reduce the Bank's share in Colombia's external debt and service thereon. For this reason, despite the higher real level of Bank lending proposed, the Bank's share of Colombia's external debt is planned to be reduced from 26 percent at present to an estimated 23 percent by 1980. The decline in the Bank's relative share of debt service is even faster: from 28 percent at present to 13 percent by 1980. We will, of course, follow Colombia's economic performance very closely and henceforth review our lending program on an annual basis. Such review may well include consideration of a program loan for Colombia if it becomes demonstrably clear that external assistance of this type is critical to the maintenance of satisfactory economic growth.

Attachments

Country Programs Department II  
Latin America and the Caribbean  
Regional Office

May 28, 1975

Population: 24.1 m.; 3.27 p.a.  
 Per Cap. GNP: \$440 (1973); 3.27 p.a. 1975-79  
 Area: 1,139,000 sq. km.  
 Literacy: 76% adult pop. (1972)

COLOMBIA -- ACTUAL AND PROMISED LENDING THROUGH FY80  
 (US\$ million)

Attachment 1

	Through FY68	FY69	FY70	Actual FY71	FY72	FY73	FY74	Current FY75	FY76	FY77	Program FY78	FY79	FY80	Total FY69-73	Total FY74-78	Total FY75-79	Total FY76-80
Agricultural Equipment Imports	10.0																
Agricultural Credit I		17.0							80.0								
Agricultural Credit II												80.0					
Agricultural Credit III																	
Irrigation I	9.0																
Irrigation II																	
Land Settlement I				8.1	5.0			19.5									
Land Settlement II																	
Livestock I	16.7																
Livestock II			18.3						20.0								
Land Development I											30.0						
Land Development II													20.0				
Land Development III										70.0							
Rural Development											15.0						
Fisheries											20.0						
Agricultural Extension										10.0							
Forestry I													40.0				
Forestry II												30.0					
Agriculture - Unidentified																	
Telecommunications I	16.0																
Telecommunications II				15.0				15.0									
Telecommunications III										40.0							
Telecommunications IV												50.0					
Telecommunications V																	
Development Program and Export Expansion <sup>/1</sup>					60.0												
Industry - Paz del Rio	30.0																
Industry - DFC I - II	37.5																
Industry - DFC III		25.0															
Industry - DFC IV				40.0		60.0											
Industry - DFC V									100.0								
Industry - DFC VI																	
Industry - Small-Scale I										20.0							
Industry - Small-Scale II												30.0					
Industry - Small-Scale III										35.0							
Industry - Nickel											50.0						
Industry - Coal											80.0						
Industry - Unidentified													100.0				
Industry - Unidentified																	
Education I		7.6															
Education II			6.5														
Education III							21.2										
Education IV (Unidentified)													20.0				
Nutrition and Health I										40.0							
Nutrition and Health II												50.0					
Power I - AV	222.8																
Power XVI - Interconnection		18.0															
Power XVII - Chivor			52.3														
Power XVIII - Guatape II							56.0										
Power XIX - San Carlos										100.0							
Power XX - N./Gen. Interconnection										20.0							
Power XXI - Neiva											60.0						
Power XXII - Generation - Unidentified											50.0						
Power XXIII - Distribution												40.0					
Power XXIV - Unidentified													130.0				
Pre-Industrial Studies								8.0									
Tourism - Cartagena/Saru										15.0							
Transport - Highways I - IV	66.9																
Transport - Highways (IDA)	19.5																
Transport - Highways V		17.2															
Transport - Highways VI			32.0							30.0							
Transport - Highways VII																	
Transport - Railways I - IV	76.3																
Transport - Railways V		18.3															
Transport - Railways VI							25.0										
Transport - Railways VII										35.0							
Transport - Railways VIII												60.0					
Urbanization - Cartagena													15.0				
Urbanization - Bogota														40.0			
Urbanization - River Improvement																50.0	
Water Supply - Bogota I	14.0																
Water Supply - Bogota II			18.5		88.0												
Water Supply - Cali					2.0												
Water Supply - Palmira																	
Water/Sewerage - Med. Cities I						9.1											
Water/Sewerage - Med. Cities II										15.0							
Water/Sewerage - Cali											20.0						
Water Supply - Small Cities & Rural													20.0				
Acueta River Regulation													50.0				
Water/Sewerage - Unidentified																	
Operations Program									67.0	4	320.0	423.0	355.0	360.0	340.0		1,647.0
No.									4	7	12	8	8	5			39
Lending Program	318.7	103.1	177.6	153.1	65.0	125.1	54.2	67.0	300.0	230.0	260.0	290.0	270.0	573.9	811.2	1,047.0	1,300.0
No.	322.7	6	5	5	2	3		4	8	6	6	5	5	21	23	27	28
Lending Program (Constant 1974 dollars)		131.2	145.3	155.0	98.7	102.2	49.8	47.2	133.0	145.2	156.3	166.0	174.4	592.4	522.5	647.7	774.9
Deflator (FY74 = 100)		78.6	87.8	90.8	110.7	122.4	132.7	141.9	150.4	155.4	166.4	174.7	183.5				
Commitments of Other Capital (OC)																	
Multilateral																	
IBRD (includes loans repayable in local currency)	189.7	55.5	23.1	78.9	49.9	32.2	73.7	80.0	100.0	115.0	130.0	150.0	170.0	239.6	498.7	575.0	665.0
Bilateral																	
United States	n.a.	116.4	90.4	108.1	99.7	42.6	25.3	48.0	39.0	43.0	48.0	54.0	60.0	457.2	203.3	232.0	244.0
United Kingdom	n.a.	30.3	79.7	82.0	155.0	268.4	92.7	221.4	274.0	435.0	540.0	622.0	694.0	595.4	1,563.1	2,092.4	2,565.0
Germany																	
Others																	
IBRD o/s <sup>/2</sup> including undischursed excluding undischursed	398.7	454.0	595.6	721.7	791.1	928.6	935.2	994.9	1,153.0	1,337.9	1,546.5	1,785.6	2,047.8	666.0	716.0	790.8	895.3
IBRD Gross Disbursements	378.5	38.5	40.2	66.9	61.5	89.8	75.1	98.1	91.9	119.9	155.0	174.4	199.3	295.9	540.0	639.3	740.5
Less: Amortization	101.2	14.8	16.0	18.2	18.1	22.8	26.1	36.4	41.8	45.1	50.5	50.9	57.8	89.9	199.9	224.7	266.1
Equals: Net Disb.	277.3	23.7	24.2	48.7	43.4	67.0	49.0	61.7	50.1	74.8	104.5	123.5	141.5	206.0	340.1	414.6	474.4
Less: Interest & Charges	95.7	16.7	18.7	21.6	25.5	31.1	36.6	41.8	46.7	52.6	61.1	72.1	84.9	113.6	240.8	274.3	317.4
Equals: Net Transfer	181.6	7.0	5.5	27.1	17.9	35.9	10.4	19.9	3.4	22.2	43.4	51.4	56.6	92.4	99.3	140.3	177.0
IBRD/IDA Gross Disb.	397.5	39.1	40.2	66.9	61.5	88.8	75.1	98.1	91.9	119.9	155.0	174.4	1				

CHADANIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS  
(\$ million)

as of December 31, 1974

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY 74				FY 75				FY 76	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
					FY 74	1	2	3	4	1	2	3							
Atlantic Irrigation IBRD 50	9.0	6/2/67	Orig: 12/31/72 Rev: 12/31/74 Act: -	9/30/70 (1st) 6/30/74	-	-	-	-	-	-	8.5	5.8	9.0	-	-	-	-	-	-
South Water Supply IBRD 54	14.0	5/28/68	Orig: 6/30/72 Rev: 12/31/75 Act: -	9/30/70 (1st) 4/30/77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Third Power IBRD 57	18.0	8/1/68	Orig: 1/31/72 Rev: 12/31/73 Act: -	9/30/70 (1st) 7/31/73	-	17.8	18.0	-	-	-	-	-	-	-	-	-	-	-	-
Fourth Highway IBRD 59	17.2	7/23/68	Orig: 6/30/72 Rev: 6/30/74 Act: -	9/30/70 (1st) 6/30/73	-	16.6	16.8	17.0	17.2	-	-	-	-	-	-	-	-	-	-
Education Project IBRD 52	7.6	7/31/68	Orig: 12/31/71 Rev: 12/31/73 Act: -	9/30/70 (1st) 12/31/73	-	-	-	6.0	6.1	-	-	-	-	-	-	-	-	-	-
Power Interconnection IBRD 57	13.0	11/21/63	Orig: 2/29/72 Rev: 12/31/74 Act: -	5/30/70 (1st) 10/31/74	18.0	-	-	-	-	16.1	17.0	17.8	17.6	18.0	-	-	-	-	-
Agricultural Credit IBRD 64	17.0	6/27/69	Orig: 12/31/73 Rev: 6/30/74 Act: -	9/30/70 (1st) 8/30/74	-	-	-	-	-	14.0	15.0	16.0	17.0	-	-	-	-	-	-
Third Development Finance IBRD 65	25.0	6/27/69	Orig: 9/30/72 Rev: 6/30/74 Act: -	9/30/70 (1st) -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Second Livestock IBRD 61	18.3	1/15/69	Orig: 7/31/75 Rev: - Act: -	9/30/70 (1st) 3/15/74	10.5	12.3	14.0	15.1	16.0	16.8	17.5	18.1	18.2	18.3	-	-	-	-	-
Second Education IBRD 67	6.5	5/12/70	Orig: 6/30/73 Rev: 7/31/75 Act: -	9/30/70 (1st) 12/31/73	6.5	-	-	4.8	5.8	-	-	-	-	-	-	-	-	-	-
Sixth Highway IBRD 60	32.0	5/12/70	Orig: 11/30/74 Rev: 11/30/76 Act: -	9/30/70 (1st) 5/7/74	24.6	27.5	29.7	30.0	-	26.0	27.0	28.0	29.0	31.0	32.0	-	-	-	-
Chlor Hydroelectric IBRD 68	50.3	5/26/70	Orig: 6/30/71 Rev: 6/30/70 Act: -	9/30/70 (1st) 12/31/73	26.4	29.7	32.9	36.7	40.5	44.2	47.9	49.8	52.3	-	-	-	-	-	-
Call Water Supply IBRD 64	18.5	5/26/70	Orig: 6/30/74 Rev: 12/31/75 Act: -	9/30/70 (1st) 4/9/74	15.8	17.1	18.5	-	-	6.2	7.9	10.3	13.4	16.2	18.5	-	-	-	-
Fifth Water Supply IBRD 73	2.0	5/25/71	Orig: 3/1/75 Rev: 5/28/71 Act: -	5/5/71 3/5/74	1.9	2.0	.5	.7	.8	.9	1.0	1.1	1.1	2.0	-	-	-	-	-
Comets Land Colonization IBRD 77	8.1	5/14/71	Orig: 4/30/75 Rev: 5/28/71 Act: -	5/1/71 3/1/74	6.3	6.8	7.3	7.8	8.1	4.6	6.0	6.8	7.5	8.1	-	-	-	-	-
Second Telecommunications IBRD 74	15.0	5/18/71	Orig: 6/30/75 Rev: 5/28/71 Act: -	3/10/72 10/1/72	5.9	7.3	8.6	10.1	11.5	13.0	14.4	14.7	15.0	-	-	-	-	-	-
Second Egypt Water Supply IBRD 74	88.0	5/25/71	Orig: 6/30/78 Rev: 5/28/71 Act: -	5/6/71 -	16.6	19.5	21.7	26.2	30.1	35.5	40.0	46.3	51.3	74.1	87.2	88.0	-	-	-
Fourth Development Finance IBRD 74	40.0	5/25/71	Orig: 12/31/74 Rev: 5/28/71 Act: -	5/1/71 -	29.6	33.0	35.9	38.4	40.0	-	-	-	-	-	-	-	-	-	-
Development Program & Export Expansion IBRD 84	60.0	6/22/72	Orig: 12/31/74 Rev: 6/28/72 Act: -	5/31/72 -	40.0	45.0	50.0	55.0	60.0	-	-	-	-	-	-	-	-	-	-
Second Atlantic Development IBRD 84	5.0	6/29/72	Orig: 3/31/78 Rev: 6/30/72 Act: -	6/2/72 7/15/74	.4	.6	.8	1.2	1.9	2.3	2.7	3.1	3.5	4.5	5.0	-	-	-	-

COLONIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)  
as of December 31, 1974

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY '73	FY '74				FY '75				FY '76	FY '77	FY '78	FY '79	FY '80	FY '81	FY '82
						1	2	3	4	1	2	3	4							
Medium-sized Cities Water Supply IBRD 860	9.1	10/ 3/72	Orig: 9/30/76	7/31/72	2.2	3.2	4.0	5.0	6.3	6.8	7.3	7.8	8.1	9.1	-	-	-	-	-	-
	-	10/10/72	Rev: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	9.1	3/ 7/73	Act: -	-	-	-	.1	.3	.7	.8	1.1	-	-	-	-	-	-	-	-	
Outage II Hydroelectric IBRD 874	56.0	1/ 4/73	Orig: 12/31/78	12/19/72	6.4	9.7	12.8	16.4	19.9	25.4	27.0	31.2	35.4	48.1	54.1	56.0	-	-	-	
	-	1/12/73	Rev: -	10/14/74	-	-	-	-	-	6.1	9.9	13.5	17.0	31.0	44.0	56.0	-	-	-	
	56.0	3/13/73	Act: -	-	1.6	2.0	2.4	2.6	4.8	6.1	7.4	-	-	-	-	-	-	-	-	
Fifth Development Finance IBRD 903	60.0	5/31/73	Orig: 6/30/77	4/23/73	-	-	.6	3.0	8.0	17.0	26.0	33.0	38.0	51.0	60.0	-	-	-	-	
	-	6/11/73	Rev: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	60.0	11/ 9/73	Act: -	-	-	-	.5	3.0	5.3	5.3	12.0	-	-	-	-	-	-	-	-	
Third Education Project IBRD 920	21.2	7/17/73	Orig: 6/30/77	6/11/73	-	-	.2	.5	.9	2.7	4.6	6.6	10.0	19.5	21.2	-	-	-	-	
	-	7/19/73	Rev: -	12/31/73	-	-	-	-	.3	.8	2.7	4.6	6.5	17.0	21.2	-	-	-	-	
	21.2	1/ 9/74	Act: -	-	-	-	-	-	.1	.1	.6	-	-	-	-	-	-	-	-	
Sixth Railway Project IBRD 946	25.0	8/ 7/73	Orig: 6/30/76	7/19/73	-	-	4.5	7.5	11.0	15.0	23.0	25.0	-	-	-	-	-	-	-	
	-	8/ 8/73	Rev: -	11/ 1/74	-	-	-	-	-	-	2.5	19.8	19.0	25.0	-	-	-	-	-	
	25.0	12/ 6/73	Act: -	-	-	-	.9	1.2	1.2	1.5	2.9	-	-	-	-	-	-	-	-	
Investment Studies IBRD 977	8.0	3/ 5/74	Orig: 12/31/78	2/15/74	-	-	-	-	-	.8	1.1	1.6	2.1	4.4	6.6	7.8	8.0	-	-	
	-	3/12/74	Rev: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	8.0	6/27/74	Act: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

\* Balance indeterminate.

Controller's  
2/2/75



COLOMBIA - SOCIAL INDICATORS DATA SHEET

AREA  
1,139,000 km<sup>2</sup>

POPULATION  
23.0 million (mid-1972)

DENSITY  
.. Per km<sup>2</sup> of arable land

SOCIAL INDICATORS

	Colombia		Reference Countries		
	1960	1970	Turkey 1970	Brazil 1970	Mexico* 1970
<b>GNP PER CAPITA US\$ (ATLAS BASIS) /a</b>	..	400 /a	370 /a	530 /a	750 /a
<b>DEMOGRAPHIC</b>					
Crude birth rate (per thousand)	39 /a,c	45 /d	38 /ay,az	38 /d	43 /a
Crude death rate (per thousand)	12 /a,g	11 /d	13 /ay,az	10 /d	10
Infant mortality rate (per thousand live births)	100 /a	70 /g,h	115 /a	110	58 /a,c
Life expectancy at birth (years)	57	59 /d	55 /a	61 /d	64 /d
Gross reproduction rate /2	3.2	3.2 /d	2.6 /ay,ba	2.6	3.1 /d
Population growth rate /a	3.1	3.3 /d	2.5 /a	2.9 /l	3.5 /d
Population growth rate - urban	6 /a,k	5 /k,l	4.5 /a	5 /n	5 /o
<b>Age structure (percent)</b>					
0-14	47 /p	47 /a	41.8	42	46
15-64	50 /p	50 /a	53.9	53 /r	50
65 and over	3 /p	3 /a	4.3	5 /s	4
Dependency ratio /4	1.7 /p,t	1.7 /t	1.2	1.5 /u	1.9 /t
Urban population as percent of total	53 /p,k	62 /a,k	38.7 /m	56 /n	59 /o
Family planning: No. of acceptors cumulative (thous.)	0.5	31.5	484 /bb	250	..
No. of users (% of married women)	..	..	8.2 /b	1.6	..
<b>EMPLOYMENT</b>					
Total labor force (thousands)	5,100 /p	6,200 /q	14,500 /al	29,500 /v	13,000
Percentage employed in agriculture	47 /p	41	59	44	39
Percentage unemployed	8 /w,x	7	4	2 /g	4
<b>INCOME DISTRIBUTION</b>					
Percent of national income received by highest 5%	36 /p,y	33 /z	32 /h,aa,ab	33 /au	36 /ab,ac
Percent of national income received by highest 20%	63 /p,y	59 /z	60 /h,aa,ab	62 /au	64 /ab,ac
Percent of national income received by lowest 20%	3 /p,y	4 /z	3 /h,aa,ab	3 /au	4 /ab,ac
Percent of national income received by lowest 40%	9 /p,y	10 /z	10 /h,aa,ab	10 /au	11 /ab,ac
<b>DISTRIBUTION OF LAND OWNERSHIP</b>					
% owned by top 10% of owners	..	..	53	..	..
% owned by smallest 10% of owners	..	..	0.9	..	..
<b>HEALTH AND NUTRITION</b>					
Population per physician	2,100	2,140 /ac	2,220	1,950 /ac	1,440
Population per nursing person	3,520 /ad	1,040 /ac	1,880 /bc	3,300 /ac,ae	1,570
Population per hospital bed	580	450	490	260	930
Per capita calorie supply as % of requirements /5	90 /af	88 /ag	113 /ag	106	107 /ag
Per capita protein supply, total (grams per day) /6	50 /af	50 /ag	78 /ag	67	66 /ag
Of which, animal and pulse	28 /af	26 /ag	22 /ag	39	28 /ag
Death rate 1-4 years /7	12 /g,p	..	15 /ba	..	11
<b>EDUCATION</b>					
Adjusted /8 primary school enrollment ratio	77	95 /h	111	130 /ai,aj	104 /ai
Adjusted /8 secondary school enrollment ratio	12	21 /h	21	27 /ai,aj	23
Years of schooling provided, first and second level	11	11	11	13	12
Vocational enrollment as % of sec. school enrollment	30 /ak	25 /h,ak	14	17	21 /ac
Adult literacy rate %	73 /p,un	74 /a,al,an	55 /am	68 /ai	84 /an
<b>HOUSING</b>					
Average No. of persons per room (urban)	..	..	1.9	1.0 /ac	2.5 /au
Percent of occupied units without piped water	59 /p,ar,au	..	64 /ap,at	67 /as,au,at	61 /ar,au
Access to electricity (as % of total population)	68 /p,ar	..	41 /ap,ar	47 /as,au	60 /ar
Percent of rural population connected to electricity	18 /p,ar	..	18 /ar	8 /as,au	28 /ar
<b>CONSUMPTION</b>					
Radio receivers per 1000 population	139	103 /av	89	60	276
Passenger cars per 1000 population	7 /s,aw	7 /ac,aw	4	25	25
Electric power consumption (kwh p.c.)	237 /ax	414	244	477	536
Newsprint consumption p.c. kg per year	2.2	1.9 /av	2.0	2.9	3.1

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

/a The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman of reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1972; /b 1960-64; /c Registered only; /d 1965-70 UN estimate; /e 1967; /f 1955-59; /g Rate based on burial permits; /h 1958; /i 1960-72; /j 1961-64; /k Population living in a nucleus of 1,500 or more inhabitants; /l 1964-72; /m Administrative centers of provinces and districts ("Vilayet" and "Kaza" centers); /n Urban and suburban zones of administrative centers of municipalities and districts; /o Localities of 2,500 or more;

/p 1964; /q Estimate; /r 15-59 years; /s 60 years and over; /t Ratio of population under 15 and 65 and over to total labor force; /u Ratio of population under 15 and 60 and over to total labor force; /v Based on 1.3 percent sample tabulation of census returns, excluding Indian jungle population; /w Bogota only; /x 1963; /y Income recipient; /z Economically active population; /aa Disposable income; /ab Households; /ac 1969; /ad 1965;

/ae Hospital personnel; /af 1961-63; /ag 1964-66; /ah 1966-67; /ai Gross enrollment which includes overage students; /aj The net enrollment ratios in 1971 were 81 percent and 18 percent for basic and secondary education, respectively; /ak Including teacher training at third level; /al 15 years and over; /am Persons 5 years old and over who tell the census taker that they can read and write; /an Definition unknown; /ao Total, urban and rural;

/ap Based on results of sample survey; /aq As percent of dwellings; /ar Water piped inside; /as Estimate based on sample tabulation of census returns; /at Inside or outside; /au Including semi-permanent dwellings; /av 1971;

/aw Including special purpose vehicles; /ax 1961; /ay Derived from sample survey estimates (240,000 persons), excluding 17 eastern provinces; /az 1965-70; /ba 1965-67; /bb 1964-June 1974, 86 percent being IUDs; /bc Including assistant nurses and midwives.

\* Mexico is selected as the objective country because Colombia is now in the stage of economic development that Mexico was ten years ago. Both countries aim at a GDP growth rate of about 7 percent and at a substantial reduction of unemployment.

COLOMBIA  
SELECTED ECONOMIC DEVELOPMENT DATA

	Actuals			Est. 1974	Projected					Growth Rates (Annual Average Percent)				Share of GDY (Percent)				
	Av. 67-69	1972	1973		1975	1976	1977	1980	1985	1970-73	1973-75	1975-80	1980-85	1972	1974	1976	1980	1985
<b>National Accounts</b> (in constant 1972 US\$ millions)																		
GDP	6,591	8,433	9,041	9,593	10,089	10,673	11,343	13,862	19,473	6.6	5.6	6.6	7.0	100.0	99.7	100.9	101.9	102.0
Gains from Terms of Trade	- 197	-	65	25	- 38	- 95	- 156	- 253	- 383									
GDY	6,394	8,433	9,106	9,616	10,051	10,578	11,187	13,609	19,090	7.1	5.1	6.3	7.0	100.0	100.0	100.0	100.0	100.0
Imports (incl. NTS)	886	1,158	1,224	1,400	1,386	1,430	1,552	1,987	2,943	1.9	6.4	7.5	8.2	14.2	14.6	13.5	14.6	15.4
Exports (import capacity)	844	1,146	1,370	1,392	1,280	1,337	1,411	1,969	2,869	10.4	- 2.2	7.9	9.0	13.6	14.5	12.6	13.7	15.0
Consumption	5,133	6,789	7,138	7,830	8,428	8,663	9,020	10,568	14,579	6.3	8.7	4.6	6.7	80.5	81.4	81.9	77.7	76.4
Investment	1,303	1,696	1,822	1,796	1,729	2,008	2,308	3,159	4,585	4.3	- 2.6	12.8	7.7	20.1	18.7	19.0	23.2	24.0
National Savings	1,166	1,475	1,810	1,671	1,513	1,796	2,040	2,374	4,325	10.2	- 8.6	13.7	8.5	17.5	17.4	17.0	21.1	22.7
Domestic Savings	1,261	1,644	1,968	1,788	1,623	1,915	2,167	3,041	4,511	11.8	- 9.2	13.4	8.2	19.5	19.6	18.1	22.3	23.6
<b>Price Indices</b> (1972 = 100)																		
Domestic Price Index	68.8	100.0	122.0	152.7	183.2	216.2	250.8	355.5	572.5	15.8	22.5	14.2	10.0					
Import Price Index	104.1	100.0	117.6	134.5	152.3	167.2	182.5	226.9	325.5	13.2	13.8	8.3	7.5					
Export Price Index	79.1	100.0	123.5	137.0	148.0	156.1	154.3	199.8	287.1	17.1	9.5	6.2	7.5					
Terms of Trade	76.0	100.0	105.6	101.9	97.2	93.4	90.0	88.1	88.2	3.5	- 3.8	- 2.0	.0					
<b>Public Finance</b> (in current Col.\$ millions)																		
Current Receipts <sup>1/</sup>	17,066	36,160	44,059	58,740	70,946	88,903	108,114	177,249	399,646	17.9	26.9	20.1	-	19.5	18.4	17.5	16.5	16.5
Current Expenditures <sup>1/</sup>	11,587	26,130	33,411	41,341	50,325	61,044	72,644	111,720	251,898	23.6	22.7	17.3	-	14.1	13.0	12.0	10.4	10.4
Budgetary Savings <sup>1/</sup>	5,479	10,030	10,648	17,399	20,621	27,859	35,470	65,529	147,748	4.7	39.2	26.0	-	5.4	5.4	5.5	6.1	6.1
Public Investment <sup>1/</sup>	6,768	15,967	19,170	25,266	28,599	39,150	52,194	100,452	227,677	16.4	22.1	28.6	-	8.6	7.9	7.7	9.4	9.4

<sup>1/</sup> Consolidated Public Sector.

COLUMBIA

BALANCE OF PAYMENTS

Part I. Import Detail

I. Imports f.o.b.	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>A. Constant (1972) US\$ millions</b>									
Food	57.3	67.6	46.3	45.0	46.0	48.2	50.7	54.1	58.1
Other Consumer Goods	48.6	46.4	32.5	29.0	30.0	31.3	32.8	34.8	37.2
Fuels	6.0	2.3	1.4	14.7	21.7	32.9	38.3	44.8	52.4
Raw Materials and Intermediate Goods	403.1	402.7	575.7	551.1	561.0	615.7	683.8	763.8	856.0
Capital Goods	333.0	329.3	347.4	345.0	356.0	387.9	421.3	448.1	470.6
Total Goods	848.0	848.3	1,003.3	948.8	1,014.7	1,116.0	1,226.9	1,345.6	1,474.3
Non-factor Services	388.0	374.4	395.1	400.0	414.0	434.8	458.3	483.9	511.0
Total Imports	1,236.0	1,222.7	1,398.4	1,384.8	1,428.7	1,550.8	1,685.2	1,829.5	1,985.3
<b>B. Price Indices (1972 = 100)</b>									
Food	100.0	145.0	233.0	250.0	224.0	210.0	206.0	209.0	222.0
Other Consumer Goods	100.0	117.0	131.6	146.7	161.1	174.8	188.8	203.0	217.2
Fuels	100.0	133.3	441.7	492.5	529.4	563.8	593.7	623.4	655.8
Raw Materials and Intermediate Goods	100.0	116.9	130.9	144.3	158.5	172.0	185.9	200.0	214.0
Capital Goods	100.0	113.4	129.5	144.7	161.3	175.0	189.0	203.2	217.4
Total Goods	100.0	117.8	135.6	160.4	169.6	185.4	199.7	214.5	305.5
Non-factor Services	100.0	117.1	131.7	146.9	161.3	175.0	189.0	203.2	217.4
Total Imports	100.0	117.6	134.5	152.3	167.2	182.5	196.8	211.5	226.9
<b>C. Current US\$ millions</b>									
Food	57.3	98.0	107.9	112.5	103.0	101.1	104.5	113.0	128.9
Other Consumer Goods	48.6	54.3	42.8	42.6	48.3	54.7	62.0	70.6	80.7
Fuels	6.0	3.0	6.0	72.4	115.1	185.7	227.6	279.4	343.7
Raw Materials and Intermediate Goods	403.1	470.9	753.4	795.2	889.1	1,059.1	1,271.5	1,527.3	1,832.2
Capital Goods	333.1	373.4	449.9	499.1	565.4	668.5	784.1	896.6	1,007.4
Total Goods	848.1	999.6	1,360.0	1,521.8	1,720.9	2,069.1	2,449.7	2,886.9	3,392.9
Non-factor Services	388.0	438.4	520.5	587.5	667.7	760.9	866.2	983.2	1,110.8
Total Imports	1,236.1	1,438.0	1,880.5	2,109.3	2,388.6	2,830.0	3,315.9	3,870.1	4,503.7

COLOMBIA

Part II. Export Detail

	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>II. Exports f.o.b.</b>									
<b>A. Constant (1972) US\$ millions</b>									
Gold, Emeralds, and Platinum	54.0	53.0	1.5	1.4	5.0	6.0	7.8	10.9	16.4
Crude Petroleum	31.0	19.5	1.1	-	-	-	-	-	-
Refined Petroleum Product	20.5	20.4	19.2	14.1	12.1	13.2	14.2	15.1	16.0
Coffee	469.0	486.2	496.3	474.3	480.1	487.3	494.6	502.0	509.5
Cotton	56.0	24.5	38.7	42.0	40.0	42.8	45.8	49.0	52.4
Sugar	34.0	21.5	15.9	23.9	30.0	36.0	41.4	47.6	53.3
Bananas	24.0	21.6	25.4	34.7	45.0	54.0	63.2	72.7	81.4
Cattle and Beef	45.0	37.7	33.3	24.5	45.0	54.0	63.2	72.7	81.4
Manufactured Goods	148.0	222.2	302.4	265.0	285.0	330.6	386.8	456.4	538.6
All Other Goods	97.5	151.4	230.0	249.5	277.9	317.4	366.0	425.9	495.6
<b>Total Goods</b>	<b>979.0</b>	<b>1,058.0</b>	<b>1,163.0</b>	<b>1,129.4</b>	<b>1,220.1</b>	<b>1,341.3</b>	<b>1,483.0</b>	<b>1,652.3</b>	<b>1,844.6</b>
Non-factor Services	228.0	245.3	201.4	187.5	210.0	224.7	240.4	257.3	275.3
<b>Total Exports</b>	<b>1,207.0</b>	<b>1,303.3</b>	<b>1,365.2</b>	<b>1,316.9</b>	<b>1,430.1</b>	<b>1,566.0</b>	<b>1,723.4</b>	<b>1,909.6</b>	<b>2,119.9</b>
<b>B. Price Indices (1972 = 100)</b>									
Gold, Emeralds, and Platinum	100.0	117.0	131.6	146.7	161.1	174.8	188.8	203.0	217.2
Crude Petroleum	100.0	133.3	441.7	492.5	529.4	563.8	593.7	623.4	655.8
Refined Petroleum Products	100.0	133.3	441.7	492.5	529.4	563.8	593.7	623.4	655.8
Coffee	100.0	130.2	133.8	131.9	138.2	140.0	143.0	145.0	148.0
Cotton	100.0	167.6	183.7	167.5	181.1	186.5	202.7	216.2	232.4
Sugar	100.0	130.1	397.3	452.0	301.4	232.9	191.7	191.7	205.0
Bananas	100.0	106.6	110.2	118.3	136.2	136.0	144.1	152.9	163.2
Cattle and Beef	100.0	127.2	138.0	147.2	159.2	175.2	195.2	216.0	248.8
Manufactured Goods	100.0	117.1	131.6	146.7	161.1	174.8	188.8	203.0	217.2
All Other Goods	100.0	114.8	105.7	127.2	145.1	158.6	173.1	188.1	203.0
<b>Total Goods</b>	<b>100.0</b>	<b>125.0</b>	<b>137.9</b>	<b>148.1</b>	<b>155.2</b>	<b>162.5</b>	<b>172.4</b>	<b>183.8</b>	<b>197.2</b>
Non-factor Services	100.0	117.1	131.6	146.7	161.1	174.8	188.8	203.0	217.2
<b>Total Exports</b>	<b>100.0</b>	<b>123.5</b>	<b>137.0</b>	<b>148.0</b>	<b>156.1</b>	<b>164.3</b>	<b>174.7</b>	<b>186.4</b>	<b>199.8</b>
<b>C. Current US\$ millions</b>									
Gold, Emeralds, and Platinum	54.0	62.0	2.0	2.0	8.1	10.5	14.7	22.2	35.6
Crude Petroleum	31.0	26.0	5.0	-	-	-	-	-	-
Refined Petroleum Products	20.5	27.2	85.0	69.4	64.1	74.4	84.3	94.1	104.9
Coffee	469.0	633.0	664.0	640.0	663.4	682.2	707.2	727.9	754.1
Cotton	56.0	41.0	71.0	70.0	72.4	79.8	92.8	105.9	121.9
Sugar	34.0	28.0	63.0	103.0	90.4	83.8	79.4	91.3	109.3
Bananas	24.0	23.0	28.0	41.0	61.3	73.4	91.0	111.1	132.8
Cattle and Beef	45.0	48.0	46.0	36.0	71.6	94.6	123.3	156.9	202.5
Manufactured Goods	148.0	260.2	398.0	388.8	459.2	577.9	730.3	926.3	1,169.6
All Other Goods	97.5	173.8	243.0	317.4	403.1	503.5	633.6	801.0	1,005.9
<b>Total Goods</b>	<b>979.0</b>	<b>1,322.2</b>	<b>1,605.0</b>	<b>1,672.6</b>	<b>1,893.6</b>	<b>2,180.1</b>	<b>2,556.6</b>	<b>3,036.7</b>	<b>3,636.6</b>
Non-factor Services	228.0	287.2	265.3	275.4	338.7	393.2	454.4	522.7	598.4
<b>Total Exports</b>	<b>1,207.0</b>	<b>1,609.4</b>	<b>1,870.3</b>	<b>1,948.0</b>	<b>2,232.3</b>	<b>2,573.3</b>	<b>3,011.0</b>	<b>3,559.4</b>	<b>4,235.0</b>

COLOMBIA: BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT PROJECTIONS  
(millions of US dollar)

Attachment S2  
Page 3 of 3 Pages

	Actual				Estimated		Projected								Average Annual Growth Rate		
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1985	1970-74	1975-79	1980-84		
<b>Primary Balance of Payments</b>	995.0	971.0	1,207.0	1,679.4	1,870.3	1,948.0	2,232.3	573.3	3,011.0	3,559.4	4,235.0	9,328.3	19,107.7	15.8	17.1	15.4	
Exports (incl. NFS)	1,135.0	1,283.0	1,236.1	1,438.0	1,860.5	2,107.3	2,348.6	2,830.0	3,315.9	3,870.1	4,503.7	9,565.7	20,545.1	15.4	16.3	15.0	
Imports (incl. NFS)	-139.0	-311.0	-29.1	171.4	-10.2	-161.3	-156.3	-256.7	-304.9	-310.7	-268.7	-241.4	-1,480.1	-	-	-	
Resource Balance (X-M)	-89.0	-101.0	-124.0	-144.1	-127.5	-132.2	-159.5	-187.1	-226.9	-272.4	-317.8	-505.2	-973.8	(19.2)	(9.7)	(14.0)	
Interest <sup>1/</sup>	-91.0	-75.0	-73.0	-74.0	-67.0	-74.7	-82.0	-89.0	-96.1	-103.3	-110.6	-155.1	-217.5	(8.3)	(7.0)	(7.0)	
Direct Investment Income (net)	27.0	36.0	35.0	36.0	41.0	45.7	50.2	54.5	58.8	63.2	67.7	64.9	173.2	8.2	7.0	7.0	
Current Transfers (net) <sup>2/</sup>	-292.0	-451.0	-191.1	-12.7	-163.7	-324.5	-347.6	-478.3	-569.1	-623.2	-679.4	-805.8	-2,515.3	(14.3)	(5.1)	(25.0)	
Balance on Current Account	39.0	40.0	17.0	23.0	39.0	45.0	65.0	80.0	100.0	125.0	150.0	210.4	295.2	27.2	7.0	7.0	
Private Direct Investment	236.0	227.0	355.0	404.5	392.1	426.3	478.1	668.6	824.5	966.7	1,086.5	1,728.9	4,331.1	20.6	9.7	20.1	
Public M & LT Loans	-75.0	-92.0	-95.0	-130.2	-153.2	-148.8	-148.9	-196.6	-274.2	-378.0	-503.3	-905.8	-1,596.0	(27.6)	(12.5)	(10.0)	
Disbursements	161.0	135.0	260.0	274.3	238.9	277.5	329.2	472.0	550.3	590.7	535.2	824.1	2,735.1	16.1	7.1	27.1	
Repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Disbursements	128.0	145.0	139.0	59.0	27.0	...	...	...	...	...	...	...	...	...	...	...	
Other M & LT Loans	-67.0	-85.0	-89.0	-83.0	-98.0	...	...	...	...	...	...	...	...	...	...	...	
Disbursements	61.0	61.0	50.0	-29.0	-71.0	...	...	...	...	...	...	...	...	...	...	...	
Repayments	25.0	135.0	28.1	-11.6	-382.2	...	...	...	...	...	...	...	...	...	...	...	
Capital Transactions n.e.i. <sup>3/</sup>	-6.0	-82.0	164.0	244.0	-339.0	...	...	...	...	...	...	...	...	...	...	...	
Change in Reserves <sup>4/</sup>	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Grant and Loan Commitments	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Grant Like Inflows	109.3	153.1	74.1	162.0	8.0	96.0	215.0	245.0	275.0	305.0	340.0	580.2	990.1	28.6	11.3	11.3	
Public M & LT Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IDA	-	41.5	40.6	29.1	64.5	80.0	100.0	115.0	130.0	150.0	170.0	319.1	599.0	16.3	13.4	13.4	
IDB	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bilateral	112.7	110.3	113.7	47.4	43.7	73.0	63.0	69.0	78.0	88.0	100.0	175.3	311.8	6.5	11.9	12.2	
Other Public	135.9	77.3	122.8	263.8	74.3	196.4	250.0	409.0	510.0	588.0	654.0	925.3	2,948.5	27.2	7.2	26.1	
Total Public M & LT Loans	357.9	377.2	351.2	502.3	190.5	445.4	658.0	838.0	993.0	1,131.0	1,264.0	1,599.9	4,869.4	23.2	9.6	19.4	
Public Debt Service	43.7	51.9	57.9	78.6	99.7	113.8	140.7	172.2	217.8	269.7	322.8	568.0	1,159.3	23.2	12.0	15.1	
Interest on Public Debt	75.1	92.1	94.7	130.2	153.2	148.9	149.1	196.6	274.2	376.0	503.4	905.8	1,596.0	27.6	12.5	17.0	
Repayments on Public Debt	118.8	144.0	152.6	208.8	252.9	262.7	289.8	368.8	492.0	645.7	826.2	1,473.8	2,755.3	25.8	12.3	13.3	
Total Public Debt Service	112.3	133.1	155.1	126.6	118.4	...	...	...	...	...	...	...	...	...	...	...	
Other Debt Service (net)	231.1	277.1	307.7	335.4	371.3	212.7	289.8	368.8	492.0	645.7	826.2	1,473.8	2,755.3	25.8	12.3	13.3	
Total Debt Service (net)	11.9	14.8	12.6	13.0	13.5	13.5	13.0	14.3	16.3	18.1	19.5	15.8	14.4	...	...	...	
Burden on Export Earnings (%)	32.3	36.1	31.5	25.4	23.4	17.3	16.7	17.8	19.5	21.0	22.1	19.5	15.6	...	...	...	
Public Debt Service	4.0	4.1	4.2	4.7	5.1	5.2	5.7	6.2	6.7	7.1	7.5	7.7	8.1	...	...	...	
Interest as % Prior Year DOGD	6.9	7.4	6.8	7.9	7.9	6.8	6.1	7.1	8.4	9.9	11.7	12.3	11.1	...	...	...	
Amortization as % Prior Year DOGD	354.1	390.8	453.4	504.5	555.1	604.8	657.9	727.9	831.6	973.9	1,145.3	2,405.1	4,460.7	13.6	16.0	13.1	
IBRD Debt Outstanding & Disbursed	28.3	28.1	27.3	26.0	25.5	24.6	23.6	22.4	21.9	22.7	23.0	29.4	26.1	...	...	...	
as % Public Debt OGD	30.9	28.8	31.2	29.1	25.9	27.9	27.0	22.4	18.1	15.2	13.9	18.1	16.9	...	...	...	
as % Public Debt Service	19.5	19.4	20.9	23.0	22.7	22.5	22.3	22.0	21.8	21.5	21.3	18.7	15.2	-1.1	-2.6	-4.1	
IDA Debt Outstanding & Disbursed	1.6	1.4	1.3	1.2	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.2	0.1	...	...	...	
as % Public Debt OGD	1	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	-	-	...	...	...	
as % Public Debt Service																	

Actual and Projected External Debt	Actual Debt Outstanding on Dec. 31, 1973				Projected Debt Outstanding on Dec. 31, 1980				1973-80 Growth Rates	
	Disb. Only	Percent	Total	Percent	Disb. Only	Percent	Total	Percent	Disb. Only	Total
IBRD	504.5	26.0	869.0	31.9	1,145.3	23.0	1,903.6	33.6	12.4	11.9
IDA	23.0	1.2	23.0	0.8	21.3	0.4	21.3	0.4	-1.1	-1.1
IDB	102.7	5.3	220.5	8.1	597.3	12.0	874.2	15.4	28.6	21.7
Other Bilateral	858.2	44.3	993.2	36.5	1,123.9	22.6	1,112.9	19.6	3.9	1.4
Other Public	449.6	23.2	616.1	22.7	2,093.9	42.0	1,758.9	31.0	24.6	16.2
Total Public M & LT <sup>2/</sup>	1,938.0	100.0	2,721.8	100.0	4,981.7	100.0	5,670.9	100.0	14.4	11.1
Private M & LT Debt	..	..	..	..	..	..	..	..	..	..
Short-Term Debt	..	..	..	..	..	..	..	..	..	..

Note: Growth rates of amounts which are negative are shown in parentheses.

- .. not applicable
- ... not available
- ... not available separately but included in total
- nil or negligible

- <sup>1/</sup> Interest on Loans
- <sup>2/</sup> Includes official capital grants
- <sup>3/</sup> Includes trade financing and other short-term capital, central bank liabilities, EDR's, use of IMF credit and, for 1970-74, errors and omissions
- <sup>4/</sup> Changes in international reserves of the banking system. It should be noted that preliminary information recently received from Colombia indicates a decline in foreign exchange reserves of commercial banks of about US\$ 264 million in 1974. This is, however, of relatively minor significance, since it represents an increase in short-term trade financing which is rolled over.
- <sup>5/</sup> Excluding loans from IMF

COLOMBIA: ECONOMIC WORK PROGRAM

1. An economic mission visited Colombia in January-February 1975 to assess the impact of recent changes in economic policy and the world economy on the development prospects of the country. A grey cover report, incorporating the findings of this mission is currently under preparation and will be distributed prior to the Consultative Group Meeting scheduled for June 1975.
2. A special economic mission is scheduled for early fall 1975. This mission will focus on special issues in agriculture, industry, and urban development, and provide the basis for continued Bank participation in these sectors.
3. We plan to send a regular economic mission in early 1976 to prepare the report for the Consultative Group Meeting in the middle of the year. A basic report will be prepared in FY 77. This report will include an analysis of Colombia's main productive sectors including power, and will also address itself to the problems of rural poverty and malnutrition. It will identify areas for additional sector work which will be followed by regular annual economic updating reports thereafter.







SUBJECT BRIEF - COLOMBIA

Programa de Investigaciones en Modelos de Prestación de Servicios de Salud (PRIMOPS)

1. PRIMOPS
  - Research Program in Health Delivery Models Cali, Colombia
  - Inter-institutional program based in the Universidad del Valle
  - Initiated 1972 with AID funding and Tulane Univ., New Orleans technical assistance
  - First Model in one "barrio" of Cali as demonstration (1972-75)
  - Second Simplified Model for 100,000 people to be operational late October, 1975
  - Ministry of Health now pays all health service costs
  - This is an urban model response to the Health Delivery System problem. There are also 3 areas chosen for evaluation of a similar rural model (CIMDER, in Cali also)
2. Personnel
  - Dr. Alfonso Santa María, Head of Evaluation Unit
  - Dr. Alfredo Aguirre, Director
3. General information on Colombian situation:
  - Rapid urbanization (1973 - 60 percent)
  - 20 cities with populations above 100,000
  - Children under 14 years of age, over 50 percent mortality (mainly due to diarrhea, pneumonia and bronchitis, i.e. preventable diseases). Under 5 years of age, 66 percent of children are mal-nourished (46 percent Grade 1, 19 percent Grade 2 and 1.3 percent Grade 3)
4. Strategy of Program
  - 80 percent coverage with primary health services
  - Cover 6 million people in rural areas in 3 years
  - Vulnerable groups priority
  - Have detailed cost structure by end of 1976, validated program by end of 1977
5. Objectives

Demonstrate an efficient, effective and replicable system which seeks the following goals:

  - a) low cost:high coverage
  - b) delegates more functions to non-professional and auxiliary personnel since there is a deficit of outreach workers and an adequacy of doctors (1 doctor per 2,000 people but only 1 nurse/10,000 and 1 auxiliary/1,500 people)


- c) improve health conditions to vulnerable groups (mothers and children) i.e. reduce mortality, morbidity and fertility
- d) train personnel in practical approach to regional health conditions of the country
- e) evaluate the program's efficiency and impact and offer alternative solutions

6. Characteristics of the Target Population and Area

Demonstration Area - Union de Vivienda Popular, Cali  
- 1.6 square miles  
- 5 health posts  
- 1 health center  
- 1 emergency (peripheral) hospital  
- University Hospital for referrals

Population - 100,000 (16,666 households)  
- average family income Col\$580/month *> 0 per mo.*  
- Un or under employment: 18 percent of work force  
- Illiteracy 30 percent of adults (▷ 15)  
- Sewerage 0 percent  
- Interdomiciliary Water 0 percent

7. Progress of PRIMOPS to date

The program has been defined in detail and the data collection process is extensive, with the result that the second stage model should offer a clear evaluation of the system. Estimates of costs per person to the Ministry of Health have been estimated at US\$3.20 per year. Such a cost would be within Ministry of Health Budgetary capabilities, one of the requirements for selection of the health delivery program. 

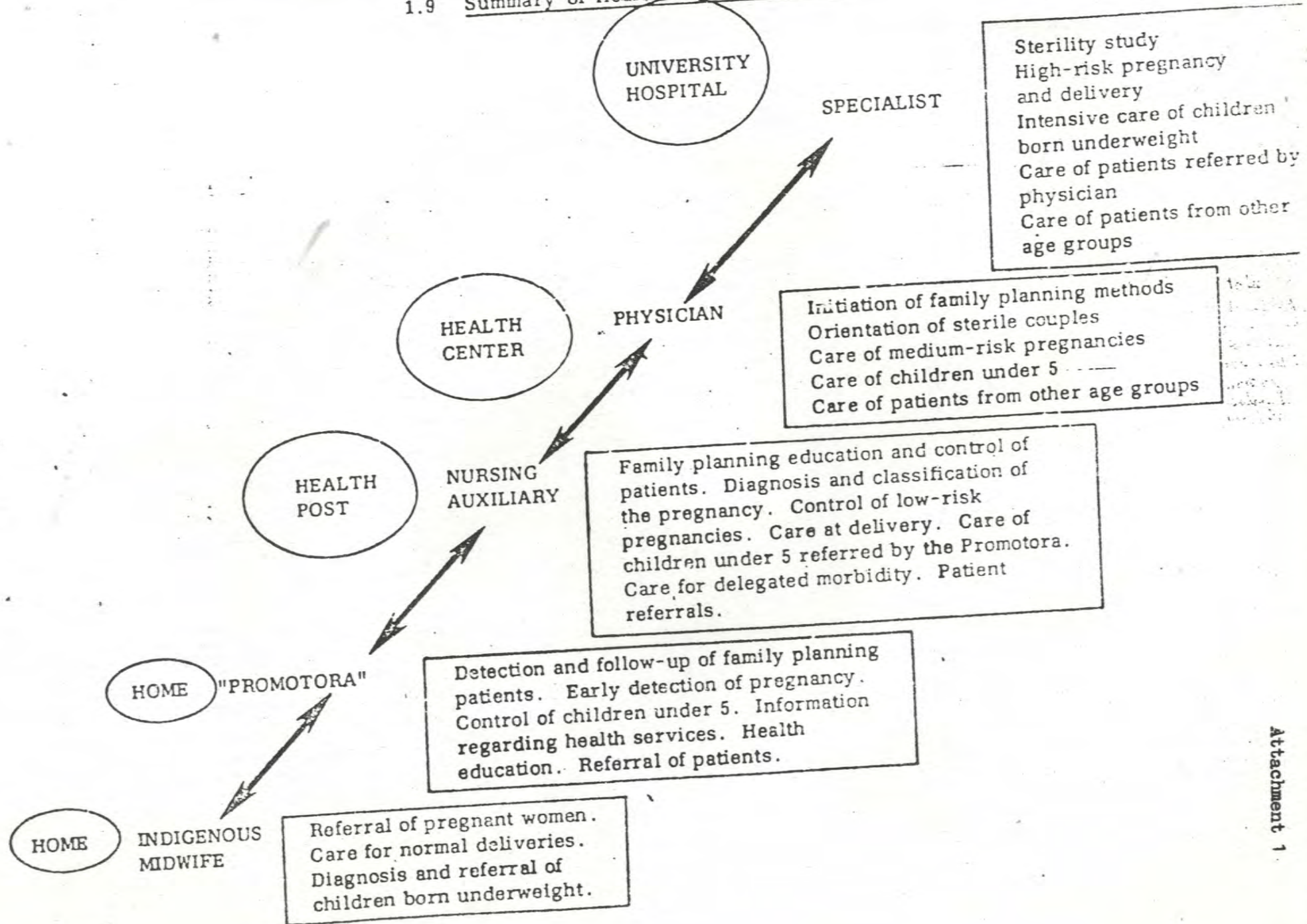
8. CIMDER

This group is working on a rural area model to incorporate aspects of health, agriculture and education with health care facilities. Coordination is through Popayán University Hospital. Canadian AID funds are provided to this group.

Personnel - Dr. Oscar Echeverry, Director  
Dra. Hylde de la Calle  
Mr. Antonio Navarro, Coordinator

Enclosures

1.9 Summary of Health Services Offered



## X. SERVICES ACTIVITIES, BY PERSONNEL AND LOCATION

The following table offers a summary view of the service provision by personnel and locale of care:

<u>Service activities</u>	<u>Personnel</u>	<u>Locale</u>
<u>Pregnancy detection</u>	Health promotora	Home
<u>Pregnancy confirmation</u>	Auxiliary Nurse M.D.	Home Health Center
<u>Prenatal Care:</u>		
Normal	Auxiliary nurse	Home
Medium risk	Auxiliary nurse M.D.	Home Health Center
High risk	M.D. M.D. (specialist)	Health Center Hospital
<u>Delivery Supervision:</u>		
Normal	Indigenous midwife	Home
Medium risk	Auxiliary nurse	Health Center
High risk	M.D. (specialist)	Hospital
<u>48 Hours Postpartum Care (M and I)</u>		
Delivered at home	Auxiliary nurse	Home
Delivered at Health Center	Auxiliary nurse	Health Center
Delivered at Hospital	M.D.	Hospital
<u>28 Days Postpartum Care (M &amp; I)</u>		
Normal	Auxiliary nurse	Home
Medium risk	Auxiliary nurse & M.D.	Health Center
High risk	M.D. (specialist)	Hospital
<u>Child Care (28 days-4 years)</u>		
Normal	Auxiliary nurse	Home
Born underweight	M.D.	Health Center
Class I (2000-2500cm)	Auxiliary nurse	Home
Class II (1800-1999cm)	M.D.	Hospital
Class III (1500-1799cm)	Auxiliary nurse	Home
Class IV (<1500)	M.D.	Hospital
	Auxiliary nurse	Home
	M.D.	Hospital

Service activitiesPersonnelLocaleChildren with Manutrition

Degree I-II

Health Promotore

Home

Degree III

Auxiliary nurse  
M.D.Home  
Health CenterChildren with DiarrheaSevere or children < 6 mos.  
Light  
PersistentM.D.  
Health Promotora  
M.D.Health Center  
Home  
HospitalFamily Planning Services

Recruitment &amp; Motivation

Health Promotora &  
Auxiliary nurse

Home

Initiation  
Follow-upM.D.  
Health Promotora  
Auxiliary nurseHealth Center  
Home  
Health PostMorbidity detection and Health  
Education

For the whole family

Health Promotora

Home