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McNamara Papers

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Contacts with member countries: Organization of American States (OAS) -

Folder 152

The World Bank Group
Archives
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Correspondence 01

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OAS

1. 9/18/68 Dr. Carlos Sanz de Santamaria, President, Committee on Alliance
for Progress
Dr. Walter Sedwitz, Head of the CIAP Secretariat
2. 5/4/70 Dr. Carlos Sanz de Santamaria
Dr. Walter Sedwitz
3. 7/21/70 Don Galo Plaza, Secretary-General, Organization of American States
4. 12/14/70 " " " " " " " " "
(lunch at Pan American Union)
- 3/28/72 Dr. Carlos Sanz de Santamaria - lunch here
- 8/27/75 Ambassador Alejandro Orfila, Secretary General
- 3/16/78 Ambassador Alejandro Orfila, Secretary General (Host at dinner-
for Arthur Burns)



OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: September 18, 1968

FROM: Gerald Alter *GA*SUBJECT: Meeting of Mr. McNamara with President of CIAP,
Dr. Carlos Sanz de Santamaría

Dr. Carlos Sanz de Santamaría, President of CIAP, accompanied by Dr. Walter Sedwitz, Head of the CIAP Secretariat, visited Mr. McNamara today. Mr. Alter was also present. Dr. Sanz explained CIAP's efforts to multilateralize external assistance for Latin America and to act as an intermediary between the external financing agencies and the Latin American countries. He voiced his great appreciation for the cooperation which the Bank had extended to CIAP and hoped that it would continue. Mr. McNamara assured Dr. Sanz that the Bank was very eager to cooperate with CIAP. Reference was made to the study of private investment in Latin America that CIAP had been undertaking for some time and Dr. Sanz expressed the hope that this study would eventually be useful in convincing the Latin American countries that they should cooperate in efforts at external arbitration being sponsored by the Bank.

Latin America's interest in the work of the Pearson Commission was noted by Dr. Sanz and he offered to make available the full experience of CIAP and any analysis that the Pearson Commission might find useful. Mr. McNamara suggested that he could well communicate directly with Mr. Pearson on this matter, and on Dr. Sanz's suggestion, that it would be useful to have Latin Americans working with the Commission.

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 16, 1968

FROM: Gerald Alter *GA*SUBJECT: Your Meeting with Dr. Sanz de Santamaria, Chairman of the Inter-American Committee for the Alliance for Progress (CIAP) on September 18, 1968Some Background

1. We have supported CIAP as a forum for the review of development performance in Latin America by Latin Americans. This support has been costly in staff time, and we have been critical of this cost because it has been incurred largely to support the forms of self-scrutiny rather than the substance. It has been the representatives of the external financing agencies in their capacity as observers at country reviews who have been the principal critics and the probers, rather than the members of CIAP representing Latin American Governments as originally intended. However, we have felt it our duty as a major lender to Latin America to support CIAP and help make CIAP meetings and documents more pointed and relevant to immediate issues. I think our presence has been helpful.

2. The U.S. Government, which has a more vital interest in an effective CIAP given the increasing performance-orientation of its lending in Latin America, has also been trying hard to make CIAP more effective and has just taken an important step to strengthen CIAP's hand. It will in future inform CIAP, before discussion with the host government, of all important development loan and technical assistance proposals and keep the Executive Secretary of CIAP informed of the implementation of U.S. assistance plans. The intention is to enable the Chairman of CIAP, before U.S. decisions are taken, to comment on these programs in the light of the conclusions and recommendations of the CIAP country reviews and to advise the countries concerned of the contemplated programs. The Chairman of CIAP is thus being placed in the posture of being party to the U.S. aid decision-making process in a way that he was not before and is not with respect to other external financing agencies operating in Latin America.

3. As you may know, the Chairman of CIAP has, from time to time, after consultation with the Washington agencies, provided a channel for communication with governments on development and financial problems. He has written to heads of State to convey CIAP concerns about particular situations and to represent probable financing agency responses to recommended actions. CIAP has also been the recipient, but not the negotiator, of statements from the Government of Brazil on financial and economic policy, which have provided the substantive basis for U.S. program loan financing in Brazil. However, CIAP does not now have the staff competence nor, I suspect, the desire, to engage countries directly on substantive issues defined in advance by it. On matters of substance it is the agencies, with one exception, which continue to lead; and the countries know this.

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Mr. Robert S. McNamara

September 16, 1968

The one exception is the Inter-American Development Bank. As a matter of policy, IADB will not take any initiative on issues of general performance not related to its projects. Since it will, however, follow CIAP's lead on such matters, CIAP has also become a vehicle for influencing IADB posture toward member countries.

Recommended posture in the meeting

4. Against this background, you might tell Chairman Sanz that we have observed with considerable satisfaction how CIAP has been maturing in its role as cutting edge of the Inter-American system in matters of economic development, and has increasingly focussed its staff work, the country reviews, and its communications to governments on operational issues affecting our ability to work in these countries. He will appreciate your confirmation that we intend to continue our cooperation with CIAP, even though this cooperation constitutes a heavy burden on our staff. //

5. Dr. Sanz may inquire whether you plan to re-establish the post of Special Adviser to the President on Latin American affairs, which lapsed when Orvis Schmidt died. You might tell him that Bank representation to CIAP has since been handled by appropriate senior staff of the Western Hemisphere Department, which is operationally responsible for all Bank relationships with Latin America and thus best able to coordinate with CIAP.

6. I understand that Dr. Sanz may inquire about Mr. Pearson's plans, and invite him to obtain from CIAP a Latin American perspective on the Grand Assize.

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OFFICE MEMORANDUM

TO: Files

DATE: May 6, 1970

FROM: Richard H. Demuth *RHD*

SUBJECT: Meeting between Mr. McNamara and Ambassador Carlos Sanz de Santamaria

Ambassador Carlos Sanz de Santamaria, accompanied by Mr. Walter Sedwitz, called on Mr. McNamara on May 4 to discuss cooperation between CIAP and the World Bank. Messrs. Knapp and Demuth were also present.

The first matter raised by Ambassador Santamaria was the external debt study being organized by CIAP. Mr. Santamaria requested Mr. McNamara to designate a senior officer of the Bank to be the principal contact point for the Bank on this study. Mr. McNamara said he attached great importance to this proposed study and offered the Bank's full cooperation. He designated Mr. Friedman as the Bank's principal point of contact for the study. In describing the preparations being made for the study, Ambassador Santamaria said that he was considering employing one or more outstanding figures in a consulting capacity; he mentioned the names of Mr. Edward M. Bernstein and Dr. Raul Prebisch in this connection.

Ambassador Santamaria then turned to more general problems of cooperation between CIAP and the World Bank. He said he first wanted to express appreciation for the fruitful relationship which had existed up to now. The World Bank had, he said, participated in some 110 or 120 country reviews conducted by CIAP and its role had been very helpful. Although the World Bank has great technical competence, CIAP has, according to the Ambassador, a substantial contribution of its own to make on the political level. He pointed out that among the members of CIAP there are six cabinet ministers.

The Ambassador then referred to Mr. McNamara's speech at Columbia University. He said that he agreed 100 per cent with the analysis in this speech. However, he was concerned at the prospect that the World Bank might wish to take over the role of coordinating aid to Latin American countries which had hitherto been the responsibility of CIAP. He pointed out that, as a political matter, the Latin American nations are committed to a regional approach to their development problems and are determined not to have their own regional political organs undermined. It is for this reason, he said, that it is important for CIAP's role to be preserved.

Ambassador Santamaria expressed the hope that more intimate cooperation between the World Bank and CIAP could be developed. For example, it would be desirable, he thought, for the World Bank to advise CIAP of its plans for economic missions to Latin America and for CIAP to participate in those missions by associating a staff member

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with them. He would also like to see the World Bank associate a staff member with economic groups sent out by CIAP. Above all, he wants to avoid duplication of effort. As an example of such duplication, he pointed to the coordinating meeting organized by the Government of Honduras and serviced by World Bank staff and the CIAP review of Honduras which was about to take place.

Mr. Sedwitz intervened at that point to say that he thought each organization should undertake to become much more familiar with the program of the other in order to see what duplication exists and to enable a determination to be made as to what things each organization can do best. He asked specifically to what extent World Bank missions would in the future attempt to play a coordinating role.

Mr. McNamara responded that he would welcome closer cooperation with CIAP. He said that in his own mind he draws a distinction between economic reviews and the process of aid coordination. As for economic reviews, he was clear that the World Bank had to continue to make these for its own operational purposes. He was far from clear, however, as to what was the most effective or appropriate mechanism for coordination in various cases. He added that he would be glad to have these matters further explored with CIAP and designated Mr. Demuth as the Bank's representative to conduct these further explorations.

Mr. McNamara asked Mr. Sedwitz what staff resources CIAP has available. Mr. Sedwitz said that his economic staff consists of 65 professional economists, about three-fourths of whom have Ph.Ds. They operate on a budget of \$2.5 billion which, however, includes the cost of holding meetings. The budget is so tight that they are not able to finance the distribution of the results of their economic work. They have been promised, however, an additional \$3 million to be used over a four-year period. This will make available roughly an additional \$700,000 per year, a great deal of which is likely to be used for consultants.


cc: Messrs. McNamara ✓
Knapp
Alter
Gutierrez

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: May 1, 1970

FROM: Richard H. Demuth

SUBJECT: Your Meeting with Mr. Sanz de Santamaria 

1. I understand that you have a meeting with Mr. Carlos Sanz de Santamaria on Monday. For your background information, you should know that, at my request, Edgar Gutierrez had an informal meeting with Sanz de Santamaria in order to try to achieve a better understanding of what is bothering CIAP in connection with the Bank's activities in the field of aid coordination. Mr. Gutierrez has reported the highlights of Mr. Sanz de Santamaria's position to be as follows:

First. There is much concern at the directive and technical levels of CIAP at the increasing interest shown by the World Bank in the work of aid coordination. This concern has deepened since your speech at Columbia University and the steps we have taken recently to promote the establishment of certain aid coordination mechanisms in Latin America (e.g., the Honduras meeting of February this year). Mr. Sanz de Santamaria feels that this kind of activity on the part of the World Bank might duplicate the natural role of CIAP in relation to the Latin American economies. In his judgment, this goes counter to the high-level political decision taken by the Governments of the United States and the Latin American countries to centralize in a body with the institutional characteristics of CIAP the delicate process of supervising and adjusting economic programs and financial plans to the objectives of the Alliance for Progress. As he sees it, what we are proposing in the field of aid coordination goes beyond the functions of a purely technical body, and there has always been strong resistance on the part of certain Latin American countries such as Mexico to any kind of organization or mechanism which could claim supra-national powers in the area. This was indeed one of the reasons for the demise of the Committee of Nine.

Second. Duplication of functions in this area is not only wasteful of money and staff resources, but could also lead to serious conflicts of coordination in external aid. From this point of view there is a problem in the simultaneous operation of meetings of the "consultative group" and "aid coordination" type, including representatives of most international agencies and supplier credit countries, and the periodical country reviews sponsored by CIAP. These country reviews are also geared towards the discussion of problems of growth, development strategy, economic priorities, investment alternatives, institutional constraints and so forth, and it would be essential to define clearly the nature and operational significance of the different meetings on aid coordination to diminish the risks of potential conflicts.

President has seen

May 1, 1970

Third. With respect to the position of the United States, Mr. Sanz de Santamaria appears satisfied with the results of his recent meeting with President Nixon, at which he was assured of the President's interest in preserving and strengthening the structure of CIAP as an international forum for the study and discussion of problems of foreign aid to Latin America.

Fourth. The institutional weaknesses which CIAP has shown in the past are due to a large extent to the limitation of financial resources faced by the institution. This has prevented CIAP from organizing more effective economic missions, since they have an acute shortage of high-level technical personnel with sufficient experience in the field. Mr. Sanz de Santamaria accepts the fact that the quality of some of the economic reporting has been low and has produced a negative reaction in some of the countries. Today he believes the new injection of resources provided by the United States Government and the Latin American countries is going to eliminate to some extent this constraint of the past and he is making a special effort to improve the quality of the staff.

Fifth. Sometimes, he believes, CIAP's attempts to carry out its coordinating role have been impaired by a reluctance on the part of some of the international institutions to supply timely information on key issues relating to their operations in recipient countries. Another of his complaints is that the position sometimes taken in the past by some of the representatives of international agencies in the so-called inter-agency committees has been too rigid with respect to sensitive political issues, while these representatives have often lacked the authority to commit their institutions without "going back for Board or management instructions." This, he feels, has been a source of frequent trouble and has made particularly difficult his standing vis-a-vis the Governments concerned. Accordingly, he argues that a much greater degree of flexibility and authority is required on the part of World Bank representatives for fruitful coordination at the inter-agency committee level.

2. I have had one meeting with Al Wolf of the Inter-American Development Bank, at which we made a preliminary review of this range of problems, and I am having another meeting with him at lunch on Monday. We were planning, when we got far enough along in our talks, to have a joint meeting with Sanz de Santamaria and it was in anticipation of that meeting that I had asked Edgar Gutierrez to talk to Sanz de Santamaria. I would appreciate, for my guidance in the further exploration of this matter, any new light which may be thrown on these questions by your talk with him.

cc: Mr. Gutierrez
Mr. Alter

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July 21, 1970

MEMORANDUM FOR THE RECORD

Subject: Meeting with Galo Plaza, July 21, 1970

Galo Plaza, who has just returned from Peru, stated that:

1. He would like to form a small team to go to Peru to assist the government to prepare projects for financing by external agencies. He suggested the team should include one IDB representative and one representative of the OAS and the World Bank.
2. Santamaria believes there is duplication between the CIAP missions and those of the Bank, and both Santamaria and Galo Plaza suggest the Bank should use CIAP reports.

I explained to Galo Plaza the proposal we have made to Peru for a high-way loan. He believed it exactly suited their present need and agreed to defer further discussion of a "project preparation" team until the Peruvian delegation arrives in Washington to discuss the road project.

I also explained to him how we were seeking to cooperate with CIAP in the development of a procedure under which they would utilize our Economic Mission Reports as a brief for their CIAP reviews and I referred particularly to the "Chilean test case."

RMcN

4

MEMORANDUM FOR THE RECORD

December 14, 1970

Gallo Plaza told me today he had delivered my message to Allende, President of Chile, during Allende's inauguration and that Allende was very grateful to have the indication the Bank was willing to continue to support Chile. He told Gallo Plaza that this would be of great value to him in giving him greater strength, economic and political, to walk a tight rope between the extremists in his country and party.

Robert S. McNamara