JOHN SANBRAILO

Interviewed by: Alexander Shakow
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INTERVIEW

Q: We are recording this at John’s office. He’s at the Pan American Development Foundation, an affiliate of the Organization of American States in Washington, D.C. So, John, I am delighted that you are prepared to do this as part of this ADST Oral History Project. There are not nearly enough AID (United States Agency for International Development) people who have been through this process, so we welcome you into this august group.

We are particularly interested in finding out about you and how you have come to this wonderful set of career accomplishments. We will get to your role as the long-standing – what was it? – 18 years as Executive Director of the Pan American Development Foundation (PADF). But we’re going to begin right at the beginning.

So, tell me about when and where you were born, and how you were brought up to the extent that you can see links between what was going on in San Francisco, and what you ended up doing. That would be welcome, but we’re going to take it step by step, so we want to find out these early influences first. So, John, the floor is yours.

Early Years in San Francisco Bay Area (1943 – 1961)

SANBRAILO: Thank you, Alex. It’s a great honor to have you do this interview. I was born in San Francisco, California in 1943 and did not leave the state until I joined the Peace Corps in 1965. My parents were U.S.-born children of immigrants.

Q: Where did your grandparents come from?
SANBRAILO: My grandparents on my father’s side came from Dubrovnik in Croatia. On my mother’s side, her parents emigrated from Russia. They were both part of the wave of immigrants from the 1890s and 1900s who were fleeing the ethnic conflicts in the Balkans and the persecution of the Jews in Russia and Eastern Europe.

My Croatian grandfather ultimately ended up in San Francisco because of extended family connections there and because he saw the Bay Area as similar to Dubrovnik on the Adriatic coast. On my mother’s side (the Schonfeld family) I am not certain why they arrived in San Francisco, although I know that there were intermittent stops along the way, after passing through Ellis Island.

Q: What part of Russia? Do you know? Was this still Czarist Russia or was it real Russia rather than what is now Lithuania?

SANBRAILO: I am not really certain. As I grew up there were family references to Russia, but it may have been what you suggest. Both of my grandfathers passed away before I was born. I only knew my Croatian-born grandmother in my earliest years.

Q: But how did they get to San Francisco – Getting to California must have been kind of unusual.

SANBRAILO: There was a longstanding Croatian community in San Francisco, perhaps dating to the Gold Rush of 1849. Similar ones existed in Chile and Peru where I found distant relatives. I understand that my grandfather identified with Northern California. I have less information why my maternal grandparents ended up in San Francisco, but it may have been the city’s existing Jewish community, its diversity, the open attitude toward European immigrants, and the growing economy following the 1906 earthquake and reconstruction. The Panama-Pacific International Exposition of 1915 marked a milestone in San Francisco history and attracted people from throughout the world.

Q: So, they didn’t just immediately arrive in New York and go off to California?

SANBRAILO: They passed through Ellis Island. My father’s parents went directly to San Francisco. On my mother’s side, the family had spent some time in NYC and Duluth, Minnesota, and perhaps other cities, before finally arriving in San Francisco.

My Croatian-born grandfather started a San Francisco restaurant with his cousin that became quite famous by the 1920s. It provided a good middle class life that allowed my father, his brothers and one sister to attend high school and graduate, which was unusual for that time. My maternal grandfather became a successful tailor. They participated in the prosperity of the 1920s, owned a home in Daly City (south of San Francisco at the end of the street car line, bordering the Pacific Ocean) and were able to ensure that their children attended elementary school and high school. My paternal grandfather was active in Our Lady of Perpetual Help Catholic Church and the Knights of Columbus. My father spoke a few phrases of Serbo-Croatian and seemed to understand it, but by my time only English was spoken.
Q: Were there relatives?

SANBRAILO: Yes, I had uncles and aunts who lived in the San Francisco Bay Area. They always said how grateful they were to their parents for leaving Croatia or Russia for the U.S. They loved San Francisco and California and the lives that they had made for themselves, even during the Great Depression of the 1930s when they were unable to attend college, as some had wanted to do. They had to work instead. Throughout his life, my father recalled President Herbert Hoover’s political parade through Daly City in 1932 and how the public had booed Hoover because of the Depression and widespread unemployment.

Q: Your parents were born out there?

SANBRAILO: Yes, my father was born in San Francisco in 1911 but my mother was born in Duluth, Minnesota in 1913. My father graduated from Jefferson high school in Daly City in 1931. My mother did not finish high school and lived with her older sister after my grandmother became ill and incapacitated.

Q: What did your father do?

SANBRAILO: He managed a trucking company.

Q: And did your mother work?

SANBRAILO: She worked at the Daly City movie theater in the 1930s, in factory jobs during WWII, and subsequently part-time in a restaurant and a day care center. She loved young children. During most of her life my mother was primarily a homemaker, taking care of my sister and me. It was a middle class family of the 1940s and 1950s, living in the suburbs adjacent to San Francisco. It was as close to an idyllic childhood as anyone could wish. A traditional post-War family.

My parents were products of the Great Depression, the New Deal of the 1930s and WW II, and the post-War era. They admired Franklin Roosevelt and identified with the Democratic Party—they had a picture of Roosevelt in the basement until they passed away and a large poster of John Kennedy from the 1960 Presidential campaign.

Q: Did your father have to go off to the war?

SANBRAILO: No, he had a national security job during WWII in what was called a strategic sector (transportation) and kept the trucks rolling. He followed the war closely and collected every edition of Life Magazine and National Geographic during the war. I later read them which kindled my interest in international affairs and history. He was always attracted to international events, and that’s probably where I get the same interest. We lived through the early Cold War, the threat of thermonuclear war and the “duck and cover” drills at school.
From my earliest days, I was expected to study hard and to prepare for college. I was to be the first one in the family to go to college. My parents had the work ethic of the times, saved their money so that my sister and I could live better than them, go on to college if we wished, and set high expectations. We were to be disciplined, focused and study hard.

Q: Where did you live?

SANBRAILO: Throughout the 1940s and 1950s, we lived in what today is the older section of Daly City, located just north of the San Francisco International Airport. My parents moved to the Westlake district in the 1960s, adjacent to Lake Merced and the Pacific coast. These were some of the earliest suburbs, extending down through San Mateo and eventually to Palo Alto.

We had easy access to the entire cosmopolitan San Francisco Bay Area and its wonderful universities, museums and liberal, open and tolerant culture. We took regular summer vacations to the Russian River and Napa Valley, or in what today is called Silicon Valley which was covered in fruit tree orchards in the 1950s. A big night out was to go to my uncle’s restaurant at Fisherman’s Wharf, called the Miramar, and have the best California abalone. Or we would go to Chinatown or the Italian North Beach area. It was the world of baseball star Joe DiMaggio who grew up in San Francisco on Fisherman’s Wharf.

My parents strongly supported Presidents Franklin Roosevelt, Harry Truman and John Kennedy, as well as Governor Pat Brown. My father and mother, who passed away in 1999 and 2001, were very much a part of the New Deal – WWII generation. It never left them. I came from a liberal Democratic family, although they were not active politically. Rarely would my family discuss Republicans in any positive way, even though the Eisenhower administration made possible much of the prosperity that shaped our lives during the 1950s. The Interstate Highway System was just being built and made travel all over the Bay Area faster and more convenient. When the Russians placed the Sputnik satellite in orbit in 1957 there was a sense that the U.S. needed to do more to catch up in science, technology and education. It further reinforced the importance of higher education for many of us.

Q: Let’s go to your early education. What was your elementary and high school education like?

SANBRAILO: I attended Woodrow Wilson elementary school near our home in the late 1940s, with the classic paintings of George Washington and Abraham Lincoln on the wall of each classroom. When public schools went on double sessions in the early 1950s because of the large influx of population into California, my parents moved my sister and me to a nearby Catholic School (Holy Angels in Colma) so we would have full-time and disciplined education.

The parish had just opened an elementary school and contracted a group of Irish nuns to teach at it. The nuns brought with them traditional family values and discipline. They
believed in corporal punishment. If you were not paying attention in class you got a ruler across the knuckles that I can still feel to this day. Even though the Catholic education may not have been much different than public education, the discipline, uniforms and focus were important.

Q: Was it unusual that you went to a Catholic elementary school?

SANBRAILO: My father was Catholic and my mother was Jewish. I attended Catholic School but we were also close friends with a number of Jewish families. To this day, I feel as much Jewish as Catholic which I attribute to my parents. The Jewish mothers would get together and subtly instill in their children a work ethic and culture of achievement. It was the open, cosmopolitan and ecumenical atmosphere of the San Francisco Bay Area.

Q: But were you brought up in a religious setting, or was neither parent religious?

SANBRAILO: No, my parents were not particularly religious. I went to Catholic school because it was the best education available and for the discipline. This is when California was experiencing a large population migration from other parts of the United States, and public schools were on double sessions and not known for providing a quality education. You only went to elementary school in the morning or in the afternoon. My parents said, “No way, you’re going to Catholic school all day.” But, at the same time, some of my friends were Jewish kids.

Q: At the Catholic school?

SANBRAILO: No, outside of Catholic school. Most of my classmates had Italian and Irish backgrounds. We attended Catholic Mass with my father on a regular basis and my mother was active in the equivalent of the parent-teachers group. My parents cared greatly about our education. Today, the Holy Angeles parish and school serves mainly a Filipino and Hispanic population.

Q: Are you actually religious, or a cultural Jew?

SANBRAILO: I identify with the Jewish cultural heritage but remain a Catholic and attend Church on a regular basis. My wife, who is from Ecuador, is fervently Catholic.

Q: Where did you go to high school?

SANBRAILO: Jefferson high school in Daly City that was near our home and I graduated in June 1961. Out of a graduating class of about 100, I think about 10 of us went on to a university, so it was not a large number. The school had small classes, especially for those planning on higher education, and some excellent teachers, who had graduated from the University of California at Berkeley and received their teaching credentials at San Francisco State College. A few had international backgrounds. Most of
our teachers were quite liberal and caught up in the intellectual and cultural changes taking place in America in the late 1950s and early 1960s.

_Q: And you then went on to what college?_

SANBRAILO: To the University of California at Berkeley, across the Bay from where we lived. It was about a 45 minute commute. I graduated in June 1965. Two of my high school classmates also went to Berkeley. It was the good old days when tuition was largely free, although there were some charges for registration and laboratories. Few thought about student debt. The books were a major expense along with room and board if you lived on or near the campus.

_Q: So, you were at UC Berkeley –_

SANBRAILO: Yes, from 1961 to 1965.

_Q: Before the real student movement?_

SANBRAILO: Right at the time of the Free Speech movement at Berkeley. But before I discuss college, let me mention several things about my high school years that still stick with me. During my junior year, I prepared a class report on what became a famous book titled, _The Ugly American_, which described the problems of foreign aid in the late 1950s. In my senior year, I also wrote reports on an international education project in Vicos, Peru, and on the work of a retired New York Jewish businessman in Guatemala, named Sam Greene, who provided indigenous people with microcredits and technical assistance in the early 1960s.

Sam Greene would go on to create the Penny Foundation (_Fundación del Centavo_) that pioneered microcredits in poverty-stricken communities on the banks of Lake Atitlán in Guatemala. A young attorney at the Organization of American States, Ron Scheman, used it as a model to establish the Pan American Development Foundation (PADF) in 1962 that I have directed during the past 18 years. PADF was intended to replicate the Penny Foundation in the LAC region, starting in the 1960s. It was the beginnings of a focus on the informal sector and penny capitalism. Never did I imagine that one day I would end up at PADF and the link would literally go back to a report I did in high school.

_Q: Do you still have those reports?_

SANBRAILO: Probably, somewhere. I would have to dig through the boxes in the basement. Once President Kennedy announced the establishment of the Peace Corps, I knew that was where I was headed. It was even more exciting because Kennedy gave his first major speech on the Peace Corps in November 1960 at the San Francisco Cow Palace near my home. We discussed it in my high school classes. You know how motivating the Peace Corps was for our generation. In the early 1960s, Latin America
received increased attention with the establishment of the Peace Corps, the Alliance for Progress and USAID.

These programs were initiated in response to the Cuban Revolution in 1959, the Cold War and a fear of the spread of communism into the Western Hemisphere and throughout the world. At the same time, there was genuine concern for our LAC neighbors that was growing in the 1950s, despite the focus on the Marshall Plan in Europe and the rebuilding of Japan, Taiwan and South Korea. The pervasive threat of communism extending itself all over the world was a great fear. It was regularly discussed in a number of our classes and permeated media reports and the broader public debate.

What policy-makers and the general public may not have fully appreciated at the time was the deep resentment that existed in Latin America because these countries had helped the U.S. and the Allies win WWII, especially in terms of providing strategic commodities and military bases for the war effort. The U.S. then directed most of its post-War aid to Europe and Asia, even to some communist countries like Yugoslavia. There was a sense of betrayal.

Many Latin Americans had expected a major U.S. commitment to help them further develop their economies that had begun during the war with Nelson Rockefeller and the White House Office of Inter-American Affairs, and continued with the U.S. Export-Import Bank and Point Four aid in the 1950s, although at a very modest level compared to other regions. This led to significant disappointments, contributing to the street demonstrations in Caracas against Vice President Richard Nixon in 1958 that almost killed him in his motorcade. The latter shocked many in the U.S. and, along with the Cuban Revolution, contributed to the development of the Alliance for Progress. In my high school classes we debated such events, which further contributed to my interest in international affairs and helping people overseas improve their lives.

Q: I know that name, Ron Scheman.

SANBRAILO: Ron served many years in the OAS and as Executive Director at the Inter-American Development Bank (IDB) and was active in the Democratic Party. In the early 1960s, he was a Fulbright Scholar and travelled around the hemisphere—including Guatemala where he discovered the Penny Foundation. Ron went to work at the OAS in the legal department and said, “We should have a mechanism to replicate the Penny Foundation.” He was a part of the Alliance for Progress generation and later prepared a seminal book about the Alliance that is still used today. Ron was a long-time supporter of the Inter-American system and PADF. He passed away a few years ago.

Q: So, you were influenced by the book, The Ugly American. Was your book review one in which you found favor with the so-called “Ugly American”? 

SANBRAILO: Like most readers, I believed what was said in the book about aid programs in Asia. I was critical of the Eisenhower administration which resonated with my parents and teachers. It later became clear that this fictional bestseller contained
exaggerations and was often misinterpreted. In Congressional testimony, the International Cooperation Administration presented a detailed rebuttal in 1960, pointing out the book’s misrepresentations, but it was never given much attention. Kennedy was so impressed with the book that he sent it to every member of the Senate. As so often happens, The Ugly American took on a life of its own and was one of the key factors that led President Kennedy to create the Peace Corps and USAID.

As I think back to this book, if I remember correctly, the hero Homer Atkins and Colonel Hillandale were two of the most memorable characters for me. Atkins was the practical but unattractive mechanic who learned the local language, could fix anything and invented new machinery to reflect the needs of impoverished communities. He lived and worked with the people, he was humble and practical, and could adapt to local conditions. One of the great ironies is The Ugly American referred to the hero, and not to all Americans, but the title was misinterpreted by those who may not have read it or did not read it carefully.

Although I did not realize it at that time, Hillandale was modeled on the legendary Major General Edward Lansdale who was successfully directing counterinsurgency operations in the Philippines and Vietnam in the 1950s. Lansdale maintained that diplomats needed to have more intimate knowledge of the societies, cultures, politics and histories of the countries in which they served and should use grassroots development, rather than military force, to counter the communists. In the 1960s, he would oppose the large military buildup in Vietnam and argued for a different approach, as he had successfully done in the Philippines. Unfortunately, Lansdale’s message was not heeded.

My teachers said, “….look at the mistakes of our diplomats and how they should be working more directly with the people….“ I felt that I wanted to do that and my parents had instilled in me a spirit of public service and a sense of shared humanity with those in need. As presented in David Halberstam’s book, The Fifties, it was the rapidly changing attitudes of the late 1950s that led to the Peace Corps. We had teachers who encouraged us to think internationally, although I was the only one from my high school who joined the Peace Corps.

Until much later, we never fully appreciated the importance of the 1950s in shaping the coming decades and what we would have to confront in our lives and careers. There was growing criticism of President Eisenhower and what then appeared to be his “do nothing administration” that led to the hyperactive presidencies and political disasters of the 1960s and 1970s. In retrospect, Eisenhower is now viewed as one of the most effective American Presidents in the past 70 years, as presented in The Age of Eisenhower: America and the World in the 1950s, by historian William Hitchcock.

Q: Did your teachers have an international background?

SANBRAILO: Several of them did. One had worked at the United Nations and had a background on the Middle East and the Palestine question that she taught very well. The U.S. was into the early years of the Laos/Vietnam build-up that would shape the 1960s
and we learned about South East Asia. And then there was the Cuban Revolution in 1959 that captured everyone’s imagination before the missile crisis of 1962 that could have destroyed the world. I still remember watching winter baseball on television from Cuba and thinking how such a country could be in the middle of a revolution.

Q: As you grew up, did you have any jobs while in school?

During the mid-1950s, I delivered newspapers, which taught me about managing money and engaging with people. From 1958 to 1961, after high school classes, I was a shipping clerk at Irvine & Jachens, Inc., a small manufacturing company that to this day sells metal badges for police officers, silver belt buckles and other items at its plant on Mission Street in Daly City. The business was close to my home. It gave me some wonderful work experience, allowed me to save money for college and to purchase a collection of the Great Books of the Western World which I still have. These books helped me prepare for UC Berkeley. I became an avid reader interested in international relations, history and economics.

University of California at Berkeley (1961 – 1965)

Q: What did you major in?

SANBRAILO: Economics, although I was in love with history. But I figured that I could never make a living as a historian. I took courses on economic theory, development and economic history. I was in the classic liberal arts program that existed in most universities at that time and was the model of undergraduate education. It was intended to prepare students to go on to graduate school.

Q: These must have been exciting years to be at Berkeley.

SANBRAILO: Yes, I focused on economics, international relations, history and then, gradually, economic development. It was the milieu of that day. Kennedy had just been elected and established the Alliance for Progress and declared the 1960s as the “Decade of Development”. There was his inspiring Inaugural Address that influenced so many with its eloquence. Latin America and modernization theory were of great interest. Walter Rostow had written his famous book, The Stages of Economic Growth: A Non-Communist Manifesto and he was advising Kennedy. It attracted a lot of attention and debate on college campuses. There was a major focus on international development and foreign aid like we cannot imagine today, especially since the Marshall Plan was beginning to be seen as a great success.

The Peace Corps was at Berkeley on a regular basis recruiting volunteers. I can still remember Kennedy’s visit in 1962. He gave a major speech about public service. The football stadium was full and there was excitement throughout the campus. His speech was electric and had an impact on the entire university. Change was in the air. We recognized something new was emerging, without being quite sure what it was.
I recall the fear that permeated the campus during the Cuban Missile crisis in October 1962 and attending a history class in which we discussed the end of western civilization. This was the height of the Cold War. Some expected a thermonuclear bomb any day, but I was more optimistic. Yet no other event so depressed the campus than the assassination of President Kennedy on November 22, 1963. Everyone knew exactly where they were when they heard the news. There was shock and outrage. A few already started blaming Lyndon Johnson and the conservatives in Dallas. What Pearl Harbor was for our parent’s generation, the Kennedy assassination was for ours.

Q: Berkeley was one of the major providers of the first groups of Peace Corps volunteers. Were there particularly influential faculty members who motivated you and textbooks that interested you?

SANBRAILO: Yes. Albert Fishlow, an economics professor; Paul Seabury in international relations; and others. The books we studied provide a flavor of the ideas that shaped us.

In the economics department most of our professors were Keynesians and Paul Samuelson’s text, Economics: An Introductory Analysis and related works were used in courses. We were greatly influenced by the writings of the liberal economist John Kenneth Galbraith, especially his American Capitalism, The Great Crash 1929, The Affluent Society, and Economic Development in Perspective. Books like The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers, and The Making of Economic Society, by Robert Heilbroner were widely read. Despite the liberal consensus, a few of us got into Capitalism and Freedom by Milton Friedman, Atlas Shrugged by Ayn Rand and The Conservative Mind by Russell Kirk, although we did not fully appreciate the importance of these ideas at the time.

In addition to Rostow’s The Stages of Economic Growth, we poured through textbooks such as: Economic Development Principles, Problems and Policies by Benjamin Higgins; On the Theory of Social Change: How Economic Growth Begins by Everett Hagen; Economic Backwardness and Economic Growth: Studies in the Theory of Economic Development, by Harvey Leibenstein; The Strategy of Economic Development and Journeys Toward Progress by Albert Hirschman, and others. An increasing number of books were published on the importance of underdeveloped countries in combatting the spread of communism, especially in Latin America, and the emerging North-South conflict between what was coming to be called the “Third World” and the developed nations.

We debated the Moral Basis of a Backward Society by Harvard political scientist, Edward Banfield, that later became a classic in explaining the differences in progress between northern and southern Italy and the importance of social capital. We were shocked by the suffering of sizeable Mexican populations, as portrayed in Oscar Lewis’s, Five Families and The Children of Sanchez, and read Ten Keys to Latin America by Frank Tannenbaum. The regional disparities between southern Brazil and its poverty-stricken northeast were of great interest. The difference between the South and the North
in the United States was a hot topic because many students were traveling to the Southern states to promote civil rights.

In international relations we used Hans Morgenthau’s famous Politics Among Nations, as well as other texts that analyzed not only the East-West conflict but also the growing North-South divide. The writings of the theologian Reinhold Niebuhr, especially The Children of Light and the Children of Darkness and the Irony of American History had a great impact on us. I later came to identify with Niebuhr’s criticism of those who exaggerate the sins committed by their own country, excuse the malevolence of its enemies and inevitably blame America first.

In addition to “The Growth of the American Republic”, we studied what were later termed the “consensus historians”. They included: “The American Political Tradition” and “The Age of Reform” by Richard Hofstader; “The Liberal Tradition in America” and “The Founding of New Societies” by Louis Hartz; and “The End of Ideology” by Daniel Bell. Also included were the “Age of Jackson”, the “Age of Roosevelt” and “The Vital Center” by Arthur Schlesinger; in addition to: “The Genius of American Politics” by Daniel Boorstin; and “Rendezvous with Destiny: A History of Modern American Reform” and “The Crucial Decade and After: America 1945-1960”, by Eric Goldman. From these and other works, we came to see the 1960s as one of the most significant transitions in American history, much like the 1930s and even the 1860s.

**Q:** Oh, yes, Fishlow was at the World Bank while I was there, part of the time.

**SANBRAILO:** Yes, a brilliant professor. So many of them were outstanding in the economics, political science and history departments. Paul Seabury in International Relations was excellent. Lawrence Levine and Kenneth Stampp in History. Sheldon Wolin in Political Theory, Andres Papandreou in Economics, who later became Prime Minister of Greece. Economic Historian Carlo Cipolla from Italy and of course Albert Fishlow, who taught Latin American development.

I was part of the top five to ten percent of California students, and the competition was intense. The courses were rigorous and demanding. I didn’t come from a leading high school. It was tough going for me and some of my classmates the first couple years.

**Q:** Did you manage to adapt?

**SANBRAILO:** Oh, yes. I survived, and then loved it. The excitement, the learning, the ferment at Berkeley, so many new ideas being discussed, the emerging student movement, the civil rights movement, the teach-ins and many students traveling to the Southern states to promote civil rights. The focus on what was being called the “Third World.” It was amazing!

**Q:** Did you live on campus?

**SANBRAILO:** Yes for the first two years.
Q: But you didn’t live at home, is what I was getting at.

SANBRAILO: I did live at home during my third and fourth years once I got better adjusted to Berkeley and learned how to navigate the place. Depending on the timing of classes, the commute was not difficult. I could drive from home to campus in about 45 minutes across the San Francisco Bay Bridge. So, the first two years I lived in Berkeley in a dorm and the final two years at home to focus better on my classes without the distractions of “dormitory life”. I worked during the summers to pay for books and other costs.

Q: Did you go to the Peace Corps immediately upon graduation?

SANBRAILO: Yes, immediately afterwards. I graduated in June 1965 and was then on my way to Puerto Rico for Peace Corps training at the Arecibo training camp. It was quite a change from the Berkeley campus to the exotic rainforest of Puerto Rico.

Q: Wasn’t it 1965 when the Free Speech movement really began at Berkeley?

SANBRAILO: It began in December 1964, but caught public attention in early 1965 when the Berkeley campus exploded with the Free Speech movement (FSM). The student protests came to symbolize a new phenomenon in American life. The university stood at the center of the political, social and cultural upheaval that made the 1960s a unique period in American history. Large numbers of students were going to Freedom Summer in the South. They would return with a revolutionary spirit. The campus was a bastion of liberalism, radical experimentation and community activism which still resonate today.

One of the prominent leaders of the FSM, Mario Savio, had participated in voter registration campaigns in Mississippi the previous summer. I was at the demonstration in Sproul Plaza when Savio famously said that, “…you have to place your bodies upon the gears and levers… and tell the owners …if you are not free the machine (i.e. UC Berkeley) will be prevented from working at all….”, launching the student protests. In the sit-ins at Sproul Hall that stopped the campus from operating, I recall the main book being read was Albert Camus’s The Rebel, widely used in Berkeley classes and influential with many students.

I can’t remember too many professors who objected to these events, except perhaps Albert Fishlow, although there were probably others. Many like political theorist Sheldon Wolin convinced the Faculty Senate to support the FSM, which was important in getting the administration to back down in the face of the protests. Fishlow warned that the Free Speech movement could end up politicizing American universities, as had happened in Latin America, and undermine academic standards. He was right about what ultimately occurred. At the same time, despite its pronounced liberal orientation, the conservative economist Milton Friedman came to campus at various times. Our professors encouraged us to attend his lectures, even though most did not share his views.
Q: Did you participate in any of these demonstrations?

SANBRAILO: Yes, I did in a relatively minor way. I was a liberal student. At the same
time, to highlight the contrast, one of Berkeley’s more prominent graduate students was
David Horowitz, a founder of the New Left who is now a spokesperson for conservative
causes and for greater intellectual diversity at colleges and universities. Horowitz’s
political evolution during the past 50 years is recorded in a number of his books. He came
out of Berkeley, despite its leftist reputation that is most often remembered, later writing
Destructive Generation: Second Thoughts about the 60s.

While many students and professors were quite liberal and even radical, you also saw in
1964 the rising conservative movement with the Barry Goldwater campaign. Goldwater’s
book, The Conscious of a Conservative was used in some classes. So was Milton
Friedman’s Capitalism and Freedom. The openness to different points of view contrasts
sharply with what you see today at Berkeley and other campuses.

Q: Was Horowitz a founder of SDS (Students for a Democratic Society) or something like
that?

SANBRAILO: He was certainly a leader of the New Left and probably participated in the
SDS. I believe his parents were active in the Communist Party of America. Horowitz is
now one of the leading critics of universities with their “political correctness”, and is a
forceful advocate for greater academic diversity and an “Academic Bill of Rights”. He
often cites the objectivity of professors at Berkeley in the early 1960s as examples of
what universities should be like today.

Horowitz was a brilliant guy and is still full of the fire and brimstone of the 1960s, but
now in the service of the conservative cause. He has published books about his
metamorphosis from the far left to the far right and why and how it happened. He’s
interviewed on C-Span and recently wrote, Big Agenda: President Trump’s Plan to Save
America.

Throughout the San Francisco Bay Area, and especially at Berkeley, all of the traditional
values of the 1950s were being questioned and upended. The forerunner of the Hippies,
the Beatniks, began in San Francisco in the late 1950s. I saw the beginnings of the drug
culture, as well as the experimentation with marijuana that was quite radical at that time
and became so destructive. For many, it was the golden age of liberalism that led to the
political and cultural changes in subsequent years.

Q: Do you keep in touch with Horowitz?

SANBRAILO: From time to time I see him, we briefly talked about Berkeley and his
evolution and mine. He had written an early negative critique of the Alliance for Progress
that I found interesting but incorrect. He now mainly focuses on national issues and
intellectual diversity at universities and high schools.
Q: This was in his current role?

SANBRAILO: No, he had prepared his critic of the Alliance for Progress much earlier when he was still leading the New Left. He criticized U.S. imperialism, as he saw it, and argued that foreign aid was an instrument of imperialism. Berkeley had many of these type of students. Horowitz then gradually changed his perspective in the 1970s and 1980s as a result of his break with the Black Panthers because of the killing of one of his friends, probably by the Panthers. In more recent years, he created an organization called the Freedom Center to point out liberal bias in the media, universities and other institutions.

The decade of the 1960s saw the beginnings of the drug scene and the breakdown of the traditional values of the 1950s. Berkeley was a place where everything was being tried from drugs to community activism. It was a center of the ferment that exploded in the civil rights and student movements. As a campus radical, I mention Horowitz because he symbolizes what has happened to the country over the past half century and the evolution of our politics and culture. He shows that Berkeley did not just produce leftist oriented students.

At the same time, it is particularly ironic that after 50 years many universities, including Berkeley, are now restricting free speech. The U.S. Congress is even holding hearings about free speech on campus. Many of these universities are run by the generation of the 1960s, some of whom were influenced by The Rebel. Yet they seem to have forgotten that Albert Camus also warned that rebellions get carried away, often lose touch with their original purposes and can end up committing great abuses and crimes. As others have said, “The Revolution eats its children”!!

These demonstrations also had great impact on some foreign students who were caught up in them. As historian Elizabeth Cobbs cites in the American Umpire, “In 1979, the chief Iranian interrogator of imprisoned American hostages had studied at the University of California, Berkeley, where he encountered the fiery hometown rhetoric that denounced the U.S. government as ‘tyrannical’, ‘racist’ and ‘imperialist’. It is tragic to see the number of foreigners who have been radicalized at American universities, creating resentments of the U.S. People around the world take seriously what universities say about their country.

Q: Did you find all that activity in the 1960s very exciting and stimulating?

SANBRAILO: Oh yes, at that time tremendously so, although much less in retrospect. Students traveling to Cuba to cut sugar cane in solidarity with the Revolution. Others went to Mississippi and Alabama to support civil rights. The Peace Corps recruiting for volunteers to be “grassroots revolutionaries”. Kennedy’s famous Inaugural Address and the folk songs of the era. It was the Peace Corps, the War on Poverty and the Free Speech Movement. One is reminded of Oliver Wendell Homes’ famous statement about the Civil War generation. “…our hearts were touched by fire….”
The Kennedy mystique pervaded the early 1960s. Only later did we fully appreciate the tragic side of the Kennedy legacy, the escalation of the War in Vietnam, the race riots in major cities, the disillusionment of the high hopes of the early 1960s. In the view of some, Kennedy became a replay of actor James Dean, who was a cultural icon in the 1950s with the movie Rebel without a Cause and died in a tragic auto accident. The Kennedy assassination, and other events in the 1960s and 1970s, led to similar disillusionment and estrangement from American society that is still with us.

Q: But you didn’t become disillusioned?

SANBRAILO: No, I remained positive and optimistic about American society and the opportunities it had given to my parents, me and many others. I joined the Peace Corps to make the world a better place and later joined USAID for the same reason. I strongly identified with the idealism of the period and still do, although its excesses trouble me. The 1960s shaped me and many others who would later direct USAID and international development programs.


Q: This was the spirit of that time – The Peace Corps was a constructive way to proceed. Did your parents agree?

SANBRAILO: Yes, they were enthusiastic, strong believers in public service and supporters of Kennedy initiatives.

Q: Given their own backgrounds, they supported the idea of the Peace Corps?

SANBRAILO: Very much so. But I think that they also saw it as the equivalent of graduate school and an opportunity for me to gain experience in a foreign country and further improve my Spanish. They were proud of my PC service and eagerly read my letters from Puerto Rico and Venezuela to our relatives and neighbors.

Q: Did you request assignments in Latin America?

SANBRAILO: Yes, I had taken Spanish at Berkeley, had completed a number of courses on Latin American development and studied about the Alliance for Progress. So it was natural that I would be interested in the LAC region. I practiced my Spanish with our Mexican-American neighbors whose children had often not learned the language.

Q: So the Peace Corps was actually able to give you what you were hoping for?

SANBRAILO: Yes. I was assigned to Venezuela, the “Rural Cooperative II Group” to help the country develop credit unions and agricultural cooperatives. We were to serve as extension agents, mainly for credit unions, to improve their governance, management and accounting. They were seen as instruments for promoting community development and greater citizen participation. It was pure “grassroots development”. I loved it.
Q: Where did you train?

SANBRAILO: In Puerto Rico.

Q: At the Puerto Rico training center?

SANBRAILO: Yes, in the middle of a National Park in Arecibo, living in army-style barracks. It was called camp Crozier, named after one of the volunteers who was killed in Colombia. We got up every morning at 5:30 am, sang the national anthem of Venezuela, we memorized it all. An hour run and all kinds of calisthenics, like boot camp. It was equivalent to military service and even included survival training in a 40 mile rainforest trek —this was the height of the Peace Corps mystic!

We studied Venezuelan history and culture, cooperative development and credit unions, the principles of Rochdale, and community development strategies in the morning, and Spanish all afternoon. Then we were assigned to work in Puerto Rican credit unions and cooperatives to gain on-the-job experience. It was wonderful and I learned a great deal. I will never forget it.

Q: How many people were there in your group that went to Venezuela?

SANBRAILO: There were about 30. The group was called “Rural Coops II”, about six women and the rest men. I think about five were selected out by the end or voluntarily left. It was a traumatic occasion when someone was asked to leave because it was a closely knit group.

Q: And where were you assigned, once you got to Venezuela?

SANBRAILO: The eastern part of the country, a place called Sucre state, just beyond the city of Carúpano. We started working with the Venezuelan government’s Superintendence of Cooperatives in Caracas that was being supported by the Alliance for Progress. Then we moved to the state capital of Sucre, called Cumana, for further orientation with the Catholic bishop there who was promoting credit unions and cooperatives. We were assigned to various rural sites in Sucre state to assist local priests with credit union education and development. My sites were just beyond the city of Carúpano, along the country’s beautiful Caribbean coast.

President Kennedy had made his first overseas trip to Venezuela in 1961 to encourage the reforms of the Alliance for Progress and to demonstrate U.S. support for President Romulo Betancourt, who was under pressure from guerrillas supported by Cuba. Betancourt represented the social democratic model that the Kennedy administration favored. Developing credit unions and cooperatives was a key part of his program, especially working through faith-based organizations.
By the time our PC group arrived in Caracas in October 1965, there were about 300 volunteers in the country. There was a small USAID Mission at the U.S. Embassy, though Peace Corps volunteers rarely entered the Embassy—more about that later. Volunteers were still imbued with a “superiority complex”, we were different, not like traditional diplomats. We lived with the people—it was a direct link to the book, *The Ugly American*.

In retrospect, you can understand why the State Department had opposed the creation of the Peace Corps and warned the Kennedy administration about the dangers of inexperienced volunteers promoting grassroots revolution all over Latin America. What is often forgotten today, is that many called it the “Kiddie Corps” and felt that it might undermine foreign policy and send conflicting messages.

The Catholic Church got involved as part of the Papal encyclicals at that time, getting the Church to be more concerned about the poor. The Pope had ordered the bishops and priests to form credit unions and cooperatives, and they traveled around creating all these groups without knowing much about organization, finance and management. The government had few extension agents so there was a reliance on the Church to promote this work. In many cases, cooperative members thought they were donating to the Church. They didn’t realize they were opening a credit union savings account that could improve their families. Most of the groups were hollow shells.

The parish priest had his notebook. He just wrote down all the contributions and then deposited them in a local bank, but it was disorganized and loans were not being repaid because there was no credit union governance or active member participation. The well-intentioned priest was reinforcing the paternalistic caudillo culture, as well as the idea that the members could not be trusted with managing a cooperative or its bank account. As Peace Corps volunteers we were “Jeffersonian democrats” concerned about what we saw and the lack of member participation in cooperative management, of the sort we had experienced in Puerto Rico.

Among the different communities, no one seemed to know exactly what a credit union or agricultural cooperative was or how they should be incorporated and managed. The agricultural cooperatives were part of Venezuela’s land reform program but the government still retained control of the land and there were no individual titles. I was thrown into a highly disorganized situation and tried to make sense out of it—something my Peace Corps training had not prepared me for.

We expected to work in well-established credit unions and cooperatives like those in Puerto Rico. I started organizing cooperative education classes, explained the Seven Principles of Rochdale, trained and organized boards of directors, set-up accounting systems, introduced checks and balances within credit union administration, and developed a supervisory committee. Also, I began the training of coop managers, who often had only a few years of formal education, although some had attended high school.
After the initial shock about the chaos and uncertainty, it was a wonderful experience. I excelled at it and was effective at working in what came to be called “unstructured situations” that required a proactive entrepreneurial orientation. I later found out that I was part of the 10 percent of volunteers who did well in this type of work in which PCVs had to jump in and define their own jobs and what needed to be done. This ability stayed with me for the rest of my international career—just don’t stand there, get in and make something happen. Other volunteers were not so great at working in such situations and became disillusioned. As a result, I was asked to remain for a third year to become a regional supervisor of newer volunteers and to provide on-the-job training to them.

Q: So, you stayed there for three years?

SANBRAILIO: Yes, three years. I supervised other volunteers during my third year. That’s when the drug culture accelerated, the opposition to the Vietnam War was growing, and volunteers were joining the PC to avoid the draft. You could see the gradual shift in orientation during my years of 1965-1968. Perhaps no other book better captures this change than The Making of an Un-American by PCV Paul Cowan. It is very different than earlier PCV books like “The Barrios of Manta” by Rhoda and Earle Brooks, which showed the early innocence and naiveté of the Peace Corps.

Volunteers in other countries, such as Paul Cowan in Ecuador, were leading street demonstrations against U.S. Embassies because of Vietnam. Some were on drugs and others spent time traveling all over the country, doing little relevant work, and became known as the “Tourism Corps”. There was growing disillusionment with Peace Corps administration and bureaucratization, and a lack of focus. For example, an initiative to take away PCV motorcycles for the sake of reducing accidents became a big issue, with less attention paid to what volunteers were actually doing. Many, including myself, thought the Peace Corps had lost its way. This led the Nixon administration to reorient PC as more of a technical assistance arm, turning away from the grassroots revolutionary mystique that some had envisioned, like Frank Mankiewicz the PC Director for Latin America programs.

Q: Among volunteers, what were the problems?

SANBRAILIO: There may have been too many volunteers, the sites were not well-selected, and jobs were not well-defined. In some cases there was no job at all and just a vague concept of promoting community development. Those volunteers working in the urban slum areas seemed to have the most difficulties. Some of us were thrown into unstructured situations and ultimately made sense of them by defining what needed to be done. But others struggled with such a challenge and became disillusioned. The work was more demanding than many had expected. My “sink or swim” experience at Berkeley may have helped me better cope with this situation. My PC experience prepared me for what I would later confront in USAID.

But some volunteers didn’t do as well and became negative about the host country, negative about the Peace Corps, and negative about the U.S. This unfolded in different
ways in different countries, as shown in *The Making of an Un-American*. I suspect you saw this sort of thing developing – the turning against American values. The assassination of Bobby Kennedy and Martin Luther King, the intensification of the War in Vietnam, the race riots, the riots at the Democratic National Convention in 1968, etc. all contributed to this atmosphere. The United State seemed to be coming apart. The early optimism and innocence of the Peace Corps were disappearing.

Later histories would highlight these trends as shown in books like, *Come As You Are: The Peace Corps Story*, by Coates Redmon; and *All You Need is Love: The Peace Corps and the Spirit of the 1960s*, by Elizabeth Cobbs Hoffman. Even these titles show some of the disenchantment that would emerge when so many good intentions and high expectations hit the harsh reality of promoting change in poverty-stricken communities.

*Q: We had volunteers in Indonesia from 1963 to 1965, and then I came back to Peace Corps Washington until 1967. At the end of 1967, I left Peace Corps and went to work for AID so I missed much of the disillusionment you describe.*

SANBRAILIO: Yes, in my view the late 1960s undermined the original spirit of the Peace Corps. It never seemed to be the same as what I had experienced earlier. Some Returned Volunteers even proposed abolishing the Peace Corps, charging that it maintained underdevelopment and was an instrument of U.S. imperialism. You can see why the Nixon administration moved toward a traditional technical assistance approach, staffed with older and more mature PCVs.

It is important to recall the context in which the Peace Corps was created in 1961. Kennedy and his advisors disliked slow-moving, stodgy bureaucracies like the State Department. They created parallel organizations outside of them, like the Green Berets or Special Forces in the Army who would live with the people and operate in non-traditional ways. The Peace Corps was something similar—“grassroots development revolutionaries”, operating outside of established foreign aid channels with greater “vigor” than traditional programs.

In my view, Peace Corps volunteers were seen as examples of Kennedy’s favorite novel, the James Bond series. They were anti-establishment types and non-conformists who could produce change at the local level, uninhibited by bureaucracy, and who would demonstrate the very best humanitarianism that America had to offer. Few PCVs ever missed a James Bond movie that appeared throughout Venezuela!

At the same time, as the early spirit of the Peace Corps gradually eroded, there were also other changes. No book better captures the growing disenchantment than: *Living Poor: A Peace Corps Chronicle* by Moritz Thomsen published in 1969. I believe that it is the best book to come out of the PC experience. One reviewer even termed it the “Bible” of the Peace Corps. It was beautifully written by a volunteer in Ecuador. I had the same experiences in rural villages of Venezuela as Thomsen records.
Thomsen examined the underlying premises of the Peace Corps and maintained that there was nothing inherently good about poverty and living in poverty. He showed how difficult and frustrating it was to bring about change. Improving incomes often produced conflict and jealousies among neighbors that increased community tensions. It was the inability of people to work together and collaborate that kept communities mired in poverty. Thomsen brilliantly highlighted how poverty corrupts and dehumanizes everyone, it is not glorious, it’s brutal. A literary masterpiece that I recommend to this day. It should be better known.

Q: Same period?

SANBRAILO: Yes, Moritz Thomsen was a volunteer from 1965 to 1968, stayed in Ecuador to run a farm and published his classic book in 1969. After reviewing his writings, some literary experts believe that Thomsen is “..one of the greatest writers that most have never heard of.” While its message is universal to the PC experience, I also consider Living Poor the best book written by an American on Ecuador in the second half of the 20th century.

Q: So this Peace Corps experience, which you already mentioned was excellent training for AID (U.S. Agency for International Development), really was instrumental in your moving logically from there to AID? Did you move straight from the Peace Corps into AID? How did that all happen? How did you join AID?

SANBRAILO: It was excellent training for AID. I first got to know AID in Caracas. I was told that I was one of the first PCVs who crossed a large busy boulevard and went over to “dark side” to visit the Mission at the Embassy. As PCVs at that time, you would never let yourself get caught in the U.S. Embassy. This was the legacy of the The Ugly American and was part of the anti-establishment PC culture in the mid-1960s. God help you if you ever went to the Embassy cafeteria. In retrospect, it was sort of silly but it shows what the early days of the PC were like. I had heard that there was some office in the Embassy that might have money to support community development projects.

Q: What did you want it for?

SANBRAILO: A community center for a credit union that I was working with.

Q: A community center.

SANBRAILO: It would serve as a place for the community to gather for classes and cooperative training, as well as a location to maintain the credit union files and a small library, and a place to plan community projects. The town was called Medina in the Rio Caribe district, which has now become a beach resort.

Q: For your village?
SANBRAILO: For one of them that I was helping, I had a motorcycle and later a small pick-up truck. I assisted 10 credit unions or cooperatives at different locations. As an extension agent, I worked in the rural community of Medina, in the fishing port of El Morro de Puerto Santo, and Río Caribe, among others like Chacaracual, and supported community development projects as well as credit unions. PCVs were the only representatives of the government’s Superintendence of Cooperatives in these isolated rural areas. We worked closely with community leaders and were a novelty. Some initially thought we were evangelical missionaries.

We even had a radio program - “Cooperativismo en Marcha”- promoting cooperatives on a local Carúpano station and mobilized the Rotary Club to support our development activities. That is when I discovered the special role that Rotary Clubs had played in facilitating community service and how they had spread from the United States to Venezuela and many other countries.

Q: Was this in your third year, when you were a supervisor?

SANBRAILO: No, this was in my second year.

Q: So, you were still a regular volunteer when you first visited the Embassy.

SANBRAILO: Yes, I was a regular volunteer. So, I stumbled into the Embassy and found the AID Mission, not having any idea about what it was and thinking the worst of those diplomats and their commitment to Venezuela. I literally came out of there, not only with a commitment to a $5,000 grant for the Community Center but with a totally changed attitude toward the Embassy and AID. I met people who knew a lot about Venezuela, much more than I did, and who seemed to care about what I was doing and why it was important. Shortly thereafter I got a check for $5,000. I thought that I had “died and gone to heaven”.

I said, “These guys aren’t so bad”. They were interested in Peace Corps and what we were doing. They wanted to come out and visit the project.” I said, “Geez, maybe my assessment of them is incorrect.” I was going through some significant changes in my world view as part of my Peace Corps experience. In retrospect, it was similar to what the prominent writer Irving Kristol famously said “that a neo-conservative is a liberal who had been mugged by reality….” I was “mugged” by the Venezuelan reality, seeing the brutality of poverty, and how poverty didn’t allow you to be good or bad. The dehumanizing aspects of poverty that I had never experienced since I came from a middle class life in the San Francisco Bay Area.

As you know, most of us entered the Peace Corps directly from a college campus, thinking there was something inherently good about living in poverty. We were seeking greater meaning in our lives than just another job. We would cleanse our souls of American consumerism by living with the poor. We were influenced by the civil rights movement that was promoting social justice in the Southern states. We were very idealistic!
While some of us had read the books by anthropologist Oscar Lewis, especially *Five Families* and *Children of Sanchez*, about the horrifying conditions of poverty-stricken people in Mexico, we seemed unprepared and even shocked to confront similar situations. The drunkenness, disease, filth, promiscuity and hopelessness in such a rich country left searing images on some of us. That’s why Moritz Thomsen’s book is so important with its universal message about the brutality of poverty.

Seeing Venezuelan men father 10 or 15 children and not care about them, and thinking that this was somehow “manly” was disturbing. The number of unwed mothers, the alcoholism, the domestic violence, the kids growing up without parents, the dysfunctional families and values, the social and community conflicts, the inability to work together, were unsettling. Among many of those with whom we lived, there was a deep sense of inferiority that they were “uncivilized”, a word they used. Others seemed to compensate with exaggerated nationalism.

These ideas would later emerge more prominently with our friend, former AID Mission Director Lawrence Harrison, who became a leader of the “*Culture Matters*” school of international development, continuing the tradition begun by Edward Banfield and others. So, I was going through some rethinking about what I had learned at Berkeley, on top of changing my attitude about diplomats and AID. I began to see the reasons for underdevelopment in a different way as well as what I might do with my career.

*Q:* Did you have colleagues in the Peace Corps with whom you could discuss these kinds of things, or did you re-think things pretty much on your own?

SANBRAILO: Yes, I talked things over with other volunteers, but not too many I knew were moving in my direction. Most retained their liberal views. A few others literally dropped out, got into the drug scene or became anti-American and just wanted to get out of Venezuela. It was sad to see the growing disillusionment and cynicism that was happening. A lot of this evolution is captured in Cowan’s *The Making of an Un-American*.

While this situation may not have affected everyone the same way, it was a pronounced and unfortunate aspect of the PC experience that I observed in the late 1960s. Yet at the same time, I don’t want to exaggerate what was happening. Many volunteers, including those with whom I worked most closely, had satisfying PC experiences, did a good job and took away fond memories of their host country. It was a mixed bag but the initial optimism and innocence seemed to be waning, much like what was happening to the Alliance for Progress, the War in Vietnam and the Black Power groups in the civil rights movement.

As I later read about the history of the Peace Corps, I came to realize that what I had been observing on the ground was a policy dispute about the role of PCVs. On the one hand, the Mankiewicz group believed that volunteers should be grassroots revolutionaries, bearing witness to the social injustices and inequities in Latin America, much like
students were doing for civil rights in the Southern States. To Mankiewicz, it was not relevant if volunteers filled meaningful jobs or achieved specific objectives; their presence was the equivalent to an “international sit-in”. On the other hand, Charles Peters, who directed PC’s evaluation program, disagreed. He maintained that PCVs should have real jobs and provide meaningful technical assistance, as we did with credit unions and cooperatives. These two approaches were never fully reconciled and created contradictions like those I mentioned.

Q: Who was your Peace Corps director?

SANBRAILO: Darwin Bell. And then there was someone from the Caribbean. Who was the guy from the Caribbean? Wheatley. What was his first name? Henry, I believe.

The Peace Corps offices in Caracas were located some distance from the U.S. Embassy in Los Palos Grande neighborhood so as to highlight that Peace Corps was not a part of the Embassy. As Secretary of State Dean Rusk had famously said, “The Peace Corps is not an instrument of foreign policy because to make it so would rob it of its contribution to foreign policy”.

Q: So, you got this grant from AID –?

SANBRAILO: Yes, from AID’s Small Projects Fund. I later found out what it’s all about, the Special Development Activity. In a number of Embassies it would be called the “Ambassador’s Fund”. In later decades the Small Projects Fund was used extensively by PCVs, but I may have been one of the first to do so. When I became AID Mission Director in the late 1970s and 1980s, many of these small grants supported PCV projects in Ecuador and Honduras.

Q: But in this case the AID director had authority?

SANBRAILO: Yes, the AID Director or Program Officer had the authority to approve each project, even those proposed by the Ambassador. If I recall correctly, the Peace Corps Director was not involved in the approval process. I had a direct relationship with the AID Mission. Perhaps the staff had run it through some type of approval process that may have included PC but, if so, I was unaware of it. I filled out some forms and described the project and its justification. My first AID project!

Q: And this was your first exposure to AID?

SANBRAILO: Yes, and I said, “This is great.”, “Maybe I want to do this.” I got interested in development work through the Peace Corps and my academic training at Berkeley. The credit unions I was working with started to prosper and grow – not all of them of course, but most. There was improved governance, the Venezuelan government came to do inspections and was impressed. I was gaining increased enthusiasm for this type of work. You could see change happening, especially with local leaders, but it was slow and frustrating most of the time. There were no quick fixes and many setbacks.
Promoting development is not for those who do not have patience and who expect quick results.

Q: And you got the chance to spend this money without bureaucratic ties. Was this the model of how to spend AID money?

SANBRAILO: Right, the only requirement was to submit a report. I provided some photos and testimonials. It was pretty simple. We showed how we were using the Community Center to conduct classes and project USIA movies about credit union development and improving agriculture. They were the first movies that some of the campesino kids had ever seen. It was amazing to observe their reactions and how an entire new world opened up to them.

Q: And in your AID career you were looking for similar arrangements?

SANBRAILO: Yes, the basic principles that I learned stayed with me: “keep it simple and straight forward”, “don’t get bogged down in a lot of complex bureaucratic procedures”, “make things happen quickly”, “show results”, etc. Don’t allow “paralysis by analysis”, avoid “goal displacement” in which regulations and processes become ends in themselves rather than means.

So, I left Venezuela with a lot of valuable experience about grassroots development, dealing with people and working with AID. Venezuela represented a real change for me, just in terms of thinking about development and how you promote it. Experiencing the local reality, trying to help people improve their lives, encouraging people to work together, and getting them to overcome their suspicions and distrust of one another. I saw the difficulties of coalition building and community organization, much like Banfield described in The Moral Basis of a Backward Society.

I also came to realize that the Enlightenment principles of cooperative governance, with their separation of powers, did not always work. To the contrary those principles often broke down with one “caudillo” figure emerging to dominate the group and do the work. We tried to form an administration committee, a credit committee, a supervisory committee, to provide for a self-regulating organization. They at times degenerated into “one-person rule” of the cooperative or credit union because the group could not reach an agreement or achieve consensus.

It all led me to think more about the cultural obstacles to development, ultimately what Larry Harrison brings together in his brilliant book, “Underdevelopment is a State of Mind: the Latin America Case”. Yet that came later. Overall, I was quite successful. Some of the cooperatives continued to operate for a number of decades. They then merged into larger regional cooperatives. I was recognized as one of the successful PCVs. I felt good about the experience and glad that I had volunteered.

Q: So, even with the kind of problems that Venezuela faces today, they still had these earlier development programs?
SANBRAILO: Oh yes. In recent years Venezuela has had tremendous problems, particularly with the destructive legacy of Hugo Chavez and his Bolivarian revolution. Presidents Chavez and Maduro destroyed this beautiful and wealthy country, in large part because the opposition to them has proven incapable of effectively organizing itself. There has been major attacks on the foundations of liberal democracy. Both Chavez and Maduro reflected the deep social resentments which did not allow them to recognize the earlier development efforts and build upon them.

Prior to Chavez, for over 30 years (1960s to 1990s), Venezuela was a rich oil-producer. It was governed by progressive social democratic governments, which were committed to directing resources to the poorest people. There were paved roads throughout the country, major infrastructure projects were undertaken, schools and health centers existed in some of the most isolated rural areas, and agricultural credit was flowing to large numbers of campesinos, although at times not wisely used. Land reform through cooperatives was being implemented. Large low-income housing, especially in rural areas, was being built. Examples of the land redistribution, credit and housing activities were inaugurated by Presidents Kennedy and Betancourt in December 1961 at La Morita Rural Resettlement project (as shown in an internet video). They were expanded to many other parts of the country that I saw as a PC volunteer. New education and social programs provided opportunities for advancement to many segments of the population, including those sponsored by the military.

At the same time, development was uneven and impacted some groups more than others. As always, there were winners and losers. There was poor governance, weak political parties and extensive corruption. While large numbers benefited from the boom years, many others felt left out, alienated and resentful. Some like Chavez experienced racial discrimination by those who saw lower-income Venezuelans as not having “civilization” or “falling out of a palm tree into a Cadillac”. A group of clever opportunists, called the “Bolivarian bourgeoisie”, with support from the Cubans and drug traffickers, effectively exploited these grievances. They formed part of Hugo Chavez’s movement in the 2000s that ended up destroying the economy, forcing hundreds of thousands to flee the country, and creating one of the gravest humanitarian crises in the region. In effect, Venezuela committed suicide!

What seemed to be missing were visionary leaders and political parties able to formulate national policies and create institutions that could effectively translate resources into sustainable development, bridge the social divisions, and change dysfunctional cultural values, much like had been done in Puerto Rico or Costa Rica. When leading Presidential candidates, like Rafael Caldera, visited the rural towns where I was serving, I saw the disconnect that existed between middle class leaders from Caracas and el pueblo, especially in rural areas. They didn’t always understand each other. There was also a need for local communities that could more effectively organize themselves and take collective action, rather than waiting for government programs.
Let me record a story I often share with our Venezuelan NGO partners. In my first year as a PCV we found several communities that had public funds allocated to them for portable water systems, and the money had been “misappropriated” or stolen. This was 1966. I said, “Well, why don’t we write a letter to the president, that is President of the Republic Raul Leoni”, who was elected following Romulo Betancourt.

And, you know, “campesinos” (peasant farmers) had never done anything like that before, so we all sat down under a kerosene lamp to write a letter. I got the local teacher and she improved my Spanish. Together we helped them write a letter to the President. And to my pleasant surprise, one of the Presidential advisors responded, asking us to come to Caracas to further explain our plans. With community leaders who had never before traveled to the capitol, we boarded a bus for a 12-hour trip from Carúpano to Caracas, and we had an audience with the advisor at the Miraflores Presidential Palace. We eventually got the funds restored. It was highlighted as an example of how to encourage popular participation and community activism.

This case shows that some of the poorest people in Venezuela did in fact have access to the highest levels of government and development programs existed that were attempting to improve their lives. Change, however, did not always produce positive results or come as quickly as expected. Government institutions were often slow to move and didn’t always know how to reach or communicate with these people. There were dislocations and disillusionments among many that fed their frustrations, especially the growing corruption of the political parties.

The situation was an example of what Harvard political scientist Samuel Huntington would describe in his book, “Political Order in Changing Societies”, how economic growth can often generate political instability and populist revolutionaries because change cannot always come fast enough and impact everyone. The development process will always be imperfect because benefits cannot be evenly distributed, producing turbulence along with rising expectations. This can feed deep social resentments by those who feel left out or left behind, as happened in Venezuela.

Q: But it worked. You got results.

SANBRAILO: Yes, we achieved important results. We were dealing with a very rich country, with oil, and money all over the place. Money was out there. The Catholic Church, Caritas, the growing evangelical churches and Rotary Clubs were helping. Most kids were in schools and there were school feeding programs. Some of the communities were getting government agricultural assistance, potable water systems and rural housing. The land reform program was working, although imperfectly. There was growing community participation in credit unions and cooperatives, although there were challenges in managing them. And they were being carried out in some of the poorest and most isolated areas. At the same time, there were still issues in getting communities to assume responsibility for their own development. Local leaders often could not work together, much like the current problems with the Venezuelan opposition.
I could go on further with other stories. But my experiences in Venezuela shaped my subsequent AID and international career. It hooked me. I began to see the development process in a more nuanced way, rather than as a conspiracy by some feudal oligarchs to repress poor people, as some believed at PC headquarters and at Berkeley. I knew that I was moving in the direction of a career in foreign aid.

Q: So, the things that you learned there, if you could tick them off, one, two, three; what would you say they were?

SANBRAILO: How to work in unstructured situations, without looking to a boss for day-to-day guidance. How to help people get organized to achieve specific tasks and keep them focused on results. How you think about and prioritize what a community needs. How you nurture community leadership. How you get the community to decide on its own priorities. Moving beyond what I would call a simplistic and romantic view of poor people to a more nuanced view, I would hope.

The importance of building local institutions and to make them work. How to deal with local people in a respectful, supportive manner, while recognizing the cultural constraints to development. How to be an advisor and facilitate dialogue among community leaders. How to be humble and not be overbearing and impose your ideas on the group. How to be patient and not get frustrated and disillusioned by what appear to be insurmountable challenges.

Q: Terrific.

SANBRAILO: I guess that I was an example of what Kennedy hoped would happen with the Peace Corps, although I never thought much about that until later. PC was to be the training ground for the foreign aid program or other government service. In my case, it certainly worked out like that.

Q: And how smart AID was to hire you. So, you left Venezuela, and then what?

SANBRAILO: I enrolled in graduate school, received my master’s degree at San Francisco State University. I worked as a teaching assistant for several professors in the economics department, doing research and some tutoring of undergraduates. It was the same year that the campus blew up with student demonstrations led by the Black Panthers who shut down classes. The police finally had to be called. It got violent, not a very pretty picture but school went on. That was the 1960s!

Graduate School at SF State University (1968 – 1969)

Q: What did you get your master’s in?

SANBRAILO: Economics & Development, based on my Peace Corps experience, with the idea of probably joining the federal government.
Q: Was this a one-year master’s or two?

SANBRAILO: One year.

Q: Did you do a thesis of some sort?

SANBRAILO: No, we did papers. It was largely coursework and a lot of research and class presentations. Based on my Peace Corps training, I did a lengthy paper on the modernization of Puerto Rico, how it served as a model for the Alliance for Progress, and the comparisons between Puerto Rican development and that of Cuba dominated by the Soviet Union and its socialist planning system. I also prepared a paper on rural-urban linkages in Venezuela and how they could be used to promote development.

Q: So, that’s 1969?

SANBRAILO: Yes, it was 1968-1969. I also worked as a teaching assistant for undergraduate courses that later helped me in explaining economics and development concepts. I had a wonderful professor, Josip “Jozo” Tomasevich, who was a leading expert on Yugoslavia. I learned a great deal from him. His publications, such as Peasants, Politics and Economic Change in Yugoslavia, and Contemporary Yugoslavia: Twenty Years of Socialist Experiments, were the leading works on this country. They greatly helped me better understand the complexity of the development process.

Q: How long did you do that?

SANBRAILO: The whole academic year. I worked with several different professors as the campus blew up. That was the most radical period of the student movement.

Q: It follows you around, doesn’t it? It was blowing up at Berkeley, and then you went to SF State and it blew up.

SANBRAILO: Yes, and this was the height of the Black Power movement. They came armed to campus to disrupt the university in order to call attention to their grievances. Some of us said, “Hell no,” so we urged our professors to go off campus to hold classes, and we moved forward. Ultimately, Professor S.I. Hayakawa, a distinguished linguist, became president of the university and quickly put down the demonstrations. He was a real tough no nonsense guy, much like Ronald Reagan had done as governor. Hayakawa later became a U.S. Senator for what he did.

At that time, you had the classic San Francisco liberals trying to protect the armed Black Panther activists, allowing themselves to get beat up by the police, and this whole victimization complex of, “We white people are responsible for black rage.” It was the same attitude that some had about Latin America to explain Third World poverty—they maintained that the rich countries were responsible for poverty and underdevelopment in other parts of the world. I viewed this as misguided and a tremendous disservice to those who needed something more positive.
Q: Interesting. So, San Francisco was kind of a microcosm of the changes going on throughout American society.

SANBRAILO: Yes, very much so and it still is. In the 1960s, San Francisco was the crucible of the Cultural Revolution, the Hippies, the drug culture, the Black Power movement, the anti-War movement, Teach-Ins at major universities, Earth Day, the feminist movement, gay rights, and the rights of homeless people to live on the streets, etc. You name it, and San Francisco had it!

At the same time, later histories maintain that it was this open, freewheeling, experimental, non-conventional SF environmental that also produced Silicon Valley, Steve Jobs and the computer revolution.

AID International Development Intern (1969 – 1970)

Q: But then did you apply to AID, or did they find you? How did this work?

SANBRAILO: AID had sent out notices to universities to post on their bulletin boards. One advertised for applicants to the International Development Intern (IDI) program. I submitted an application and was selected for the second IDI class.

Q: Again, this is 1969?


Q: Is that what you’d been looking for?

SANBRAILO: No, not exactly. I sent back a letter requesting a change, “I’d like to be reassigned to Latin America because I had expertise in the region and could make a more meaningful contribution there.” They said, “Fine, we’ll send you to Brazil.” I said wow, that’s a flexible organization.

By the time I reached Washington in July 1969, the Brazil assignment changed to Ecuador, because the Brazil mission was being downsized from a high of about 1000 staff in the mid-1960s. As you may recall, Brazil had an immense AID mission and was one of the highest priorities for the Alliance for Progress. So, I graduated in June, packed up, and moved to Washington, D.C. the very week that a man first stepped onto the moon, and the rest is history as they say.

Q: Otherwise your arrival in Washington would have been the most noteworthy development.

SANBRAILO: Right, exactly. The city was being jolted by street demonstrations against the newly-elected Nixon administration and the continuation of the war in Vietnam.
Washington was still recovering from the race riots of 1968 and the burning of neighborhoods, in the wake of the Martin Luther King assassination.

Q: How much time did you have in Washington before they sent you to Ecuador?

SANBRAILO: Six months. There was formal IDI orientation and training, and then rotation assignments to different AID offices, largely in the LAC Bureau and to the Ecuador desk in the State Department’s South America Office where AID personnel were collocated.

Q: Oh. And this was a training period, or were you assigned to the desk?

SANBRAILO: There was a well-developed schedule of rotation assignments. I was recruited for what was then called “Capital Development (Loan) Officer” and assigned to work in LAC/DR, led by Frank Kimball and Lenny Yeager. The LAC Bureau had the elite AID officers and much of the funding, although it was declining because of the war in Vietnam. There was growing resistance by some Latin American countries to the reforms being supported by the Alliance for Progress, as well as regional discontent with the U.S. as reflected at the Hemispheric meeting of Presidents in April 1967.

The LAC Bureau had been carrying out new development programs, like policy-based program and sector lending, similar to what had been done under the Marshall Plan; promoting private sector development; creating housing banks, industrial productivity centers and investment banks; strengthening cooperatives and labor unions; modernizing university education; and encouraging land, labor, education and tax reforms. Country programming was being used to tie together the projects into an integrated strategy, which differentiated the AID approach of the 1960s from earlier approaches.

There was growing criticism, however, about the program because some mistakenly believed that it was only “making the rich richer and the poor poorer”, or that it was undermining democracy by supporting military regimes that did not care about poor people. This led to adoption of Title IX of the Foreign Assistance Act (FAA) that mandated AID to work more directly with poor people and to maximize their participation in their own development. Ecuador became a model Title IX Mission which made it an exciting place to serve in the early 1970s.

Q: As an IDI (International Development Intern), though.

SANBRAILO: Yes, we were IDIs. I also had a technical backstop which was “Capital Development (Loan) Officer”. We were considered leaders in the Agency, what would become in the 1970s the project development officers, the LAC/DR group led by Marshall “Buster” Brown, and a number of Latin Americanists. These were the type of officers who moved most of the money into specific Alliance for Progress projects during the 1960s, which was provided in the form of low interest 40 year loans. So, I learned a great deal from them.
At that time, Jack Heller was head of the Program Office and the LAC Bureau was still staffed by a leading corps of development specialists who came into the agency in the 1960s because of the excitement of the Kennedy administration and the Alliance for Progress. Frank Kimball was head of the LAC/DR Capital Development office, along with a few staff who went back to the Development Loan Fund and other predecessor agencies. We did training assignments there, as well as at the Desk and in other offices. The main rotation was to be to an overseas Mission, in my case Ecuador.

This was a period of transition and questioning, similar to what I had seen during the latter part of my Peace Corps assignment. The Nixon administration was recently elected and turned away from Kennedy’s Alliance for Progress and the Decade of Development. In Nixon’s Foreign Assistance Message to Congress in May 1969, he called for a new direction and narrowing the scope of foreign aid programming. The Peace Corps was under attack. It was being redefined, largely as a technical assistance entity with older and more technically qualified volunteers.

Most significantly, the academic community was criticizing the very assumptions of modernization theory. The critics included America’s leading political scientist, Samuel P. Huntington, who had recently published his classic work, Political Order in a Changing Society. He argued that economic growth could be highly disruptive to traditional societies and may not lead automatically to stability, order, democracy and social progress, and that nation-building in Vietnam was doomed to fail.

Huntington followed his book with a series of Foreign Policy articles in 1970, “Foreign Aid: For What and For Whom”, maintaining that AID should be disaggregated into its component parts (e.g. security assistance, humanitarian aid, development aid, food aid) and that a centralized aid agency was inherently unmanageable. This of course undermined the very rational for a central agency that would incorporate all foreign aid programs. Other books appeared that further questioned the very premises of AID, such as Liberal America and the Third World: Political Development Ideas in Foreign Aid and Social Sciences, by Robert Packenham.

Leading writers like William and Paul Paddock in, Famine 1975! America’s Decision: Who Will Survive!, argued that famine would grow so severe that the international community would have to abandon countries to hunger and malnutrition. Paul Ehrlich’s best-seller, The Population Bomb was predicting mass starvation unless there was population control. While these authors clearly overstated the case, they ultimately shifted AID away from comprehensive country programming to a more narrow focus on specific issues like increasing food production, disseminating family planning methods and addressing rural poverty. These priorities began to emerge during the Johnson administration, but became dominant themes of the 1970s. There was growing criticism of the economic growth, infrastructure projects and private sector programs of the 1960s.

Many in Washington and in the LAC region felt that the Alliance for Progress was failing, much like the War in Vietnam, and the U.S. should reduce its involvement overseas. By the mid-1960s, President Johnson had already begun turning away from
supporting a broad based economic growth strategy to one based more on a “War on Hunger” and projects to improve health and education. In 1969, President Nixon asked Nelson Rockefeller to undertake a review of the Alliance. He concluded it should be scaled back and aid should largely be channeled through multilateral entities to reduce the frictions and disagreements with LAC governments. It was disappointing to me that one of great pioneers of bilateral aid, Nelson Rockefeller, could turn away from it, but this reflected the increasing disillusionment in these years.

At about the same time, a highly negative book was published by a senior LAC Bureau leader, Jerome Levinson, titled The Alliance that Lost its Way: A critical report on the Alliance for Progress (1970), one of the earliest works by an AID officer. The Levinson book was cited by many, especially in the academic community, that AID had failed and a new approach was needed, even though many Alliance projects had not yet been completed or evaluated. The GAO also jumped on the bandwagon and started producing a series of reports which maintained that the Alliance was not achieving its goals. What few fully appreciated was the significant paradigm shift that the Alliance had produced in Latin America and the progress being made to achieve the goals laid out in the Charter of Punta del Este that established the Alliance. Most of its goals were in fact met by the 1970s, even though the level of funding promised by the Kennedy administration and the Congress were not provided in a timely way.

Furthermore, a broader review of foreign aid headed by Lester Pearson was underway. The report that followed, Partners for Development: Report of the Commission on International Development (1970) called for major reforms and greater support for multilateral aid, especially through the World Bank. In addition, the Nixon administration was moving to dismantle the LAC Bureau’s successful private sector program and use it to establish the Overseas Private Investment Corporation (OPIC). Most private sector officers left the agency which was a major loss.

AID was also moving to implement the FAA Title IX legislation to maximize the participation of the poor in their own development and was establishing model Title IX missions, such as in Ecuador and Costa Rica. As recommended by Harvard Professor George Lodge, a new USG Inter-American Foundation (IAF) was created to support grassroots community groups, civil society and labor unions that AID had previously been doing, thereby undermining the LAC Bureau and ignoring its past work in this area. There were growing Congressional concerns about AID’s public safety and civic action programs, which would accelerate with the subsequent French movie State of Siege that provided a highly critical view of AID programs for professionalizing police forces in the LAC region.

My supervisors in the LAC Bureau were grappling with this rapidly-changing environment. There were many doubts about the optimism of the earlier MIT modernization theorists, such as Walter Rostow. In a small way, perhaps my recent academic training helped me and the Bureau better understand what was happening. What few fully appreciated was the significant progress being made in the LAC region, especially in terms of policy reforms, institution-building, technology transfer and private
sector development, even though they were clearly messy, incomplete and imperfect. This progress got ignored because military regimes had taken control in a number of countries like Brazil and Chile.

It was a fascinating time to have joined AID. But as with the Peace Corps, much of the enthusiasm and support for the Alliance for Progress and international development was eroding. This was accelerated by the War in Vietnam and growing criticism by some LAC governments and the academic and journalistic communities. The multilateral development banks seized the opportunity to grow their programs at the expense of bilateral aid.

Q: Tell us a little more about the Alliance for Progress.

SANBRAILIO: The Alliance was the largest U.S. aid program for the developing world up to that point and called for major reform of LAC policies and institutions. It was motivated by the great fear of communist expansion into the Western Hemisphere as a result of the triumph of Cuban Revolution and a desire to improve hemispheric relations. Some analysts felt that the communists would be on the beaches of Miami any day. Even one leading AID official, Teodoro Moscoso, maintained that it was “One Minute to Midnight” before additional countries followed the Cuban example.

Kennedy himself said that “Latin America was the most dangerous area in the world” for U.S. security interests, further reinforced by the failed Bay of Pigs invasion in April 1961 and the Cuban missile crisis of October 1962. In retrospect, historians now believe that the threat of communist subversion in Latin America was exaggerated, as the Kennedy campaign had done with the missile gap.

The Alliance was the great hope of U.S. policy-makers as the means to counter the rise of communism, much like the Marshall Plan had done in Western Europe. Rather than use force or covert action to influence political change, the program would encourage leaders to pursue economic and social reforms, such as land redistribution and improved tax collections. U.S. aid would be a way to help Latin American leaders to help themselves create greater economic growth, accelerate social progress, and increase political stability, and in doing so develop new, more cooperative and positive Inter-American relationships.

The program was signed at an Inter-American conference in Punta del Este, Uruguay in August 1961. The Charter established a ten year plan with specific goals, such as promoting an annual increase of 2.5% in per capita income, supporting democratic governments, eliminating adult illiteracy, achieving more equitable income distribution through land and other reforms, and expanding economic and social projects, among others. The plan called for Latin American countries to mobilize $80 billion in capital investment to be matched by $20 billion from the United States through bilateral and multilateral aid agencies and, most importantly, the private sector with direct foreign investment, loans and guaranties. While it was never specifically stated, the Kennedy administration expected that aid through the newly created AID and IDB, plus the U.S.
Export-Import Bank and World Bank, might equal $1.0 billion per year, with the private sector providing an additional $1.0 billion.

Following the model successfully used by the Marshall Plan, each participating country was to prepare a comprehensive national plan for development. They were to be presented to an Inter-American panel of experts, dubbed the “Wise Men”, to be named by the Inter-American Development Bank (IDB), the UN Economic Commission for Latin America (ECLA/CEPAL) and the Secretary General of the OAS. The panel formed part of the OAS Economic and Social Council (IA-ECOSOC). It was expected that each country plan would include specific tax, land, social and economic reforms that would be supported by Alliance funding through conditional-based program and sector lending and project assistance. President Kennedy’s first overseas trip was in December 1961 to inaugurate Alliance projects for land redistribution, agricultural credit and rural housing in Venezuela and a large scale housing program in low-income areas of Bogota, Colombia (see internet video).

A newly created Agency for International Development (AID) was established in 1961 specifically to fund the Alliance. Many today have forgotten that AID was created mainly to implement the Alliance for Progress and its comprehensive strategy of country programming. AID Missions were opened in almost every country in the hemisphere. The priorities would be Brazil, Chile, Colombia, the Dominican Republic and Costa Rica, but almost all countries received some Alliance loans and grants. Many of the reforms were politically sensitive and difficult to quickly execute. As a result, the slow progress in disbursing funds in the 1960s, generated substantial criticism that boiled over at the second Hemispheric Meeting of Presidents at Punta del Este in April 1967. Some analysts would later maintain that the Alliance actually provided few net resources when compared to LAC debt repayments.

This was the program that was winding down as I joined the agency in 1969, although there was a significant pipeline of ongoing loans and grants whose expenditures would extend well into the 1970s. While new funding substantially declined after 1969, the Alliance would officially conclude in 1973 when it lost its Congressional earmark in the AID appropriation and a new policy was established through the New Directions legislation. Many of the Alliance’s major impacts were achieved in the 1970s through sector and project assistance, but by this time many had already declared the Alliance a failure and moved on to other programs.

Q: So returning to your IDI training, you were attached to LAC Bureau – And those were your bosses?

SANBRAILO: Right. We rotated from our home office of LAC/DR to the desk and the Program/Budget Office and briefly to some of the technical offices. The idea was to provide IDIs with an overview of how different AID offices functioned and the status of Alliance for Progress funding. The AID and State desks were combined together in a “back-to-back” office arrangement that worked well and provided a model for State/AID integration. Many AID and State Officers still remember the arrangement fondly.
Q: That was unique to the Alliance.

SANBRAILO: Yes. As IDIs, we did training assignments with both AID and State. We saw how State and AID could work together without major institutional rivalries and frictions. Many U.S. Ambassadors were actively engaged with AID Missions in dialoguing with host countries about Alliance reforms and the projects to support them. It seemed to work well at the operational level but this experience has largely been forgotten.

Q: Did you find the transition to AID from academic and Peace Corps life to be challenging? I mean, this was not at all like moving from high school to Berkeley, right?

SANBRAILO: You know, it was really quite similar. I had Peace Corps service and a post-graduate degree in economic development that emphasized Latin America. I was able to translate my experience and education into what each office appeared to need. The IDI training helped. I learned a new language about project design requirements and documents, implementation procedures, programming and budgeting. The rotation assignments provided us with a good overview of how the agency operated, at least in Washington, and we got a sense of how Washington engaged with the field. What we did not get were the challenges of working in field missions to translate all of AID’s complex rules and regulations into projects. That would come later.

For part of the time, IDIs were at the Foreign Service Institute (FSI) or AID training classes and then assumed actual work assignments in different offices. We attended lectures and participated in area studies, as well as received language training, much like today. We got into project development, the preparation of project papers, and how to put together a project for approval. We completed cost-benefit analyses, reviewed sector assessments, especially from Brazil and Colombia that were experimenting with this new form of lending. We also learned about the politics between the LAC Bureau and other Bureaus, and between headquarters and the field missions, among other things.

Q: So, it was substantive from that standpoint?

SANBRAILO: Oh, yes, quite substantive. I would grade the FSI and AID training as very good and an excellent introduction to the agency.

Q: Did you have a sense of this as a beginning of a voyage? Was it inspirational in any sense? I’m trying to gauge whether coming into AID at that time with your background was what you had expected, that this was your chance to change the world. Or did it have more of a bureaucratic sense to it? Or neither?

SANBRAILO: I don’t think that I would term it “inspirational”. It wasn’t like the Peace Corps that had its own mystic and ideology. The training attempted to give you the mechanics, the “nuts and bolts” of what you had to do to become a successful AID officer. It introduced us to the organization and its culture, the LAC Bureau, how the
agency did business and how it operated through field missions. Since there was so much uncertainty about the future of the Alliance, the earlier enthusiasm about AID was slowly dissipating and some officers were leaving.

As I mentioned, the LAC Bureau still had a large pipeline of ongoing Alliance for Progress projects. I sensed from them the early excitement and hopes that many had experienced. We worked on these projects. I found them more successful than the negative commentary about the Alliance would lead you to believe. I clearly saw AID as a great opportunity to continue the exciting work that I had done in the Peace Corps, although in a different way and with more resources.

What was disappointing were leaders like Jerome Levinson turning against AID and the LAC Bureau, highlighting the negative rather than providing a more balanced view of the Alliance for Progress. He subsequently became chief counsel for the Senator Foreign Relations Committee (the Church Committee during 1972-1977) and one of AID’s harshest critics, while at the same time emphasizing the great successes of the Inter-American Development Bank. He then joined the IDB as General Counsel, leaving his AID colleagues to deal with the consequences of what he had contributed to in the 1960s. Unfortunately, I would later see that this was all too typical of the agency—its harshest critics would often be AID officers who lacked historical perspective about what was being achieved, and perhaps used such criticism to advance their own careers.

It should be noted, however, that a similar phenomenon was taking place in the Peace Corps. A group of vocal Returned Volunteers called for the Peace Corps to be abolished because they maintained it was perpetuating underdevelopment; they said it was nothing more than “a graduate school for imperialism”. The very symbols of the Kennedy administration (PC & the Alliance for Progress) were under attack by those who knew them the best. Much of this grew out of the turmoil and frustrations of the late 1960s and those who asked how it was possible for the U.S. to place a man on the moon but could not end the war in Vietnam or abolish poverty in the U.S. and underdeveloped countries. The expectations were just too high. They could never be fully realized, thereby producing deep disillusionment even with the very real achievements being made.

**AID Ecuador Assignment (1969 – 1972)**

Q: Well, let’s move on to your first field assignment with AID. I understand that it involved work on infrastructure projects in those days. Is that correct?

SANBRAILO: Yes, AID was financing some infrastructure projects, such as a consortium road program supported by AID, IDB and the World Bank to better integrate the Ecuadorian economy and to open new areas for agricultural production. But it was a small part of a broader country program that aimed at accelerating Ecuador’s economic growth and increasing its capacity to use larger amounts of development resources. Infrastructure was seen as a means to an end, not an end in itself, unlike the orientation of the 1950s. It was not the main focus of our attention.
The key emphasis was on interventions aimed at building host country institutional capacity and human resources, transferring technology, funding import substitution industries, and expanding the private sector as an engine of growth. Improving public administration, including merit-based recruitment of government employees, was a major initiative as well as upgrading tax and customs administration to increase GOE revenues. Great attention was placed on promoting community development and developing credit unions, cooperatives, labor unions and savings and loan associations (mutualistas). Significant funding was provided to modernize Ecuadorian university education and to complete the eradication of malaria and other tropical diseases that began in the 1950s.

An overall objective was to improve Ecuadorian state capacity to conduct national planning in ways that could mobilize domestic and international resources. For example, AID projects strengthened the National Planning Board and provided it with funding for feasibility studies for electrification, airports, water and sanitation, and other infrastructure that could be financed by the multilateral banks. Priority was placed on developing human capital through the Participant Training Program. Additional projects established the Ecuadorian Housing Bank (BEV), organized an Industrial Productivity Center (CENDES), capitalized new investment banks (CFN-COFIEC), initiated a bank to finance cooperatives, and began the Quito and Guayaquil stock exchanges to increase capital mobilization for industrial enterprises.

Of special importance, AID resources supported agrarian reform through the establishment of the Land Reform Institute (IERAC), initiated rural electrification cooperatives, built rural primary schools, and strengthened labor unions. There were projects for professionalizing the police force (public safety); encouraging civic action by the military; and family planning later in the decade, among others. In his speeches on the Alliance, Kennedy would always emphasize its social impacts. In fact, some of the earliest Alliance projects were in the housing sector (see YouTube video with Kennedy’s speeches on the Alliance for Progress).

It is not correct to view the Alliance as only funding infrastructure projects. It was a broader program that concentrated much more on encouraging countries to implement structural reforms, institutional changes and human resource development which in turn would lead to the achievement of the goals included in the Charter of Punta del Este. Such actions would upgrade the capacity of the Latin American state and the private sector to mobilize resources so they could fund programs without U.S. aid. There was a focus on self-help, as demonstrated by the ability of LAC countries to prepare national development plans that would qualify them to receive Alliance aid, much like was done with the Marshall Plan a decade earlier. Country commitment was manifested by its willingness to carry out land, labor, tax, and economic and social reforms, and increase its own budget allocations to development expenditures.

The AID strategy in Ecuador, as well as in other countries, was based on President Kennedy’s Foreign Assistance Message to Congress in March 1961 and the Charter of Punta del Este. They in turn were shaped by the recommendations of the UN Economic Commission for Latin America (ECLA) and Economist Raul Prebisch’s model of import-
substitution industrialization. Rostow’s “The Stages of Economic Growth” was influential, as well as what came to be called the “Charles River” group of economists at MIT’s Center for International Studies. The approach began comprehensive country programming that many have forgotten that AID initiated. Similar methods were successful in Taiwan, South Korea and Thailand.

When judged by the achievement of specific objectives, many programs were more successful than popularly believed, especially in Brazil, Chile, Colombia, Costa Rica and the Dominican Republic. The overall Alliance, however, was clearly imperfect in reaching all goals, such as ensuring democratic governance, redistributing land on a large scale, and improving income distribution, even though individual projects brought about many important and long lasting changes.

Country programming was an innovation introduced by the Kennedy administration to better support state-building and to differentiate the AID program from those in the past. Instead of focusing on individual projects, as was done in the 1950s, greater emphasis was now placed on multiple and coordinated interventions targeted to specific obstacles that were constraining national growth, such as infrastructure bottlenecks, improved industrial policy, equity capital, trained human resources, etc. This approach, however, gradually broke down in the late 1960s as policy-makers and the general public demanded faster progress and greater immediate impacts on the poorest people.

As a result, Title IX of the FAA emerged in 1967 as a focus for LAC programming, although it was not fully applied by all missions. It called on AID to direct assistance to “grassroots development”, maximizing the participation of beneficiaries in the execution of AID-funded programs, and to direct aid to the poorer segments of the population. It led to a number of initiatives, such as Civil Operations and Rural Development Support (CORDS) in Vietnam, the establishment of the USG’s Inter-American Foundation (IAF), and several model AID missions, such as in Ecuador and Costa Rica.

My first overseas AID assignment was to the Title IX mission in Ecuador. It was an exciting program that was carrying out innovative projects, largely through civil society and the private sector, although many of the earlier Alliance programs were still ongoing. A key priority was to develop cooperatives and local NGOs, and to implement new ways to support social development and popular participation, much as I had done in the Peace Corps. Greater importance was placed on rural development, encouraging citizen participation, non-formal education and helping indigenous groups organize to advocate for their interests.

Q: How were Alliance projects carried out in Ecuador?

SANBRAILO: This is another misunderstanding that emerged in later decades. All of the loans and most of the grants were carried out by host country institutions, either in the public or private sectors, and were designed to reflect national priorities. They were not directly managed by the AID Mission. Staff played key roles in advising the GOE and local counterparts and worked alongside them to translate funding into actual
expenditures and results. In fact, the Ecuadorians would often insist that these were “national projects” supported by AID and not “AID projects”. Yet funding had to be expended in accordance with AID’s cumbersome rules and regulations, contained in the Foreign Assistance Act (FAA). They could delay disbursements that was a source of growing tension between the USG and GOE.

A key project component was foreign technical assistance and training. For example, U.S. consulting firms, like Nathan & Associates, advised the National Planning Board on methodologies for identifying overall development priorities, producing synergies among projects, conducting cost-benefit analyses and preparing national planning documents that met international standards. Other consultants worked for Ecuadorian entities to prepare feasibility studies for projects, such as hydroelectric investments, airports, potable water and sanitation, and for import-substitution industries. Advisors from U.S. investment banks, savings and loan associations, and regional stock exchanges were regularly engaged with the GOE and the private sector on means of expanding capital markets, and equity and mortgage financing.

In major reform areas, U.S. universities played crucial roles. The Land Tenure Center at the University of Wisconsin advised the land reform institute (IERAC) on alternative models for executing agrarian reform, based on experiences in other countries. Georgetown University worked to modernize the curriculum at the Catholic University. Others, such as the Universities of Pittsburgh and Houston, updated teaching and research methods at the Central Universities in Quito and Guayaquil. A number of land-grant colleges improved agricultural research/extension and trained numerous Ecuadorians at their home campuses, building technology exchanges that lasted for many decades. The University of Massachusetts at Amherst developed a pioneering non-formal education program that revolutionized indigenous and campesino training that came to symbolize the type of popular participation advocated by the Title IX legislation. The latter is described in Samuel Butterfield’s book, *U.S. Development Aid—An Historic First: Achievements and Failures in the Twentieth Century.*

The American Institute for Free Labor Development (AIFLD), an affiliate of the AFL-CIO, promoted Ecuadorian labor reforms and strengthened labor organizations like CEOSSL, among others. AIFLD’s long serving Executive Director, Bill Doherty, saw his advisors and counterparts as “Blue Collar Freedom Fighters” waging a heroic battle throughout the region against communist control of unions and their use of non-democratic methods to control workers. The Credit Union National Association (CUNA) and the Cooperative League of United States of America (CLUSA) developed the country’s Credit Union Federation and numerous indigenous and campesino cooperative federations. The National Rural Electrification Cooperative Association (NRECA) established the first rural electrification cooperative at Santo Domingo de los Colorados.

Through AID support, prominent international experts lectured in Ecuador, such as Peter Drucker, the leading guru on modern management. David McClelland, author of *The Achieving Society*, identified the factors for promoting entrepreneurship and economic growth. McClelland’s work was especially well-received and encouraged non-formal
adult education that was successful in stimulating indigenous activism. The Mission funded the work of PADF to establish the Ecuadorian Development Foundation (FED) that pioneered financing of microenterprises and nurtured entrepreneurship among the marginalized and excluded segments of the population. AID also created OCEPA to increase Ecuadorian artisan exports, which spawned numerous other organizations leading to development of the country’s rich cultural heritage.

Within the framework of the Alliance, new funding was provided to Ecuador from the IDB, the World Bank, the ADELA investment company and the U.S. Export-Import Bank, mainly for infrastructure projects and industrial development. Yet AID remained the lead donor during much of the 1960s. Hundreds of Peace Corps volunteers were carrying out community development, credit union and cooperative projects. Local currency generated by PL-480 food aid was used to support IERAC and agrarian reform. Numerous NGOs, such as CARE, CRS, PADF, and evangelical missionary groups, were active in promoting grassroots development.

These initiatives stimulated a great deal of local debate about measures needed to advance Ecuador’s modernization. While some of the Alliance projects, with their technical assistance and training components, brought about significant changes, some did not achieve all of their objectives. At the same time, they planted seeds that would later germinate and produce a paradigm shift in national thinking about development. Much of their impact got clouded and even distorted by the country’s chaotic political conditions. Various populist Presidents confronted the United States on foreign policy issues and criticized the Alliance for not delivering immediate results.

Q: In this regard, what was your impression of the Ecuadorian government as you began to work in the country? What was the country context?

SANBRAILO: Unfortunately, the newly elected government of José María Velasco Ibarra was unstable, erratic and difficult to work with. Velasco was a charismatic populist, famous for his statement, “give me a balcony and I will become President”. For policy-makers, Ecuador was one of the most challenging countries, seen as a potential “Cuba of the Andes”. Much of its indigenous and rural population was largely excluded from society and the economy.

Ecuador was regularly opposing U.S. policy, recognizing Cuba, resisting the reforms of the Alliance, opposing the United States at the second Punta del Este conference in 1967, and forcing the U.S. to withdraw its Ambassador before he was declared persona non-grata. Furthermore, tuna boats from San Diego, California were being seized by the Ecuadorian navy and their crews were jailed during what was called the “Tuna War”. To make the situation even worse, it used vessels provided by the U.S. military to stop fishing boats within the country’s 200 mile offshore zone that the U.S. did not recognize.

The GOE found it difficult to work constructively with the U.S. There was widespread perception among many Ecuadorians that the country had been mistreated in the past by the United States and international community, especially at the Rio de Janeiro
conference in January 1942 that granted large tracts of the border region to Peru following its war with that country. Populist leaders regularly used anti-American rhetoric and conspiracy theories to unify one of the most fragmented republics in the region; one with weak institutions, ineffective political parties, serious governance issues and deep national frustrations and social resentments.

As a result, Washington viewed Ecuador as a “hopeless case”. As development policy evolved in the late 1960s, it allowed the AID mission to experiment with new Title IX projects that might be more effective than working directly with the GOE and could possibly help to defuse the explosive situation. The “Tuna War” had created growing anti-American sentiments. The populist rhetoric of three Presidents (Julio Arosemena and his cousin Otto, as well as Velasco Ibarra) had intensified the negative attitudes.

In 1967 President Otto Arosemena forced the U.S. to withdraw its Ambassador because he publically defended the Alliance for Progress. The AID Director was also withdrawn and the Mission was phased down. Arosemena had harshly criticized the Alliance at the Punta del Este Conference. Relations were not good. No one cared much about Ecuador. The focus was on more important countries such as Brazil, Colombia, Chile, the Dominican Republic and Costa Rica. Furthermore, by the late 1960s, Vietnam was diverting resources and attention away from the LAC region. As a result, Ecuador would ultimately become an experimental laboratory for Title IX programming.

Q: Was there a sense that the AID mission might be closed?

SANBRAILO: Yes. In fact, there was a confrontation between Presidents Lyndon Johnson and Otto Arosemena at Punta del Este. As chairman of the Conference, Arosemena lectured Johnson on the famous Uruguayan novel Ariel by José Enrique Rodó, one of the classic anti-American works in Latin American literature. Rodó argued that Latins have higher humanistic values than the Anglo Saxons, whose values are crude and materialistic.

Arosemena used Ariel to explain why many were criticizing the Alliance -- essentially you Americans don’t understand us and our sensibilities. Much of this became a “nationalist show”. It may have been in response to Embassies and AID missions advocating for economic and social reforms, such as more effective macro-economic policies, land redistribution, labor rights, as well as improvements in tax and customs collections, modernization of public administration, and others. Some of the LAC leaders could not fully address these reforms as too politically sensitive, so instead, they became harsh critics of the U.S. to divert attention away from their leadership failings. In effect, they concealed their opposition behind nationalistic rhetoric and blamed the U.S. for the Alliance’s shortcomings.

Needless to say, Johnson and the U.S. delegation left the Conference shaking their heads about the Ecuadorians and their lack of a pragmatic orientation. When Otto Arosemena verbally attacked the U.S. Ambassador and even his wife, and forced them to leave the country, Johnson was reported to have “hit the roof of the White House”, and cut off all
aid until Arosemena left office. This was the negative environment in which AID had to work in the late 1960s, when I was assigned to Ecuador.

Q: You said you’d heard all about it at San Francisco State.

SANBRAILO: Yes, I was fortunate to attend lectures by the former President of Peru, Fernando Belaúnde Terry, who had been forced out of office by a military coup. He was a visiting professor at several universities in the San Francisco Bay Area in 1969 when I was there. We developed a friendship and discussed Latin America programs. Belaúnde was very knowledgeable about the Punta del Este Conference. He was one of the leading spokesmen for democratic governance, working with the U.S. in a constructive manner, and developing the Amazon Basin for the sake of economic progress in South America as a whole. He was shocked by Arosemena’s attitude and other Presidents for accepting such a negative approach.

I never thought that one day I would end up as AID Mission Director in Peru and have the great honor to work with Belaúnde, after he was elected President for a second time in 1980. I also followed the politics of the region and heard from Ecuadorian students at SF State about the challenges faced by their country.

Q: Well, that started you off.

SANBRAILO: Yes, I was off to Ecuador. So, I got to Quito and you heard my initial impressions. I walked in the door, the secretary was responding to an incoming call, picked up the telephone and said, “Punto Cuarto” or “Point Four.” I naively said, isn’t this the AID mission? Why do you use the term “Punto Cuarto”? Her response, “young man don’t you know that the best aid program that the Americans ever carried out in our country was “Point Four”?

What I subsequently learned, “Point Four” in the 1950s had left an enduring and positive impact on many Ecuadorians, since its announcement as the fourth point in President Truman’s inaugural address in 1949. As a result, they still called the USAID Mission “Punto Cuarto”. You would ask a cab driver at the Quito airport to take you to “Punto Cuarto” and he knew exactly where to go. If you said take me to the AID Mission, you might end up at one of the Evangelical churches called HCJB.

Q: Was Larry Harrison in the LAC Bureau at that time?

SANBRAILO: Oh, yes. He was one of the stars leading the LAC Program Planning and Budget Office. He was a close advisor to AA/LAC Herman Klein. I would later work with Larry in Nicaragua, follow him as Director of LAC/DP, and admired his writings on the cultural constraints to development.

Q: What was the difference between Point Four and USAID?
SANBRAILO: Point Four focused largely on providing technical assistance and training carried out through local entities called Servicios. They were jointly funded by the host country and the ICA, or the earlier TCA. Servicios were organized in public health, potable water/sanitation, malaria eradication, agricultural research/extension, and education. They were staffed largely by technical experts in these fields who often had worked in domestic New Deal programs, plus hundreds of national employees, who were receiving on-the-job training. In some countries, they also helped monitor loans provided by the Export-Import Bank and the Development Loan Fund (DLF) to finance airports, roads, water and sanitation systems, and other projects.

The Servicios were operated by “doers” who didn’t always know how to explain what they were accomplishing. The new generation of AID and Alliance for Progress officers were more articulate. They often felt that the Point Four technicians did not know what they were doing. As a result, they unfairly depreciated their work, labeling them “Well-drillers”, which was a real shame. The Servicios of the 1950s are an important chapter in foreign aid history. There are many lessons from them that remain relevant today, especially for operating in failed states.

Q: They were technical experts?

SANBRAILO: Yes, technical experts in public health and agriculture, as opposed to program officers, capital development (loan) officers, economists who came to dominate AID in the 1960s, as the agency shifted from narrowly focused projects to broader country programming. The Servicios in the 1950s looked like the later Peace Corps or NGOs. They had a tremendous impact on the popular perception of the U.S. by establishing 4-H clubs, teaching home economics, introducing new seeds and cultivation practices, constructing potable water/sanitation systems, controlling malaria, developing nursing schools, establishing agricultural research and extension based on the land-grant college model, and expanding rural education.

Servicio technicians, like John R. Neal in Peru, Horace Holmes in India, Frank Pinder in Liberia, Albion Patterson in Paraguay, Norman Ward in Ecuador, and many others, were important pioneers in promoting development. It is an error to depreciate their achievements, as happened in the 1960s and later.

Q: But the Alliance represented the best and the brightest, right?

SANBRAILO: Yes, a new generation of leaders came into foreign aid in the 1960s, inspired by Kennedy’s vision of innovative approaches to modernization. The LAC Bureau was the place to be working, or on Taiwan, South Korea, Thailand, India, Indonesia and Vietnam. Africa was still not a priority. These new AID officers were the best and the brightest, like the Marshall Plan leaders before them. They were more sophisticated than the technical assistance generation of the 1940s and 1950s. The Alliance leaders had advanced degrees and came from the best universities, although some of Kennedy’s advisors later criticized them for not being as effective as those who directed the Marshall Plan.
The focus was on a new set of challenges, such as supporting national planning agencies, promoting economic growth, developing industries and infrastructure, creating new sources of equity financing and housing banks, establishing capital markets and savings and loan associations, transferring industrial technologies and management expertise, strengthening labor unions, improving tax and customs administration, expanding cooperatives, and others. The emphasis was on comprehensive modernization and even nation-building in countries like the Dominican Republic and Vietnam. By the late 1960s, the first wave of former Peace Corps Volunteers, were entering AID, as Kennedy had anticipated.

In addition to leading economists like Walter Rostow and modernization theorists from MIT, numerous advisors were contracted to guide Alliance programs. Among them were economists like Albert O. Hirschman and Sidney Weintraub, and management consultants like Peter Drucker, who disseminated the latest theories and practices. Innovative thinkers, like Peter Dorner from the Wisconsin Land Tenure Center promoted reform throughout the region, as described in his *Latin American Land Reform in Theory and Practice*. It was Hirschman in Colombia who described the role of an AID Mission as “reform mongers”, whose job was to promote structural and institutional changes within host countries, not just build potable water systems or develop agricultural extension and research.

What is often forgotten is that AID tapped into the very best talent that American society and universities had to offer. The work that Nathan & Associates did in South Korea, under its AID contract, moved that country toward rapid growth. Similar consultants traveled throughout the developing world to introduce new development concepts among countries which would bear fruit in later years, such as with the Asian Tigers. Major institutional reforms in the LAC region would not fully manifest themselves for another decade or more.

**Q: What was the link between the Alliance and the Point Four program?**

**SANBRAILO:** Point Four was implemented originally by TCA and then by ICA. Its basic operating mechanism, the *Servicio*, was phased out in the early 1960s. Many of the *Servicios* were spun off to host country ministries. In Ecuador, for example, the Public Health *Servicio* became the Ministry of Public Health. The Agricultural Research and Extension *Servicio* became the National Research Institute (INIAP), assigned to the Ministry of Agriculture. The Education *Servicio* was integrated into the Ministry of Education.

To replace the *Servicios*, AID created what we now know of as unified field Missions with technical offices that paralleled what had existed in separate *Servicios*. The AID Missions were broader in scope and included technicians in other sectors (e.g. industrial development, housing, cooperatives, public safety, family planning). A few of the FSNs from the *Servicios* were incorporated into the new AID Missions, but most transferred into host country institutions and some became future Ministers and sector leaders.
Bilateral agreements were negotiated with host countries that committed AID to support host country development plans and projects.

Indeed, most projects funded by AID loans and grants in the 1960s were implemented by host country institutions. There was a focus on using them to build management and technical capacity. At that time, hundreds of papers were prepared on institution-building and improving public administration, especially through Participant Training, so as to augment “absorptive capacity”. The purpose was to develop expertise to better direct domestic and international resources to development programs. The suggestion by some today that local capacity building and private sector development began decades later is a myth. They were major priorities right from the beginning of AID.

Q: How large was the Ecuador Mission given its limited political support?

SANBRAILO: About 20 to 25 USDHs and perhaps 80 FSNs. Approximately half of the FSNs were in the Controller’s and Executive Offices.

Q: Mostly technical assistance or a lot of big projects?

SANBRAILO: There was a comprehensive Alliance for Progress program that included projects that combined capital assistance as well as technical assistance and training. Projects varied in size from $2.0 million to $10 million or more. As mentioned, the focus was on building local capacity in areas such as: national planning, housing, industrial development, agrarian reform, infrastructure, public education, water and sanitation, malaria eradication, cooperative development, public safety, vocational and management training, and reforming higher education. Improving GOE performance through civil service training, and increasing revenue generations from domestic taxation and customs collection, were high priorities.

There was a lot going on. AID was leading the effort with the GOE, while the World Bank and the newly created IDB largely followed AID’s lead, especially in funding infrastructure. Using the model of the Marshall Plan, the OAS and its senior staff (what came to be called the “Wise Men”) were advising LAC countries on how to prepare national plans to qualify for funding from the Alliance. The idea that the program lacked inputs and participation by the Latin Americans is a myth, although it continues to be widely used to explain its deficiencies.

In the early 1960s, the Marshall Plan was the model for the Alliance even though policymakers were reluctant to admit it. The Marshall Plan was concluding in Europe, having successfully halted the spread of communism into Western Europe. It was thought that something similar could be used in the LAC region in response to the Cuban Revolution. This created high expectations which were difficult to meet given lower levels of funding than had been allocated to the Marshall Plan. There was also a difference between reconstructing war-damaged economies in Europe and developing traditional Latin societies with large populations mired in poverty.
Q: So, you had projects in virtually every sector?

SANBRAILO: Yes, but they were tied together by a country program and focused on supporting institutional reforms that would accelerate economic growth and improve social conditions. I initially worked on infrastructure projects and monitored the malaria eradication loan, helping the Servicio Nacional de Eradicación de la Malaria (SNEM) deal with some of its complex implementation issues. I also had a lead role on the loans to the GOE’s National Planning Board to finance feasibility studies for new airports at Quito and Guayaquil, as well hydroelectric and road construction projects. I participated in the initial studies for building the new airports and then saw construction completed three decades later, after my retirement from USAID.

In addition, it is important to recall that President Kennedy had engaged in policy dialogues with President Carlos Julio Arosemena in 1962 to encourage him to abolish the huasiwongo peonage system that kept indigenous people tied to the land in almost permanent servitude and to implement land reform that was a centerpiece of the Alliance. U.S. Ambassador Bernbaum later recounted to me that Arosemena arrived at a White House reception intoxicated and almost fell into the bunch bowl as Kennedy lobbied him to adopt Alliance reforms.

The following year Arosemena was forced out of office by a military coup. It was the military regime that abolished the huasiwongo system in 1963 and established IERAC to implement land reform with AID and PL-480 funding, in order to bring the country into compliance with Alliance reforms. By the time I arrived, these initiatives were underway. I was involved in them as we worked through many of the delays and false starts. The Arosemena family came from the Guayaquil oligarchy and did not support land redistribution and many of the other reforms. Some analysts believed that they used anti-American rhetoric to delay fundamental changes, as has often been done in Ecuadorian history.

During my first six months at the AID Mission, I also led the preparation of a new Agricultural Development and Diversification loan; a Small Business Development loan that included funding for microenterprises through PADF’s local affiliate, the Ecuadorian Development Foundation (FED); and a program to develop rural electric cooperatives. I also restructured AID assistance to land reform (the Land Sale Guaranty program), oversaw loans to develop rice cooperatives in the Guayas River Basin, and worked with the Central Bank to establish a Trust Fund (Fondos Financieros) to encourage private banks to increase loans to agriculture and small businesses through a rediscounting mechanism.

Q: When you say worked on – you were a project officer, or you were writing project papers?

SANBRAILO: I did both. I was a classic multi-tasker, loving this type of work. I monitored loan agreements and compliance, and prepared new projects as well. This is when my career as a junior Capital Development (Loan) officer took off. I was thrust into
a difficult situation and had to deliver for the Mission. My supervisor, the Director of the Capital Development Office, was assigned to Ecuador but he had little field experience. I later found out that his supervisor in LAC/DR wanted him out of Washington because he wasn’t producing. So he was sent to a low priority field mission.

My boss was trained as an economist and did economic analyses that others incorporated into project papers. He could not pull together a final project with all of its intricacies, nuances, negotiations, complementary analyses and implementation plans. He didn’t have much experience engaging host countries and traveling around them to get field information. I ended up doing much of that work. He also had an alcohol problem and had difficulty dealing with the pressure of short deadlines and having project papers ready for the rigorous review process in Washington. This all had to be done before the end of the fiscal year, which back then was June 30, without the computers we have today. It was a sad situation. I tried to support him but I ended up organizing the work and tasking him with the analyses we needed. It was a repeat of my Peace Corps experience.

Q: Other than that, he was ideally suited!

SANBRAILO: My supervisor was a good economist. He did impressive economic analyses. He participated in the then famous Development Assistance Executive Committee (DAEC) meetings in Washington where you became a “star” by finding everything wrong with a project. It placed a premium on criticism, not the ability to formulate a new project with imperfect and incomplete data and all of the challenges of dealing with a disorganized and chaotic host country. In the DAEC, many knew all the reasons why something would not work, but none of the reasons why it made sense in the field.

Under the pressure, my boss literally fell apart and began drinking more heavily. I was the equivalent of his deputy, even though I was still an IDI. As in the Peace Corps, I stepped into the vacuum since the mission was under the gun to get three loan project papers ready for Washington review. No one else could or would do the work. So I began supervising more experienced technical officers and developed work plans for completing them. Everyone forgot that I was an IDI.

At that time, there was a rigorous Washington review of all loan projects that were presented in detailed Capital Assistance Papers or CAPs. They were green covered documents and you became a “star” in the LAC Bureau if you pulled one of them together and got it approved. The processing procedures dated back to the days of the DLF and the Export-Import Bank. There was a mystique about them—loan justifications were considered more rigorous than grants that the technicians and program officers often prepared.

Missions were divided between Capital Assistance (Loan) Officers like myself, and Program Officers and technicians who assumed the lead on grants. This traced its origin to the incomplete integration into AID of the DLF and ICA -- essentially the division
remained throughout the 1960s. They was not fully integrated until the 1970s, when Capital Assistance (Loan) Officers became Project Development Officers and AID assistance was provided largely in the form of grants.

I was one of the few in the Mission who could work on both sides. As a result, in several months I was able to get teams organized with Ecuadorian government agencies, technical staff in the Mission and complete three capital assistance projects for Agricultural Development, Small Business Development and Rural Electrification.

The Mission Director then called me in and said I was the only one who had sufficient knowledge to present the papers in Washington. I was scared to death, never having done anything like this. The DAEC was composed of some of the most senior officers in the Bureau and the agency. I could hardly sleep at night. I prepared like I was defending a Ph.D. dissertation. What I did not know at the time, I was the first IDI to make such a presentation. Many were amazed that the Ecuador Mission would send an IDI for this purpose.

The DAEC process was a big deal and had its own mystique -- only senior officers presented and defended such projects because the DAEC was known to tear them apart for incomplete analyses, or just for fun. It was a real adversarial process. Much of the Mission’s funding depended on the approval of these three loans totaling about $20 million. I was shaking in my shoes in May-June 1970 taking these CAPs to Washington with little guidance about what to expect.

Q: How long had you been on the job?

SANBRAILO: In Ecuador, about six months and in the agency a little less than a year. What I had learned in the Peace Corps was you had to adapt to the needs of a local situation, you had to be able to organize people, you had to make something happen and stay focused despite all of the uncertainty and confusion around you. You needed to avoid interpersonal disputes and remain humble, especially in dealing with highly prickly Ecuadorians who always seemed to wear their nationalism on their sleeves.

You could not allow yourself to get bogged down in internal Mission disputes and institutional rivalries. When asked, “how did you do that”, I responded, “I was doing what I learned in the Peace Corps”—“I just did what I thought needed to be done”. I remained positive and constructive and didn’t blame others. I did what my colleagues and the organization required. What I tell our young officers at PADF today, “I didn’t say it wasn’t my job”, I got in and did the best that I could. I “lit a candle and didn’t curse the darkness”. I tried to protect my boss, who was ultimately removed from the Mission.

On the day of the Washington review, when LAC/DR Director, Frank Kimball, opened the meeting with, “these are really good loan proposals, why don’t you tell us how you put them together”, I knew that I had arrived. At the time, Kimball was one of the leaders in the Bureau and rarely provided such positive commentary. All three loans were
approved, with some modifications and rewrites. It was one of the highlights of my career. I learned a great deal that stayed with me for the rest of my professional life.

Then, because Ecuador was in a “Tuna War” with the U.S., we had the families of the fishermen complaining to the Congress about their boats being seized. They were literally crying to senators and representatives about their husbands/fathers being jailed in Ecuador for violating the 200 mile coastal fishing zone that the USG refused to recognize. As a result, the Ecuador Capital Assistance Papers (CAPs) had to go to the NSC for a special review.

I remember walking on “F” Street to the Old Executive Office Building. For some reason, I cannot completely remember, the LAC Bureau senior officer who was to join me got delayed and I had to do much of the presentation myself. While the projects were criticized on foreign policy grounds, there were almost no technical questions, although someone asked why we were promoting soybean cultivation in Ecuador. The introduction of soybeans turned out to be one of our great successes. Since these loans focused on helping low-income people, and reflected the Title IX legislation, helped carry the day.

Again, I was brand new. I received an award for my work, a plaque and medal, but no additional salary, although I did get the regular IDI grade level increase that all interns received. Without knowing it, I became one of the leaders in the LAC Bureau. As I tell our junior staff here at PADF, I was still the lowest compensated officer in AID Ecuador, but it did not matter. I had learned so much in such a short time. It accelerated the rest of my career. So just get in and do what the organization needs done and everything else will usually fall into place. Don’t whine about your situation. Attitude, leadership and initiative are everything—help make the bureaucracy work and keep an optimistic upbeat outlook.

So I returned to Ecuador and began working with our GOE counterparts and AID technical teams to implement the projects. They and others became models of how to apply the Title IX mandate. Ecuador was deeply involved in these type of grassroots initiatives. On the grant side, Education Director Sam Butterfield, John Gant, Jim Hoxeny, Patricio Barriga and UMass at Amherst were pioneering some of the most innovative non-formal education programs. In recent years, I have been working with a historian who recently discovered these Title IX projects and he was amazed by them. We carried out additional projects as well for agricultural cooperatives, credit unions, indigenous mobilization and nutrition improvement.

Q: So, you really were across the board working on everything?

SANBRAILLO: Yes, I was good at making things happen, working in challenging unstructured situations, dealing with messy complex problems where there is often no right or wrong solution. I was the equivalent of what came to be called a “trouble shooter” and Project Development Officer. Suddenly I knew how to pull together projects; others in the Mission started coming to me. I could move actions forward in a
positive manner and didn’t care who got the credit. Thanks to my new supervisor, Paul Fritz, I learned about loan implementation, procurement and host country contracting.

Q: Who was the mission director?

SANBRAILO: Bob Minges who had served previously in Honduras. He believed strongly in the Title IX mandate, and was proud of what the mission was achieving. Unfortunately the Embassy was raising questions about some of the projects and if they were in fact supporting U.S. interests. The dispute between the Embassy and AID is analyzed in a Ph.D. dissertation by John Richard Davidson titled “The Implementation of the Political Development Goals of the Alliance for Progress” (1976, University of Wisconsin, Madison). Most of the projects continued despite reservations by some in the Embassy.

Q: For the record, the Title IX stuff, why don’t you just describe what it is, so that readers of your oral history will know?

SANBRAILO: Yes, Title IX of the FAA was a special mandate from the Congress, approved in 1967, directing AID to maximize the participation of beneficiaries in the development and implementation of projects. There was concern that beneficiaries were too often passive bystanders, as government officials and AID officers designed projects for them that may not always reflect local realities. Title IX directed AID away from large infrastructure projects and toward greater grassroots engagement with what came to be called the “poor majority”.

This mandate grew out of the War on Poverty and was an extension overseas of what was being attempted domestically. It encouraged AID actions for political mobilization and greater participation by poor people in their societies. In essence, it was attempting to move passive indigenous people and campesinos (peasants) from mere subjects to active citizenship, as proposed in the “Declaration of the Rights of Man and the Citizen” drafted by Lafayette in 1789, with assistance from Thomas Jefferson, thereby launching the French Revolution.

Title IX was very much of a Jeffersonian idea to balance off the Hamiltonian programs to promote economic growth, industrial development, private investment, stock markets, entrepreneurship, etc. As I have suggested in my history of foreign aid, programs are often a mixture of Jeffersonian and Hamiltonian ideas. The history of AID and other international cooperation can be presented as an interplay between fundamental Jeffersonian and Hamiltonian principles extended overseas.

Furthermore, in the late 1960s and early 1970s, Vietnam was becoming the largest program in AID and an entire Vietnam Bureau was created. There was increasing concern about developing more effective counterinsurgency efforts to win “the hearts and minds” of the Vietnamese. As former AID advisor Stephen Young maintains in his C-Span presentation, “U.S. Diplomacy and Counterinsurgency in Vietnam” and in his book CORDS in the Villages of Vietnam, 1967-1972, it was passage of FAA Title IX that
contributed to AID funding of “Civil Operations & Rural Development Support (CORDS)”. CORDS implemented Title IX in order to generate greater citizen participation in national development and to achieve more effective “nation-building” at the grassroots level. This reflected what Major General Edward Lansdale had been recommending earlier in the 1960s, as described in The Road Not Taken: Edward Lansdale and the American Tragedy in Vietnam, by Max Boot.

Q: But in Ecuador, Title IX was taken seriously.

SANBRAILO: Oh, very much so. The Mission was proud of what it was doing. We had numerous visitors from Washington to see what was being achieved. But unfortunately, this important AID initiative was clouded by the foreign policy issues that were impacting U.S relations with Ecuador. As mentioned, some in the Embassy and the State Department felt that Ecuador could become an ally of Cuba because of its chaotic political situation and large indigenous and other groups that were not fully participating in the economic, social and political life of the nation. Working at the grassroots of society, as mandated by Title IX, initially appeared to some as a way of defusing what could become another leftist-inspired revolution, although a few in the Embassy questioned such an approach.

One of the Assistant AID Ecuador Directors, Charlie Blankstein, a Harvard-trained attorney, was a leader in supporting this effort, promoting all kinds of new ideas. Charlie would later go to Washington and work in PPC with Edgar “Ted” Owens and the New Directions programs that continued the Title IX mandate into the 1970s. This led to Edgar Owens’s book Development Reconsidered that argued for greater AID focus on local development and the rural poor. You may remember Charlie who unfortunately passed away several years ago.

Q: Of course.

SANBRAILO: Charlie was one of my early bosses after my original supervisor fell apart. The other AID Assistant Director was Dick Green, who focused on social projects. Charlie did the economic part along with Clarence Zuvekas who was the Mission Economist, together with the Capital Development (loan) office where I was located. Bob Minges divided the Mission between economic development projects which Charlie supervised, and Dick Green was in charge of social projects. Many of them felt that they never received sufficient recognition for their pioneering work because Ecuador attracted so little attention and the projects were overshadowed by foreign policy disputes. But I believe this was the beginnings of what came to be termed “New Directions” that guided AID programming in the 1970s.

Q: That’s terrific. I hadn’t realized that it was actually being implemented and taken seriously.

SANBRAILO: Oh, very much so. Perhaps, not across the agency yet or even by all those in the LAC Bureau, but it was part of the re-examination of AID strategies, policies and
programs that took place in the late 1960s and early 1970s that I mentioned. It led to a number of new initiatives. The Ph.D. dissertation cited above includes chapters on Ecuador as well as other countries that were implementing Title IX programs. For example, Paul Ehrlich’s bestselling book, *Population Bomb: Population Control or the Race to Oblivion* (1968), reflected this rethinking and encouraged the development of a population and family planning program that had not previously existed. Another example was the work of Alan Berg and Martin Foreman that would lead to “The Nutrition Factor: Its Role in International Development”. And there were other cases, such as Sam Butterfield’s pioneering work on non-formal education that played a key role in Ecuador and in other countries. Much of this new approach moved away from the broader country programming with its emphasis on economic reforms that the Kennedy administration had originally used to justify the establishment of AID.

*Q: I was seeing Title IX from a very different Washington vantage point. I am delighted to learn that in Ecuador, at least, it was being implemented. How long were you in Ecuador?*

SANBRAILO: I was there for almost three years, January 1970 to November 1972. A new Mission Director, Peter Cody, arrived in 1972, but he was less interested in Title IX than Bob Minges had been. The program had a great influence on Ecuadorian policymakers and was replicated later in the 1970s, for example, with the creation by the Central Bank of its *Fondo de Desarrollo Marginado (FODERUMA)* and other similar projects. They also helped to accelerate the military regime’s land reform initiatives, even though the military was not enthusiastic about USG policies. As Ecuador became more hostile to U.S. policy with its new oil exports, and joined OPEC, the AID program was gradually phased down throughout the 1970s. The Title IX programs were largely forgotten but that was after I left the country.

*Q: And you moved from being an IDI to being a Capital Development (Loan) Officer?*

SANBRAILO: Yes, I completed my IDI internship in Ecuador and graduated into the ranks of Capital Development (Loan) Officer about a year and a half into my assignment. I then advanced quickly, partly being in the right place at the right time. I worked on many different projects, especially with the Central Bank of Ecuador and the Cooperative Bank of Ecuador.

It was at the Central Bank where I began thinking about the origin of U.S. aid and saw that it was more deeply rooted in American history than many believed at that time. Most saw aid as a post-WWII phenomenon, beginning in the 1940s and 1950s. What I learned was Professor Edwin Kemmerer from Princeton University had been in Ecuador much earlier, had created the Central Bank in 1927-1928 and implemented many reforms that improved the country’s governance. Kemmerer became known as “Money Doctor in the Andes” and modernized the country’s banking system and fiscal accountability.
Even in the early 1970s, Kemmerer was a “God-like” figure in the Bank, having also created the Ecuadorian Controller’s Office, the Superintendence of Banks and implemented other reforms. I had never heard anything about Kemmerer. As I started to research his work, I realized that there was a much richer history of U.S. foreign aid in Ecuador that was not fully appreciated. I visited Princeton University and reviewed the Kemmerer papers and discovered that many of his observations were still valid and relevant. That discovery, and learning that the AID mission was still called Punto Cuarto, set me off on a journey to pull together a history of foreign aid.

Before leaving Ecuador, one of my favorite recollections was how we navigated the military coup and the “Tuna War” in 1971-1972. As a radical leftist military government assumed power, tensions between the GOE and the USG increased. It got nasty as the new government continued to seize San Diego tuna boats. There were large scale student demonstrations at the U.S. Embassy protesting against American violations of the country’s sovereignty.

At the time, I remember that we were trying to accelerate implementation of the Land Sale Guaranty program. I had the document for a $500,000 transfer to the Central Bank that we were attempting to get signed. This was before the country’s oil boom and it desperately needed the foreign exchange. I was running around the Central Bank, trying to find somebody who would sign off on this disbursement. Nobody would do it because the senior directors were under orders from the new military regime not to collaborate with AID because of the increased sanctions placed on them because of the Tuna War. Yet no one in Central Bank wanted to say anything to me. They were perhaps embarrassed by such a policy.

Q: For what purpose was this $500,000?

SANBRAILO: For land transfers to agricultural cooperatives. We had created a Trust Fund in the Central Bank, because we couldn’t deal with the mismanagement in the National Development Bank (BNF). The Central Bank was staffed by well-trained economists and could better manage the program. The funds were intended to guarantee land purchases by cooperatives composed of campesinos that the new GOE should have favored. Now Bank officials were hiding out not wanting to see me with this “hot document”.

As a result, I ended up at the International Monetary Fund (IMF) office in the Central Bank to get advice, and that’s where I met my future wife. So, I was trying to figure out how I could get the Central Bank to accept this disbursement. The IMF office was headed by one of the Fund’s most dynamic and simpatico country representatives ever, Manuel Uribe, a prominent Mexican economist and his administrative assistant, Cecilia Del Pozo. Cecilia and I got to know each other very well and married in 1974.

Q: And she was Ecuadorian?

SANBRAILO: Yes.
Q: And she was working for the IMF as –

SANBRAILO: For the Central Bank. The Bank assigned her to the IMF Country Representative, in accordance with its support agreement with the Fund.

Q: So, she had been in the Central Bank before going to work with the IMF representative.

SANBRAILO: Yes. And previously she had worked at the AID Mission for the University of Pittsburg program to upgrade teaching and research at the Central University. She was involved in helping the Pittsburg professors communicate with their Ecuadorian counterparts, especially on sensitive reform issues.

Q: Oh, did you know that?

SANBRAILO: Not immediately.

Q: Was that before your time?

SANBRAILO: Yes in the mid-1960s, when she had returned to Ecuador after studying in Midland, Michigan. There was a major AID priority to work with national universities and to help them develop partnerships with U.S. universities.

Q: So, not being able to find anybody to receive this AID check was very fortuitous for you, because otherwise you wouldn’t have gone to the IMF office.

SANBRAILO: Perhaps not. I might not not have gone to the IMF office, although I later found out that Charlie Blankstein and Manuel Uribe had conspired to get me together with Cecilia, and the rest is history!!

Q: Was it the $500,000 check that appealed to your wife-to-be, or was it you?

SANBRAILO: Good question. Cecilia says that she immediately knew as soon as we met that I was to be her future husband. I am not sure her mother and father felt that way since theirs was a traditional Ecuadorian family. Quito was still a small sleepy Andean town. Everyone knew everyone else.

Q: Were you married there?

SANBRAILO: In Quito in January 1974, a year after I was transferred to USAID Nicaragua and was involved in the Managua earthquake recovery program. During 1973, before we married, my wife went to work at the IMF in Washington.

Because of my track record in Ecuador, I was promoted to Director of the AID Capital Resources Development Office in Nicaragua. I left Quito for Managua in November
1972. These were the old days when such jobs were usually assigned to a more senior officer who would have five or more years of experience. I barely had three years.

Nicaragua quickly became one of AID’s largest programs following a major earthquake in December 1972, and a pioneer in New Direction projects, which were clearly not known at the time of my transfer.

Assignment to AID Nicaragua (1972 – 1975)

Q: You moved directly from Ecuador to Nicaragua?


Q: There was no Washington assignment, nothing in between?

SANBRAILO: No. I had been in Managua for about six weeks. I then took some Christmas leave to visit my future wife, Cecilia, in Washington and my parents in San Francisco. I therefore was not in Managua when the big earthquake hit on December 23. I was quickly recalled and arrived back in Managua shortly after the first of the year.

Q: Excuse me, because I don’t know this process so well. Did you put your name up for some of these jobs, or did the Mission Director in Nicaragua decide that he’d heard about you from being in Ecuador? How did this happen? Do you know?

SANBRAILO: In those days your onward assignment was handled in Washington through the LAC/DR office together with LAC/EMS. LAC/DR was protective of its Capital Development (Loan) officers and nurtured their careers. There was an informal mentoring system that worked well. A LAC/DR staffer, named Faye Clayton, was my point of contact for future assignments and she was something like “Moneypenny” in the James Bond movies. There was Jerry Pagano who directed the LAC/EMS office and was also involved. Clearly Frank Kimball was the final decision-maker, and later Fred Schieck and Marshall Brown who supervised loan officers.

Q: So, Frank Kimball --

SANBRAILO: Yes, it was Frank and his staff in LAC/DR who moved loan officers around. There was a network of similar officers, with Faye Clayton managing the process. You were first and foremost a Capital Development (Loan) Officer and you were expected to be the best in the agency. You were part of a club, and you better not screw up. You better deliver well prepared Capital Assistance Papers (CAPs) on time to meet obligation deadlines. Don’t embarrass the Office or the Bureau. Be a leader in innovation. The LAC Bureau was still the place to serve. Many others in the agency were trying to get into LAC.

Q: And if you didn’t screw up, they would look after you.
SANBRAILO: Yes, they would ensure that your career advanced. I had impressed the LAC/DR leadership because of my work in Ecuador. They began pointing to me as an example to other IDI intern classes of what a young officer should be. Younger officers consulted with me about how to succeed in AID. I would give presentations to new IDI classes, much as I had done in the Peace Corps.

Q: And it was the right thing. You were enjoying yourself?

SANBRAILO: Very much so. It was exciting to prepare loan projects and then make them work in the field. It placed a premium on leadership and entrepreneurship, the ability to work with host country institutions and local communities, and to develop productive relationships that introduced new policies, programs and approaches. You discovered very quickly how challenging it was to formulate well-designed projects and then to implement them. You could not allow them to be inflexible and locked into rigid structures.

You wanted the project to be organic and grow and adapt to the local reality. You didn’t want a lot of bureaucracy and process to get in the way or to become ends in and of themselves. Most importantly, you wanted them to be host country projects, implemented by host country officials and institutions, with AID serving as a catalyst but being the silent partner. All of our focus was on building host country capacity, what today is called “developing local systems”.

Q: You didn’t look back and say, “Why did I ever do this?”

SANBRAILO: No. And some in my IDI class had departed after about three years because of frustrations with the bureaucracy. I saw it as a challenge, how to get this big cumbersome AID bureaucracy to work better. A few used their experience to transition into investment banking or other careers, while I channeled my energy into trying to understand AID and make it work for specific projects. I later learned that AID was far quicker and more flexible than the IDB and the World Bank, but never seemed to get credit for it.

Q: The IDI class?

SANBRAILO: A few were MBAs from places like the Harvard Business School, who saw AID as a stepping stone to a position in the private sector. They didn’t like the clearance process or the challenges of working in the bureaucracy. It was a demanding job dealing with often chaotic or disorganized host countries that did not have a clear idea of what they wanted in terms of development projects and the growing complexity of AID regulations and procedures. It could be frustrating and demoralizing for some, especially after the focus shifted from the private sector and infrastructure to targeting the rural poor.

Q: Were there any stars in the group that you remember among those who stayed on, that led to more lasting positions in the agency?
SANBRAILO: Oh yes, Terry Meyers. Terry and I had attended UC Berkeley in the 1960s but had not known each other there.

Q: Oh, Terry was in that class?

SANBRAILO: Yes, and Nancy Tumavick as well. But some left or drifted off into other bureaus, especially after the 1971 Congressional decision to close AID because of a negative UN vote. What we had in the LAC Bureau was a “brotherhood” that also became a “sisterhood” with the entry of the first women Capital Assistance (Loan) Officers in the 1970s with Wendy Stickel, Janet Ballantyne, Carol Peasley and others.

Q: And this was the second IDI class?

SANBRAILO: Yes, the second IDI class. And there was an HR officer who ran the Global IDI training program, Lou Farol I believe was his name. He had a vision of what IDIs would become. He would tell us, “You’re an elite. You’re special. Get in there and make the agency look good”. Different than what exists today in AID.

Q: And you believed him. So, it worked.

SANBRAILO: Yes, some of us believed him. “You’re going to be the future leaders of the agency.” So, there was that vision. Advancement depended on producing results. LAC/DR said, “We have to promote this guy (me) to a bigger job”. He should now direct a small Capital Assistance office, even though he has only three years in the agency. So, off I went to AID Nicaragua without anyone ever realizing that it would become one of the Bureau’s largest.

Q: At that time, was the program in Nicaragua bigger than in Ecuador?

SANBRAILO: Somewhat smaller, probably about $10 million or less per year in new obligations. At that time, Ecuador had a population of about 6 million people and Nicaragua about 2.5 million.

Q: This was the Sandinista period?

SANBRAILO: No, it was the era of Anastasio Somoza Debayle (nicknamed “Tachito”) who became a figure of great importance in the 1970s. I was fortunate again to be at the right place at the right time. The Sandinista period began in 1979, when Somoza was forced to flee the country by the growing insurgency. He was subsequently assassinated in September 1980 in Asunción, Paraguay, probably arranged by the Sandinistas with Cuban support. Nicaragua became a major U.S. policy issue for the next four decades, almost bringing down the Ronald Reagan Presidency in the Iran-Contra affair and frustrating numerous U.S. leaders.
In the early 1970s, Nicaragua had a small AID Mission staffed by more senior officers than myself, with the technical offices located in the ministries because there was limited office space at the Embassy. A number of them had moved from the Servicios of the 1940s and 1950s into AID. There were few younger officers who wanted to serve in Nicaragua because of its small size, the negative image of the Somoza family and the very hot weather in Managua. It was a backwash assignment that may not advance your career.

The Mission was doing traditional development projects in infrastructure, public health, agriculture, and industrial development. It wasn’t a very exciting place—a sideshow for bigger things in the region. There was even an elderly representative from the U.S. Bureau of Roads still working on some of the unfinished segments of the Pan American Highway that dated back to the 1930s. It was not the most dynamic place, although a number of the AID technical staff were beloved by their Nicaraguan counterparts and brought about significant development achievements.

Q: Who was the Mission Director?

SANBRAILO: He had just left as I arrived. I’m trying to recall his name. I hardly knew him. He was a political appointee from the Nixon administration, showing the low priority that this country had for the LAC Bureau and for AID.

Q: So, it wasn’t a career person?

SANBRAILO: No, and that was unusual for AID.

Q: What was it like working with the Embassy?

SANBRAILO: The U.S. Ambassador, Turner B. Shelton, was also somewhat like a political appointee. He was a former Hollywood movie executive who entered the Foreign Service and found some way to remain. It was rumored that he was close to a number of conservative politicians, as well as Charles “Bebe” Rebozo, a confident of President Nixon, and may have gotten his ambassadorship in Nicaragua through those connections.

Ambassador Shelton thought Somoza was the greatest man since Napoleon and regularly praised him as the most important pro-American leader of Central America. At the same time, the Embassy’s Political Counselor, Jim Cheek, hated Somoza and followed the example of his mentor, the former DCM Robert White, in mainly reporting on Somoza’s alleged abuses and corruption. Cheek seemed to believe every piece of negative gossip about Somoza that opposition leaders told him, like Pedro Joaquín Chamorro, the editor of La Prensa newspaper, and others. The Political Section was the main point of contact for the growing opposition to Somoza family rule.

The Embassy was polarized between an Ambassador who adored Somoza and a Political Counselor who detested him. This unproductive relationship sent conflicting messages to
the Department throughout much of my tour and I believe misled policy-makers. I was too new to the Foreign Service, however, to fully understand the potential implication and how it might unfold in the future. (See Jim Cheek’s ADST oral history. Even after more than 30 years he is emotional about Somoza and the Ambassador. While I agree with some of Cheek’s comments about Shelton and his wife, I believe that he provides an unbalanced and largely incorrect view of Somoza.)

Q: So tell us more about the AID Mission and the Somoza family.

SANBRAILO: As I mentioned, the AID Mission was staffed by older officers who were doing some interesting but not-too-demanding projects. They had 20 to 30 years in federal service and some were about ready to retire. Nicaragua was a leisurely and pleasant assignment for them, except for the suffocating heat in Managua. There wasn’t the same intensity that we felt in Ecuador or that may have existed in other higher priority countries. There was constant gossiping about Somoza. While the senior officers in AID and many of the FSNs were critical of Somoza family dominance, they had accepted it, especially with the Ambassador being so outspoken in favor of him.

President Nixon was also close to the Somoza family. I was told that the family arranged for a show of support when Nixon visited Managua after he was almost killed in street demonstrations in Caracas during his 1958 regional tour. By the 1970s, the Somoza regime came to symbolize for many everything that was wrong with U.S. policy in the region, even though the regime was not that much different than similar dictatorships in Taiwan and South Korea, and in other LAC countries.

The situation in Nicaragua was certainly more benign than what was going on in Chile and the Southern Cone at about the same time. While corruption was similar to other countries in the region, and the Somoza control of the National Guard and the Liberal Party alienated many, I never saw the abuses that were reported by Jim Cheek in his ADST oral history. What impressed me was the open society that existed in Nicaragua, where there didn’t seem to be any secrets. There was almost daily criticism of Somoza, especially in *La Prensa* newspaper.

At the same time, the Nicaraguan economy was growing at over 5% per year and it was exporting basic grains to the rest of Central America. It produced some of the best beef in the world. McDonalds was even sourcing hamburger meat from Nicaragua. There was a growing middle class of well-educated technocrats, many of whom studied in the U.S. and returned to Managua to establish businesses. One of the star AID regional projects in Managua was the Central America Graduate Business School (INCAE), established with assistance from the Harvard Business School. The Somoza family donated the land for INCAE because of its great admiration for Harvard and the prestige that it would bring to Nicaragua.

While education and health services were below regional standards, well over 50 percent of the population was literate and improvements were underway because of programs supported by AID and other donors in the 1960s and 1970s. There was a growing private
sector and emerging civil society that could not be directly controlled by the Somoza family. Some of the largest construction companies, and enterprises in the industrial and agricultural sectors, were owned by leaders who had no relationship with Somoza, many of whom laughed at his bluster and desire to appear like a great businessman. Everyone seemed to know what was being reported in *La Prensa*, whether they were literate or not.

The elder Somoza Garcia son, Luis, had attended Harvard but passed away in 1967 at an early age from a heart attack. His younger brother, General Anastasio Somoza Debayle (“Tachito”), who headed the National Guard, inherited the family leadership role and served as de-facto President of the country, although officially governed in 1972-1974 by a three person Junta of leading liberal and conservative politicians through what was known as the *Kupia-Kumi Pact*.

Then all of a sudden, Managua was hit by a major earthquake on December 23, 1972 and much of the city was destroyed. It set off a chain reaction that would lead to the election of Somoza as President in 1974, the assassination of Pedro Joaquín Chamorro in 1978, the Sandinista revolution, Somoza’s removal from office in 1979 and his assassination shortly thereafter, and the destabilization of Central America for the next four decades up to present.

The earthquake caused about 10,000 deaths, perhaps 20,000 injured, and tens of thousands displaced from their homes. The AID Mission didn’t have a Director and no one knew exactly what to do. There was only a small AID office in Washington for Foreign Disaster Relief Coordination (FDRC), that later became OFDA, but I cannot recall if they were involved on the ground. I don’t think so. It was up to the AID Mission to manage immediate relief. I believe that this situation ultimately led to the establishment of OFDA in 1974 since the Embassy was very critical of lack of Washington support to the relief effort.

When I returned to Managua in early January, I was asked by the Acting Mission Director to direct AID relief and to coordinate it with the aid flowing in from U.S-based NGOs and from the U.S. military that was rushed in from the Panama Canal Zone. I ended up dealing with senior GON officials and, most importantly, with Somoza and his wife (Dona Hope Portocarrero) on a regular basis during 1973-1974 at their home in *El Retiro* that became the center of relief and recovery operations. It was one of the most memorable experiences of my career.

**Q: Why was this? Because Somoza wanted you to fix the earthquake damage?**

SANBRAILO: No, he recognized that the U.S. through AID would probably be a major donor for earthquake relief and recovery. The Somoza family had regularly looked to the U.S. for help and guidance during difficult periods in its history. Nicaragua was governed in 1972-1973 by a Junta of leading politicians. Somoza was not the President, though he was clearly the one in charge. The country was more like a “city state” than a nation and “Tachito” Somoza was the leading political boss (like Mayor Daley in Chicago).
His father (Anastasio Somoza García) had worked with the U. S. marines that had occupied Nicaragua in the 1920s and early 1930s. He used the National Guard and Liberal Party to become a modernizing force, much like Porfirio Díaz in Mexico. He had created the Somoza dynasty and had two sons (Luis & Anastasio). The family controlled many but not all major businesses in the country. The patriarch Somoza García was assassinated in 1956.

The elder Somoza had sent his two sons to study outside the country, Luis to Harvard and Tachito to West Point. Both were fluent in English and loved the U.S. Tachito worshipped the U.S. military and its worldview. He was a strong anti-communist. I believe he wanted to model himself after Chiang Kai-shek, the leader of the Republic of China in Formosa (Taiwan).

As mentioned, the Somoza dynasty was a product of the U.S. occupation and the older generation still remembered those years with surprising fondness, which surprised me. With the Great Depression, the Roosevelt administration had to find a way out of Nicaragua and needed to identify someone who could prevent chaos, ensure order and address the guerrilla insurgency led by Augusto Sandino. Anastasio Somoza García, the father, was that leader. He became one of the closest U.S. allies in Central America and a symbol of dictatorship in the LAC region.

While there was clear brutality in putting down the Sandino insurgency in the 1930s and pacifying the country in subsequent decades, the Somoza rule evolved into a much more “benign dictatorship” than anyone fully appreciated. There was far more development, freedom and open criticism of Somoza family rule than those outside the country realized. What is often forgotten is that Somoza and the Liberal Party was a stabilizing force for a country that historically had degenerated into repeated civil wars and was often ungovernable. Nevertheless, Somoza became a stereotype for dictatorship and it stuck. It ultimately led to his downfall and assassination.

The emergency relief in early 1973 required a great deal of coordination and quick decision-making. Somoza provided it, often with the largest donor being AID. Almost the entire capital city had to be evacuated, most buildings in the older downtown area had collapsed or suffered severe damage. There were bodies still trapped in the rubble and in the streets. Many structures had been poorly rebuilt after the 1931 earthquake, in part with assistance from the U.S. marines. By 1972, the city had a population of about 250,000 to 300,000.

So through a National Emergency Committee, Somoza started organizing daily meetings on his tennis court at his home at El Retiro, on the outskirts of Managua. Everyone involved in relief work, from government ministries, the private sector, international agencies, NGOs, etc. attended to report on their daily activities. I was named to represent AID since I was leading the relief effort. They became New England-style Open Town meetings, with Somoza in his rocking chair barking out orders to GON ministers about what needed to be done while the governing Junta looked on. We all attended from about 6:00pm to 7:30pm every night. Visitors from Washington were surprised by the open,
participatory, transparent meetings that were contrary to the vision that many had of Nicaragua and Somoza’s rule.

Q: Weekends included?

SANBRAILO: Yes, weekends, as well. There were still bodies in the streets and almost no food or water, dogs and rats were running wild and feeding off the bodies. The animals had to be shot to control disease. More than half the city had been evacuated. It was a massive catastrophe that was front page news in the U.S. and international press. Bodies were still being pulled out of the rubble months after the earthquake.

I was part of the AID disaster staff. Our relief efforts evolved into a recovery program of $15 million, a grant of about $3.0 million that had rapidly constructed 11,000 temporary shelters, and subsequent housing projects for another $15 million, plus other assistance. We were working 24/7, living in tents with temperatures of over 100 degrees in front of the Ambassador’s Residence because the Ambassador’s wife would not allow us inside the Residence to work or even to use the bathrooms (see Jim Cheek’s ADST oral history for details). As a result, my future wife and I postponed our marriage.

President Nixon was talking by telephone with Somoza. State and AID were being asked to respond more quickly and high-level visitors were coming to Nicaragua on a regular basis. The Country Team was meeting everyday with Ambassador Shelton. It was the most intense work in my career. It was like a war zone.

At this time, there was a great deal of commentary about Howard Hughes being in Managua, at the Inter-Continental Hotel, but he left the country shortly after the earthquake. And this was apparently when Hughes had medical problems and was rumored to be making deals with Somoza. There were later allegations that the Ambassador, who knew the Hughes group when he was Consul General in the Bahamas, and possibly “Bebe Rebozo, were facilitating these discussions, which began just before the earthquake, although I am not sure that the allegations were ever confirmed.

Q: You weren’t there quite yet, at that point, or had you already arrived in Managua by then?

SANBRAILO: Yes, I had been officially assigned to AID Nicaragua in November 1972 but I was away on Christmas leave the night of the earthquake. After I returned, I emerged as something like the de facto disaster assistance director, providing guidance about what should be done in terms of emergency assistance, the relief supplies, and subsequent recovery actions. I then directed the larger capital assistance program that followed, plus a number of complementary grants. My office in Managua became one of the largest in the Mission.

Q: Was there no Deputy Mission Director?
SANBRAILO: Yes, there was Ernie Barber who was Acting Director. I believe that he had been an AID Administrative or HR officer with limited field experience. Nicaragua was not the place that senior officers went to advance their careers. To his credit, he appreciated my youthful enthusiasm, my ideas, my leadership, the sense that I seemed to know what needed to be done, and my willingness to work seven days a week. I always kept Ernie advised and he and the Ambassador were never surprised. I was working off of a USG agenda, not my own, and everyone seemed to appreciate that. It created a great deal of trust. There was strong collegiality and open communications. Ernie and I became good friends because I knew when to get him involved in meetings with GON officials or others and when I could best manage actions myself.

Q: You were not on the make there.

SANBRAILO: As in Ecuador, I did what seemed to be required and accepted responsibility. There was a leadership vacuum at the operational level that needed to be filled. I became the center of the action for much of the AID response as it moved from emergency relief to early recovery, working with others from Washington and the Mission. I was in my element and loved the work, although the human suffering, deaths, homeless people and family disruptions were difficult to deal with. This was just before AID had established its Office of Foreign Disaster Assistance (OFDA) that in later years would send teams to do this type of work.

Q: The young upstart!

SANBRAILO: Yes, perhaps, but I always tried to involve the more senior AID officers who seemed fine with allowing me to do the “heavy lifting”, take action and write daily reports to Washington. AA/LAC Herman Klein was involved along with his two most trusted LAC Directors, Larry Harrison and Dick Breen. As the response grew in size, some in Washington suggested that a more senior officer should be named to direct the AID Capital Resources Development Office (what would later be called the Project Office) that I was currently directing. They left me in place, however, and my career advanced because of what I contributed and the results achieved.

As I describe below, Larry Harrison led a special mission to Managua in January 1973 and we developed a $15 million AID emergency recovery and reconstruction program that my office was assigned to manage. Many in Washington were in a panic that Somoza and his family might steal the money and AID would be in real trouble with the Congress and the public. This feeling may in part have been created by the Political Counselor’s negative reporting.

There was an exaggerated fear and hatred of Somoza that permeated the international agencies—one World Bank officer was removed from working on Nicaragua because of his hostility to Somoza. Nixon and the White House were always in the background prodding for quicker action, although Jim Cheek maintains that Secretary of State William Rogers was cautious about dealing with Somoza, wanted to slow down the response and reduce its funding. From where I was working, I never heard about the
Roger’s policy—we were told by AID Washington that it was full speed ahead and to be responsive to needs on the ground. There may have been a disconnect between State and AID in how best to respond.

So you see the picture, Nixon’s good friend Somoza needed help. The earthquake was on the front pages of most American newspapers. We had many U.S. military personnel in Managua and some NGOs trying to figure out what to do. Other donors were slow in responding. The AID mission was in disarray and did not have strong leadership. We didn’t get a new Mission Director until much later in the year.

In early January 1973, Roberto Clemente, the star outfielder for the Pittsburgh Pirates and the first Latin superstar, died in a cargo plane crash, flying in relief supplies. Clemente’s wife later recalled that he had been informed that Somoza and his cronies were diverting these supplies, although to the best of my knowledge such allegations were rumors and hearsay and never confirmed. From what I observed they were not true, but continue to be repeated even today. While there was mismanagement of some in-kind donations because of the large volume, and difficulties of storage and distribution, I did not see significant items being misdirected or sold in the open markets, as some later claimed. It may have happened, as in many countries hit by natural disasters, but I did not see a lot of it and I was on the ground in Managua.

The Nicaraguan star, Bianca Jagger, with her husband Mic Jagger and other celebrities were there meeting with us, also bringing in emergency supplies, and “bad-mouthing” Somoza for corrupting the country. The Jagger’s conducted benefit concerts and donated the funds for earthquake victims through PADF. They later became leading Sandinista supporters. Those managing NGOs were usually hostile to Somoza, blaming him for everything that went wrong and attributing to him, the National Guard and the Liberal Party the worst of motives. I considered their comments overstated and not very objective.

Many private groups were responding and there was disarray in Customs, and among GON ministries and voluntary agencies, in managing the large amount of in-kind donations, much of which proved unsuitable for the conditions in Managua, like winter clothing, inappropriate canned goods that did not reflect local food needs, decomposed TV dinners, and many others that had to be discarded. Groups like Catholic Relief Services, the Cooperative Housing Foundation, the Pan American Development Foundation, and Doctors without Borders were there and Managua may have been the latter’s first disaster response.

It was the wildest scene you can imagine. My basic operating principles proved correct—just don’t stand there, do something; make positive action happen; don’t allow yourself to be paralyzed by analysis and indecision; get others in AID involved; don’t get bogged down in process, keep focused on results; and relieve human suffering as quickly as possible.
And then we had Somoza in the middle of the crisis, running things from his home in *El Retiro* and orchestrating the earliest emergency actions with the Ambassador, who took me to some of his private meetings with Somoza. In one, Somoza said he had just been on a call with Nixon—it was so open and there were few secrets. Yet the State Department and AID bureaucracies were always suspicious and even hostile to Somoza and certainly never trusted him. This was in part due to the previous Embassy DCM, Robert White and the current Political Counselor Jim Cheek who had sent a regular stream of negative reports to Washington that had “poisoned the well” against Somoza and his family. While I do not doubt that some of the allegations may have been true, although some appeared embellished, Bob White and Jim Cheek advanced their careers by taking on an easy target like Somoza. Others would do the same in subsequent years.

*Q: Was Somoza pleased with your performance?*

SANBRAILO: He and others were delighted with our AID team. We got things done without a lot of indecision and bureaucracy. We had a positive attitude about helping. Somoza, like our team, erred on the side of action. His wife was an American citizen (“Dona Hope” we called her). She was in charge of the hospitals and rebuilding them, and caring for patients still in tents. The large major hospital had collapsed, killing patients.

Dona Hope took over – she coordinated the health sector and we recognized that she needed help. So we ultimately worked with her as well as her husband. We urged that they bring in the sectorial ministers and the private sector, not bypass them.

While living in the same house at *El Retiro*, “Dona Hope” and “Tachito” Somoza seemed estranged from each other, perhaps because of Tachito’s mistress that was openly discussed in the press. As a result, we had to meet with them at different places in their large sprawling home so they would not get into disagreements about what should be done, which happened on several occasions. The informality and openness were unbelievable!

*Q: But they were still living together –*

SANBRAILO: Yes, more like sharing a home. It all seemed surreal, with modern art covering the walls. We kept getting guidance from AID Washington to do more, Nixon wanted quicker action. This was just as the Watergate scandal was starting to emerge.

*Q: Herman Klein was the assistant administrator?*

SANBRAILO: Yes, he was the LAC Assistant Administrator. He was under pressure from the White House to ensure an effective earthquake response. It was Nixon’s opportunity to repay Somoza, but the State and AID bureaucracies were uneasy and wanted to move slowly. Other donors provided only token assistance. They then went AWOL because they didn’t want to be involved with Somoza, and then slowly developed their new programs that did not begin for more than a year.
Q: What did LAC want? For what purpose?

SANBRAILO: At different times, there were different policies and it was never totally clear. Some in State and AID seemed to want a more modest response because there was fear that Somoza might misuse the aid funds, which I never saw, and it would have been difficult to do given the systems we had in place. There was resistance even then.

As I understood it, during the prior ten years, U.S. policy was to encourage the Somoza family to reduce its dominant role in the country and in its politics. That policy was having some positive impact, as new centers of independent power were emerging in the private sector and in the universities. Some of them had been supported by earlier U.S. aid programs and were further nurtured during the earthquake recovery and reconstruction.

Unfortunately, after Ambassador Shelton was assigned to Managua that policy started to erode. Then the earthquake came and reinforced Somoza’s leadership of the country, although that was never the intent. It brought him back in, because the governing Junta was so weak and indecisive in the face of a major natural disaster. Somoza filled the leadership vacuum in a real crisis because there were simply no other options. The emergency conditions demanded quick action and military-style leadership to get things done.

Q: And did the U.S. policy change at that point? Did they accept the fact that it had to be someone under these circumstances?

SANBRAILO: Yes, tacitly, but there were disagreements in Washington. In my view, the disconnect between the Ambassador’s favorable reporting on Somoza, and the Embassy Political Section’s negative reporting, did not help the policy-making process and created indecision. The earthquake response forced Washington and the broader public in Nicaragua to accept Somoza’s leadership since he was the only one who could get things done quickly and provide a focus to the response.

The LAC Bureau sent Larry Harrison to Managua to prepare the first major AID disaster assistance program. In about a week in January 1973, Larry pulled together with us a brilliant piece of work. A good example of someone who could go into a messy, complex, chaotic, unstructured situation and get right to the core of what needed to be done, given the political reality in Nicaragua and Washington. Even Larry recognized the importance of Somoza’s leadership and that we had to work with him. He took that message back to Washington. It seemed to resonate since a large amount of new funding was approved for Managua recovery and reconstruction and other programs.

Q: What did Larry do?

SANBRAILO: Larry and our team developed a quick disbursing $15 million grant that would fund immediate recovery efforts, like repairing vital infrastructure and quickly
putting people back to work. We would implement small investments all over the city, from cleaning and repairing drainage systems, to rubble removal and clean-up, to repairing and reopening schools. We focused on rehabilitating or rebuilding the hospitals and other public facilities. Another $15 million was approved for upgrading 11,000 temporary shelters, in what evolved into the Las Americas low-cost housing initiative.

The program was to be implemented with the Ministry of Finance as the overall coordinator with individual projects carried out by different sectorial ministries (e.g. public works, health, education, and housing), and the municipality of Managua, among others. It is incorrect to maintain that AID bypassed GON ministries and agencies, because of Somoza’s influence over them, and instead used NGOs and consultants, as Jim Cheek states in his ADST oral history.

Q: Larry must have depended heavily, or relied heavily, on you to put the details together, because he had no previous experience in Nicaragua.

SANBRAILO: Yes, but he had experience in Latin America, in Costa Rica where he had been Mission Director in the late 1960s. He had worked in crisis situations in the Dominican Republic, following the U.S. military occupation in 1965. So he was a senior guy who enjoyed the confidence of AA/LAC Herman Klein. He was super articulate, knew how to quickly assess a situation and design a response without getting buried in a lot of technical detail. He was brilliant and a true conceptual leader! I learned a great deal from him.

We met with Somoza and his key ministers on a regular basis and with other officials. I remember we had to put off a meeting, because the Redskins had a championship game – Larry was a great Redskins fan! In any case, Larry and all of us pulled together a recovery program funded with $15 million in AID funds and it was approved by the LAC Bureau. And of course, the challenge then became implementing it quickly, and that fell to me and my office.

Q: Larry goes home?

SANBRAILO: Yes, Larry departed and says, “Okay, here it is.” And of course the real challenge was how to translate the general program into quick action on the ground and to do it without a scandal, while being under an international microscope. That is where the rubber hit the road and the real impact was produced.

Q: Didn’t Larry later become Mission Director in Nicaragua?

SANBRAILO: Yes, but that assignment began in 1979, after the fall of Somoza and the victory of the Sandinista insurgency. Larry has written about his experiences with the Sandinistas. His books, Underdevelopment Is a State of Mind: the Latin America Case and The Pan American Dream, published in the 1990s, are very important and provide an excellent analysis of why it was so challenging to govern Nicaragua compared to Costa Rica.
Q: Right. So, there you were.

SANBRAILIO: Yes, there I was in Managua, the senior State/AID leadership in Washington divided and quite concerned that the funds might not be well used, or worse, by Somoza or his political allies in the Liberal Party and the National Guard. In any case, bottom line, my staff and I plus our excellent counterparts were able to turn the program into a success story for Nicaragua and for the LAC Bureau from 1973-1975, with no scandals. Most of the funding was implemented through GON ministries and agencies that gave them confidence that they could do even more. It was one of the most intensively audited programs in the history of AID up to that date and they did not find any significant misuse of funds or anything inappropriate. It led to a follow-on $25 million for Managua Reconstruction and additional funds for housing.

The program used competitive bidding for larger construction projects like the new hospitals, some of the suburban roads and many of the schools. The lowest responsive private bidder won these contracts that we closely supervised. Credits for reactivating small businesses damaged or destroyed by the earthquake were provided based on well-defined technical criteria which could not be manipulated for political purposes. The new resources for basic shelters and home financing were allocated largely on need and beneficiaries didn’t require prior approval of the Liberal Party, as in the past. The introduction of transparent procedures and objective selection criteria undermined the personalist decision-making of Somoza, which may have existed before the earthquake, and further eroded his power to make such decisions. There was just too much going on and, even if he wanted to do so, Somoza could not make so many decisions without bringing the program to a halt.

The auditors and others were impressed with the rapid response and immediate impacts that the projects had achieved to relieve human suffering, getting people back to work, cleaning up thousands of tons of rubble in the old downtown area (by early 1974 most rubble had been removed), addressing the immediate humanitarian crisis in 1973, and laying the ground work for future rebuilding. As I look back today, it was one of the most successful and cleanest programs that I managed in my AID career, despite later criticism of Somoza. In my view, it was exaggerated and misinformed.

Q: So, how did you manage to keep it from being stolen by Somoza?

SANBRAILIO: First of all, I found that it was a myth that Somoza would steal the funds. Policy-makers kept repeating this allegation, so it became conventional wisdom in the Washington bureaucracy, perhaps fed by the Political Section’s reporting. While the Somoza family had a negative image, it was already very wealthy before the earthquake. I discovered that Somoza was surprisingly committed to national development and eventual democratization.

In my view, Somoza had been misunderstood, although there was corruption in activities not funded by international agencies, much like in other countries that did not have such a
family dynasty, Somoza looked like a dictator, he sounded like a dictator, he acted like a dictator, but it appeared to be a show. His bark was often worse than his bite! His control always seemed to be more fragile and tenuous than many thought. He was never good at public relations and explaining his views, as shown in his book, *Nicaragua Betrayed*. He felt the USG would always be there for him. The Carter administration discredited and undermined his government.

Ambassador Shelton had several meetings with Somoza that I attended about the AID program. In a number of them the Ambassador reiterated the importance of the recovery program being well-implemented. He clearly said that there cannot be any allegations of stolen AID funds. The Ministry of Finance assigned some of its best people to coordinate and oversee the projects and disbursement of funds. A young attorney, Julio Cardoza, was one of them and served as Director.

I ultimately had a staff of ten in the Mission who worked full-time monitoring and auditing the program. There was extensive independent audit coverage. We got boxes of receipts on expenditures and reviewed and crossed check each one. Many of the Nicaraguan FSNs in the Mission could not believe how clean the funding was since most of them were hostile to Somoza’s rule. We reported weekly to the LAC Bureau. There were numerous visitors from Washington who sensed the program’s dynamism and success.

In the 1973-1975 period there was criticism of corruption and misuse of funds, but not of a significant nature. We were able to investigate each allegation. Most proved to be false or relatively minor program mismanagement. The most intense criticism came later in the 1970s, after Jimmy Carter was elected President.

The narrative then shifted to “……well the Somoza family owns the only cement company in the country and is reaping windfall gains from the reconstruction…..” When we showed that purchasing cement in neighboring CA countries would substantially increase costs, the criticism subsided somewhat. But there was always unease with Somoza that I came to see as unwarranted, even though I had arrived in the country with some of the same reservations which many had of him.

My staff and I worked out the details of individual projects with Nicaraguan technical personnel in the Ministries. I never received pressure from Somoza on any project. In AID language we “projectized” each activity to ensure greater control, prepared and monitored individual budgets, carried them out through host country contracting, and didn’t just make a cash transfer. That was the key to our success.

We disbursed funds based on advances made by the Ministry of Finance and against documented receipts that we often independently verified. This was the period (1973-1974) when I was invited to dinners at Somoza’s home to review project progress. I was one of the few international representatives present. They included Somoza, several Ministers and other GON officials, about ten of us. Somoza was regularly asking what AID needed done and he would give immediate orders to make things happen. They were
the most open and frank meetings you could imagine and criticism flew back and forth about who was to blame for delays or implementation bottlenecks. We solved the problems right there at the dinner table, often staying until midnight to do so.

It was an amazing experience that I never again had in my career. Misuse of funds, or the appearance of misuse, was openly discussed. They usually related to GON counterpart funds, weak management systems or misunderstandings, rather than outright corruption that was being reported in a sensationalist manner by the leading opposition newspaper La Prensa. Somoza appeared to use La Prensa as a check on what was being done because it had reporters all over Managua just waiting to find funds that were being stolen or projects that favored Somoza interests. Rarely was its reporting correct, although the paper did identify issues of mismanagement that we jumped on immediately. La Prensa would still make scandalous allegations about Somoza, especially related to his mistress, though it was never shut down. Some local leaders even maintained that Somoza welcomed La Prensa as a way of sending a message to his ministers to ensure a clean program.

As an aside, the editor/publisher of La Prensa, Pedro Joaquín Chamorro, was assassinated in 1978, which is considered one of the precipitating events leading to Somoza’s downfall and the triumph of the Sandinistas. While the details remain murky and the convicted assassin was a Cuban-American businessman who was being attacked by La Prensa, in a conspiracy-prone country like Nicaragua, Somoza was immediately blamed. Given the way Somoza used La Prensa to govern Nicaragua, it is hard to imagine that he would have done something so foolish. Once the classified archives are opened, it would not surprise me that the Sandinistas are implicated since they had so much to gain. Pedro Joaquín’s wife Violeta would be elected President of the country in 1990, temporarily ending Sandinista dominance. She has blamed Somoza for her husband’s assassination.

**Q:** What was it like living and working in Managua at that time and having to deal with the criticism of Somoza?

**SANBRAILO:** As we drove to work each day, we could see many of the projects being carried out in Managua and hundreds of laborers being employed on public works. The city was coming back to life. The clean-up was proceeding. New safer hospital sites were identified and tens of thousands of people were now working. Secretary of State William Rogers visited Managua and inaugurated one of the hospitals. He complimented the Country Team on the reconstruction program.

In mid-1973 the Mexican government sent a group of Urban Planners and Architects to prepare a master plan for rebuilding Managua. The Plan was modeled after similar earthquake reconstruction efforts, such as in Skopje, Yugoslavia in 1963. The AID Mission had an advisor who had worked in Skopje. We attempted to learn from the much criticized U.S. response in that city. We also tried to learn from other disaster responses and did not want to repeat the mistakes made in rebuilding Managua after the last great earthquake in 1931. For this reason, we moved quickly to support GON efforts to
demolish and clear buildings in the old downtown area, most of which could not be repaired and safely reoccupied.

In June 1974, the Mission received a vote of confidence when we presented a new request for a $25 million AID follow-on reconstruction program and it was approved. AID Nicaragua had become one of the largest in the LAC Bureau, which is different than what is reported by Jim Cheek in his oral history about funds being reduced. The program grew because it was being well-managed on the Nicaraguan side and by the AID Mission. The program was further expanded into rural development during 1974-1975.

Later in the 1970s the reconstruction effort came under scrutiny by the international media, but a number of evaluations showed that AID funds had been well implemented, although this was never reported. Other donors slowly began to commit funds, which was another show of support indicating that they were more confident about operating in Nicaragua, in part because of the success of the AID program. IG and related audits found no major misuse of funds, despite some journalists and others making unfounded statements about corruption. They used such charges to discredit Somoza that ultimately contributed to forcing him out of the Presidency and to flee the country.

Q. Were other AID programs developed during this time?

SANBRAIL: Oh yes, and this became another fascinating part of my assignment. As I mentioned, AID policies and programs were undergoing in-depth review in the U.S. Congress in the early 1970s. In the wake of the Vietnam War and the Watergate scandals, legislation was passed mandating “New Directions” that focused AID assistance on the poorest people, especially in rural areas, through program interventions in agriculture, education, public health and family planning.

It was the beginnings of detailed earmarking by Congress of the AID budget and was the equivalent of Congress taking power from the Executive branch, as it had done with the War Powers Act. As mentioned, the “New Directions” focus was influenced by a number of factors, including Ted Owens’ book, Development Reconsidered. It redirected AID assistance away from supporting economic growth, industrial development and infrastructure, as was done in the 1960s, to target well-defined low-income groups in rural areas.

And to everyone’s surprise, Nicaragua in 1974-1975 became a leader in developing some of the first “New Directions” programs. We received numerous Washington visitors, especially Congressional staffers, who were on the ascendancy because of the new powers that Congress had over the AID budget and its earmarks. Many of them were astonished that we were doing so much in what some called “Somozaland”.

At the initiative of Somoza himself, the GON proposed the creation of an Instituto de Bienestar Rural (INBIERNO) that became quite famous because even the Sandinista government in the 1980s continued to use it. INBIERNO was charged with major initiatives to help the rural poor, through integrated development projects, including land
transfers, extension services, credit, improved seeds and other inputs, rural roads, and to develop complementary activities in public health, potable water, sanitation and rural education.

To everyone’s amazement, Somoza welcomed AID’s “New Directions” and wanted Nicaragua to be the lead program. We later found out that Somoza greatly admired Chiang Kai-shek and what Chiang had done in Formosa (Taiwan) with the successful Joint Rural Reconstruction Commission (JRRC) in the 1950s and 1960s. I believe that he saw INBIERNO modeled after it, even though he was never very good at explaining such decisions.

In prior years, Somoza had traveled to what was then called Formosa and met with Chiang. It is quite possible that if Somoza had not been forced out of office in 1979, and the Sandinistas had not come to power, Nicaragua would have evolved along the lines of Taiwan, or possibly the Dominican Republic. It could have become one of the most developed countries in Central America, instead of the poorest as it is today, with so many of its outstanding professionals now in the United States.

It should be recalled that AID at this time was the lead international donor in both earthquake recovery/reconstruction and rural development. These programs attracted significant LAC Bureau funding and attention. I never sensed that funding was being reduced by Washington, as some later reported. We always received the amount of AID resources that we requested, and at times, even more.

Other countries and Missions had more challenges developing “New Direction”-type programs along the lines of those proposed by the President of the World Bank, Robert McNamara. The World Bank, the Inter-American Development Bank and other donors were slow to respond, in part because of their resistance to Somoza rule and in part due to bureaucratic inertia. They ultimately provided major funding based on the success that the AID program had achieved.

As documented in several Congressional staff reports, AID Nicaragua was out front in supporting the most innovative “New Direction” programs while the others seemed paralyzed by analysis and constant re-analysis. My experience in Ecuador with Title IX greatly helped us. The new Mission Director, Bob Culbertson, was a very strong believer in these programs and his enthusiasm inspired us all.

Then there was a World Bank officer who regularly argued that Nicaragua did not qualify for concessional IDA funding, even for earthquake reconstruction. These objections were subsequently overridden through U.S. Treasury intervention. But all of the indecision took time. Even with the WB reforms introduced by McNamara, the Bank was slow to fund rural development and later did it largely through traditional road and infrastructure projects. Only AID would have supported INBIERNO and helped operationalize it.

Q: Did you have ongoing projects from the period prior to the earthquake? What happened to them?
SANBRAILO: Yes very much so. We continued funding nationwide programs for education reform and building schools, a rural health project that constructed and equipped health centers, projects for promoting basic grains and the construction of rural roads, and loans for industrial credits and feasibility studies. The latter were funded as part of the earlier Alliance for Progress. They were intended for infrastructure projects, especially in the electrical sector and for airport upgrades, which could be used to attract loans from the World Bank, IDB and the Central American Regional Bank (CABEI).

Perhaps the most controversial was the debt restructuring for the Corporación Nicaraguense de Inversiones (CNI). The latter was a private investment bank (financiera) established by AID with a $5.0 million loan during the 1960s to increase longer-term credit and equity financing for the industrial sector. CNI also had funding from a number of U.S. private banks as well. While CNI had been successful in supporting the development of new industries not related to Somoza interests, it had encountered major problems that accelerated after the earthquake because some companies could not service their debts. CNI was about to go bankrupt that could have created a significant loss for U.S. taxpayers and investors. This was a time when such an occurrence could create major problems for AID and the host country.

After one year of very hard work, and numerous creditor meetings in Managua, NYC, and San Francisco, we developed a debt restructuring plan that kept CNI solvent and operational. During this process, there were indications that the GON might intervene to take over the financiera that could have triggered even more suspicions of Somoza, since many saw his hand behind any negative action. In this regard, Ambassador Shelton was very supportive of our efforts to maintain CNI independent of the GON so it could continue to nurture private sector growth and a more pluralistic economy. This surprised some in the Country Team and was welcome news among private sector leaders. My office in the AID Mission, together with the financial analyst in the Controller’s office and the RLA, were given a special award from AID Washington for what was considered a significant achievement in saving CNI, while also carrying out the complex earthquake recovery. The Sandinistas would later destroy CNI as they moved to create a Cuban-style socialist state.

**Q:** So returning to the Somoza family’s reputation, it may have been correct in terms of an earlier period, but when it came down to dealing with you in the 1970s, he was a benevolent dictator who was attempting to accelerate his country’s development.

SANBRAILO: Yes, that is my view although many still disagree. The reputation of his father, Anastasio Somoza Garcia may have been correct. Less so for the sons, although there were still issues when one family plays such a dominant role in any country. “Benevolent dictatorship” is the right term, far less brutal than what was happening in Chile at the same time, or the Southern Cone, or in South Korea and Taiwan. Tachito Somoza gave focus to the programs, solved problems and made decisions quickly and things happened. I did not sense that GON policies were designed to favor the already well-established Somoza business interests, as was later alleged.
I never had another career experience quite like this one. The Nicaragua program was surprising to everyone, especially to Congressional staffers and the LAC Bureau. The money was being carefully tracked and there was rigorous accountability. We were doing some of the most innovative programs in the Bureau. I got a lot of the credit when it was in fact due to a team effort. Mission Director, Bob Culbertson had arrived in July 1973 and had experience in Taiwan with the Rural Reconstruction Commission. He immediately saw the parallels between INBIERNO and the RRC.

Working with our Nicaraguan counterparts, I drafted all of the “New Direction” project papers, gave them form and ensured that they were coordinated around a central strategy and were well analyzed. I remember the LAC/DR Director for Central America, Martin Dagata, commenting about how well integrated they all were. It was demanding work because the consultants or technicians we used, together with the Nicaraguans who were very good, often could not agree among themselves about the proposed course of action in different sectors or subsectors. Somoza did not intervene in any of the technical decision-making. I worked day and night on the project papers and presented them to the DAEC in the LAC Bureau. In this respect, my previous experience in Ecuador proved very helpful.

Unfortunately, Somoza got tarred with being a brutal dictator, along the lines of Idi Amin in Uganda, who was reported to literally cut off the heads of his opposition and keep them in a refrigerator to show to visitors. This was in the international news about the same time as the election of President Jimmy Carter. Somoza could never recover from his image problem. The Political Counselor had reported that Somoza kept a Lion, perhaps to intimidate visitors, but I never heard about it and never saw such a thing.

Yet the Nicaragua situation later in the 1970s led the Carter administration, Robert Pastor at NSC, Viron “Pete” Vaky ARA Assistant Secretary, Karen DeYoung at the Washington Post, and CBS 60 Minutes to gang up on Somoza that greatly contributed to encouraging the Sandinista insurgency and forcing him out of office in 1979, through an overwhelming volume of distorted commentary. Some of the negative reporting may have been driven by Somoza’s relationship with Richard Nixon and can be seen as a follow-on to Watergate and the Somoza family support to the Bay of Pigs invasion in 1961. The Cubans were supporting the Sandinistas and helped assassinate him in Paraguay.

At about the same time, a similar U.S. policy was implemented for the Shah of Iran. The Carter administration did not seem to appreciate the strategic importance of Iran or Nicaragua. I believe Carter committed some of the greatest strategic blunders by destabilizing these countries, costing tens of thousands of lives and the American taxpayers billions of dollars. But that is a story for later.

Q: Were you able to convey this message and this knowledge of the reality to Washington, or was this a constant battle?
SANBRAILO: It was a constant battle to deal with the Somoza stereotype, even with all the clear progress being made and the visitors who came to Managua. For example, my boss from Washington, the LAC/DR Director Dick Breen, visited several times. Dick had replaced Frank Kimball. He was previously LAC Director for Central America and seemed greatly influenced by Robert White’s and the Political Section’s negative reporting. Dick came to Managua. We showed him everything, the boxes of receipts, the clean audits, the rigorous field monitoring of project activities. He went out and saw the projects, talked with beneficiaries, saw what we were doing and the enthusiasm. He met with Somoza and others. While Dick disliked Somoza, he could not deny the positive results on the ground and the accountability for funds.

I said, “Dick, we should look beyond the stereotypes that I myself had when I arrived”. We have people suffering here. Let’s help them rebuild, we are making historical breakthroughs with many projects, like Las Americas program that Peter Kim and his housing team had confirmed. There were important opportunities with rural development and in rebuilding Managua as a safer city. With the housing office we were upgrading the 11,000 temporary shelters in Las Americas with affordable “piso-techo” solutions. They became a model of progressive housing, one of the first large scale programs, combined with employment generation so that owners could pay for their homes. By 1975, the earthquake recovery program was looked upon as a great success. We were moving on to reconstruction, based on the Mexican Plan for Managua.

In 1974, Somoza decided to run for President of the country, a real mistake that may not have been taken as seriously by Washington as it merited. Unfortunately, this key event is not often discussed by those who have examined U.S. relations with Nicaragua in the 1970s. It was a crucial decision point. I felt that Somoza might have been convinced not to run. The U.S. had all kinds of leverage it could have exercised. If there was so much concern about Somoza in Washington, why didn’t senior State officials at least try to intervene to discourage him from running? Some of us had hoped for such action. Perhaps something was done behind the scenes, but I was not aware of it.

Somoza’s victory in a reasonably fair election was due in large part to his successful leadership of earthquake relief and recovery, as well as the growing economy and widespread employment. This election, however, proved to be a major mistake, with historical implications for U.S. policy. It later led to the Sandinista insurgency and revolution, Somoza’s fall from power and assassination, the rise of the Sandinistas and Daniel Ortega in the 1980s, and the destruction of Nicaragua and the destabilization of Central America.

With all the chaos around Richard Nixon as a result of Watergate, the withdrawal from Vietnam, there was no clear policy. With the evacuation from Vietnam there seemed to be disarray in U.S. policy. The previous approach of the 1960s toward Nicaragua of gradually encouraging the Somoza family to reduce its involvement in politics was either forgotten or abandoned. Why more was not done to clarify U.S. policy is beyond me. Perhaps it was due to the distracting disputes between the Ambassador and the Political Section and their inability to get Washington focused on this crucial issue. Or possibly
nothing could have been done. It is one of those, “what if” questions that continues to trouble me to this day.

The earthquake recovery program, however, became a real AID star in terms of impacts on beneficiaries, number of successful projects completed in about 18 months, ability to get Managua functioning again and reducing human suffering, and of course transparency and accountability of funds. But most of these results got forgotten or ignored in the late 1970s as the “long knives” in the Carter administration went after Somoza.

**Q: Was Nicaragua really changing as a result of these AID programs and what implications did such changes have for U.S. policy?**

**SANBRAILO: Yes very much so. The Nicaraguan social structure and economy were rapidly evolving with more than two decades of significant economic growth. The country’s human and capital resource were improving, which greatly helped us with the recovery program. You could see real development taking place and new modernizing groups were emerging, although slowly.**

It was a country that was already moving from a closed traditional “caudillo” society to one that was much more open and pluralistic that could not be so easily controlled by one family. New better-educated groups were forming, who in some cases felt excluded from the political system. This became an explosive mix that, along with the earthquake, produced the events of the late 1970s. Many in Managua and in the international community were commenting that the earthquake would have significant political impacts. It certainly did for Nicaragua and Central America.

Much of these trends were encouraged by the earlier Alliance for Progress in the 1960s and accelerated in the 1970s by the earthquake recovery and “New Direction” programs. There was a dynamic private sector emerging that was increasingly self-confident in its dealings with Somoza and his traditional political system. AID had played a major role in nurturing these new business leaders with technical assistance, training, industrial credits and equity financing, through new institutions like CNI. The establishment of the INCAE graduate business school, funded by AID, and its state-of-the-art teaching, research and consulting, symbolized the rise of these modernizing groups.

There were new education and health programs, and a great expansion in higher education opportunities, which were improving conditions but not as quickly as many had wanted to see. Those opposing Somoza were constantly complaining to the Political Section at the U.S. Embassy about his dominance and embellishing their views with exaggerated claims. Since not all expectations could be met, and the development process is always imperfect and cannot immediately meet all needs, such events can produce unexpected consequences. In retrospect, the rapid growth in Nicaragua (as well as in El Salvador), along with limits to political participation, in my view set the stage for the unfortunate civil wars in the 1980s.
Similar leftist forces were brutally repressed by military dictatorships in the Southern Cone during the same period. The revolutionary groups in Nicaragua and El Salvador were encouraged by the Carter administration and its human rights campaign. President Carter and his advisors, plus some in the international press, did not appear to appreciate the strategic implications of Central America blowing up with the Sandinistas and the FMLN, and these groups allying themselves with Cuba and the Soviet Union.

Q: How long did you spend in Nicaragua?

SANBRAILLO: About three years.

Q: So, you were able to see these projects through to completion?

SANBRAILLO: Yes, at least on the earthquake recovery and Las Americas housing programs. I led the design team for the longer-term Managua reconstruction and the INBIERNO rural development programs, which had started field implementation just as I was leaving the country.

Q: So, your sense of Somoza’s commitment to these programs and his ability to get things done was fulfilled?

SANBRAILLO: It was indispensable. We never would have made so much progress in such a short time without his support. He strongly supported the focus on the rural and urban poor. What some have forgotten is the Liberal Party headed by Somoza was a modernizing force aimed at maintaining national unity and accelerating development.

Prior to my assignment in Nicaragua, I was in Ecuador where there was political gridlock with one group checking or undermining another to delay actions. The President virtually couldn’t order anything. Somoza could decide almost any issue without a lot of indecision, and bam, right away, things would happen. The Ministries reacted immediately.

Q: What was the capacity of these Ministries? I mean, it’s one thing for Somoza to say do it, it’s another thing for there to be the capacity to do it. Were they good partners?

SANBRAILLO: Yes, they were surprisingly well-staffed by some excellent technical people, some developed through AID’s Participant Training and other programs. Despite the image, Somoza made an important commitment to nurturing Nicaraguan human resources, and many of the country’s professionals had gone to U.S. universities. We never saw a bias against education as some later suggested, although the GON’s conservative fiscal policies did limit national funding for some social programs.

Somoza loved the U.S and wanted more scholarships for Nicaraguans to study abroad. He seemed to have a very strong commitment to education, as illustrated by the establishment of the Central American Graduate Business School (INCAE) in Managua and the large number of primary and secondary schools that we built or repaired. He just
loved sitting around with his American buddies reminiscing about West Point and what a wonderful education it provided to him.

The senior officials in GON ministries were often fairly good, but the middle levels were quite thin and weak, which did limit some execution. We filled in with a lot of advisors and planning staff, and we brought in some technical assistance teams. The Mexican government provided a highly qualified urban planning team for rebuilding the city. Unfortunately, shortly after Jimmy Carter was elected in 1976, the CBS 60 Minutes program began focusing on Managua earthquake reconstruction, declaring it a failure because there were still empty spaces in the old city center that had not been rebuilt. These comments overlooked the Mexican Reconstruction Plan for Managua and were being used to discredit the Somoza government. 60 Minutes clearly went to Managua with preconceived views and did not attempt to present an objective presentation.

**Q: Tell us more about the Mexican Plan for rebuilding Managua.**

**SANBRAILO:** The Mexican Plan, approved by the GON, recommended that the city’s older and heavily damaged urban core be redeveloped as the final stage of the reconstruction process that was expected to extend over a ten to fifteen year period. The fundamental approach was to construct a larger less dense multi-center metropolitan area to ensure greater safety for its citizens because it was repeatedly hit by earthquakes. The Plan recommended that the primary focus be on spreading out the city, and rebuilding first in suburban sectors where most AID projects were located, and converting the now abandoned downtown area into an open green area with parks and buildings constructed to high quake resistant standards. The older downtown was extremely risky because it was crisscrossed by numerous earthquake faults and built on volcanic ash.

While controversial, the Mexican strategy was accepted not only by Nicaraguan authorities but also by the international community. Prior to its approval, the Plan was discussed at open town meetings around Managua and at universities, as well as at donor sessions organized at Somoza’s residence at El Retiro and at the municipality, government ministries and with neighborhood associations. Because the city previously had been destroyed by a major earthquake in 1931, and because so many again had been killed in the densely populated older downtown area, the urban planners proposed creating a more extensive but lower density metropolitan area with a number of different city centers. As a result, it was never intended that rebuilding would begin in the formerly congested urban core in the 1970s, yet this point was ignored. The downtown area that remained empty was used by journalists, like 60 Minutes and others, to suggest that funds had been misused or stolen.

AID resources approved for reconstruction were almost all directed to the suburban areas where the recovery program had built two hospitals and complementary schools and housing, other public works, and not the city center. They were intended to create the infrastructure and meet the commercial needs of a larger multi-centered city. Indeed, the planners were concerned that low-income groups might begin moving back into the older downtown and rebuild improvised squatter settlements of poorly constructed housing and
businesses that might again collapse in the next earthquake. So the rebuilding effort was directed to the peripheral urban areas and opening new opportunities there. The former city center was specifically left unoccupied for a large park-like area. While this approach may not have been sufficiently communicated over a long enough period by the GON and the urban planners, it was later used to distort the reconstruction effort and to declare Somoza guilty of stealing the aid money.

Q: When did the USAID Mission finally get a new Director?

SANBRAILO: As we moved out of the recovery program of 1973, and into longer-term reconstruction and the development of INBIERNO, an AID Mission Director, Bob Culbertson, was assigned to Managua. He accelerated these initiatives, especially the AID “New Directions” projects and gave momentum to them. He was the right Mission Director for that period: full of new ideas, new initiatives and great enthusiasm. We became good friends, almost a father-son relationship. Bob had previously been AID Director in Guatemala and Peru, and later went on to serve in Panama.

Q: I hardly knew him.

SANBRAILO: Bob was a wonderful guy, although more at home in the field than in Washington. He came to Managua with a strong commitment to “New Directions”. We’re going to make this a model mission for helping the rural and urban poor, he would say. As I mentioned, we sat down with Somoza, and went over the new AID legislation, and Somoza said, “Hey, that’s great. It is just what Nicaragua needs, I’ve been asking for such programs for years”.

And Somoza started outlining the concept of the Integrated Rural Development Institute or Instituto Bienestar Rural (INBIERNO) to address rural poverty, support land redistribution, and improve small farmer production. Bob and I looked at each other and we knew what the other was thinking, “Holy man, is this for real.” We went into how improved access to health care and better schools for rural kids were equally important. We both sensed that we had a real winner here if we could seize the moment; the earthquake reconstruction was moving forward and creating a great deal of enthusiasm and forward momentum.

As a result, we quickly moved to develop AID support for INBIERNO, although some felt that we had more than enough to do with the reconstruction program. Again, Somoza and the Ministries assigned a top notch planning group of national agricultural experts and others to work with us. On the AID side, we contracted consultants and technical staff to help us, as recommended by the LAC and PPC Bureaus. We ended up by 1975 with what many considered the best “New Directions” program in the agency up to that date.

Q: So, it’s no longer just the tired old AID Mission
SANBRAILO: Correct, it was a new reinvigorated Mission. Some of the older officers had left by then. They retired or transferred out. We got a number of younger staff. Nicaragua was suddenly a place you could serve and do important cutting edge projects in a large new country program. It began attracting more attention, as the momentum fed upon itself. Morale and enthusiasm were very high, although a number of Embassy personnel continued to grouse about Somoza and Ambassador Shelton. We knew that we were doing something of historical importance, aiding tens of thousands of earthquake victims and aiming to do the same for the rural poor.

Q: But it all was developed as a part of the Congressional “New Directions” AID legislation?

SANBRAILO: Yes, “New Directions” was the organizing concept used to develop all new non-earthquake projects, but even for reconstruction we focused on urban poverty groups, such as those in the Las Americas housing project. But again GON ministers and Somoza encouraged such a focus and made things happen. They liked working with us.

Somoza was conservative from a fiscal and monetary standpoint and always worried about keeping the local currency, the Cordoba, at 7 to one dollar. In some ways he was a prisoner of his military education, but he had a vision of what Nicaragua needed that corresponded to AID’s “New Directions” strategy. He could not believe it when the Carter administration withdrew its support, which led to his assassination. This sent a terrible message to the rest of LAC region and to the world about allying yourself with the U.S.

Q: Wait a minute, didn’t you get married in ’74?

SANBRAILO: Oh, yes, in January 1974, my wife-to-be completed her assignment at the IMF in Washington, and returned to Quito. I left Managua for a few weeks. Then we both returned, after a honeymoon in Colombia and the San Andres Islands.

Our first years of marriage were memorable for living in Managua. Rebuilding was going on all around us. Dona Hope Portocarrero owned a number of undamaged town houses near the Inter-Continental Hotel and we rented one from her. Since the city had no street addresses, we lived at, De la que fué “Mansión Teodolinda, tres cuadras al lago”.

AID reconstruction activities were literally happening blocks from where we were living. We would go out on weekends to visit projects and see the impacts. It was very inspiring. You could see it right there where we were living. My wife and I greatly enjoyed it. We were reluctant to leave the country in August 1975.

Our neighbor in an adjacent townhouse was Tom O’Donnell, the Economic Counselor at the Embassy. He had joined forces with the Political Counselor, Jim Cheek, in a vendetta against Somoza and was critical of Ambassador Shelton. Cheek had used State’s dissent channel and won a major AFSA award for his dissent on U.S. policy toward Nicaragua. Tom tried to recruit me into this informal group and was complaining that AID was
strengthening Somoza by making the recovery program a success. I asked him what the options were given the conditions on the ground, the many people who were still homeless and without jobs, and the inadequate social services. In my view, Jim Cheek, and to a lesser extent Tom, were blinded by their dislike of Somoza and Turner B. Shelton. They seemed to lose perspective and couldn’t see the big picture of what was in the best U.S. interests at that time. They couldn’t define a realistic alternative.

Q: So, you have Somoza treating you well. Did he give you a big party?

SANBRAILO: Yes. We got together informally at his El Retiro home, although after the 1973 emergency period, meetings tended to be more with the Ambassador and the AID Director. Now with a Mission Director in place, and the upcoming national elections, there were formal meetings with Somoza. I had to pull back, unless the AID Director invited me to join them. Following his election as President in 1974, if I recall correctly, the Ambassador may have restricted access to him. We dealt more with the Ministers and heads of other agencies, but less regularly with Somoza himself. The Ministers were able to make decisions and kept the program moving forward.

It was an amazing assignment, we knew everyone in town and the city was full of international advisors and consultants. There was constant gossiping about Somoza and his mistress (Dinorah Sampson). Everyone sensed that Nicaragua was changing for the better. There were no secrets about anything bad that was happening. It was an exciting time and rewarding time.

After the coordination meetings at El Retiro those of us who had follow-on business to conduct would head for Los Ranchos restaurant for an excellent steak dinner. Despite the earthquake, Managua developed a few outstanding restaurants that we used for informal meetings. On the weekends, we would end up at the Inter-Continental pool and again meet up with private sector leaders, GON counterparts or international agency officials and further conduct business. It was non-stop, 24/7. The excitement of program momentum was exhilarating for many.

The economy was growing at a rapid pace, if I recall correctly, over 6% per year in 1974-1975, based on the reconstruction and growing demand for cement, building materials and construction services. The agricultural and livestock sectors were exporting, especially some of the finest beef products in the world. The cement plant was at full capacity which led to further criticism of the Somoza family. New businesses and industries were being established to service a multi-centered city rather than a small concentrated area in the old downtown that had been devastated by the earthquake.

Prosperity was in the air and there was employment for everyone. The benefits were being widely distributed, although many refused to admit it because of Somoza’s omnipresence and the stereotype that he controlled everything. The “New Directions” AID programs were inspiring hope in poverty-stricken rural areas like nothing before. Everyone sensed that Nicaragua was moving forward in a dynamic way even though it
was still highly imperfect. There was unease about Somoza’ election as President in 1974 and what it might portend for the future.

Q: Was your wife still working for the IMF at that point?

SANBRAILO: No, she had left the Fund and went back to Ecuador so we could marry. In late 1974, I applied for AID’s long-term training program. I was accepted in mid-1975 to attend the Kennedy School of Government at Harvard for the academic year September 1975 to June 1976 in a master’s program. I relished learning and needed some time to decompress and reflect on my service in Nicaragua. I am grateful to AID for giving me that opportunity. We departed the country in August 1975 with great sadness and wonderful memories.

Q: Would you like to say anything further about Nicaragua?

SANBRAILO: Yes, in the late 1970s Nicaragua was converted into an experimental laboratory for human rights. This policy ultimately produced a leader far worse than Tachito Somoza in Daniel Ortega, as described by Steven Hendrix in The New Nicaragua: Lessons in Development, Democracy and Nation-Building. The Sandinistas and Ortega set back the country’s development for many decades to come, destabilized Central America, and threatened U.S. interests throughout the region.

The Carter administration, acting through its NSC Director for Latin America and the ARA Assistant Secretary, seemed to have a well-defined policy of promoting regime change without fully appreciating its full consequences. Nicaragua was strategically located and what happened there could have broader impacts in the region. Such a policy would never have been attempted in similar, but higher priority dictatorships, like Taiwan or South Korea. Brutal regimes in Africa, similar to Idi Amin’s, were largely ignored and allowed to consolidate their power. The selective outrage was the height of hypocrisy. No one cared about Central America because it was a low priority, so it became an outpost for the Carter administration’s moralizing.

Misinformation, half-truths and innuendos about Somoza were widely reported as facts and passed on within the State Department and to the press to support such actions, particularly regarding human rights abuses and what happened to funds for Managua reconstruction. The momentum against Somoza was overwhelming and couldn’t be stopped. Senior officials did not want to hear alternative views. They appeared locked into outdated stereotypes. You cannot understand U.S. policy in Central America in the 1980s and subsequent decades, or the emergence of Daniel Ortega, without looking at what happened in Nicaragua in the 1970s.

Prior to this period a number of regimes had been stigmatized as failures of past policies, although they supported the U.S. during the Cold War. They included Anastasio Somoza in Nicaragua, Fulgencio Batista in Cuba, Rafael Trujillo in the Dominican Republic, Francois “Papa Doc” Duvalier in Haiti, Marcos Pérez Jiménez in Venezuela and others. Few policy-makers fully understood how and why these countries had evolved into
dictatorships or why past efforts to establish democracy had failed, and what might happen if they were destabilized.

Despite the popular image, most of these countries (e.g. Cuba, the Dominican Republic, Haiti, Nicaragua, Panama) had experienced advances in economic growth and social development throughout much of the 20th century, due in great part to U.S. intervention and cooperation. Such actions, however, did not lead to democracy but instead to dictatorships, because these societies could not govern themselves without competing factions tearing their countries apart, viciously fighting among themselves and refusing to compromise. As the political theorist Alexis de Tocqueville maintained, democracy is not just a set of governing institutions but a way of life that depends on values such as tolerance, compromise, the rule of law, and civic engagement that have been so lacking in Nicaragua and other LAC countries, as described in Lawrence Harrison’s book, “Underdevelopment is a State of Mind: the Latin America Case”.

The operating assumption of the modernization theorists of the 1950s and 1960s was that development would produce liberal democracies, although a few analysts maintained that “modernizing dictatorships” might be an intermediate phase on the road to democracy. The pattern in the Caribbean and Central America, and in the broader LAC region, contradicted the premise that development would directly produce democracy. It led to frustrations with the Alliance for Progress and a sense that greater emphasis should be placed on human rights and the poor majority.

Many of the dictatorships were explained away by simplistic statements about the U.S. needing them as allies during the Cold War to counter the spread of communism or that past administrations welcomed non-democratic governments. There was little or no analyses of what might happen if such regimes were quickly changed. Some maintained that the USG chose to ignore human rights abuses and that national security overrode democracy objectives. Such policies were viewed as a continuation of World War II approaches, concisely stated by President Franklin Roosevelt in a famous, but unconfirmed statement, “…Somoza is a son-of-a-bitch but at least he is our son-of-a-bitch”.

In the 1960s and 1970s, the unease with dictatorships caused policy-makers to back away from them, or to withdraw support at critical moments, which often produced unexpected and negative consequences. The failures of Carter’s policies in Nicaragua and Iran in the 1970s were just two examples which are still with us today. It should be recalled that Eisenhower also withdrew support from the Batista regime in Cuba in the late 1950s, opening the way for Fidel Castro to assume power and to threaten the U.S. with thermonuclear destruction in 1962.

Similar failures were experienced in Vietnam in the 1960s and subsequent U.S. interventions in Haiti in the 1990s that contributed to making it into a virtual failed state. Only in the Dominican Republic and a few other countries did more positive results emerge. Even Venezuela, the richest country in the hemisphere, ultimately produced Hugo Chavez’s populist movement that undermined U.S. interests. At the same time,
dictatorships in Taiwan, South Korea and Chile ultimately evolved into vibrant democracies to the surprise of many policy-makers. Those who are now discussing regime change in Saudi Arabia with no understanding of what might happen should consider these examples.

What this history highlights is that the USG has still not come to grips with how to produce liberal democracies in developing countries, even though we have been working at it for over a century. Moralizing about brutal dictatorships can produce even worse consequences. Today, under Daniel Ortega, Nicaragua has degenerated into one of the poorest countries in the region, much like Cuba, Venezuela and Haiti. The recent examples of Iraq and Afghanistan, and the results of the Arab Spring, demonstrate the challenges that the U.S. confronts in not learning from the past, not fully appreciating the unforeseen events produced by regime change, and the difficulties of building and sustaining democratic governments in foreign countries.


Q: Let’s get to your year at Harvard. How did you use that year? What did you do?

SANBRAILO: I entered the MPA program and focused on economic development, international relations and public administration. I had some extraordinary professors, such as Samuel P. Huntington whom I had admired for many years and with whom I wanted to study political development. Others included John Kenneth Galbraith, John Montgomery, Graham Allison, Joseph Nye, James Q. Wilson, Richard Neustadt and Ernest May. Neustadt and May were working through the ideas that would ultimately appear in their pioneering book, *Thinking in Time: The Uses of History for Decision-Makers* which greatly interested me.

Samuel Huntington’s writings were particularly influential in my thinking about development, especially his 1968 book *Political Order in Changing Societies* in which he argued that economic growth could lead to political instability because new groups get mobilized but their full participation is often limited by more traditional institutions. He maintained that the middle classes were crucial to change. Revolutions, he noted, were never led by the poorest of the poor, because they have neither the resources nor the education to organize effectively. The middle classes, by contrast, are the groups most likely to experience a rapid improvement in their social status and therefore face the sharpest disappointment if their upward mobility is blocked. It is the gap between their expectations and their reality that creates political instability. This was what I saw evolving in Nicaragua, and would engulf El Salvador for similar reasons -- rapid economic growth producing social mobilization of new groups which were not able to fully participate in their societies, ultimately leading to instability and civil war.

Harvard was an amazing place with the Kennedy School just beginning to adapt the case method from the Business School to teach public administration. There were numerous cases used from federal agencies and state governments. I got to know many outstanding professors and mid-career students, both those from the U.S. and other countries studying
under the auspices of the Mason program. We lived in graduate student housing on Garden Street in Cambridge.

There were lectures and debates almost every night, even in the middle of major New England snow storms that we had not experienced before. My wife worked at the Latin American Scholarship Program for American Universities (LASPAU) which kept us engaged with Latin American students. We had time to spend with my sister and her family in Tewksbury, Massachusetts which was wonderful.

Unfortunately, there was not as much focus on Latin America as I hoped. Instead, most of the teaching was directed to Europe, China and Japan, although there was one prominent graduate student who dominated the LAC agenda. He was Robert Pastor who would become Latin America Director at the NSC during the Carter administration and a close advisor to Jimmy Carter on human rights policy and Nicaragua.

**Q: Was Bob Pastor teaching there at the time?**

SANBRAILO: I think that he had just received his Ph.D. or was about to receive it. He was a teaching assistant for several professors and had received his MPA in the same program that I was attending. But he was this gadfly around campus, a guru on Latin America and human rights policy that was a relatively new topic.

**Q: Had he already married the daughter of World Bank President McNamara?**

SANBRAILO: No, I don’t think so but I am not sure. He appeared unattached at that time, conducting seminars on human rights. I went to one of them and found his review of LAC countries simplistic and distorted. His ideas, however, would later emerge as the Carter administration’s human rights policy. He zeroed in on Nicaragua, and described what a brutal guy Somoza was, and of course I challenged him. He looked at me as some sort of strange person, and arrogantly dismissed my comments.

**Q: Had he actually been to Nicaragua?**

SANBRAILO: Not to my knowledge. He was repeating secondary sources and reactions to public stereotypes. By that time, the CBS 60 Minutes program and others had started to focus on Nicaragua, and they did several exposés. As I mentioned, 60 Minutes used the empty center of Managua as an example of how the reconstruction program was not moving forward, while never mentioning the Mexican Plan or the many AID projects funded in suburban areas. It suggested that funds had been stolen by Somoza or his cronies. Other television programs interviewed Somoza. He did not come across well, looking and sounding like the typical Latin American dictator.

Pastor repeated many of allegations about Somoza’s human rights abuses, and said, “….he is terrible and corrupt and U.S. policy should never have supported him”. I gave alternative arguments, never imaging that one day he would end up anywhere important. We got into quite a debate. But Bob became Jimmy Carter’s NSC advisor. When I
returned to Washington, and Jimmy Carter was elected President, Bob appeared to have a mandate to undermine Somoza. I saw the beginnings of that policy being cooked up at Harvard. I didn’t take it as seriously as I should have. In retrospect, now thinking back over it, I wish that I had engaged more with Bob. I was studying, and he was teaching and politicking. I focused on other contacts who I felt were more relevant. A mistake!!

_Q: So, there was no chance to try to influence him – For whatever reasons, you were not able to change his mind?_

SANBRAILO: We knew each other, we engaged, we had a couple lunches, but it was one of those things that we agreed to disagree. He was locked into certain views about human rights and Nicaragua. I was not going to change his mind. In addition, he believed that AID shouldn’t be supporting non-governmental organizations (NGOs). Bob maintained that those funds should instead be transferred to the Inter-American Foundation (IAF). The IAF had been proposed by a Harvard Professor, George Lodge, and perhaps that had something to do with it. Bob didn’t seem to understand AID or development and did not appreciate the importance of the emerging “New Directions” legislation and how it was changing foreign aid. I found him closed minded to views that differed from his own.

_Q: That’s interesting to me. You would have thought that he would have been in favor of supporting NGOs, as opposed to governments._

SANBRAILO: Yes, he believed in supporting NGOs, but he felt the IAF would be better able to do it. He got caught up in the bureaucratic rivalries between IAF and AID and apparently had some friends at the Foundation who had influenced him. The IAF was in its ascendancy. AID funding for the LAC region was declining because of the disillusionment with the Alliance for Progress.

The establishment of IAF was a product of the same development trends that had produced the “New Directions” legislation—there was a general sense that foreign aid needed a new approach. Creating a USG foundation to support grassroots revolutionary change agents, to better compete with the communists, sounded like a great idea to some, even though it was not a new idea. It was part of the naiveté that often takes control of foreign policy at times of major transitions like the 1970s and then takes on an institutional momentum of its own. Yet IAF continues to operate to this very day despite repeated attempts by some in Congress to close it down.

_Q: Were there any high points of that year at Harvard, other than disagreeing with Bob Pastor? Did you use that for a particular purpose or just the broadening of a lens for you?_

SANBRAILO: I do not want to magnify the importance of my interaction with Bob Pastor. He was not the main focus of my attention. It stands out to me now because I later encountered Bob when I returned to Washington. He was at the center of the new policy toward Nicaragua that led to the assassination of Somoza in 1980.
In fact, I directed most of my time to classes, which were amazing. They opened my eyes to a new way of thinking about development and international issues. The book, *Essence of Decision: Explaining the Cuban Missile Crisis*, by Graham Allison, had recently been published and was all the rage at the Kennedy School. James Q. Wilson was developing the ideas that would later appear in his classic, *Bureaucracy: What Government Agencies Do and Why Do They Do It*. I learned a great deal from Sam Huntington and his thinking about development, and many others. The professors were outstanding. It was just what I was looking for at mid-career, six years in AID and ready to move on to more senior assignments.

*Q: But it wasn’t to change your career in any way?*

SANBRAILO: No, the Kennedy School was designed for mid-career officers like myself. It gave us time to engage with some brilliant teachers and classmates and to get out of the bureaucracy to reflect on our careers. Most of us were five to ten years into our careers. It was an opportunity to learn new ways to analyze issues. If anything, it reconfirmed my commitment to public service and to AID.

*Q: Others from AID, at that time, were there with you?*

SANBRAILO: There was someone else from AID, but his name escapes me. Bob Gelbard from the State Department was there. He then went on to a career as U.S. Ambassador to Bolivia, Assistant Secretary of State for Latin America and other assignments.

*Q: Just one other?*

SANBRAILO: If I recall correctly, one other who had served in Asia.

*Q: Yes. But he was working for AID?*

SANBRAILO: Yes, I believe so. I think that his previous assignment was as Acting AID Director in India. We discussed the large local currency balances that had been generated by PL480 food aid in India and how they were being programmed. At the time, Bob Gelbard was working for the State Department and was as brilliant and articulate as ever.

In any case, it was an excellent academic experience that I would recommend to mid-career officers. It shaped how I looked at programs that greatly helped me when I became Assistant Director for Project Development in LAC/DR in July 1976, working for Marshall Brown, and later as Director for Program Planning, Budget and Evaluation (LAC/DP), and then as Mission Director.

**Assignment to LAC/DR & LAC/DP (1976 – 1979)**

*Q: Did you transfer directly back to the Latin America Bureau?*
SANBRAILO: Yes, after my academic year, I transferred to the LAC Bureau at the State Department in Washington. We moved from Cambridge, Massachusetts to Northern Virginia. It was time to do a tour at AID headquarters. And of course, the LAC Bureau was my home base. LAC/DR had kept in contact with me during my time at Harvard. I had done what it considered good work in Ecuador and Nicaragua, so I was ready for a more senior position.

There was still an ongoing pipeline of Alliance for Progress projects being completed. As I mentioned, the Alliance had run out of Congressional and public support and much of its funding had been shifted to Vietnam, or later in the 1970s to a new Africa mandate and to support the Camp David Accords. The Alliance ended in 1973 when it lost its line item Congressional earmark, with the passage of the New Directions legislation. By the mid-1970s, most AID projects were funded with grants. Loans had largely been eliminated, although the LAC Bureau retained the authority to fund some projects with loans.

There was the rise of the Congressional Black Caucus that lobbied hard for increased AID funding for Africa. This was part of the New Directions legislation that mandated the agency to focus not only on the poorest people but also on the poorest countries and regions. Based on The Rockefeller Report on the Americas, completed in 1969, policymakers felt that the multilateral development banks could handle the LAC region composed largely of middle income countries and that AID should redirect its assistance to the poorer countries.

Most of the LAC countries did not seem to care about this policy change, which was a major mistake. Some were more interested in working mainly with the IDB, the World Bank and private banks than with AID with what was perceived as its intrusive reform conditionality and cumbersome procedures. As a “borrower’s bank”, the IDB had only minor conditionality and asked few questions about what the projects were actually achieving. The Hispanic groups and others in the U.S. were not well-organized to lobby for increased aid to the region, as the Congressional Black Caucus had done for Africa. So the Alliance just faded away, as with so many well-intentioned initiatives in the LAC region.

Furthermore, AID strategies had shifted from those used in the 1960s, with its focus on economic growth and country programming, to a new emphasis in the 1970s on targeting the poor majority. Some came to see this as international welfare designed to cleanse the soul of America after the Vietnam and Watergate disasters and atone for national sins. Instead of Rostow’s The Stages of Economic Growth: A Non-Communist Manifesto and private sector and infrastructure development, new approaches dominated AID, such as those described in: Development Reconsidered: Bridging the Gap between government and the people (1972) by Edgar “Ted” Owens; The Nutrition Factor (1973) by Alan Berg; The Limits to Growth: a report to the Club of Rome’s project on the predicament of mankind (1974); By Bread Alone (1974) by Lester Brown; Small is Beautiful: Economics as if People Mattered (1975) by E.F. Schumacher, and the earlier Population Bomb.
There was concern about widespread famine, overpopulation, rural poverty, natural resource exhaustion, and the oil price shocks. All of these anxieties shaped the New Directions and AID programming in the 1970s, along with responding to large natural disasters in Peru, Nicaragua, Honduras, Guatemala, Haiti and the drought in the African Sahel.

In the 1960s, typical AID projects included support to policy-based reforms to accelerate economic growth, develop infrastructure and new industries, and carry out land, labor and tax reforms. They established or strengthened industrial productivity centers, investment banks, management training, capital markets, housing banks, savings and loan associations, cooperatives, labor unions, etc. Sector loans for reforming education and health were being implemented in Brazil and Colombia. In the 1970s, this focus shifted to alleviating rural poverty for specific target groups, supporting family planning, financing the “Green Revolution”, improving access to public health, and upgrading nutrition and rural education. Newer priorities were added like environmental protection and a better integration of women into development programs. The 1960s focused largely on growth and structural reforms, while the 1970s concentrated on equity and directing the aid to the poorest people.

During the 1960s, the LAC priority countries had been Brazil, Chile, Colombia, the Dominican Republic and Costa Rica. Brazil, Chile and others had evolved into military dictatorships, so there was great disillusionment with the results of our aid programs that were supposed to lead to democracy, as with the Marshall Plan. Few focused on Taiwan and South Korea and did not judge them by the same standards. LAC had a lower priority so it was a region in which U.S. policy-makers and academics could allow themselves to become disillusioned because so many countries turned to military regimes without ever analyzing why this was the case.

As a result, by the mid-1970s, LAC funding had shifted to the poorest, least dynamic countries in the region, such as Bolivia, Haiti, Honduras, and the Eastern Caribbean, with assistance being targeted to well-defined groups. Target groups analyses replaced country programming as AID’s dominant approach. A number of other countries like Peru, Nicaragua and Guatemala continued with large programs because they had experienced major natural disasters. There was a de facto policy that the larger countries should seek support from the World Bank and the Inter-American Development Bank, especially for large infrastructure and industrial projects. This reflected a certain success of the Alliance for Progress in graduating countries to alternative sources of funding. Ecuador and others in the region were largely ignored because they had populist military regimes, were exporting oil, had joined OPEC and maintained hostile policies toward the U.S.

For example, the AID program in Ecuador was gradually phased-down throughout the 1970s until a return to democracy in 1979, despite it being an early leader in Title IX programming. Large programs in Brazil and Chile were ended because they had military regimes. Nicaragua remained a significant program, but there was increasing criticism of the Somoza regime despite the results being achieved with Managua reconstruction and New Direction programs. By 1979, Nicaragua exploded in revolution, Somoza was
forced to flee the country and a new anti-American Sandinista regime entered office that destabilized all of Central America. At the same time, a vicious insurgency emerged in El Salvador (FMLN) that would dominate U.S. policy in the 1980s and 1990s, along with Nicaragua.

Q: We’re still talking about the 1970s?

SANBRAILO: Yes, the period 1976 to 1979.

Q: Okay.

SANBRAILO: The policy shift from loans to grants, and from comprehensive country programming to targeting rural poverty groups, significantly changed AID’s focus. It moved the agency from a focus on broad-based development to a narrower focus on humanitarian issues. This is when the Capital Development (Loan) officers were converted into Project Development officers (still personnel backstop #94). That shift started with the New Directions. Up until 1975-1976, most assistance was being providing in the LAC region via loans.

Capital Assistance (Loan) papers were considered more demanding to prepare, than the grant papers. As a result, CA standards became the norm in the LAC region. I believe that this made LAC a leader in New Directions programming. As I mentioned, the division between loans and grants was the legacy from the earlier DLF/Export-Import Bank loans, while grants evolved from the technical assistance/training programs supported by IIAA in the 1940s, and the TCA and ICA in the 1950s.

I was named the LAC/DR Assistant Director for Development Resources, reporting to Marshall “Buster” Brown, during 1976-1978. It was a big job at that time. I was pleased with it and the confidence that Buster and others had in me. I supervised the Project Development Officers, formerly Loan Officers. We became some of the leaders in developing New Direction programs. Officers like Hank Bassford, Robin Gomez, Ron Venezia, Tom Stukel, Stacy Rhodes, Norma Parker, Janet Ballentine, Carol Peasley, Terry Brown, Mike Deal and others would go on to play significant leadership roles in the Agency.

Indeed, under the direction of Marshall Brown, LAC/DR became an incubator for leaders throughout the Agency. I like to think it was because of the on-the-job training, the high morale and the mystique that we had at that time. Yet not all succeeded. I still remember the problems we had with a young officer, Edward Howard, who left AID, joined the CIA and became an infamous agent for the Soviets, as chronicled in the Spy Who Got Away, and Howard’s own book, Safe House. As I think back over that experience, you could see the issues that Howard had in dealing with any bureaucracy.

Q: But the terms of these AID loans were,
SANBRAILO: 40 year repayment. 10-year grace, 2 percent interest during the grace period and 3 percent thereafter. They were highly concessional, with a large grant element. They went back to a Kennedy concept that it was more dignified to deal with countries via loans and easier to sell to the Congress and the American people.

Q: Highly concessional terms,

SANBRAILO: Oh, yes. It was felt that loans were a better way of operating with the LAC countries than grants that were seen by some as charity. Loans also signified more rigorous program, cost-benefit and institutional analyses and required justifications that countries could repay. This got AID Missions to better understand macroeconomic conditions and broader national debt trends. Capital Assistance (loan) papers usually contained more detailed implementation and evaluation planning than seen in grant papers.

Q: But you nevertheless phased out the loans, but were you doing the same projects?

SANBRAILO: Projects had shifted from policy-based lending, infrastructure, industrial development, capital markets, housing, etc. into rural development directed to the poorer countries with weaker institutions. New Direction projects gradually became more complex and the measurement of costs and benefits became more challenging, unlike the older infrastructure projects. There was a great deal of experimentation, especially with target group analyses, integrated rural development, community organization, appropriate technology, basic village education, combatting malnutrition, and developing community-based health promoters and family planning.

This was the time when AID lost most of its economists and engineers and hired social anthropologists, WID officers and environmentalists, reflecting the changes in priorities. The private sector officers had largely been spun off to OPIC. By the end of the 1970s, most of AID could not even recall the pioneering work that it had done in the 1960s with the private sector, industrial development and infrastructure projects. It got swept under the rug, stereotyped as “helping the rich get richer” and largely forgotten.

There were now new mandates, as AID policy continued to evolve. In addition to the focus on rural poverty, family planning rose in importance along with environmental protection and natural resource conservation. Family planning NGOs sprung up all over the region to pioneer interventions in what was clearly one of the most dynamic new programs. The Director of AID’s Population Office, Dr. Reimert Ravenholt emerged as one the Agency’s most entrepreneurial leaders, directly mobilizing Congressional support and recruiting a large team who promoted family planning with missionary zeal.

The LAC Bureau became an early pioneer in completing environmental assessments of countries and projects. As Assistant Director of LAC/DR, I hired the first LAC Environmental Officer, Bob Otto. There was a new AID focus on what was called “Women in Development (WID)”. Special interest programming began to emerge with
the strict Congressional earmarking of funds. The approach of doing holistic country programming, as in the 1960s, declined in importance.

USAID gradually lost its discretion to allocate funds based on country specific needs. The Congressional Committees and their staffers became the new policy planners, often micromanaging Congressional Notifications for each project. The 1970s marked the beginnings of foreign aid as a Congressional-driven program, as opposed to the 1940s, 1950s and 1960s when aid initiatives were largely driven by the White House and the executive branch.

Q: So, you weren’t doing, for example, any road projects, farm to market roads?

SANBRAILO: There were a few rural road projects, but very few, and they generally formed part of a broader integrated rural development program. Industrial development and infrastructure projects were largely frowned upon, at least in the LAC region. Most felt that they should be funded by the World Bank or the IDB.

Q: Nothing big, like the Alliance for Progress.

SANBRAILO: No nothing big. Indeed, there was an intense and silly debate about how bad “big dams” were compared to “little dams”. It became a symbol of how large infrastructure projects were on the outs, and “small was beautiful”. Most of the good engineers that the LAC Bureau had, like the good economists and private sector officers, left the Bureau and even the agency. Their departure represented a tremendous loss of talent. AID came to be seen as a rural poverty agency rather than a broader development organization.

Q: But there were still Alliance projects being expended?

SANBRAILO: Yes, and some of them were winding down, especially in Brazil, Chile and Colombia. Many were funded in the 1960s but the results could not be fully appreciated until the 1970s when U.S. policy-makers simply didn’t care anymore. The Alliance was over and for some the feeling was “good riddance”.

At the same time, many of the ongoing Alliance projects still required detailed monitoring to ensure that they were properly completed. For example, I worked on the AID loan that helped to create the Andean Development Bank (CAF). There was the tourism development convention center in Panama that took a decade or more to complete. Then there were the investment banks (financieras) that were having success in attracting the recycled “Petro dollars” and channeling them into development projects. The Productivity Centers were generating a large number of feasibility studies for new LAC industries that other donors and investors could finance. There were other areas as well, particularly with credit unions and cooperatives.

We had great debates about how to maintain AID support to groups like the Latin American Agribusiness Development Corporation (LAAD). It was doing excellent work
but could not always meet New Directions criteria of demonstrating direct impacts on the poor majority. Yet LAAD became a major success as recorded in Mission Possible: The Latin American Agribusiness Development Corporation by Robert Ross. Many host country institutions had to change their policies to qualify for AID assistance, although the New Directions helped encourage them to direct greater attention to the rural poor. Some of the most significant New Directions programs were developed in Nicaragua, Honduras and Guatemala that were the subject of major evaluations and case studies, especially by INCAE.

Q: And were you, in part, responsible for monitoring all of that?

SANBRAILO: Yes, both in LAC/DR (Development Resources) and later when I became Director for LAC/Development Planning & Budget. We proposed a number of initiatives to document the achievements and shortcomings of the Alliance for Progress. The major one was doing a history of Alliance programs in the five priority countries that had received most of the funding. We felt that there was an unfortunate “rush to judgment” to declare the Alliance a failure based on incomplete results and analyses. It was a period when every new study or evaluation had to be notified and approved by Congressional staffers.

You remember Republican Senate Staffer Jim Bond? He just screamed at us, saying, “What are you guys doing wasting this money on more studies? You’re just proposing a program for retired Mission Directors. This money should be spent on the rural poor. AID does too many studies!” He suggested that the Alliance for Progress was dead and we should leave it alone.

As a result, we could not prepare a comprehensive evaluation of the Alliance, which is a real shame since those programs were the justification for establishing AID in 1961. There has never been a detailed evaluation, although there are a few negative academic studies and the Jerome Levinson book. What this has meant is that AID’s critics, especially in the academic community, have filled the vacuum and defined the Alliance as a failure. It was a tragedy because there were important successes, not only shortcomings.

For example, hundreds of development institutions throughout the LAC region trace their origins to Alliance funding. Thousands of Latin Americans received advanced educational opportunities through Participant Training programs. Out of Chile came the Ph.D. economists called the “Chicago Boys”, who revolutionized economic policy worldwide and even influenced policies in the U.S. and Great Britain. Despite a military takeover, Brazil used AID loans to build some of its most important development programs and infrastructure, which are still in place.

With Alliance loans, Colombia began a process of reforming its industrial, housing, education and health sectors. Unfortunately, lack of AID continuity in Colombia contributed to a vacuum into which flowed insurgency groups like the FARC that would destabilize the country for the next four decades. The Dominican Republic became an
Alliance success story. It quickly moved ahead of Haiti in most indicators of national development, despite having started in the 1960s at the same level as Haiti. Costa Rica also was a major success, as noted by AID Economist Jim Fox in his history, “Real Progress: Fifty Years of USAID in Costa Rica”. Alliance funding expanded the lending capacity of the IDB and provided seed capital for sub-regional banks in Central America (CABEI), the Andean Region (CAF) and the Caribbean (CDB) to foster regional integration.

Q: Were individual country histories done by the missions?

SANBRAILO: Yes, in a few cases. They were mission-initiated and of mixed quality. AID expended billions in Brazil in the 1960s and 1970s. Few can tell you today how those funds were used and what was achieved. The same for Chile and Colombia. Chile was dominated in the 1970s by a brutal military dictatorship. As a result, many policymakers wanted to forget about the country and what AID had done there in the 1960s.

An acting mission director in Colombia, Phil Schwab, attempted to pull together a history of that program, but we couldn’t provide support from Washington. A number of missions like Ecuador and Bolivia prepared summary booklets to record the first ten years of the Alliance, but these now have largely been forgotten or lost. I think that I may have the only remaining copy from Ecuador.

Chile became “radioactive” because of the Pinochet dictatorship. No one wanted to touch it. What AID had done in Chile was of historic importance, the implementation of major policy reforms, land and education reforms, and development of the “Chicago Boys”. But it all got overshadowed by the emergence of military dictatorships in the Southern Cone, President Carter’s human rights campaigns, and the growing insurgencies in Colombia, Peru, Nicaragua and El Salvador.

The success in the Dominican Republic was largely ignored because of the U.S. military occupation in 1965, which many saw as an embarrassment. Yet the DR became one of the most progressive countries in the Caribbean. Some felt that Costa Rica was a special case and wasn’t like the rest of Central America, therefore not a model for the region. They mistakenly compared Costa Rica to Argentina, as an exception.

The overall sentiment was to dismiss the Alliance and just move on to the next new program. Even today, few USAID officers or retirees can remember the specifics of the Alliance for Progress, what was done or the transformational changes it produced. The book, Fifty Years in USAID: Stories from the Front Lines, published in 2012, contains an incomplete and even incorrect description of the Alliance.

Q: Have there been outside studies done of these particular countries?

SANBRAILO: Yes, there have been a few academic publications and most are quite negative about AID in the 1960s and the 1970s. Many are incomplete and focus largely on political events that led to military dictatorships. They tend to emphasize the failures
of land reform, the perceived abuses of the public safety and labor union programs, and how they may have supported human rights violations, or how income distribution remained highly unequal. In this regard, the Jerome Levinson book, *The Alliance that Lost Its Way*, shaped the views of many and suggested that a new approach was needed. The Alliance is still in need of its Thucydides!

**Q: But Levinson wrote it while he was still at AID?**

SANBRAILO: Yes, he prepared his book while he was at AID, published in 1970. It reflected the growing frustrations and disappointments that many had because the Alliance didn’t immediately produce the type of successes seen with the Marshall Plan. Kennedy’s rhetoric had generated such high expectations that when the reality on the ground did not change that quickly there was disenchantment. The Alliance was being measured by such unrealistic standards so the disillusionment was even greater, despite the program’s many successes.

**Q: And Alliance programs were still being implemented in the 1970s?**

SANBRAILO: Yes, by 1971 many of them were being disbursed and successes and failures were not all that clear. Yet Jerome Levinson’s book made it look different, like AID did not know what it was doing. It is an example of why an AID Office of the Historian is so necessary to record and evaluate such programs and not allow one officer’s prejudices and frustrations to leave a lasting stain on them. Because of the stresses of AID’s work, the bureaucratic obstacles, the Congressional and GAO second guessing, and the challenges of bringing about change in developing countries with no proven and accepted technology, some officers can become overly negative and cynical about what actually is being achieved. They may have “tunnel vision”, become “masochistic” and blame AID for the failings.

In my view, AID has too often been staffed by those who have had great difficulty articulating the Agency’s successes, and instead obsess over its failings. AID has some of the best and brightest people in the federal government, but few can present a compelling case for AID’s achievements, except in anecdotal terms, as seen in the publication, *Fifty Years of USAID: Stories from the Frontlines*. Some of the LAC Bureau leaders in the 1960s, like Ray Sternfeld, Jerome Levinson, Stuart Van Dyke and others proved to be the harshest of the Alliance and left behind what I consider incorrect impressions of the program.

It is one of the reasons that Huntington recommended in his classic articles, *Foreign Aid: For What and For Whom?* that AID be disaggregated and reorganized around clearer and more specific objectives. This negativism drives the lack of interest in AID history. There is a sense of “why bother”, “sweep it under the rug and forget about it”, “move on to the next initiative even though it is nothing more than “….putting the old wine in a new bottle rather than making the wine taste better….”. It is scandalous that AID is one of the few federal agencies that does not have an Office of the Historian and can so easily forget its own history.
Q: And Levinson’s basic point was to demonstrate the failure of the Alliance?

SANBRAILO: Levinson and others claimed that AID was unable to restructure LAC economies and produce the economic growth and social justice envisioned by Kennedy. The director of the Program Planning Office, Ray Sternfeld, and the USAID Brazil Mission Director Stu Van Dyke, tended to judge the Alliance exclusively by host country compliance with macroeconomic and related conditionality that was extremely difficult for any country to quickly implement. At the same time, they did not focus on the hundreds of Alliance projects that were funded in the 1960s but didn’t produce their full results until the 1970s, well after many of the critics had passed off the scene. These officers were unrealistic in expecting revolutionary changes in a very short period. Some were influenced by the quicker results produced by the Marshall Plan and got frustrated and demoralized because similar progress could not be seen in the LAC region in the 1960s. This point is made in the article, “The Kennedy Administration’s Alliance for Progress and the Burden of the Marshall Plan”, by Christopher Hickman.

Levinson also claimed that the Alliance for Progress lacked true partners, its policies were imposed on the LAC countries by the U.S. and that local leaders didn’t fully participate in program planning and project formulation. He criticized AID for insisting on sensitive policy reforms while praising the IDB for carrying out easier construction projects that were less contentious. He gave a slanted view that was difficult to overcome since he was a senior officer in the LAC Bureau. His views are contrary to what I observed during my career and what some host country officials later reported to us.

For example, when Brazilian officials visited the LAC Bureau in the late 1970s they described the many achievements of the AID program that began in the 1960s. They outlined the number of development institutions that were reformed or created and the policy changes undertaken in different sectors. Some maintained that the AID program had revolutionized Brazil through AID institution-building, Participant Training and technology transfer programs. Yet these comments got ignored because the AID program was being phased-out. Brazil had moved into the ranks of a fast growing middle-income country, in part because of the Alliance.

Regarding Latin American participation in the Alliance, a multilateral organization (the OAS) led the policy dialogue process, as was done in the Marshall Plan with the European Economic Commission. There was a major focus on building host country institutional capacity, especially Planning Boards, so that LAC countries could define their own priorities. AID tacitly supported the Import Substitution Industrialization strategy proposed by leading Latin economists like Raul Prebisch at ECLA (CEPAL), even though some officers had reservations about such policies that ultimately proved correct. Much criticism focused on AID support for land reform that most countries were reluctant to implement in as comprehensive a manner as the Alliance had proposed. Land reform programming followed the successful model that the U.S. had supported in Japan, Taiwan and South Korea, but may not have been feasible in the LAC region.
At the same time, one can review the 1961 *Charter of Punta del Este* through which the U.S. and LAC leaders laid out specific economic growth and social goals for the Alliance. Most of them were actually achieved by the end of the 1970s, except those related to democratic governance. This is even more significant because the Alliance was slow in disbursement and debt service payments undermined the resource transfers that were made. By the late 1970s, LAC countries were providing more in debt service to the USG on older AID loans than it was receiving in new resources.

There were also a series of GAO reports that looked at selective Alliance projects and concluded that they had not achieved their objectives. As so often happens, these analyses got lost in the trees and missed the broader forest. They reinforced Levinson’s book. Both were a “rush to judgment” that lost perspective about the broader process of development and institutional reforms that were unleashed in LAC in the 1960s, as a result of AID programs and leadership.

In my view, Alliance projects fundamentally changed the region by the end of the 1970s. They set the LAC development agenda for subsequent decades. A similar point is made by Nicolas Ardito Barletta, former President of Panama, former VP for the World Bank, former Minister of Planning, and former AID Participant who received his Ph.D. in economics at the University of Chicago. In assessing the impact of the Alliance, Barletta said, “Development issues –economic, social, and institutional– became one of the key items on the political agenda of all countries. All groups within the countries of the hemisphere began to deal more profoundly with development policies, growth, distribution, trade, urban development, and human participation”.

*Q: You were in this Washington-based job for three and a half years did you say?*

SANBRAILO: Yes, I spent three years in the LAC Bureau; about 18 months in LAC/DR as Assistant Director for Project Development that oversaw the completion of the Alliance funding and that geared-up New Direction programs. I was then asked by the Assistant Administrator to become Director of LAC/DP (Development Planning & Budget) and to lead the Bureau’s effort to formulate a strategy to confront the decline in funding for LAC programs. The latter was another 18 months.

*Q: And overall, your time in LAC/DR was a success– You were overseeing the pipeline –*

SANBRAILO: It was more than overseeing the pipeline. Much of my time was actually focused on helping Missions design and implement New Direction projects. Many of the younger Project Officers now had Peace Corps experience or similar jobs. LAC was ahead of other Bureaus. We were doing about 20 to 25 such projects per year, in rural development, public health and education, but funding was declining each year, and increasingly concentrated in the smaller countries. Yet, because of reduced AID funds allocated to LAC, we reached a point in 1978 that the LAC countries were repaying more to the U.S. Treasury on the former Alliance and other loans than AID was providing in new resources.
**Q:** Did you enjoy this time in Washington? This was the first time you’d really lived here for any extended period of time. Did your wife like that?

SANBRAILO: Yes, very much so. We bought a home in Vienna, VA that we still own. We were working with some outstanding people in the LAC Bureau and in the Agency. Marshall Brown’s leadership was extraordinary. We were all inspired by what we were doing. While the Agency’s priorities were shifting from LAC to Africa, most believed that we were doing excellent projects and pioneering new approaches to poverty alleviation. I received a number of awards for my work and became one of the leaders in the Bureau.

As a result, Assistant Administrator Abelardo “Lalo” Valdez named me director of LAC/DP. It was unusual at that time for a Project Development Officer like myself to serve as head of the Program and Budget Office. Lalo was concerned that the Program Officers were not coming up with new strategies that could justify increased AID funding. We had been doing some brainstorming about this in LAC/DR, but couldn’t get LAC/DP fully engaged. Valdez liked some of the papers that I had produced.

The Assistant Administrator wanted a new strategy for the Bureau to replace the Alliance mandate and that reflected New Directions/Basic Human Needs and human rights policies of the Carter administration. He felt that I could do it. As AID resources shifted to the poorest countries, and with the growing influence of the Congressional Black Caucus, it became increasingly difficult to justify funding for LAC that was largely middle income or advanced developing countries—indeed this was one measure of the success that AID had had in the 1960s. Since so many of the countries had military regimes in the 1970s, which were often hostile to U.S. interests, these factors further clouded and diluted the successes that had been achieved. It made reducing the LAC budget easier.

**Q:** I see. So, Valdez was concerned that because there were few poor countries in the LAC region, except for Haiti, Honduras, Bolivia, a new strategy was needed.

SANBRAILO: Yes, there was an overall sense that the USG should graduate most LAC countries to the multilateral development banks and largely focus on a small number of the poorest countries, like Haiti, Honduras and Bolivia and those experiencing natural disasters. It ignored the fact that more poor people lived in northeastern Brazil, or in Peru and Colombia, than some of the smaller countries combined. Increasingly, LAC was being referred to as a “middle-income region”. The Bureau needed a new strategy that justified why these countries still required AID assistance and that there were many poor people simply hidden by the statistics.

As a result, we developed a new approach that did not fully bear fruit until the 1980s, following the international debt crisis and the growing threats of insurgencies in Nicaragua, El Salvador, Grenada, Colombia and Peru. We focused on the region’s geopolitical importance to the U.S., the importance of trade and investment, and the need to address emerging “second generation” development challenges, such as increasing
income disparities, large pockets of poverty such as in Northeastern Brazil, the growing threats to the environment, energy diversification, family planning and other social issues.

We warned that the import-substitution strategy was losing its dynamism and could run out of steam, sending the region into a deep economic downturn, as happened with the debt crisis in the early 1980s. We even tried to mobilize support from Hispanic groups in the U.S. to advocate for assistance, but the latter was not successful because of the fragmented nature and differing interests of these groups. We worked on this initiative with Bill Richardson, who would later become a Congressman, Governor of New Mexico, UN Ambassador, Secretary of Energy and a Presidential candidate. Unfortunately, the Hispanic groups were less interested in advocating for aid to Latin America than their Afro-American counterparts did for Africa.

_Q: Right. Where were the poor people in the LAC region?_

SANBRAILO: They were located in large poverty-stricken areas in almost all of the LAC countries, especially in rural areas like the Andes and in squatter settlements surrounding major cities, but the overall national statistics tended to cloud their conditions. More than half of the regional population still lived in poverty, although Africa’s problems were worse. With the pervasive presence of military regimes, and alternative funding from the MDBs and private lenders (Petro-dollars), policy-makers preferred to turn away from LAC development, except in a few smaller countries. This began to change in the late 1970s, as countries returned to democratically-elected governments. Ecuador was one of the first in 1979 and that would mark the next stage of my USAID career.

_Q: Then we’ll pick up that next time we do this. But this has been a very full two hours, and fascinating stories, and now I know where a lot of your current enthusiasm for history and for the significance of USAID comes from. So, thank you very much. We will schedule the next session and pick up with your assignments as mission director to Ecuador and other countries. This was in 1979._

SANBRAILO: Thanks again Alex for taking the time to interview me. I look forward to the next session.

**Assignment as USAID Ecuador Mission Director (1979 – 1982)**

_Q: It is Thursday, July 13th, 2017. This is Alex Shakow, and we are picking up for the second stage of the oral history of John Sanbrailo, and we’re doing this interview in John’s office at the Pan-American Development Foundation, located at the Organization of American States Building._

_John, when we finished up our first session, you had been talking about your three years in Washington at the Latin America Bureau (LAC/DR & LAC/DP), and dealing with project development and New Directions and various transitions in Latin America away_
from the big countries and the big projects, and developing New Directions projects that impacted the rural poor.

You were involved in preparing a new regional strategy for LAC, trying to mobilize more development assistance for Latin America that was being increasingly allocated to Africa and later to the Middle East with the Camp David Accords. Then you were appointed the mission director to Ecuador, so, let’s pick it up there in terms of what that transition was like, what you found in Ecuador, and what you did once you got there.

SANBRAILO: Thanks again Alex. After my tour in the LAC Bureau from 1976 to 1979, I moved to the field as Mission Director – a position that I would hold in four countries during the next 18 years. Given USAID’s decentralized operations, the field was the place to be if you were interested in doing significant development work. This was the period when Mission Directors had substantial authorities to engage with host countries, to conduct policy dialogues, to develop and implement programs, and to make decisions. There was far more discretion than there is today.

The LAC region was undergoing historic change, transitioning from military regimes to democratically-elected governments starting in 1979 and continuing into the 1980s. For many countries like Ecuador, the 1970s were boom years with significant economic growth because of natural resource exports (i.e. oil) and/or the petrodollar recycling (i.e. banks’ lending of dollars deposited by oil-exporting countries). While there was growth, there were also widespread concerns about inequality, income distribution, population increases, poor governance, human rights violations, corruption and mounting debts. These factors led to increasing pressures for national elections and democratic governments that were reinforced by the Carter Administration and its human rights campaigns in the late 1970s.

Ecuador was the first LAC country to make this transition, strongly encouraged by the Carter administration and a highly effective U.S. Ambassador, Richard Bloomfield. The USAID Mission had largely been phased-out in the late 1970s because of growing U.S. disputes with the military Junta, especially over coastal fishing rights, as previously described. Ecuador’s membership in OPEC and its hostility to U.S interests were also crucial issues. By 1979, the Mission was down to one or two projects (related to family planning) and a few employees, largely FSNs, led by an AID Representative rather than a Mission Director.

In 1978-1979, the Carter administration had pressured Ecuador’s military regime to leave office, to allow for national elections and to permit the emergence of political parties and the reopening of Congress. This was similar to what the USG was doing in other countries as well. And in August 1979, Ecuador became the first LAC country governed by the military to return to a democratic government.

A young attorney, Jaime Roldos from Guayaquil was elected President, and Osvaldo Hurtado a leading political scientist and development specialist from Quito was his Vice President. There was great optimism. The Carter administration needed a way to
demonstrate support, especially since the new government’s highest priority was accelerating national development for the poorest and most excluded groups, which had not benefited from the growth of the 1960s and the 1970s.

Some believed that the military gave up power because they anticipated declining growth, greater economic difficulties, challenges in servicing the large debts incurred in the 1970s, and growing social and political discontents. So, the LAC Bureau needed a Mission Director who could quickly be assigned to Ecuador and develop a program with the new government. Since my wife was from Ecuador, this became an even more attractive assignment for us. I also represented AID with State and the NSC for the visit to Washington by President-elect Roldos and his team in April 1979. During much of that visit Roldos discussed what the USG might do to support his government’s national development plans so discussions gravitated toward AID.

Roldos focused on how Ecuadorian development institutions had been corrupted by the military and that large segments of the population (indigenous people, campesinos, the rural-urban poor) had been virtually untouched by the oil boom of the 1970s. He talked about targeting assistance to them through integrated development approaches that could break the cycle of poverty. This of course sounded much like the New Directions and was welcomed by policy-makers in the executive branch and the Congress. Roldos’ stance made it even more important to send an AID Director to Quito who could be a leader in New Directions programming and knew the country. I was seen as the best officer for the assignment.

Q: Weak growth and domestic institutions?

SANBRAILO: Yes, there was growing concern in Ecuador and throughout the region about the economic growth of the 1970s. That growth seemed not to impact the poorest people because of weak domestic institutions that could not always reach the poorest people or because those institutions were overwhelmed by the growing political and social demands of emerging new constituencies. This thinking of course tracked with Samuel Huntington’s thesis that growth and development did not necessarily produce peace and tranquility, but can lead instead to greater social conflicts and instability as older institutional structures prove inadequate in meeting current modernization needs.

In some countries this produced insurgency movements like the Sandinistas in Nicaragua, the FMLN in El Salvador, the FARC in Colombia, Sendero Luminoso and Tupac Amaru in Peru, or to a strengthening of military rule, such as in Chile with the Pinochet regime. There was great interest in new policies and mechanisms for better reaching the poor that were felt to be one way out of this paradox. In this regard, the rhetoric of the Alliance for Progress had penetrated many important LAC policy-makers and “think-tanks”, although they would not attribute it to the Alliance in the 1960s or to New Directions in the 1970s. These U.S. initiatives in my view changed the development paradigm in the region.

Q: But there was still a resident mission in Ecuador? And was there a mission director, or was it called something else?
SANBRAILO: There was a small office in Quito but no Mission Director. He was called an AID Representative, to reflect the downgrading of the program. As a result of the elections of August 1979, the mission was upgraded. I was named Mission Director to follow-up on discussions with Jaime Roldos and the new government. In 1981, Roldos would be killed in an unfortunate airplane accident and Osvaldo Hurtado would assume the Presidency. Leftist groups in Ecuador, of course, blamed the Central Intelligence Agency (CIA) for Roldos’s death, yet had little evidence for such a claim.

Since the publication in 1975 by CIA agent Philip Agee of his book, Inside the Company, that recounted his experiences in Ecuador, there was a national phobia that anything negative that happened in this country was due to the CIA. Many of Agee’s allegations were later proven false or at least highly exaggerated. Subsequent investigations found that Agee had become a double agent for the Soviets and Cubans, he died in retirement in Havana in 2008. The Agee book did great harm to U.S-Ecuador relations and made policy dialogue and program development more difficult because of the suspicion among some counterparts that AID and the Embassy were staffed by CIA agents. My family connections in the country helped us overcome some of these concerns.

In any case, I sat down with the new government, especially President Roldos and his Vice President Hurtado, who headed the National Planning Council, to put together what would become a New Directions-like program. It was very rewarding, and great fun, building on my previous experience in Nicaragua, developing Title IX projects in Ecuador, and my increased understanding of Washington operations.

Q: How much did you need to guide them in this direction, and how much was this their interest?

SANBRAILO: The vice president, Osvaldo Hurtado, who is still a good friend of mine, was one of the country’s leading development thinkers. He and Roldos had thought out their programs well at the theoretical and policy level; they were aware of the McNamara initiatives at the World Bank for focusing on the poor majority. They had not fully considered, however, operational constraints or how things might work in the field. They wanted to implement complex integrated rural development programs that placed a premium on coordination among ministries (e.g. agriculture, public health, education, social welfare) and that would concentrate GOE resources in specific geographic areas defined by the National Planning Council rather than the ministries.

Ecuador was a highly fragmented country and notorious for ministries that were reluctant to cooperate with one another. Each responded to its own constituencies or imperatives. Historically, the GOE had had great difficulty getting ministries to work together, even under the military regime. That regime was labeled “dictablanda” not only because its human rights record was better than that of military dictatorships elsewhere in the region, but also it had a weak record of getting things done.
So we were able to come up with ideas from other countries to help the new government establish a Secretariat for Integrated Rural Development (SEDRI) to work with different ministries. This approach had some similarities to INBIERNO in Nicaragua. We focused on specific geographic projects (called “DRIs” in Spanish) as models of what could be done at the local level from both a technical and operational standpoint. We provided technical advisors. But more importantly, we used AID’s ability to get groups together and to influence how the ministries and others saw the DRIs and responded to them.

As a result of “hands-on” officers in the Mission, (Paul Fritz, Pat Maldonado, Ken Farr, Herb Caudill, Vince Cusumano, Bob Jordan, Leo Garza), we worked closely with various ministries to get them to function better together. For example, Ken Farr focused on the Ministry of Public Health and the Sanitation Institute (IEOS) to get them to cooperate. The Minister, Francisco “Pancho” Huerta, even held some of his staff meetings at the USAID Mission to emphasize his support for the DRI strategy.

We also developed other programs to mobilize U.S. land grant universities through FAA Title XII to implement a Rural Technology Transfer mechanism with Ecuador’s Science and Technology Council, the Ministry of Agriculture, and other entities. We significantly expanded public health, water and sanitation, family planning and nutrition programs. We provided grants to family planning NGOs (APROFE, CEMOPLAF, CEPAR), which greatly increased the number of lower income Ecuadorians receiving services. We even cooperated with the military on family planning programs, along with the Ministry of Health and the Social Security Institute (IESS). Working with the military was probably unprecedented, but proved crucial in generating greater legitimacy for family planning.

We helped with the establishment of new NGOs for promoting environmental protection (e.g. Fundacion Natura), based on the country’s first national environmental assessment funded by AID. We gave grants for youth training to the Quito Workings Boys Center, for those with disabilities being assisted by FASINARM in Guayaquil, and the Filantropica del Guayas for aiding street kids. We developed a non-conventional energy project to support GOE initiatives and a large integrated urban development and low-cost housing program called “Solanda”, in the southern section of Quito.

We moved the Mission offices out of an older building in La Previsora Norte and into a newer building (Computec), located adjacent to the Military Hospital and nearer to the Embassy to facilitate coordination. We rebuilt the Mission library which dated back to the Point Four program and it became one of the leading sources of development information, studies and evaluations in the country. Hundreds of Ecuadorian students and professors would use this library to prepare their theses.

I also began using the library to reconstruct the history of AID programs and their results to guide our programming. When the library was closed in 2000 to save space and OE funds, and its documents sent off to Washington and the ministries, USAID Ecuador lost one of its jewels. I can never forgive those who were so shortsighted in destroying such a valuable resource. It would further demonstrate USAID’s lack of interest in preserving and telling its own history.
There was surprise in Washington about how much we were doing in such a short time in mobilizing not only LAC Bureau funds, but also resources from centrally-funded programs, especially the Housing Investment Guarantee (HG) program. AA/LAC Valdez and U.S. Ambassador Gonzalez were pleased, as well as State ARA, because we were demonstrating clear and quick support to a newly-elected democratic government. But to my surprise, the AID Administrator, Doug Bennett, seemed less enthusiastic.

Q: Why was that?

SANBRAILO: I remember my first meeting with him after I had been in Ecuador for a year or so. Before I departed for Quito, we met but I didn’t get much guidance other than, “we have to support the newly elected government.” Great that’s fine I said, but I didn’t yet know what was possible given the new administration, although the integrated rural development concept appeared promising.

When I came back after a year, he seemed a little concerned because we had developed a program that was broader and more ambitious than he had expected. Doug implied that he wanted one or two symbolic projects and then possibly get out because Ecuador was an oil exporting middle income country and we should be focused on the poorer countries. While not discussed, there was also the overhang of hard feelings that the GOE had prevailed in the “Tuna War”. Additionally, Ecuador’s advocacy at the UN Law of the Seas Conference for establishing a 200 mile coastal economic zone had gained increased support from other countries, despite U.S. opposition.

Q: Was he concerned about the cost or ambitions?

SANBRAILO: The costs and scope played out together. At the same time, State and the Embassy both favored greater support for Ecuador as a “bell weather” country because of its return to democracy. Even though we had an approved country strategy, Doug seemed to be working out of an older paradigm to graduate LAC countries. Since Ecuador was not a high priority, there didn’t seem to be a great deal of policy coordination, which can occur at times.

Q: But when you were developing this program, you presumably had the Ambassador’s endorsement, right?

SANBRAILO: Very much so. The Ambassador was Raymond Gonzalez, one of the very few career Hispanic Ambassadors at that time. He was regularly telling me, “We need to support Roldos and Hurtado.” Do everything possible to expand the USAID program. He actively participated in reviewing and contributing to our country strategy that was approved by the LAC Bureau. The Ambassador regularly praised USAID initiatives and reported them to Washington. He prepared my employee evaluation and extolled my performance. It was an exciting time. We were creating a new program and everyone seemed to be on board with the approved country strategy.
Q: Do you think that Doug just wasn’t focusing on this?

SANBRAILO: That is the most likely explanation. We knew that Ecuador was not the highest priority for AID, which was understandable. The agency’s focus was on Africa, supporting the Camp David Peace Accords and emerging issues in Central America and elsewhere. Doug was clearly focused on higher priorities, as he should have been. He may have been surprised at how quickly we were able to increase the size of the Ecuador program by tapping into centrally-funded projects, especially the housing investment guaranties and several large population, non-formal education, BIFAD and ASHA grants.

With its geographical and cultural diversity, large indigenous population, poverty, and beautiful scenery with snow-capped volcanos, Ecuador had always been an attractive country for supporting development programs. It was often called the “Switzerland of South America”. Many AID officers in the central bureaus, not to mention their contractors and partners, enjoyed working there. They saw through the myth of it being an oil exporting country that didn’t need assistance. So we were able to build a Washington support group not only in the LAC bureau but also in the central bureaus that proved effective in expanding the program.

Q: So, how many sectors were you working in?

SANBRAILO: Agriculture, public health, sanitation, family planning, education, and others. The main New Direction sectors from the 1970s, but we also started initiatives in environmental protection, non-conventional energy, science and technology, women in development (WID), housing and urban development, civil society strengthening, and later private sector development in line with the priorities of the Reagan administration. We helped give momentum to the GOE’s integrated rural development secretariat (SEDRI) and its DRI projects that were the central focus of the Roldos-Hurtado administration. We were well ahead of other donors, like the World Bank, IDB, and UNDP in responding. It took years for them to develop their DRI projects and they did not begin disbursing funds until the final year of the Roldos-Hurtado term in 1983-1984.

AID also encouraged the establishment of the country’s first environmental NGOs, expanded coverage of family planning and maternal-child health programs, helped U.S. universities work more effectively in Ecuador than in the 1960s, and pioneered one of the first AID-Peace Corps agreements, specifically for constructing rural water systems. We launched an effort to support the GOEs policies of developing non-conventional energy (solar, mini-hydro plants) and helped shape its housing and urban development programs. All of these initiatives reflected local needs and had strong constituencies in Washington that promoted additional assistance.

Q: Total value, roughly?

SANBRAILO: Let’s see, at that time (1981) it must have been about $20 million, not including the Housing Investment Guarantee (HIG) projects that were being developed.
But we were headed higher. By the time I departed for Peru in December 1982, the AID Mission was nearing a $50 million program that few had expected.

Q: A year?

SANBRAILO: No, life of project. It was probably $10 to $15 million per year in new bilateral obligations and expenditures. In addition, we had a number of centrally-funded programs, such as support for the Campesino Training Center in the Ministry of Agriculture led by Jim Hoxeny and Sam Butterfield from the AID Education Office in Washington. The latter built upon non-formal educational methodologies developed in the early 1970s, in partnership with the University of Massachusetts at Amherst. As mentioned, this was a pioneering effort later replicated in other countries.

Then there were a number of centrally-funded population and family planning programs and various agricultural development and cooperative programs with U.S. universities or other groups. They keyed off of our partnership with the University of Florida and with the Board for International Food and Agricultural Development (BIFAD) and our various efforts to support Ecuadorian science and technology initiatives, among them in the environmental and non-conventional energy area. We also tapped into WID funding.

The Galapagos Islands, off the coast of Ecuador, were beginning to attract attention and new funding. We used AID’s grants from American Schools and Hospitals Abroad (ASHA), and the excess property program, for the Quito Working Boys Center and supported participant training with a number of U.S. universities. We were responding to strong U.S. Embassy and State Department guidance to demonstrate support to the newly elected government.

Thanks to Peter Kimm’s cooperation, we also attracted to Quito a Regional Housing and Urban Development Office (RHUDO) that led to new approaches for helping the urban poor in the squatter settlements in the southern sections of Quito and secondary cities. It supported the GOE’s plans to extend its integrated development approach into urban areas. The first program was a $25 million Housing Guarantee (HG) to support the Solanda program in the southern part of Quito, which was implemented through the National Housing Board (JNV), the Ecuadorian Housing Bank (BEV), the municipality of Quito, and the Marqueza de Solanda Foundation and community groups. It was a model for a new type of public-private partnership with a U.S. investor that could support the country’s social development.

Q: So, you were sending Ecuadorians to the United States and other countries for training?

SANBRAILO: Yes, to the University of Florida. It had a large team that we were funding. There was also training at Mississippi State, Utah State and in Idaho and Kentucky because of the involvement with the Partners of the Americas and the relationship that Kentucky and Idaho had with Ecuador. Later there were trips to Chile and other countries to explore export and private sector development programs. There
was interest, especially among local NGOs in appropriate technologies that could address problems unique to Ecuador’s rural sector. This was along the lines proposed in Ted Owens’s, Development Reconsidered and E.F. Schumacher’s Small is Beautiful, which had shaped New Directions programming.

RHUDO also provided training in the U.S. and other countries to assist Ecuador extend its concepts of integrated development into marginal urban areas, which became more important as migration accelerated from poverty stricken rural areas to urban squatter settlements. This demographic shift was pronounced in Ecuador and was quickly converting it into a country where more people were living in urban areas.

**Q:** So, you’re now going to tell me that this whole thing fell flat?

SANBRAILO: No, it became quite successful as measured by New Direction indicators that were in place at the time. We were firing on all cylinders!! The programs, however, did not address Ecuador’s deteriorating economy, growing debt crisis and the exhaustion of its Import Substitution Industrialization (ISI) strategy that had dominated economic policy during the previous 20 years. USAID’s approach was that such challenges should be dealt with by the IMF, the World Bank, the Inter-American Development Bank, U.S. Treasury, or others. This was one of the consequences of abandoning the country programming of the 1960s and the agency having lost most of its economists.

But we then experienced a transition, following the election of Ronald Reagan as President. And this was when the new Administrator, Peter McPherson, comes on to the scene. He visited Peru, where he had served as a Peace Corps Volunteer, and then came to Ecuador. It must have been 1981 and the beginnings of another transition in AID policies, strategies and programs with the Reagan administration that would reshape aid in the 1980s and early 1990s.

**Q:** He was not skeptical, or –?

SANBRAILO: He was skeptical of the integrated rural development (IRD) approach because it was not addressing Ecuador’s deteriorating economy, the need to improve the investment climate and increase exports, and was not working with the private sector. It was largely a government-led rural development program aimed at discrete but relatively small rural populations. Peter understood the IRD concept but perhaps saw it as developing “patches of green” that were costly to implement and benefited limited numbers of beneficiaries, whereas a broader economic growth strategy might benefit more people, at a lower cost and be more sustainable.

I shared Peter’s concerns myself. At the same time, USAID Ecuador was implementing what was the policy and strategy of the 1970s, which essentially focused on equity considerations and the poor majority. The growing debt crisis of the 1980s, and perceived exhaustion of Import-Substitution Industrialization (ISI) implemented across the region, highlighted the need for a new development approach. There was a general shift in the 1980s in all countries toward market-based policies, export-led development, and
privatization of state-owned enterprises, along the lines of what was being done in Britain and Chile, which had attracted a great deal of favorable attention.

I reviewed with Peter the history of USAID in Ecuador and how the program had developed most of the institutions needed to support the country’s ISI strategy; for example, the GOE’s Planning Board, CENDES, CFN, COFIEC, management training institutes, labor unions, technology transfers, feasibility studies, savings and loans associations, etc. It was only now beginning to emerge among a significant group of economists and international agencies that the ISI strategy, and its protectionist policies, had worsened income distribution and created disincentives for agricultural investments and exports.

As a result, the new Reagan Administration was refocusing not only on economic growth, but on structural changes to stimulate investment climate, promote exports, strengthen private enterprise and help countries shift away from mercantilist-protectionist policies toward integration into the global economy and improved competitiveness. Development strategies were undergoing a paradigm shift that no longer favored large government-directed programs, as in previous decades. Later in the 1980s and the 1990s, the new approach would come to be termed the “neoliberal” model or the Washington Consensus.

The leader of this movement was of course Milton Friedman, the winner of the Nobel prize for economics, and his partner Arnold Harberger at the University of Chicago who had worked in Chile in the 1970s advising on economic policies with their former Ph.D. students—who were largely trained through AID’s Participant Training program at Chicago and other U.S. universities, like Harvard and Berkeley. They became known as the “Chicago Boys” and revered Friedman and Harberger. The Chilean government adopted many of their recommendations. These policies became a great success, although the military regime of Augusto Pinochet clouded the achievement. Similar policies were being developed in Taiwan and South Korea and commentators were now beginning to refer to them as the “Asian Tigers”.

Friedman’s views were vividly publicized in a 1980 PBS series “Free to Choose” that was followed by a book with the same title. It became required reading and was based on Friedman’s earlier “Capitalism and Freedom” (1962) that I first read at Berkeley as an undergraduate. We began to use these writings, and related studies, in the early 1980s to guide our planning and dialogue with the GOE and the private sector.

One can only speculate what would have happened if Friedman’s ideas had dominated the 1960s and 1970s, instead of those of economists like Walter Rostow and the Argentine Raul Prebisch at ECLA. From Friedman’s and Harberger’s work emerged a new group of LAC economists and studies that proposed reducing the size of the state, privatizing state-owned enterprises, eliminating protectionist policies, encouraging private investment and exports, and integrating into the world economy, instead of hiding behind high protective tariffs that disadvantaged the agricultural sector and the poorer segments of the population.
So, in 1979-1980, USAID Ecuador had developed a New Directions program to specifically address issues of rural and urban poverty. Then during 1981-1982 we began shifting to deal with the broader concerns of Ecuador’s declining economic growth and the need for structural reforms that many of the country’s economists recognized, especially those in the Central Bank. This led to USAID funding of a private sector assessment and new projects for promoting non-traditional exports, the development of an NGO for this purpose (PROEXANT) and other actions to better engage the GOE and the private sector in what would be needed to shift policy and improve the investment climate. Unfortunately, this effort got delayed by the massive El Nino floods that hit the country in 1983-1984, after I had left. A framework, however, was put in place for the emergence of a new USAID program that would unfold later in the 1980s and into the 1990s to support export-led development and market-based policies.

To his credit, Peter McPherson did not force the Mission to reallocate funding away from the ongoing New Direction programs, or family planning, which were not favored by the Reagan administration. Instead, subsequent funding was to be allocated to the newer initiatives. This moderate, non-ideological approach, is another indication of why later histories would judge Peter McPherson as the best Administrator that USAID has ever had.

_Q: Regarding the New Directions program, did you have members of the staff who developed these projects on the regular staff, or did you bring in consultants for these individual areas, because that’s quite a broad range?_

_SANBRAILO: We drew upon our own staff but also had consultants helping the GOE in the design of its integrated rural development and other programs. Technical experts and contractors from the central bureaus and LAC were indispensable. The FSNs played a major role, especially Patricio Maldonado, but the GOE had some well-trained professionals in its Planning Commission and Secretariat for Integrated Rural Development (SEDRI). Vice President Osvaldo Hurtado was a lead architect of the IRD strategy, as well as his senior advisor Carlos Vallejo. I was also meeting with the President, the Vice President and their advisors and doing what we called “policy dialogue” about the approach, the priority areas, how to lower costs per beneficiary, and discussing how the DRIs would be divided among donors._

_We were working off of a poverty map that the GOE had prepared for targeting assistance. At that time, poverty maps were developed by a number of countries in the 1970s and were used for program planning. Yet, the World Bank, IDB and UNDP were disagreeing among themselves about which specific donor would get what DRIs and the justifications for each project._

_It was challenging for the GOE and USAID to coordinate with the donors and to encourage them to accelerate their funding. One often got the impression that they would raise issue after issue because their own institutions were not yet ready to commit major funds. This is why USAID’s leadership was so crucial early on in the process and why_
the Embassy praised our performance in helping the GOE quickly get its programs off the
ground and work with other international agencies.

Q: I’m trying to get at whether this was a period when AID still had a lot of the technical
expertise on its own staff, or if it had a university connection?

SANBRAILO: Yes, we had more technical expertise on our staff than USAID has today
in its field Missions. For example, a direct-hire agricultural economist with a Ph.D.
(Vince Cusumano) led our work on the Integrated Rural Development and Rural
Technology Transfer, complemented by FSNs and additional agricultural economists
from the University of Florida team. Our USDH Ph.D. public health advisor (Ken Farr)
directed our work in this sector, along with one of the leading international experts on
water and sanitation (Herb Caudill), who was being assisted by Peace Corps engineers.
We also had centrally-funded staff like the education advisor Dr. Jim Hoxeny who was
outstanding, as well as excellent housing and urban development advisors in RHUDO. In
other words, even for a small Mission, we had technical experts on staff, which was a
great advantage, although consultants also played a major role.

We built the new mission from the ground up. By the time I left in December 1982, we
had about 15 USDHs and around 50 FSNs. We had a regional staff, some working out of
Quito and others out of Washington. For example, a large Washington-funded team
conducted the first comprehensive environmental assessment of Ecuador. We had to
develop the mission “on-the-cheap” because we were not a high priority for OE funding.
The country’s return to democracy and growing hopes that the U.S. could negotiate an
end to the Tuna War were key factors in driving the program.

Unfortunately, in 1981 there was a renewed border clash between Ecuador and Peru over
disputed areas that Ecuador claimed in the Amazon. Peru threatened to bomb Quito and
invade the country. This was part of a longstanding border conflict dating to 1941-1942.
The State Department swung into action with the Rio de Janeiro Treaty and mobilized the
guarantor countries of Argentina, Brazil and Chile, to stop the skirmish, but a potential
war hung over the county for some time and diverted attention away from national
development. This conflict also may have made Ecuador a higher priority for State than
for USAID, especially as newer initiatives were emerging in the Middle East and in
Central American and the Caribbean Basin that made it more challenging to obtain
resources for Ecuador.

Q: Were the Foreign Service Nationals very important to you in terms of programming?
Were they professional people with experience who helped to build the program?

SANBRAILO: At that time the FSNs were extremely important and a number of them
had advanced degrees from U.S. or European universities. They were crucial in dealing
with public sector institutions that were often difficult and highly nationalistic. We had
built a team in which the FSNs were fully integrated into the Mission and they
complemented the skills and experience of the USDHs.
FSN Patricio Maldonado was the Program Officer and functioned very well because he knew the country and USAID. An FSN assumed leadership in producing a ground breaking assessment of the conditions of women and how best USAID could intervene. Another FSN, with an advanced degree in natural resources conservation, managed our environmental assessment and planning in this area.

The staff worked well together. I like to think that we were a model Mission. We had a vision of what could be done, we were focused, we were hard-working, there was high morale, the new Roldos-Hurtado administration had some reasonably well-defined policies and strategies that may not have been perfect, but we could work with them in a positive and constructive manner and try to improve them. We had a great deal of enthusiasm in LAC, State and the Central Bureaus about what we were doing.

We didn’t allow ourselves to get bogged down in process. What seems to be missing today in USAID Missions is leadership; many of the USDHs are inexperienced and Missions are most often dominated by Contract Officers. The FSNs and TCNs may be very good but they are not getting the type of supervision that is required. There may not be the same ability to conduct policy dialogues with senior host country officials and USAID process consumes too much time. A rigorous cost-benefit analysis of USAID’s lengthy planning and procurement procedures would show that they have few benefits, high costs and lengthy delays. There is “goal displacement” in which process becomes an end in itself that distracts away from improving field execution. It becomes an excuse for delaying actions.

Q: And the government was interested, and the government was participating, so it sounds like a terrific positive case

SANBRAILO: Yes, it was a program made in heaven. I never wanted to leave. But what moved me out of Ecuador to Peru was Peter McPherson’s visit. We became good friends. He liked my approach and entrepreneurship, even though he questioned some of the rural poverty approaches. At the same time, he appreciated that we were operating out of a 1970s policy framework. He understood that the staff and I had plans for shifting gears if we received a new mandate and additional funds for policy dialogue and private sector programs which happened. He liked our evolving Mission strategy that would focus on economic restructuring and private sector development to be implemented in the 1980s.

At that time, Peter and I traveled around Ecuador for a week and bonded. He appreciated my leadership in building a new program. The staff identified with Peter as well and his willingness to get involved with them and their projects. This was one of Peter’s first overseas trips as Administrator. He even asked me who he should select as a new LAC Assistant Administrator. I responded that Otto Reich, at the Council of the Americas, would make a good candidate. I had dealt with Otto when I was Director of LAC/DP and he was trying to help us build a broader constituency in support of LAC development. Otto was named AA/LAC.
I greatly admired Peter’s dedication, commitment and interest in the day-to-day work that I had not seen before in another Administrator. For a short period, we were both reliving our Peace Corps experiences and having great fun doing it. Peter and I saw development in similar ways. He liked how we had mobilized Peace Corps engineers at almost no cost to support our potable water and sanitation program.

Q: And were you able to mesh the Peace Corps procedures and the AID procedures in a way that delivered effectively?

SANBRAILO: Yes, in part because we had a well-defined rural potable water and sanitation program that required technical support like what PCV civil/sanitary engineers could provide. The Peace Corps had identified the same sector as one of its priorities. Most importantly, we had AID’s best water and sanitation engineer on staff, Herb Caudill, who had worked many years on Indian Reservations in the U.S. and knew how to manage volunteers. It was a love affair between Herb and the PCVs. It proved to be exactly what the rural communities needed.

Q: In my experience many AID projects that were trying to engage with the Peace Corps came apart because the time tables were different: AID couldn’t deliver at a time when volunteers had been committed, but it sounds like your program worked well.

SANBRAILO: Perhaps not perfect, but certainly very well. If I recall correctly, we didn’t design the project to depend exclusively on PCVs. Herb had a “Plan B” and other ways of dealing with the field technical requirements if PC could not deliver. There were some issues with the volunteers but Herb did an amazing job. PC liked the supervision that they were getting. In other cases, such as assistance to Ecuadorian NGOs, timing may have been a problem, but not very serious as I recall.

Also, PC had a large program in Ecuador at that time with over 150 volunteers. PCVs also began managing some of our small projects, like I had done in Venezuela. They liked the idea that they now had a source of funding for community development. The U.S. Embassy in Quito appreciated the coordination. I understand it presented this model as a success story for other countries. The Ambassador highlighted it in my employee evaluation as an example of country team collaboration.

Q: Were the PCVs recruited and trained for that specific AID-related activity?

SANBRAILO: Well, not specifically. The Peace Corps had identified rural water and sanitation as a priority program area before AID had completed its project planning. As I mentioned, Peace Corps had evolved in more of a technical assistance direction, providing engineers for example. Peace Corps was responding to a GOE priority, as was AID. Our responses meshed closely at that time. We had a collegial attitude and a desire to work together. Fortunately, there were few rivalries or institutional jealousies.

If I recall correctly, Herb Caudill got half of the volunteers in the PC group and he had the opportunity to choose them and their sites. The volunteers fell in love with our
“Indian Reservation man”. Herb had the biggest staff in our mission at virtually no cost to AID. This is how we had to build the new program because we had limited funds, as well as limited staff. We approached this challenge creatively, reaching out to other agencies like PC, or USDA Food for Peace, and to centrally-funded programs. We had developed a network of supporters that supplemented our USDH and FSN staffs. They helped us increase the size of the program beyond what might otherwise be expected.

We did the same thing with housing and urban development. Few missions fully appreciated the great work of Peter Kimm and the USAID Housing and Urban Development Office. It had wonderful success in Ecuador in the 1960s in establishing the country’s Housing Bank (BEV), its Savings and Loan System (mutualistas) and housing cooperatives. It funded a number of pilot programs that are described in Aaron Benjamin’s ADST Oral History that were successful and continued to operate well into the 1980s and beyond.

As mentioned, Peter Kimm was enthusiastic about the opportunities in Ecuador. He established a Regional Housing and Urban Development Office (RHUDO) in Quito that gave us additional staff at no cost. It responded to one of the GOE’s priorities in the 1980s. In Washington, urban programs did not receive a great deal of attention because the New Directions legislation had a distinctly rural orientation. It is an example of how the Jeffersonian vision of international development had come to dominate USAID in the 1970s and did not see the need to work with the urban poor, which would have been more of a Hamiltonian approach. This rural focus created a programming gap since many countries were becoming much more urbanized, with more poor people living in marginalized urban squatter settlements.

Q: In fact, about that time, AID’s urban development office was eliminated, and those functions were absorbed into Peter’s housing program, and it then became more clearly an urban and not simply a housing program. And so, you tapped into them at the beginning –

SANBRAILO: Yes, and we developed one of its star programs (“Solanda”) for integrated urban development that approached housing as one part of a broader strategy that included infrastructure improvements (water, sewers, electrification, street upgrades, parks), community organization, technical training, microenterprise credits, and assisting female heads of households. Of special importance was working with women through a project that the WID office helped us develop. More than 50 percent of those who received homes were women, which was a major breakthrough at that time.

The housing solutions were quite innovative, ranging from sites and services, “piso-techo”, core housing, and basic shelters that beneficiaries could afford and pay for without major government subsidies. It was similar to the Las Americas program that we had developed in Nicaragua to respond to the Managua earthquake. Through the Solanda program, USAID also trained some of the country’s leading sector officials. This improved understanding of progressive housing solutions and how they could be
incorporated into national policies to reduce subsidies, thereby encouraging replication by other donors or the private sector.

Q: You should explain what is a RHUDO?

SANBRAILO: RHUDO is a Regional Housing Urban Development Office. It supported programs in a number of countries and implemented specialized guaranties that could direct U.S. private loans to housing projects. Most importantly, it was staffed with creative housing and urban development technical experts. The Office gave USAID another powerful tool to support the new Roldos-Hurtado government, helping it reach more low-income people, not only with housing, but through an integrated approach that the new GOE favored. I think that Ecuador was one of the few Missions that enthusiastically wanted a RHUDO since so many others were largely focused on the rural poor.

At that time, most missions did not incorporate such programs into their country strategies and the HG program was still an exception that didn’t seem to fit in. Many Missions did not fully appreciate the importance of such initiatives, and if they did, they felt that these officers might do their own thing and not coordinate with them. I never found that to be the case. Peter Kimm had developed an excellent staff who greatly believed in the program. They were seeking ways to support the Missions. The RHUDO staff in Quito had tremendous creditability and access in the housing sector, especially with senior level officials and municipalities. They were seen as world class.

Just as an aside, much like Peter Kimm in housing, other Washington-based programs had developed similar charismatic leaders whom we mobilized to support Ecuador, either directly or indirectly. They included: Reimert Ravenholt in population and family planning; Martin Foreman in nutrition; Scaff Brown in agriculture and rural development; and Sam Butterfield and Jim Hoxeny in non-formal education, whom I mentioned. The BIFAD staff was also very supportive with our partnership with U.S. land-grant universities, as were the new centrally-funded teams to support environmental and non-conventional energy programming.

The creditability of the AID housing program was especially high because the earliest Alliance for Progress funding in 1961-1962 was used to establish the Ecuadorian Housing Bank (BEV), the Savings and Loan System (mutualistas), and housing cooperatives and credit unions. This was of great interest to labor unions. Strengthening labor unions was a priority during the 1960s. So USAID had an excellent technical reputation in the sector and RHUDO greatly enhanced our relations with the GOE.

Q: So, the evidence of this housing commitment was there, and people knew it, and they identified it with the United States?

SANBRAILO: Right, and the housing guaranty (HG) program allowed USAID to mobilize private loans to support social projects. At the same time, the GOE did not always have the institutional capacity to use such loans and to convert them into specific
field activities, although that capacity was much improved from the 1960s. There was a long tradition of providing GOE-financed subsidized housing for political purposes that was not sustainable or replicable for large numbers of beneficiaries, especially with the emergence of the international debt crisis.

The RHUDO technicians, together with the Mission, were able to encourage the GOE to focus on more sustainable approaches through programs like Solanda Integrated Urban Development, and others carried out in the 1980s. It transformed urban growth in the low-income neighborhoods of southern Quito and produced new models for addressing urban poverty without large central government subsidies. It was evaluated in the late 1980s and was found to be one of USAID’s most significant successes. A second HG extended the concept to smaller cities.

Q: Including water and sanitation?

SANBRAILO: Yes, providing water and sanitation in secondary cities was perhaps of even higher priority than housing. It allowed RHUDO to be even more creative in financing alternative shelter solutions that could be further expanded as beneficiary income increased. The Embassy greatly appreciated the integrated development approach because it demonstrated how we were translating U.S. policy of supporting democracy into visible actions on the ground. We did it quickly without a lot of indecision and hand ringing. We were filling a gap in helping the GOE convert its policy into tangible results, adding to the creditability of the newly elected government.

Q: This all happened during Doug Bennett’s time?

SANBRAILO: The initial approval and planning began during Doug’s time as Administrator, but field implementation largely took place after he left. The project extended throughout much of the 1980s. It greatly influenced GOE approaches for other housing and urban development initiatives.

When I departed Ecuador in December 1982, President Hurtado awarded me one of the country’s highest decorations at the Presidential Palace, citing AID’s support to the GOE’s integrated rural and urban development programs, especially the DRIs and Solanda. It was a great honor to receive this recognition. I accepted it in the name of the entire AID Mission, including RHUDO. The Embassy, Administrator McPherson and the AA/LAC Reich welcomed the recognition in a country that had at times stereotyped AID officers as CIA agents.

Q: Doug was there until January 20, 1981, or so

SANBRAILO: Yes, I am confident that if Doug had continued as Administrator that he would have liked the program as an innovative effort to address both rural and urban poverty. I think that he would have appreciated how it had influenced GOE policies and other donor programming, while also applying a rigorous evaluation system. At the same time, given Ecuador’s low priority for AID funding, it was a challenge to get decision-
makers to focus on this country. As a result, mobilizing other donors was of crucial importance to replicate the new approaches.

Q: As you were saying, most missions were not enthusiastic about centrally-funded programs establishing themselves in their countries. But it is clear that you were not only happy about them, you sought them out. You were apparently able to integrate them into your country program. These activities were taking place under your umbrella, and you were able to make them work on behalf of a country program. Is that correct?

SANBRAILO: Yes, we had developed a Country Strategy that I believe was a model for how Missions could work productively with the central bureaus. We had them built right into the strategy. They provided us with world class technical experts that we could not access in any other way. As long as the process is well managed, and the Mission can clearly define what it wants the central bureaus to do, this partnership can work well.

Q: That’s interesting. Did anybody ever, when you were back in Washington, ask you to describe how you managed to do this? Your links to centrally-funded programs sounds perfect.

SANBRAILO: Unfortunately, I don’t think that I made such a presentation. We sort of took it for granted and perhaps did not fully appreciate the important model that we had developed. Part of our success was because we were proactive in defining what needed to be done and reached out to them. We didn’t allow technical experts from the central bureaus to go off on tangents or to do their own thing. At the same time, we fully appreciated and respected the imperatives that drove central funding and worked to adapt them to country-specific needs.

We maintained excellent relations with the Washington-based programs and their personnel, who often attended our staff meetings and were integrated into the Mission. We didn’t see a divide between Mission programs and those funded by the central bureaus—it was all AID funding and we needed them to achieve our objectives. Since nothing is perfect, I suspect that there may have been some coordination and prioritization issues at the technical level that were never raised with me as Mission Director. We made the partnership work and had the enthusiastic support of the LAC Bureau and the Central Bureaus. Ecuador needed all of the friends and supporters that we could muster!

Q: Did the Directors of centrally-funded programs come down and visit?

SANBRAILO: Yes, I mentioned Peter Kimm in housing and we had others, but I cannot recall the names. The WID office loved its participation in the Solanda program and it became an early “star” of how AID was integrating women into its programs, as were the family planning initiatives, some of which were led exclusively by women through the NGO called CEMOPLAF. The non-formal education program with the Ministry of Agriculture attracted a great deal of attention because of its work with women. We even
used the 4F Clubs, developed by Point Four in the 1950s, to better target girls living in rural areas.

Q: Were evaluations done of these programs?

SANBRAILO: Yes, but later in the 1980s. The program got overtaken by widespread El Nino flooding that hit the country in 1983-1984 and its needs for relief and recovery assistance. There was the threat of renewed conflict along the Ecuador-Peru border. The emergence of a new export-led strategy also distracted attention away from the earlier programs, after I had left the Mission. When the program shifted focus in 1982-1984, there was a tendency to forget the earlier rural poverty projects that were developed in the 1970s and early 1980s.

In any case, the evaluations began after I left and were generally positive. Least I paint too rosy a picture, there was a major negative. When I was assigned to Peru, my successor was a political appointee, who I understood the White House Personnel Office imposed on AID. He was a General in the National Guard and had little experience managing programs. Even the Ambassador, Sam Hart, expressed reservations about his nomination, but he finally agreed to it, which was a major mistake. While the new Director did make some contributions with the subsequent Febres Cordero government, he exercised poor judgment in financing salary supplements for senior GOE officials that got the Mission into serious problems later in the 1980s. This episode undermined much of the good work that he and others had done and sadly ruined the careers of a number of AID officers. Why Ecuador was selected for such an appointment is still beyond me, but it did serious damage.

Q: So, bring us up to this date. You had this program, where you had a lot of interesting things going on, and it was, from your standpoint, highly satisfactory –

SANBRAILO: Yes, I would have stayed in Ecuador for the rest of my career if possible. We had built a program and mobilized more funding and technical support than anyone had anticipated. It responded to Ecuadorian policies and needs, and to AID policies in the 1970s and then, as AID priorities changed in the 1980s, to those policies as well. It should have been a model of what could be done with modest funding and staff. If my tenure had been followed by another career AID Director, perhaps there would have been another outcome. Unfortunately, you have to live with the political realities and the fact that the country was not a high priority.

Q: For your wife this was a great assignment, too.

SANBRAILO: Yes, it was wonderful for her. She was able to spend more time with her mom and dad who were elderly, so this assignment made a lot of sense for us. We were fortunate to have this opportunity. We greatly appreciated AID assigning us to Ecuador.

Q: What then led to your assignment to Peru?
SANBRAILO: I mentioned Peter McPherson’s visit in 1981. As he settled into this position, he had to address a number of international crises, especially in the Middle East. In late 1982 he needed a seasoned Mission Director to go to Beirut, Lebanon, so he wanted me or Malcolm Butler to go. Malcolm was USAID Director in Peru and he was prepared to accept the assignment. What that meant, however, is that I had to go to Peru, a larger program, which had a newly-elected government in 1980 led by my dear friend, Fernando Belaúnde Terry. Peru was a higher priority than Ecuador and very important for Peter.

Q: Do you remember what month that would have been? Was it the middle of the year?

SANBRAILO: It must have been mid-to late 1982, because it was several months after that when I was assigned to Peru. If I recall correctly, it may have been related to the bombing of the U.S. marine barracks in Beirut, and AID needed to quickly start a program in Lebanon. As with the previous Administrator, Peter liked Ecuador but didn’t see it as a high priority. So, off went Malcolm to Lebanon and I was assigned as the new Director in Peru.

The timing of my transfer was particularly unfortunate for another reason. A new Ambassador had been assigned to Ecuador, Sam Hart, who started to harass the Mission and other agencies about their programs. After I departed, he wanted to cut back the size and scope of the AID program, even though it was contrary to U.S. policy of supporting the democratically-elected governments and the approved Country Strategy. As Director of the ARA Andean Affairs Office, Hart even boasted that he had forced the popular Raymond Gonzalez out of his ambassadorship so he could replace him.

Hart alienated many of the members of the Country Team and undermined the high morale that had previously existed with Ambassador Raymond Gonzalez and Chargé d’Affaires John Youle. He was later removed as he continued to insist on reducing AID assistance to the newly elected government of Leon Febres Cordero, favored by the Reagan administration. It was an unfortunate situation that was not helpful to U.S.-Ecuador relations.

Q: Did you go directly to Peru?

SANBRAILO: Yes, we had some home leave along the way that I cannot exactly recall. I think we went directly to Peru in December 1982 because Belaúnde was pressing for a new Mission Director, and Peter McPherson had to get Malcom to Lebanon right away.

As a result of Belaúnde’s experience of working with AID during his presidency in the 1960s, he greatly respected AID and saw the Mission as crucial for his programs in the 1980s. So I had to leave Ecuador quickly. My wife, of course, was disappointed but later made some of her most important friends in Peru. It turned out to be a wonderful assignment and a new set of challenges. We loved the country and its people!
Assignment as USAID Peru Mission Director (1983-1986)

Q: So, you were there from the beginning of 1983, essentially.

SANBRAILO: Yes, and Peru was quite different than Ecuador. It was a much bigger and more complex Andean country with a population of about 17.5 million. The USAID program was a higher priority and larger, exceeding $100 million with over 200 staff. Most Peruvians were easier to work with than some Ecuadorians, who held strong nationalist views and, at times, viewed the relationship with the USG and international agencies in conspiratorial terms.

Peruvian leaders and officials tended to be more pragmatic and saw USAID programs as positive for the country and eagerly sought out the Mission’s technical advice. At times, the Ecuadorians tended to view relations in “zero-sum” terms (i.e. what was good for the U.S. was bad for them, and vice versa). They were not always as pragmatic as the Peruvians, even in dealing with those who were trying to help them.

President Fernando Belaúnde Terry had been elected in 1980 as part of the wave of democratic governments that the Reagan administration wished to support. He had previously been removed as President by a military coup in 1968 and forced into exile. He and his administration enthusiastically requested USAID support for his most important projects.

The President was an architect and urban planner, trained at the University of Texas in the late 1930s. He greatly admired the United States and was recognized for his personal integrity and idealism. He was a conservative in economics and viewed development in physical terms, public works, building roads and housing, and preparing plans to harness the Amazon Basin and its rivers. Belaúnde was influenced by the New Deal and TVA, as he visualized the untapped potential of the Amazon for developing South America and building his “Carrertera Marginal de la Selva”. He very much wanted to integrate the country by connecting Peruvian coastal areas with its isolated departments on the other side of the Andes in the Amazon Basin.

As a visionary of South American progress, Belaúnde regularly compared the Amazon and Mississippi Rivers. He described how the Amazon could play a developmental role for all countries in this region. A staunch anti-communist, he lived and breathed development which made directing USAID a dream assignment. His dining room table at the Presidential Palace was covered with plaster models of his government’s most important projects, which he used to brief international officials. His wife Violeta was active in the large urban squatter settlements surrounding Lima and other cities, called Pueblos Jóvenes (“Young Towns”), and in directing projects to them, some of which were funded by USAID.

Q: Why was Peru a priority for USAID in the 1980s?
More than half of Peru’s population lived in poverty, including large indigenous groups in the Andes. The country had some of the worst urban slums in the region, especially along the coast. Responding to the needs of the poor was urgent for a newly elected government, although there were limitations because of the debt crisis that was constraining many countries at that time and had forced the military to give up power.

Specific reasons for a major USAID program included the following:

- **Supporting Democracy**: As Ecuador had done in 1979, Peru returned to democratic rule in 1980 and Belaúnde was a longstanding friend of the United States. He rejected the military governance which had ruled LAC countries in the 1970s and he symbolized a new democratic opening that was a key USG objective. Belaúnde was a great friend of the Reagan administration and Administrator Peter McPherson. He and I knew each other from his time in exile. The previous military regime had received substantial Soviet assistance, had expropriated leading U.S. companies like IPC, and was moving toward a socialist system, until it was derailed by growing fiscal problems and the debt crisis.

- **Commitment to Development & Economic Reforms**: Belaúnde’s focus on the rural poor and the *Pueblos Jovenes* was very attractive. While he was less interested in economic policy and structural reforms, compared to housing and infrastructure, he brought into his administration a group of world class economists (including eventual President Pedro Pablo Kuczynski) who recognized the need to move away from ISI protectionist policies favored by the military. Belaúnde supported market-led development similar to those policies carried out in Chile. This approach appealed to the Reagan administration.

- **Confronting the Debt Crisis**: Like Ecuador, the Peruvian military had run up large unsustainable debts in the 1970s that led to a crisis in the early 1980s. The debt crisis hit Peru particularly hard and required a change in economic policies and strategies. Belaúnde’s economic team was highly regarded by international agencies for its potential to address the economic challenges in ways that other countries were not doing, while realizing the President’s promise of providing a million new jobs, housing projects and public works.

- **Fighting the Drug War**: Peru was becoming a major source of coca leaf and coca paste for Colombian cocaine processors who were flying freely into Peru’s isolated growing regions, such as the Alto Huallaga in the Amazon. This was the beginning of the drug war. USAID was mandated to support it by implementing crop substitution projects in agricultural areas like Alto Huallaga to support actions of DEA and the State Department’s International Narcotics Bureau (INL) for supply reduction and enforcement.

- **Growing Insurgencies**: The Belaúnde government was confronting threats from vicious terrorist groups, such as Sendero Luminoso (“Shining Path”) and Tupac Amaru, which controlled entire departments like Ayacucho and Apurimac. Sendero was
extremely brutal, following the teachings of Chinese leader Mao Zedong, and unleashed a wave of violence and human rights abuses across Peru. Its fighters slaughtered entire villages, as well as the army and police officers who came to their aid, as documented by Mario Vargas Llosa’s writings and his investigation of the Uchuraccay massacre.

The Shining Path (SL) kidnapped and endangered everyone in Peru, especially municipal leaders, government officials, the military, international advisors and investors. The government’s weakness and lack of presence in isolated rural areas encouraged the expansion of the group, which was composed largely of well-educated mestiza women and intellectuals who often could not find meaningful employment even with their university training, in part because of racial prejudices. No one captured better the inhumanity of the Shining Path than the country’s leading writer Mario Vargas Llosa in his Death in the Andes, a novel that attracted worldwide attention.

- **Responding to Natural Disasters:** As I arrived in 1983, Peru’s northern coastal region, especially Tumbes and Piura, were hit by widespread flash flooding that devastated infrastructure and housing. The same El Nino weather system created droughts in the southern Sierra departments around Puno. These conditions continued into 1984 and destroyed billions of dollars of infrastructure, housing and other economic assets. The USG had a long tradition of helping Peru respond to such disasters, like the Great Peruvian earthquake and landslides of 1970 that had smashed and covered entire Andean towns.

- **Addressing Development Challenges:** Despite a well-developed modern sector in Lima and other major cities, Peru confronted significant challenges with large areas of the country having some of the lowest economic and social indicators in the region. While it had leading intellectuals, economists and technicians, it still struggled with issues of building an inclusive nation. The government found it difficult to translate its policies into field actions that reached the poorest people.

*Q. What type of projects did USAID fund?*

We provided well over $50 million a year and it significantly increased to more than $100 million in response to the El Nino floods and droughts of 1983-1984. USAID supported Belaúnde’s highest priority, which was regional development in Huallaga Central, Alto Huallaga and Pichis Palcazú. The aim was to incorporate large semi-tropical areas into modern agricultural production by funding research and extension, technical assistance, training, credit, seeds and fertilizer, machinery, rural roads, marketing facilities, social services, and activities to protect the environment and conserve natural resource. The strategy was to stimulate new production and to expand government presence in isolated Amazonian areas, as they were increasingly threatened by drug traffickers introducing coca cultivation and by insurgents like Sendero Luminoso.

USAID also funded a number of other rural development projects, especially in the Sierra highlands for irrigation and increasing agricultural production. Substantial local currency
from PL-480 food aid was directed to the departments most threatened by SL to support activities to increase production and incomes and to improve social services. Other programs expanded the coverage of public health and family planning, augmented nutrition and school feeding, built potable water and sanitation systems, and focused on maternal and child care, especially through the introduction of Oral Rehydration Salts (ORS) therapies developed by USAID. There was a low-income housing program supported by RHUDO. Environmental issues were of major concern, especially with the large projects in the Amazon and the country’s growing natural resource degradation.

As a result of the changes in USAID policies with the Reagan administration, we developed a significant private sector program that aimed at funding small businesses through Peru’s Industrial Bank, providing assistance to micro-enterprises, developing non-traditional exports, and established a new technical training institute (TECSUP). Most importantly, we dedicated grants to the Institute for Liberty and Democracy (ILD) and its field research on the informal sector carried out by Hernando De Soto (more about that later).

We were also focused on helping the government implement its decentralization policies by strengthening municipal governments and the regional development corporations (CORDES). We provided technical assistance for regional planning and helped the government accelerate decentralization in a country that had been ambivalent throughout its history about such actions and had often wanted to centralize authority in Lima. This proved particularly important as the El Nino disasters hit the country and municipalities and the CORDES were used to deliver aid. We also began some of the first programs for improving the administration of justice and addressing drug abuse problems among Peruvians through the creation of the NGO called “Centro de Informacion y Educacion para la Prevencion del Abuso de Drogas (CEDRO)”, led by Alejandro Vassilaqui and Carmen Macias.

Unfortunately, disaster relief, recovery and rehabilitation became a major program for us in 1984-1986 and diverted the GOP and the international agencies away from the deteriorating economy. Stagnating economic growth ultimately led to the election of a young leftist President in mid-1985, Alan Garcia, from the Alianza Popular Revolutionaria Americana (APRA) party. Garcia had little experience, would attack the international community and reject most of our recommendations. He suspended debt payments, reverted to statist policies, produced hyper-inflation and stagnate growth, and created conditions that undermined state institutions that encouraged Sendero (SL). Alan Garcia virtually destroyed the country by 1990, thereby opening the way for President Alberto Fujimori in the 1990s. This was one of the great tragedies in recent Peruvian history that Garcia himself recognized when he was again re-elected in 2006, by then advocating more moderate and effective policies.

Q. How was it working directly with the President and his advisors?

It was great from 1983 until Belaúnde completed his term in July 1985. He was absorbed by development and the country’s geographic integration. All he thought about were such
programs, which frustrated diplomats, like U.S. Ambassador Frank Ortiz who wanted to engage him mainly on traditional foreign policy issues. They included the peace plan proposed to resolve the dispute between Argentina and Great Britain over the Malvinas (Falkland) Islands, the border dispute with Ecuador, the growing threat posed by the Shining Path, the Drug War, etc.

Belaúnde never missed an opportunity to use his dining room table to present his programs and to request international support. He focused mainly on the integrated regional initiatives in Huallaga Central, Alto Huallaga and the Pichis Palcazú river valleys in what was called the “Ceja de la Selva” (or “the eyebrow of the jungle”), along the eastern foothills of the Andes where the mountains sloped into the Amazon. As mentioned, they were meant to integrate isolated tropical areas into Peru, increase production and combat the growing coca cultivation and insurgency problems in those areas.

Within a week of my arrival in Lima, I was invited to lunch with the President, followed by a meeting with community leaders from the Pueblos Jovenes, who screamed out Viva Sanbrailo! Viva USAID!! I never expected anything like this and was overwhelmed. The old professor wanted to make an impression and he certainly did so.

Ambassador Ortiz, who was an excellent diplomat, had little interest in Belaúnde’s vision for the Amazon or his development programs in general. He left most of that to me, which was great. On a regular basis, Belaúnde’s staff would call on Friday evening to advise me to be at the Peruvian Air Force base, called Grupo Ocho, at 7:00am on Saturday morning to join the President on field trips to the Amazon and other places. We would spend the entire weekend visiting projects and “pressing the flesh” with beneficiaries, followed by open town meetings to get feedback of local people. It was a great introduction to Peru and amazing to see Belaúnde’s connection to the people. They loved him, his idealism, honesty, and his forceful but soft-spoken manner. He regularly highlighted USAID contributions and saw himself as a modern-day Franklin Roosevelt implementing New Deal-like programs.

Belaúnde remembered me from his time in the U.S. almost 15 years earlier and we quickly bonded, despite the age differences, as he reminisced about his exile at Harvard and Columbia University, and his visits to college campuses in California where I first met him. Belaúnde had a photographic memory. He could recall almost everyone, including each village we visited, each location and each person we talked with, which was a tremendous asset for a politician. He gave eloquent speeches without any notes that were simple to understand, perfectly conceptualized and presented, and he gained the rapt attention of his audience with his vision of how Peruvians could “reconquer Peru”.

The President was a born optimist, with tremendous charisma, but rarely wanted to engage on issues related to the Shining Path, coca cultivation or economic policy. If you brought up these subjects, he would quickly but politely change the subject which made it difficult to conduct policy dialogues in these areas. We ultimately had to deal with his
economic team who at times asked me to raise specific issues with El Presidente that they too found difficult to discuss with him.

After each trip, I would brief Ambassador Ortiz, who was amused and felt “…better you than me…” going all weekend and sleeping in some rustic places. He was very comfortable with me maintaining a direct relationship with the President, unlike what happened to USAID Directors in other countries. To his credit, Ortiz saw the advantages for the U.S. of my engaging with Belaúnde and knew that I was pursuing the U.S. agenda. He trusted me and I trusted him. At times, he would even give me issues to raise with the President, which I would do and then prepare reporting cables to State.

Frank loved the social scene in Lima that went all night. He would attend three or four diplomatic, business or cultural events that often extended to 3:00am in the morning. He was a master networker who served well U.S. interests. Lima had a tremendous social/cultural life and the Ambassador liked it while I got exhausted by midnight. Dinners often beginning at 11:00pm and regular discussions of politics and who was up and who was down in the government and private sector.

In this respect, the Ambassador and I complemented each other and regularly exchanged information and contacts. It was an excellent relationship based on trust among career Latin Americanists and career foreign service officers, contrasting with what happened in other countries where unproductive rivalries and jealousies arose. I never forgot that the Ambassador was my supervisor and he recognized that. This greatly enhanced USAID’s standing in Country Team meetings and as a source of information about what was happening at the grassroots level.

Q: That’s a very confident ambassador

SANBRAILLO: Yes, Frank Ortiz was wonderful to work with. As I mentioned, he loved to attend diplomatic functions, which were numerous and happened at all hours of the night and early morning. I admired his energy and stamina. At times, I did not know how he managed it. He would work all day at the Embassy and then go until 3:00am, on a regular basis, sharing the very next morning his information and contacts with the Country Team. It was amazing since he was older than most of us.

While the Ambassador had a well-defined vision and strategy for advancing U.S. interests in Peru, he left development to me and technical areas to other Country Team members. As I look back on my career, this was a model for how an Ambassador can best use his staff without promoting inter-agency rivalries, which are all too common. Ortiz was a real professional in the best sense of that word, even though others may not have fully appreciated him in the same way.

Q: How did Hernando De Soto fit into this picture since he became so prominent in using USAID grants?
Hernando was part of Lima’s intellectual and cultural elite, a successful businessman and economist with international experience, who hit upon the concept of using the informal sector and property rights as a strategy for promoting national development, democratizing property, countering the Shining Path and using property ownership to promote a more inclusive society. He later saw it as a way of also reducing coca cultivation. Lima produced these brilliant visionaries which made it such an amazing place to work.

Over the next two decades, Hernando would revolutionize the development agenda, thanks in large part to USAID support that began in the early 1980s when I was Mission Director and continues to this day. He subsequently became internationally prominent, extending his proposals to many other countries. Perhaps only Muhammad Yunus with his Grameen Bank in Bangladesh for micro-lending, rival Hernando De Soto and ILD in prominence.

As Hernando himself has recognized, USAID was the only international agency that would have funded his vision and his work at the level that was done. In 1980 he established the Institute for Liberty and Democracy (ILD) which became one of the most famous think-tanks in the world, thanks to Hernando’s extraordinary marketing talents and ability to present ideas in simple ways that audiences could easily understand in technical as well as political terms. Initially, he had strong support of Peru’s leading novelist, Mario Vargas Llosa. They were focused on strategies to incorporate the millions of Peruvians who labored in the informal sector -- street vendors, unincorporated businesses, urban squatter settlers who had no property titles -- into the formal economy by recognizing their property rights. Such actions were seen as a means of constructing a more competitive market economy, promoting the rule of law, facilitating national inclusion and countering the Shining Path.

Building on the work of economists like Friedrich Von Hayek, Milton Friedman, and the writings of economic historian Douglas North, such as “Structure and Change in Economic History” and “Institutions, Institutional Change and Economic Performance”, Hernando proposed one of the most comprehensive Latin American development strategies since the work of ECLA’s Raul Prebisch in the 1950s and 1960s. What impressed me was his vision, articulateness and field research to understand the informal sector and what legal titles meant. He drew upon examples from what was happening in other countries and, to my surprise, had studied the work of the Penny Foundation in Guatemala. Hernando could place ideas in historical context and show how history could be used to understand the importance of property rights and the rule of law in promoting national development, even in the U.S. and other countries.

During my time as Director, USAID funding to ILD increased from around a hundred thousand dollars to over $1.0 million. This allowed Hernando to hire field researchers (e.g. attorneys, economists, sociologists, anthropologists) to dig more deeply into the workings of the informal sector and come up with simple models to explain how it functioned and proposals for how it could be used to advance development. Their analyses factored in the time required to incorporate a business and the number of bribes
that had to be paid along the way, thereby making it more advantageous to stay unincorporated and forcing them to remain outside of the formal economy. ILD did similar research on land tiling and documented the informal legal system (like common law) that had emerged in the Pueblos Jovenes to regulate transfers. He showed in the clearest possible terms the impact that property rights could have in terms of increasing investment by encouraging “sweat equity”, and underscoring the dramatic difference between homes with legal titles and those without.

While the importance of property rights was not a new topic, Hernando popularized it as an economic and social development tool. Most importantly, through USAID grants he developed a strategy of how countries could convert billions of dollars of what he termed “dead capital” in the informal sector into marketable capital that could deepen capital markets and support growth. He vividly contrasted the Shining Path revolutionaries with informal property holders and showed how both had been excluded from the formal economy. He proposed using property titling and incorporation as a means of countering Sendero Luminoso that led to his famous book, “El Otro Sendero: la revolucion informal” (“The Other Path: the informal revolution”) It was originally published in Spanish in 1986 that became a national bestseller. It was then followed by The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else that became a worldwide phenomenon.

These books and the project in general powerfully argued against mercantilist and corporatist policies that had dominated Latin America for centuries and maintained so many in poverty and economic and social exclusion. Hernando’s work should have been seen as a natural extension of USAID’s private sector programming in the 1980s, but within some of the career staff in the Peru Mission and the LAC Bureau -- still operating within a New Directions framework -- there was less enthusiasm and some resistance. Even though the policy-makers supported the initiative, some career USAID staff tended to see ILD as too ideological and too aligned with the ideas of Friedrich Von Hayek, Milton Friedman and the Chile model, which was still not viewed as a great success. As a result, I became ILD’s champion in USAID and supported increased funding.

As Hernando recognized, USAID grants were crucial for ILD’s early development and few others would have supported his project at the level we did. Perhaps my most important contribution, however, was convincing him to write the book that became The Other Path. I felt that he had innovative new ideas that needed to be better understood and disseminated so that they could be critiqued by a wider national and international audience, rather than remaining an anecdotal field project that might be forgotten.

Hernando originally balked at the recommendation, but eventually came around and worked in 1985-1986 to prepare the manuscript that was essentially the final report of his USAID grant. The book, however, never mentioned USAID funding because of the controversial nature of the subject and the various assassination threats made against him by SL. It made Hernando world famous and a candidate for the Nobel Prize in Economics. It created an ongoing debate that continues to this day about the role of the informal sector, property rights and the rule of law in advancing national development.
Q: Was this project just addressing land titling?

SANBRAILO: It initially focused on urban land titling in the *Pueblos Jovenes* in Lima. Entire neighborhoods existed with hundreds of thousands of squatters with no titles or property ownership, which limited their ability to sell or mortgage homes and therefore weakened incentives to upgrade properties. These informal settlements symbolized the concept of “dead capital” that could not be transacted within a market economy. Improvised neighborhoods had evolved in Peru and other countries through land invasions which simply took over unoccupied areas on the outskirts of major cities. The ILD project also directed attention to business incorporation and became quite famous for documenting the time and cost required to legalize a Peruvian enterprise, compared to those in the U.S. It identified how bureaucratic delays and legal obstacles most often kept them mired in informality, marginalization and poverty.

Some who engaged with Hernando in the 1980s sensed that he was onto something truly significant, but did not know how to deal with him. At that time, the informal sector and property ownership were not considered important by the international agencies. ILD did not fit the common framework for a USAID project and there were few previous models to draw upon, except perhaps USAID’s support to the Pan American Development Foundation (PADF) in the 1960s or establishing NGOs that pioneered innovative research. While some land titling work had been done in the 1960s, as part of the Alliance for Progress, it had limited impact and was undermined by those who wanted to maintain land under government control. What ILD proposed was something more revolutionary. Hernando pointed to the Homestead Act in the United States, and highlighted how important it had been in advancing growth. He did not, however, move into agricultural land titling until later. ILD began largely as an urban focused research program.

If I recall correctly, USAID support to ILD originally grew out of a series of lectures that Milton Friedman had given in Lima in the early 1980s, perhaps during one of Friedman’s trips to Chile that attracted attention to ILD. I believe that the head of the USAID Private Sector Bureau (was it Elise DuPont or Henrietta Ford) had provided some minor funding ($100,000) but it was about to be completed by the time I arrived in Lima. There was limited support to provide additional funds. The project was an anecdotal centrally-funded small grant that was not then part of the mainstream of ongoing USAID activities before my arrival as Mission Director. It was nothing like the larger grants made for integrated regional development in Huallaga Central, Alto Huallaga or in Pichis Palcazú that were a central focus of USAID programming because of Belaúnde’s strong backing for them.

Q: It wasn’t Henrietta Ford, it was probably Elise DuPont. She was the head of the private sector group under Peter in the early 1980s

SANBRAILO: Yes, I forgot about that, it was Elise DuPont. She visited Lima several times and was pleased that the Mission had taken over the ILD initiative and made
something out of it. Hernando became an expert in dealing with the USAID bureaucracy and U.S. government. He eventually developed strong support in the U.S. Congress and supporters throughout the world. His allies included leading advocates like Jack Kemp, George H.W. Bush, Margaret Thatcher, Bill Clinton, among other luminaries. At times, Hernando appeared to be on a missionary crusade.

De Soto was amazing at getting prominent figures from the right and the left to support him and built bipartisan support. His work at mobilizing an international support group was an extraordinary story of entrepreneurship and promotion—taking an obscure concept and bringing it into the mainstream of debate and discussion among international leaders and aid agencies. It is almost unprecedented, except perhaps for USAID support to family planning that had a similar charismatic leader.

Q: He was an entrepreneur? I of course knew about Hernando de Soto and his influence worldwide in terms of being interested in this very subject, but he came to the concept as an entrepreneur, or – ?

SANBRAILO: Yes, he was a successful international official and cosmopolitan businessman who had experience outside of Peru, fluent in English, and was investing in mining ventures. He did not come from an academic background, which perhaps created some of the later resistance to his ideas. He told me that he had been involved in some gold mining venture and seemed to have important contacts in Peruvian society, with a number of intellectuals like Peru’s leading novelist Mario Vargas Llosa.

Hernando had returned to Peru in 1979 and was caught up in the euphoria of the return to democracy and was seeking alternatives to the archaic statist policies of the previous military regime that had done so much damage to the country’s productive potential. He saw the dynamism, entrepreneurship and investment going on in the Pueblos Jovenes and wondered how they might be replicated across the economy and what kept the informal sector from merging into the formal sector. In this regard, I suspect that Mario Vargas Llosa and Hernando De Soto had been influenced by, and linked up with, the free market ideas of Milton Friedman which were reshaping development strategies in the 1980s.

Q: Linked up in what way?

SANBRAILO: Friedman was quite controversial at that time because of his support to the Chicago Boys in Chile. It was not yet certain how Chile’s market policies would work in benefiting broad segments of society. Vargas Llosa was breaking away from the leftist anti-capitalist intellectual traditional in Latin America and looked with interest on what Chile had been doing, at least in economic policy. As I met with them, he and Hernando were wondering how to get poor people to identify with and participate in a market economy. They directed attention to informal entrepreneurs who were excluded from the formal sector, some of whom identified with leftist leaders or even with the Shining Path terrorists.
De Soto regularly promoted the concept that there were parallels between the Shining Path insurgency and the informal sector in the sense that both had been shutout of Peruvian society and were revolting against the formal sector. Such a comparison led to several assassination attempts against him by SL. As Hernando would maintain, the informal sector was the real competitive private sector and the formal sector was largely dominated by mercantilist attitudes and “crony-capitalists”. In this respect, he would ask, “Are you talking to the right private sector?” Like Adam Smith and the Wealth of Nations, he was interested in small entrepreneurs in the informal sector as opposed to the larger mercantilist enterprises, who spent much of their time cultivating public officials and politicking, rather than improving their businesses, as informal entrepreneurs were doing.

As mentioned, Hernando was outstanding at incorporating ideas from others, such as economist Douglas North and adapting them to local conditions in Peru. Later in his career, he broke with Vargas Llosa because of the latter’s Presidential race in the1990s when Hernando supported Alberto Fujimori. Vargas Llosa wrote an attack against him in his memoire “A Fish In the Water”.

Likewise, I had introduced Hernando to former USAID Director Larry Harrison who at that time was developing his pioneering works, Underdevelopment Is a State of Mind: the Latin American Case and Culture Matters. Larry and Hernando initially hit it off very well and enriched each other’s thinking. They too, however, had a falling out and could not work together over the long term. They had big important ideas and big egos to go along with them.

Q: The time required to incorporate a business and get the necessary approvals, as well as the cost of doing business are of course still a focus of attention today. Do you think this began with Hernando De Soto?

SANBRAILO: Yes, I believe so. ILD began this focus in the 1980s. The World Bank’s current “Doing Business” series includes the type of analysis that Hernando De Soto began to track, such as how many days, and what expenses are required, to legally incorporate a business, title land or a home.

USAID would go on to provide funds to ILD to undertake pilot titling projects to test out the recommendations. These activities discovered that bureaucratic and cultural resistance were far more formable than perhaps ILD fully appreciated and required multiple policy, legal and institutional changes at the national and municipal levels. It should be noted that ILD was a policy-dialogue group to encourage leaders to direct greater attention to building a more productive, inclusive and competitive economy. It focused on microeconomic constraints to growth and the opening up of the economy to wider participation.

ILD undertook public education campaigns to raise awareness of these issues, which encouraged significant economic changes in Peru in the 1990s and 2000s. To this day, Hernando believes that his initiatives were important in producing the “Peruvian miracle”
of the 2000s and 2010s. Since success of this kind often has multiple explanations and owners, others may have different interpretations. All of this ferment, and the focus on property rights, would unleash a national and international debate about the informal sector and the importance of property rights in promoting development and democracy. Such a debate would not have happened without Hernando De Soto, ILD and USAID support. Hernando should be given great credit for this paradigm shift.

Q: So, during the period that you were in Peru, those three or four years, you were able to fund projects that he really was the mastermind of? How did this relationship work?

SANBRAILO: ILD was an independent research center for the informal sector, a part of the economy that previously had not been well studied. Its research agenda was largely defined by Hernando De Soto and his staff. They had carved out a unique niche that few others had claimed. With USAID grants, ILD conducted pioneering studies, then moved into advocating legal changes, and began undertaking pilot titling projects to obtain real-world feedback on its concepts that further informed the research and advocacy. Its policy proposals were shaped by evidence resulting from systematic field research and by extensive engagement with the reality of informal entrepreneurs, street vendors and residents in squatter settlements. USAID was the leading supporter of almost all of this work, especially in the 1980s and the 1990s, although a few other donors provided smaller grants.

Q: Was the next step taken, that is to have government action that would result in policy and structural changes?

SANBRAILO: Yes, but the policy changes and reforms proved more challenging than ILD had appreciated. They required several decades to implement, even partially, and they are still ongoing and incomplete. But ILD focused the attention of Peruvians and the international community in ways that have not been fully recognized. It did in fact help set the stage for those market reforms that produced the “Peruvian economic miracle” and higher growth that began in the 2000s.

USAID assistance was crucial for public information and educational campaigns to disseminate findings and to conduct seminars with government officials to help shape policy proposals and legal changes. The publication of El Orto Sendero was a key part of this effort. Unfortunately, we could never get President Belaúnde interested in the concept since he thought about development in different terms. His economic team, however, was interested.

ILD became a classic case of how USAID has used think tanks to empower non-governmental actors and allow them to advocate for policies and other changes in their societies. Similar strategies were used to support population and family planning, environmental protection, public health, judicial reform and in other areas. Grants to think tanks are a unique aspect of USAID’s approach to policy dialogue.

Q: Were these needed policy changes particularly difficult for Belaúnde?
SANBRAILO: Yes, because they did not fit into his view of how to develop Peru. Belaúnde was an architect, a “New Dealer” and thought of development in public works terms and physical infrastructure. He was not an “economic policy man”, which frustrated his advisors to the end of his administration. He didn’t always give sufficient economic direction to his administration. What pleased him most was to inaugurate a road or housing project and to visualize how the Amazon could be used as an engine of development for South America.

Unfortunately, we could never engage the President, and that was one of our failings. He would tune out if the subject was raised. It is important to recall that he was over 70 years of age and had done a great deal of thinking and writing about Peru’s development challenges and certain subjects just did not fit into his framework. These subjects generally included structural reforms of the economy, the informal sector, coca cultivation and the underlying causes of the SL insurgency.

We engaged on a lot of other issues, especially his passion of integrating the Amazon into Peru and the rest of the region, but the informal sector was generally outside of how Belaúnde visualized Peru’s development. The informal sector was there, but it was something for his wife to address with social and welfare programs. Instead, we got his advisors, universities and the private sector engaged, and they gradually came around, as ILD with USAID grants built greater academic and public awareness of this new concept.

It required over ten years of dialoguing, media campaigns and advocacy to get a greater focus on the informal sector and on the policy recommendations being made. Natural disasters, political crises and growing threats from SL in the 1980s, made more progress difficult. It is one of the key lessons learned: USAID needs to stick with projects over longer periods of time than it is accustomed to do. There are often no quick fixes.

Q: Did the World Bank and IDB pursue these issues?

SANBRAILO: Not a great deal. The IDB and others were largely indifferent. Some World Bank economists appeared interested, but most were not. Indeed the WB even mounted its own research on the informal sector and property rights that questioned some of ILD’s findings and recommendations and diluted its message. This made ILD’s achievements even more significant even though the controversy generated by the WB, in my view, helped improve the quality of the debate and generated even more interest.

At times, De Soto could fall into the “single factor fallacy” of explaining underdevelopment by one cause (i.e. lack of property titles) when most recognized that promoting development is a far more complex process, requiring a multiplicity of interventions across a wide range of sectors. For this reason, some inside and outside of USAID and the international agencies, mistakenly dismissed Hernando.

Q: What again was the population of Peru in those days?
SANBRAILO: It was about 17.5 million, of which over 40% were under the age of 14. By contrast, my previous Mission in Ecuador had a country population of about 6 million. Both were fragmented multiethnic societies that were still struggling to incorporate large numbers of indigenous and other excluded people into a viable nation-building project. Each would vibrate between center-right and center-left governments, interspersed with military coups and populist upsurges. Different policies and programs would be pursued with little continuity and weak institutions. What Peru witnessed in the 1980s, with radical shifts in approaches between the Belaúnde and Alan Garcia governments, was an illustration of what has made national development so challenging.

Q: You had how many staff in the USAID Peru mission?

SANBRAILO: About 200 between USDHs and FSNs, plus contractors and partners from universities like North Carolina State in agriculture, John Hopkins in public health, and others in housing, nutrition, family planning, municipal development, regional planning, disaster recovery, food aid with CARE, Catholic Relief Services (CRS), and the Adventist Development and Relief Agency (ADRA). From 1984 on we had a large team in the departments, directed by Michael Hirsch, for monitoring El Nino reconstruction that did outstanding work.

Q: And how many of those were direct-hire U.S.

SANBRAILO: Between 20 to 30, plus some PSCs and some regional staff.

Q: And most of the rest were Foreign Service nationals?

SANBRAILO: Yes,

Q: Did you have high quality local staff?

SANBRAILO: Yes very much so. We had excellent USDHs and FSNs. The FSNs in particular had a lot of experience. A number dealt well with First Lady Violeta Belaúnde and other senior GOP officials. They were well trained, especially in the Program and Engineering offices. We had a large and diverse portfolio in what was a geographically and socially fragmented country. Many of the FSNs had been with the mission for many years, beginning in the 1960s and throughout the significant USAID response in the 1970s to the Great Peruvian earthquake and landslides. The FSN woman, who managed our Participant Training program, went back to the Point Four period in the 1950s. She helped me reconstruct the work of one of the greatest of the Point IV technicians, John R. Neal, who was an extraordinary figure in the 1940s and 1950s and helped create Peru’s agricultural research and extension service.

We even had as a consultant to the mission, someone who would be elected President in 2001, Alejandro Toledo, a Stanford University graduate working on economic policy and dialogue. He originally graduated from the University of San Francisco in California and
then received a master’s and Ph.D. degrees from Stanford University in economics and education. He met his wife at Stanford.

His French wife, a Ph.D. anthropologist, worked as an advisor to the USAID nutrition program. Alejandro was Peru’s first indigenous President, an inspirational figure who many greatly admired because he rose from a shoeshine boy and journalist in Chimbote to the Presidency. Early in his life he was befriended by two Peace Corps volunteers who helped advance his career. The economic and other reforms he introduced as President helped launched the “Peruvian economic miracle”. I believe they came in part from his work with the mission in the 1980s.

We also dealt with another future President of the country, Alberto Fujimori, who at the time was a little-known rector of La Molina Agricultural University. During the 1990s, he became one of Peru’s most controversial Presidents. I originally was involved with Alberto because of the many disputes between him and the agricultural advisory team from North Carolina State University. That team advocated for greater decentralization of decision-making in La Molina to its department heads, as existed in U.S. universities. Fujimori, however, insisted on centralization with him as Rector. Even at the university, his authoritarian tendencies were clear. Fujimori regularly fought with the North Carolina State team and, when he became President, one of his first actions was to ask them to leave the country.

After being elected President, Fujimori went on to defeat Sendero Luminoso (SL) and to stimulate economic growth, especially through increased foreign investment in the mining sector. Unfortunately, he failed to build a more democratic country. He had to flee into exile in Japan because of corruption and murder charges and was placed under house arrest when he returned to Peru. In 2018 Fujimori was pardoned by President Pedro Pablo Kuczynski that led to his resignation, in additional to corruption charges.

We had high powered counterparts throughout Peruvian society, and among the FSNs, which made this an exciting assignment. The geographic challenges of working in a large fragmented country, regularly struck by natural disasters and with limited infrastructure, made it time-consuming to quickly assess local conditions that greatly varied among regions. In this regard, the FSN’s knowledge, experience and insights about local conditions and counterparts were indispensable.

The FSNs were particularly important because we were pioneering new development concepts for regional development on the eastern slopes of the Andes, promoting greater integration of the informal sector, and helping Peru think through questions of national integration and the role of municipalities and departmental corporations. They also played key roles in encouraging greater focus on the private sector, reforming the health and social sectors, combating malnutrition and the high infant mortality rate. Without the FSNs we could not have worked so effectively with the GOP to reach the impoverished population and address the issues related to coca cultivation and drug trafficking.
Most important, in 1984-1986 we were the largest donor for El Nino flood/drought recovery and for supporting economic reforms, where FSNs again played a crucial role. We were beginning to move into improving the administration of justice and helping Peru reduce drug use by its large youth population. The World Bank and Inter-American Development Bank were present, but their project development and implementation processes appeared cumbersome and long and drawn out. USAID was usually much quicker to respond because we had people on the ground who knew the country and we had the authorities to act. In this regard, the FSNs working with USDHs played crucial roles. I have emphasized the importance of vision and leadership in directing a USAID Mission that fully incorporates all staff (USDHs, FSNs, PSCs, centrally-funded projects) and that does not get bogged down in process or “paralysis by analysis”. We erred on the side of action in responding to local needs.

Q: And were you carrying on a policy dialogue, or did you have staff to support such a process?

SANBRAILO: Yes, in this regard we had excellent USDH Program Office Directors, who were Ph.D. economists. I led a lot of the dialoguing, especially when we received policy-based ESF funding in 1985 because of the El Nino disaster and its impact on the economy and my direct relationship with Belaúnde.

From my arrival in Peru, the Mission used project assistance to pursue specific reforms, even though that may not have been its primary objective. We fully appreciated that reforms were the only way to sustain and replicate project results. As I later saw in Honduras and El Salvador, it was unfortunate that we did not have in Peru an ESF policy-based program at an earlier date. It required a natural disaster to produce one.

We did, however, use projects to advance reforms through local NGOs, universities, think tanks and technical assistance teams. As I mentioned, the ILD grant was seeking legal breakthroughs that would facilitate greater property ownership, titling and incorporation of the informal sector into the economy. The integrated regional programs, and USAID assistance to the CORDES and municipalities, advanced the geographic integration of Peru. They were based on new decentralization policies for governing a geographically fragmented nation. This was important for governments that historically had tried to centralize authority in Lima in order to maintain national unity.

We established an agricultural reform program in the Ministry of Agriculture, led by David Bathrick, David Flood and Jim Riordan, that helped the GOP formulate much improved policies. There were similar dialogues in the health sector and nutrition polices. We supported Dr. Carlos Munoz and his group that were advocating for more assertive population policies and family planning. We provided grants to establish CEDRO that would raise consciousness about drug abuse within Peru and change public attitudes that drugs were not only a U.S. and European problem. The latter better focused the GOP and the public on the threat of growing coca cultivation and drug trafficking. Our emerging private sector program concentrated on how to improve the investment climate for non-traditional exports and smaller businesses.
We supported some of the earliest privatizations, as well as measures to improve the administration of justice. What USAID did was plant seeds for policy reform, and developed groups and constituencies to support them. They would bear fruit in the 1990s and 2000s. USAID nurtured reformers like Hernando De Soto, Alejandro Toledo, and others who contributed to bringing about the “Peruvian economic miracle” that we have witnessed over the past 15 years. We undertook similar actions in other sectors, as with CEDRO and Alejandro Vassilaqui, who became the leading advocate for improved drug policies and the establishment of Peru’s anti-drug agency, the “Comisión Nacional para el Desarrollo y Vida Sin Drogas (DEVIDA)”.

Q: Your first mission directorship was in Ecuador. Were you able to use that experience and apply it in a practical way to the work you were doing in Peru? Did that first experience help you in your work in Peru, or was it too different?

SANBRAILO: My first assignment as Mission Director helped me a great deal even though working in Ecuador and Peru were quite different. In Ecuador, the challenge was building a new program in a country that was a low priority. Peru was a higher priority because of Belaúnde, in addition to coca cultivation, the insurgencies, the size of the country, and ongoing programs like integrated regional development that were just beginning when I arrived.

As I mentioned, Peru was also more open to USAID assistance than Ecuador. Despite our successes in Ecuador, there were policy struggles and bureaucratic inertia that slowed down our program, especially with nationalist groups that could prove difficult to work with. The arrival in Quito of a disruptive U.S. Ambassador who did not understand the USAID program, and an inexperienced political appointee as USAID Director, set back progress. Nevertheless, building a Mission in Ecuador, staffing it, and developing and negotiating a new program, proved invaluable for my future assignments. My regret was leaving before I felt the job was completed.

As I mentioned, I was replaced in Ecuador by a political appointee who served from 1984-1987. He initially advanced the program with the newly-elected government of Leon Febres Cordero. He raised its priority because of the favorable relationship between Febres Cordero and Ronald Reagan. But later there were allegations that the Director exercised poor judgment in supporting some of Febres Cordero’s activities, such as providing salary supplements to senior GOE officials that were uncovered by the subsequent Mission Director. This sent the LAC Assistant Administrator on an unfortunate “witch hunt” to blame career staff, instead of focusing on the real problem that Washington had nominated the wrong Director.

Q: Which one was that?

SANBRAILO: The Assistant Administrator was Dwight Ink. He seemed to want to be at the center of attention. He relished showing that he was tough on fraud, waste and misuse of funds. While no one would ever condone what happened in Ecuador, and the career
staff should have been more forceful in standing up to an inexperienced Mission Director, the amount of funding was relatively modest and the problem could possibly have been handled in other ways without all the drama that later happened.

The GAO had completed a review of the Ecuador Mission in 1986 and did not report any significant findings. I understand that it praised the Mission for its ongoing program. This other incident emerged in 1987. It highlighted that Ecuador was a low priority that possibly did not get the management oversight that it may have required.

Q: This is 1987 and 1988?

SANBRAILO: Yes, I believe those were the years.

Q: This was around the time when Peter McPherson had stepped down as USAID Administrator?

SANBRAILO: Yes, Peter had moved on to become Deputy Secretary of Treasury. I don’t think there was as yet a new USAID Administrator. The LAC Assistant Administrator left USAID shortly thereafter.

Q: But Peru escaped that controversy?

SANBRAILO: In Peru, we did not experience that type of problem. We had placed a lot of attention on accountability and implemented programs within USAID regulations. We had experienced career staff in the program and technical offices, in the project development, finance and contracting areas, and had a very good regional legal advisor in Lima, with whom I consulted on a regular basis, as I had done when I was USAID Director in Ecuador. The LAC Assistant Administrator and others from Washington visited Peru on a number of occasions, praised the program and how it was being managed. I received a number of Presidential and agency awards for my management and response to the El Nino disasters.

As we all know, there is nothing like getting headquarters staff, CODELs and STADELS to your country to see what is going on in the field. They always get a better appreciation of the impacts and the operational constraints. Having Senators, Representatives and their staffs engaged is usually very helpful. If such visits are well-managed, they can produce important support for USAID. At the same time, it is useful for a Mission to get feedback from Congressional and other visitors because at times the field can get disconnected from the concerns of Washington and forget that it is the Congress and the American people who fund aid programs.

Q: Because it’s the real thing.

SANBRAILO: Yes, the visitors get engaged with the beneficiaries and can hear for themselves what beneficiaries have to say about USAID and its assistance. They see
what’s being done on the ground rather than through briefing papers and statistics. How many times I heard, “….Wow, we never thought this was going on….”

At the same time, it was not always as positive as we might have hoped. Some CODELS seemed more interested in visiting the Machu Picchu Inca ruins or pursuing non-USAID activities. My wife had a unique experience in helping guide a CODEL that mainly wanted to find shops that sold pornographic huacos (pre-Colombian figurines). Then there were those who came mainly to criticize the program, especially coca crop substitution that was controversial at the time.

**Q: Who were they?**

SANBRAILO: There were a number like Representative Charlie Rangel and prominent staffers like Janice O’Connell who worked for Senator Dodd. They came with exaggerated expectations about what USAID could do in developing alternative crops to substitute for coca cultivation and perhaps misunderstood that there were no real alternatives that could compete with the income generated by the sale of coca leaf. Alternative development could only work if there was vigorous enforcement and increased police and military presence in these areas that USAID did not directly control.

Since coca crop eradication, enforcement and military presence were challenges, the local INL office at the Embassy, along with DEA, tended to blame USAID for not coming up with “miracle plants” that could quickly replace coca production. And these were isolated geographical areas in the Amazon, with poor infrastructure and little research on alternative crops. It took decades to fully develop programs in these parts of Peru and Bolivia and, even then, it became clear that “crop substitution”, or what came to be called “alternative development”, could only be effective in such areas when they were combined with vigorous police enforcement and eradication.

The Congressional visitors did not want to hear this message and were not well-briefed in Washington. They wanted “quick fixes”. The finger pointing by INL, blaming USAID for the problems, was not helpful. Some of the Congressional staffers like Janice returned to Washington and wrote negative reports, but others recognized the challenges. Many appreciated that immediate results should not be expected and that coca eradication had to be part of a longer-term development process.

Yet, there was strong support in Washington for expanding the program in Peru, especially in the wake the of El Nino disaster so staff reports like O’Connell’s did not do great harm. But they did introduce a greater sense of urgency and the need to work more closely with State/INL to avoid the institutional rivalries and the “blame game”.

**Q: But they didn’t try to slow down the Peru program, did they?**

SANBRAILO: No, there were great needs in the country and the Reagan administration had excellent relations with Belaúnde until it left office in July 1985. Unfortunately, an anti-American leftist President, Alan Garcia, was elected in 1985 and relations
deteriorated. As a result, it was not as much fun to work in Peru with Garcia’s hostility and strident anti-American rhetoric against the international agencies.

A new U.S. Ambassador had been assigned to Lima, David Jordan, a professor from the University of Virginia who was a political appointee. Relations with Garcia became tense. There was a great debate in Washington about whether the USG should remain engaged. I and others in the Country Team argued for “constructive engagement”, especially given the floods and droughts, and other foreign policy concerns, as well as the unproductive experience in the 1970s in dealing with a hostile military government.

By the time I left Peru in October 1986, the program was disbursing almost $100 million a year and there was a pipeline of about $200 million, up from $40 million in disbursements when I arrived in 1983. This would later decline in the 1980s in the face of President Garcia’s continued hostility toward the U.S. and his administration’s economic and political mismanagement. There was a major confrontation at the United Nations between President Garcia and Secretary of State George Schultz in late 1986 that further soured the relationship.

As I look back at Peru, more of the USAID funding should have been in fast disbursing policy-based ESF of the sort I would subsequently manage in Honduras and El Salvador. Such programs would have been more effective in addressing Peru’s economic deterioration, which accelerated after the El Nino natural disasters and due to the slow pace of economic and investment reforms. GOP actions had not produced the type of growth and employment that so many Peruvians had expected from the return to a democratic government, so there was disillusionment by the mid-1980s. They turned to a young, inexperienced, charismatic populist from the APRA party who had never held a job, except in the party, and who would reverse many of Belaúnde policies and almost destroy the country.

Q: And mostly in that, I mean, after the disaster, you had fast-disbursing funds, but were there major projects in other sectors that were still being implemented?

SANBRAILO: Yes, we had numerous projects that typically expended over a five year period or longer, but we didn’t have the quick-disbursing ESF that I believe was needed. We only got it in 1985 with a $70 million ESF program to respond to the El Nino disasters rather than to deepen and accelerate economic reforms. This might have made a difference but it is hard to tell since it was so challenging to engage Belaúnde in a dialogue on economic reforms.

Q: Was USAID the biggest donor?

SANBRAILO: We were certainly one of the largest. The World Bank and the IDB were providing significant loans for infrastructure projects that were notoriously slow disbursing. If I recall correctly, they did not address the short-term issues of a deteriorating economy. Because of these loans, they may have had larger programs than USAID’s, but we certainly were at the forefront in dealing with leaders in the
government. We had a special relationship not only with the President and his wife, but with the economic team, his ministers, especially in disaster reconstruction, integrated regional development, and in sectors such as agriculture, health and housing.

**Q: What was the role of the USAID staff?**

SANBRAILO: We had an excellent staff. George Hill was Deputy Director and his wife, Norma Parker, directed our Health, Education and Nutrition Office. Robert Maushammer and later Bill Rhodes in the Program Office. David Barthrick headed the Agriculture and Rural Development Office and George Wachtenheim led Project Development and the Private Sector Office. Tom Geiger was Regional Legal Advisor. The large El Nino recovery and reconstruction program was managed by Michael Hirsch. I was fortunate to have highly effective USDHs in all offices.

**Q: I know George and Norma.**

SANBRAILO: Yes, as you know, George Hill has been active in the USAID Alumni Association (UAA) and his former wife, Norma Parker, has been working in the USAID Afghanistan office in recent years. In Peru, Norma was particularly important because of her leadership in the social sectors and in dealings with the Minister of Health and other senior officials.

**Q: But what was her relationship to the government?**

SANBRAILO: The Peruvians loved Norma and her staff, and her leadership, enthusiasm and ideas. She was able to deal effectively with the Minister of Health and other senior GOP officials, including the President’s wife.

During the Belaúnde period, we had staff going back and forth to the Presidential Palace and engaged with GOP Ministers on a regular basis. In a sense we were an extension of the government’s staff. We could even go and knock on the President’s office door.

**Q: That’s such a wonderful feature of that time, and I guess that it just doesn’t exist anymore.**

SANBRAILO: You’re right, it is unfortunate that USAID does not seem to have that same interaction and access today with host country leaders. And it wasn’t due to the money. The money helped, but it was our ideas. It was our leadership and ability to get different groups together. It was our entrepreneurship and “can do” attitude and enthusiasm. The approach goes back to what economist Albert Hirschman said that USAID Missions should be staffed by “reform mongers”, engaged with host country officials and regularly working with them and private groups across the board to advocate for policy and structural changes.

We were placing on the table options and alternatives that Peruvian officials could consider. We would be able to bring in world-class technical advisors from another LAC
country, or from Washington, a university, consulting firm or a think tank to help the
GOP consider new approaches to what appeared intractable challenges. We could do
cutting edge economic policy, nutrition, decentralization, environmental or other studies
to help better inform policy and program decisions. And the Peruvians were open to and
welcomed this type of engagement.

*Q:* And you delivered what you said you would do, which was helpful to them, and they
learned to rely on you.

SANBRAILO: Yes, we usually delivered. USAID advisors would help policy-makers or
other advocates think-through and refine their own ideas, in technical areas like policies
for increasing agricultural production and reducing rural poverty, alternatives for
improving access to public health and nutrition, or options for low-cost housing and
dealing with decentralization, or enhancing the investment climate, taking into account
the local reality, what other countries were doing and what produced results.

At the same time, we were less effective in areas such as “coca crop substitution” where
there was not yet a sufficient body of experience to guide us. While we opened the door
to judicial reform, it was clear that this challenge would require a long-term process.
Likewise, we never fully understood the underlying causes of the SL insurgency and
sadly lost researchers to assassination trying to understand it.

*Q:* Americans, or local employees?

SANBRAILO: One American contractor and one local researcher. We were less
successful in helping the government along these lines. At the same time, I learned a
great deal that would later serve me in Honduras and El Salvador. SL was a vicious
nihilistic movement that sharply contrasted with Belaúnde’s optimistic vision of
Peruvians “reconquering Peru”. They represented extreme visions of the country’s future.

My staff and I even got targeted. The CIA Station picked up intelligence in 1986 that SL
may take action against the USAID Director, Deputy Director or Director of the Health
Office because the Mission was implicated in the accidental death of several Peruvian
children, as a result of the defective production of Oral Rehydration Salts (ORS) that we
provided to the Ministry of Health. A later investigation found that the ORS was rushed
into production and poorly mixed by a small supplier in the U.S. His plant was closed and
the owner prosecuted. It could have destroyed the credibility of all of us and of Oral
Rehydration Therapies.

The deaths of these children were the most demoralizing aspects of my service in Peru.
They could have produced a major blow-up with President García but did not do so
because of the wise leadership of Minister of Health Tejada. Tejada greatly appreciated
the open, honest and transparent manner in which we dealt with the crisis. He was
amazed that we recognized that this was a production error by a U.S. company. We
defused the crisis by immediately informing the government and not trying to escape
accountability by only blaming the supplier.
The meeting with Minister Tejada was the most difficult that I had with the GOP. Norma Parker was again indispensable. Later, Tejada granted me one of Peru’s highest honors when I left the country in awarding me a decoration for USAID’s service to the health sector. He appreciated the way we calmly addressed the ORS issue that could have disrupted the Ministry’s maternal-child health program. During my service in Peru, I may have been the only international official to have received two decorations -- one from Belaúnde and another from the Alan Garcia government, which was unusual.

Q: During the Presidency of Alan Garcia?

SANBRAILO: Yes, and President Garcia was seeking issues to confront the United States and international community for the sake of enhancing his popularity and consolidating his government. If it had not been for the Minister of Health, and our positive relations with him and his staff, the situation could have turned out quite differently. A key lesson is when USAID or its supplies or partners make a mistake, be honest and upfront about it. Don’t ignore or downplay the issue, even if it was beyond the Mission’s control.

Prior to the election of Alan Garcia, we had attempted to brief him on the USAID program and dialogue about his new policies, if he was elected. Unfortunately, he showed little interest and raised all kinds of objections. We increasingly sensed that we were headed for problems as the President’s rhetoric became more strident and negative toward the U.S. and international community. We reached a point in which we no longer had the same access that we enjoyed with Belaúnde and began dealing more with his ministers like health. Even some of the leading APRA politicians criticized Garcia for not being more open and engaged with USAID. They tried to help us re-establish our dialogue with him.

Q: So, did you have bodyguards?

SANBRAILO: I had a driver/bodyguard, but it was much less than what I would eventually have in El Salvador. It was a pretty improvised situation since we were not prepared for such a security situation. My driver had a sidearm but he had not been well-trained on how to use it. The CIA gave me some bullet-proof clothing. It was the first time that I learned there was bullet-proof underwear, plus a bullet-proof briefcase that in theory could deflect bullets. It was a time of great anxiety.

Q: Well, I’m sure that made you feel more comfortable.

SANBRAILO: I was never sure how well they would work. It was not a pleasant time, especially with President Garcia attacking the international agencies. At the same time, the new U.S. Ambassador was not effective in dealing with Garcia and he was gradually losing confidence in the State Department. A new career Ambassador, Alexander Watson, was named just as I was leaving the country.
Q: But nothing ever happened, luckily.

SANBRAILO: Thank goodness, nothing. The anxiety, however, was of great concern for my wife and me, and for our Deputy Director, George Hill and his wife Norma Parker. We took reasonable security measures, such as changing our daily routines. We also cut back on our personal trips that was disappointing since Peru was such a wonderful country in which to travel.

Q: You were not at the Embassy when staff were kidnapped by Sendero Luminoso insurgents?

SANBRAILO: No, that happened in the late 1990s. If I recall correctly, the kidnapping took place at a Japanese Embassy reception, and was perpetuated by another group, Tupac Amaru. One of my USAID friends, who had previously worked for me, was the Deputy USAID Director, and he was taken hostage at the Embassy. It was very upsetting to all involved. It highlighted the threats that all international officials experienced throughout the 1980s and 1990s, until President Fujimori overcame them with a brutal campaign against the insurgent groups.

Q: One of my colleagues at the World Bank, Francisco Sagasti, was a part of that. I don’t know if you knew him –

SANBRAILO: Yes, I knew Francisco in Peru. He headed a social science research center. I believe some of our staff worked with him.

Q: He worked for me at the World Bank. He was a good friend of David Hopper, the Canadian who headed the IDRC, so Francisco became head of our strategic planning division. Did you also know the Canadian ambassador, and then also the vice president of the IDB?

SANBRAILO: No, I knew of him but I did not know him well, except for Francisco.

Q: So intellectually, Peru was also a stimulating time for you?

SANBRAILO: Yes, very much so, it was tremendously rewarding and a great learning experience. I forgot to mention that we also completed a comprehensive history of U.S. assistance to Peru, dating from the early decades of the 20th century to the USAID program to help guide our planning. It was prepared largely by a former Point IV program officer who had served in Peru in the 1950s, Pat Morris, and it became a pioneering study of a kind that had not been done before.

As a former USAID Director, Pat Morris’s insights were particularly useful to us. A version was later published by the Embassy in the late 1990s. Along with similar work that I did in Ecuador to reconstruct the history of U.S. programs, it gave me additional perspective that helped in subsequent assignments and further stimulated my interest in the history of foreign aid.
USAID Director in Honduras (1986 – 1991)

Q: So now, what led you to leave Peru and serve in Honduras?

SANBRAILO: My transfer to Honduras in November 1986 marked a transition in my career and was driven by the priority that USAID had placed on Central America. For the next seven years in Honduras and El Salvador, I was at the center of what was termed the Central America Initiative (CAI) and the Caribbean Basin Initiative (CBI) of the Reagan administration. They aimed at restructuring the Honduran and Salvadoran economies as part of a broader policy of countering the Sandinistas and the FMLN insurgency, and fostering peace in El Salvador and Nicaragua.

These were billion-dollar programs to stabilize and develop the region and protect it from Cuban and Soviet subversion. The threat would dissipate, and peace would come, after the fall of the Berlin Wall in 1989-1990, the election of a new government in Nicaragua in 1990, the Salvadorian Peace Accords in 1992-1993, and the transitions away from communism that began in Eastern Europe and the Soviet Union itself.

As mentioned, some analysts now recognize that the Carter administration destabilized Central America by undermining the Somoza government, as it had done in Iran by not supporting the moderates in that country. President Carter’s policies led to a period of growing insurgencies and instability, feeding off of legitimate grievances of local populations that felt excluded from participation in the economic, social and political systems of their countries. The brutal Central America civil wars, where thousands tragically died or had to flee, are considered the final battles of the Cold War, even though they have been largely forgotten today.

Throughout the 1980s and into the 1990s, Central America was at the forefront of debate and became a key priority for the Reagan and Bush administrations. There were daily street demonstrations against U.S. policy, much like during the Vietnam War, and regular hearings in Congress. The American people were divided about what to do. Leading figures in Hollywood, on college campuses, and in the media supported the Sandinistas and the FMLN, even channeling funds to them and volunteering to support “la Revolución”. Policy excesses almost led to the impeachment of President Reagan in 1987 in the notorious “Iran-Contra” affair.

The USG framework was laid out in the Report of the National Bipartisan Commission on Central America headed by Henry Kissinger, issued in January 1984. It in turn led Congress to pass the Central America Democracy, Peace and Security Initiative that would provide billions of dollars to deter the Sandinista military buildup and the FMLN, and to stabilize El Salvador, Honduras and other countries. Never before had a President addressed the nation on this region, as Ronald Reagan did in his Address on United States Policy in Central America.
USAID programs in Central America became some of the largest in the foreign aid budget and a source of regular controversy and Congressional and press debates. The disputes were monumental. By the 1990s, most were exhausted and the USG moved on to other challenges, such as the First Gulf War, the removal of Noriega in Panama, the newly-elected President Violeta Chamorro in Nicaragua, the transitions away from communism in Russia and Eastern Europe, and the intervention in Haiti. Unfortunately, much of Central America was forgotten, even though some aid was provided in the 1990s to support the peace processes in El Salvador, Nicaragua and Guatemala, and to respond to the devastation of Hurricane Mitch.

The CAI built on and expanded the earlier CBI that was announced in 1982. It aimed to promote political stability, development and employment through increased economic and military aid, one-way free trade access to the U.S. market, investment incentives, and integration into regional markets. The CBI represented a shift away from state-directed import substitution industrialization and high protective tariffs. The new approach would advance growth by encouraging structural reforms, boosting exports and investment, reducing state intervention, and developing export-processing zones and production sharing partnerships between U.S. and local companies, mainly in the textile sector.

CBI tracked well with USAID priorities, as defined by Administrator McPherson. They included policy dialogue to help countries move from inefficient import-substitution industrialization to export-led development, improve their institutional capacity, disseminate new technologies, and enhance private sector development. The policies of the 1980s changed the focus of USAID for the next 20 years and represented a return to stimulating economic growth. They led to what was called the “Washington Consensus” and subsequent free trade agreements. Afterwards, these trends would generate strong leftist reactions by strident anti-American populists in Venezuela, Ecuador, Bolivia, Nicaragua, Argentina and their allies.

Q: This was the period of the Contras?

SANBRAILO: Yes, the agenda was dominated by Central America, especially the rise of the Sandinista regime in Nicaragua in 1979, its military buildup and confrontation with the U.S., and the emergence of the Contras along the Honduras-Nicaragua border. Defeating the FMLN insurgency in El Salvador was also a high priority. Some of the most prominent figures in the Reagan administration, such as Oliver North at the NSC and Assistant Secretary Elliot Abrams, were involved on a daily basis, with the White House publically confronting the Sandinistas and supporting the Contras as freedom fighters.

Much of this policy depended on maintaining Honduran support for U.S.-backed operations in Nicaragua and El Salvador. Its border areas had been turned into sanctuaries for insurgent groups. The border with Nicaragua became a staging area for battles between the Contras and the Sandinistas. The border with El Salvador was a sanctuary for the FMLN. In the 1980s, Central America was much like U.S. involvement in Iraq.
and Afghanistan today, or U.S. involvement in the Dominican Republic in the 1960s, Haiti in the 1990s and Plan Colombia in the past two decades.

John Negroponte was Ambassador in the early 1980s, followed by Everett “Ted” Briggs who was there from 1986 to 1989. The USAID Director, Antony Cauterucci departed in 1986. He had done an excellent job in starting a new program and developing positive relations with Honduran ministries, civil society and the private sector. Ambassadors Negroponte and Briggs had heard of my work in Peru and requested me as the new Mission Director.

Honduras was becoming one of USAID’s largest and most controversial programs, especially following a meeting at the White House in May 1986 between President Reagan and newly-elected President José Azcona. Funding totaled $200 million or more per year with significant DA and PL-480 projects, as well as fast-disbursing ESF cash transfers to support U.S. security and economic objectives. With a population of 4.2 million, this country was the poorest in Central America. It became one of highest per capita aid recipients and key to achieving CAI objectives. Only the program in El Salvador was larger.

Q: And could you be development-oriented in Honduras as you were in Peru in those days?

SANBRAILO: Oh yes, very much so. Despite the turmoil in neighboring countries, most of Honduras itself was relatively peaceful, except along the isolated border areas. There was no major crime problem as today. We had large programs in most sectors: agriculture, public health, sanitation, family planning, education, housing, democracy strengthening, and private sector development. Funding was provided for microenterprises, cooperatives and civil society. We supported new NGOs like FIDE to promote exports, investment and export processing zones (ZIPs) and to advocate for market reforms. Another called FHIA was established to expand agricultural research and diversify export crops. PADF, which I direct today, had a lead role in financing microenterprises through the establishment of the Honduran Development Foundation (FUNADEH) and organizing a Federation to Strengthen Non-Governmental Organizations (FOPRIDEH), both of which still operate.

USAID worked not only with the government but also aimed to empower municipalities, civil society and the private sector to advocate for policy and program reforms. The Mission facilitated greater decentralization and strengthened public institutions and NGOs to carry out expanded programs. Honduras still had a large part of its population that did not have effective grassroots representation to facilitate its participation in society, except for a few banana-related labor unions that had played a key role in politics since the 1950s, and some agricultural cooperatives from the 1970s. Honduras had been termed a classic “banana republic”, with its economy dominated by a few elite groups. At the same time, changes were underway that had been encouraged by the Alliance for Progress in the 1960s and the New Directions in the 1970s.
With the exhaustion of import substitution industrialization, the debt crisis of the 1980s, and the disruptions of trade relations in Central America, funding was provided to stabilize the Honduran economy; to promote structural reforms that would encourage local production, exports and employment; to strengthen grassroots participation; and to improve access to public health, sanitation, family planning and education for low income groups. Increasing agricultural production and non-traditional exports were high priorities, as well as strengthening GOH planning and policy formulation.

The ESF cash transfers and PL480 projects encouraged stabilization and structural reforms that complemented our overall objectives. It was a well-coordinated effort. It was not like some believe that you cannot do development with a program largely driven by national security concerns. The U.S. and Honduras were fortunate to have competent career Ambassadors, John Negroponte & Ted Briggs, who understood USAID programs and supported their objectives. While we could not always hold out for the toughest ESF conditionality as we might have wanted to do, because the Honduran President would complain to the White House and Secretary of State, we were able to achieve many important breakthroughs that transformed the economy in the 1990s and beyond. Today, Honduras has a faster growing economy, higher per capita income, greater social mobility, and more than 150,000 jobs in export-processing zones, largely because of USAID initiatives which began in the 1980s.

The Mission had an outstanding staff that was engaged with GOH officials, municipalities and the private sector, not only in the capital city of Tegucigalpa but also in the country’s second largest city of San Pedro Sula and in smaller towns. USAID projects transformed San Pedro Sula and the North Coast from an economy based largely on bananas and other farm products to a more diversified one with export processing zones (ZIPs) and textile assembly and other plants (maquiladoras).

Q: Can you say more about the new Ambassador and the President during this period and how they came to support development?

SANBRAILO: When I arrived, the new Ambassador was Ted Briggs, a Foreign Service officer who had spent his career in Latin America, much like myself. His last post had been Ambassador in Panama. His father was an ambassador and a former ARA Assistant Secretary. Briggs strongly supported Ronald Reagan’s policies in Central America. His major job was maintaining Honduran cooperation and saw accelerated development as key to achieving U.S. objectives. USAID assistance was crucial for the newly-elected President, Jose “Pepe” Azcona del Hoyo.

President Azcona was a civil engineer and construction company executive from a modest background, who had served as General Manager of the Federación Hondureña de Cooperativas de Vivienda (FEHCOVI) that had received assistance from USAID’s housing program. He was well-known to the RHUDO staff as honest and hardworking, much like Fernando Belaúnde in Peru. He too tended to see development in terms of building physical infrastructure, public works and housing, instead of by getting economic polices right and by developing stronger public and private institutions.
In the international press, Honduras was criticized as the equivalent of a U.S. aircraft carrier, a base for deterring the Sandinista military buildup, defeating the FMLN in El Salvador, and supporting the Contras in Nicaragua. It was denigrated as a mere “buffer state” to prevent the Sandinistas/FMLN from further destabilizing the region. The Reagan administration felt that it had to shore up Honduras. There were many military and intelligence advisor stationed there.

We had a large USAID mission staffed by experienced people. There was strong support by most in the Embassy and State for the development program. In accordance with the CAI, there was recognition that we had to increase economic growth and employment, improve social services, strengthen institutional capacity, and modernize the private sector if the U.S. and Honduras were to succeed. Charges made in later years that that the Embassy was only concerned about the Contras War were untrue.

The Country Team saw economic and social development, and consolidating democracy, as fundamental. While military assistance was sizable, a larger portion of aid was allocated to development programs. Despite some negative commentary, USAID projects produced significant but unrecognized achievements, although they were incomplete by the time that many were precipitously terminated in the early 1990s. They required continued reinforcement that did not happen since the USG drastically cut back it’s funding to Honduras. In his ADST oral history, the Mission Director who replaced me in 1991, Marshall Brown, recounts the negative impact that these cuts had on Honduras.

**Q. That is somewhat unusual and may not reflect the popular view about national security programs. The Ambassadors clearly played a key role. Tell us more about the new Ambassador.**

SANBRAILO: When Ambassador Briggs and I were assigned to Honduras, he had a lead role in selecting me. The LAC Bureau originally proposed another candidate for Mission Director, who had more years of service, although Briggs did not favor him. We liked working together because we were longtime Latin Americanists and career officers, even though we disagreed on a number of issues, such as the importance of NGOs. Our positive relationship enhanced support for the USAID program. In addition, we both replaced popular predecessors. Ambassador Negroponte in particular was highly regarded in part because he and his wife adopted five Honduran children.

**Q: Who was the other candidate for USAID Director?**

SANBRAILO: Donor Lion was initially proposed by the LAC Bureau.

**Q: Donor had been in Brazil, or where was he?**

SANBRAILO: Yes, in the late 1960s, he had served in Brazil as director of the regional office in Recife and U.S. Consul General. I understand that he was known as operating independently from the USAID Mission in Rio, which led to some issues, as indicated in
his ADST oral history. At the same time, Donor had held a number of senior positions in Washington in the PPC and LAC Bureaus.

Through the informal network, Briggs may have heard that Donor might be too independent and perhaps not a “team player” in a sensitive program. As a result, he was assigned to replace me in Peru and I went to Honduras. The new U.S. Ambassador in Peru, Alexander Watson, was pleased with Donor as Mission Director. In subsequent years, Alec and I worked together at PADF and he praised Donor’s performance.

Q: Did Ambassador Watson serve in the Economics Bureau at State?

SANBRAILO: I am not sure. He may have. Following Peru, he became ARA Assistant Secretary of State in the mid-1990s. After he retired from State in the late 1990s, Alec became VP for International Programs for The Nature Conservancy (TNC) and then was elected President of the PADF Board of Trustees and continues to serve on its Advisory Committee.

Q: But I think he was in the economics officer cone the rest of the time.

SANBRAILO: I understand that he began as a Consular Officer in the Dominican Republic, served in Brazil where he knew Donor Lion in Recife, and spent most of his career in the LAC region in a number of roles. He was highly effective in Peru and as ARA Assistant Secretary. We were fortunate to have Alec involved in PADF. He currently works with the Carla Hill’s organization on trade and investment issues.

Q: When did he arrive in Peru?

SANBRAILO: In late 1986, just as I was leaving Lima.

Q: Because I knew him in the 1970s when he was just a young Foreign Service officer.

SANBRAILO: Alec had a long and illustrious career in the Foreign Service. He has great stature and respect in the diplomatic community. His advice was very helpful for rebuilding PADF. Just a few months ago, he and I were reminiscing about the past and our fond memories of serving in Peru.

Q: You’re very fickle in your love affairs: first you’re in love with Ecuador, then Peru, then Honduras!

SANBRAILO: Perhaps, I was fortunate to have wonderful overseas assignments. I liked the excitement and challenges of being a USAID Director and a “reform monger”, promoting policy and program changes that improved people’s lives. I worked with wonderful counterparts who in some cases were world class. They were committed to their countries and to achieving outcomes that USAID supported. There is no similar job anywhere.
To be a good Mission Director, you have to have a love affair with the host country, but you can never lose your objectivity. The worst thing is to become cynical and negative or see it as “just another job”. We cannot forget that the term “Mission” comes from the word “missionary” and we have a special calling. I am grateful to USAID and the American people for giving me this opportunity.

Q: You have to be there long enough to be able to really develop that relationship. If you’re there for 18 months or so, that doesn’t really cut it.

SANBRAILO: Very much so. I would maintain that three years is a minimum duration. Once you gain experience, learn the “buttons to push” and how to conduct “development diplomacy” you can perhaps make a contribution in less time. What I objected to in USAID, as well as in the Peace Corps, is those who regularly move from one country, or one office, to another after only very short tours of perhaps one year to 18 months. This is not sufficient time to fully engage or to be held accountable for anything. You are like a tourist! It does get easier the more countries you serve in. I was able to work effectively in Honduras, and more quickly, because of my experience in Peru and Ecuador.

At the same time, these are not jobs for the faint of heart. They are demanding 24-7 assignments. As Mission Director you are always on call for crucial actions or if there are emergencies, as we had in Honduras when street demonstrators burnt the Embassy Annex where USAID had its offices. Demonstrators attacked the building because the USG extradited a leading Honduran drug trafficker. Or an airline crash that killed personnel, major North Coast floods, assassinations of field staff as happened in Peru, penetrations by Nicaraguan or FMLN insurgents, and security issues as civil wars raged in El Salvador and Nicaragua.

Counterparts were calling us for advice--even some Presidents as in Peru or Honduras. You need to be well embedded in the society and in its politics, concerns and aspirations. That’s the wonderful aspect of the job. It is the very rationale for having field Missions. Yet, at the same time, I was amazed at how similar it was to my earlier Peace Corps experience.

Q: Were you caught up in all of the political stuff?

SANBRAILO: Yes, in a positive way. If you are not following the politics of the country and its relationship with the U.S., you are not doing your job. In Honduras the USAID Director was a leading figure, promoting new policies and programs, institutional improvements, and greater social participation and inclusion. You have to be acutely involved in understanding local politics and why these countries are often so resistant to change. I appeared in the media on a regular basis. There were even cartoons showing me and President Azconaa wrestling over ESF conditionality and the release of funds.

As a Mission Director, you are intimately engaged in the society for short periods of time and then you leave and hope the changes you brought about are sustainable. Development is a long-term process. It is important to generate societal momentum behind the reforms.
if they are to be sustained. It is a political job just as it is a technical and managerial job. Leadership skills are indispensable, as well as vision and good judgment. You cannot let the “perfect become the enemy of the good” or allow “paralysis by analysis” to set in, or to hold one meeting after another to defer decisions. There is a premium on taking action in often chaotic situations, with incomplete and imperfect information. At the same time, this role needs to be exercised with great caution, humility and respect for the country. You can never forget that one day you will be gone.

For some, the power can be intoxicating. One can easily lose perspective and become arrogant, especially in a small county like Honduras where you are “king of the mountain”. You better know who you are as a person and who you are not. The Hondurans appreciated my humility and my willingness to listen to them, even when we held up ESF disbursements. The Hippocratic Oath comes to mind, “do no harm”. A Mission Director should leave the country better than he or she found it, with more effective local capacity to advance its development.

Q: How did you manage, under those circumstances?

SANBRAILO: The program was large, with annual spending of around $200 million. As mentioned, we were involved in many different sectors. A central theme was restructuring the Honduran economy to make it more productive and more just for the population living in poverty. We had a team of excellent Ph.D. economists tracking economic stabilization and structural reforms and dialoguing with the GOH on policies needed to increase economic growth, investment, exports and agricultural production. With the Ministry of Finance, Central Bank and other ministries, our team helped them formulate the GOH’s annual economic program so it could qualify for large ESF cash transfers, PL480 loans and other assistance.

I was fortunate that we had excellent program, project development, technical and support staffs in our leading sectors: agriculture, health and nutrition, food aid, family planning, education, private sector, democracy strengthening, disaster assistance. We had grants with civil society groups like FIDE, FHIA, CADERH, FUNADEH, AMHON, FOPRIDEH, AVANCE, COHEP, Fondo Ganadero, Credit Unions and Cooperative Federations, the Family Planning Association (ASHONPLAFA), the Association of Municipalities, the Pan American Agricultural School (Zamorano), and others. We were achieving important results, especially with program reforms and empowering citizen groups and non-governmental organizations to play a more active role in their society. Examples included support to the Federación de Asociaciones de Productores y Exportadores Agropecuarios y Agro-Industriales de Honduras (FEPROEXAAH) and “Creation of the Honduran Foundation for Agricultural Research (FHIA)” that was recorded by Dwight Steen in “Fifty Years in USAID: Stories from the Front Lines”.

Through RHU we supported historic decentralization polices, strengthened numerous municipalities and funded low-cost housing. As a result of our policy dialogue, Honduras was recognized as having one of the best municipal development and decentralization laws in the region. The country adopted a remarkable Agricultural Modernization Law,
and approved investment and export promotion policies and laws that transformed the economy. A major challenge was helping NGOs and municipalities mobilize sources of funding aside from USAID to achieve longer-term sustainability. Alternative funding remained a challenge throughout my time, although most organizations continue to operate today.

While we had some excellent staff in democracy strengthening, this was a new area for USAID. Projects for improving the administration of justice and upgrading the capacity of the legislature and the electoral tribunal encountered early implementation delays because of their nature and the highly charged political environment in the 1980s and 1990s. As indicated by two of our USAID officers, Richard Martin and Robert Murphy in their article Ensuring Fair Elections in Honduras (in “Fifty Years in USAID: Stories from the Frontlines”), strengthening democracy was a challenge often measured in small incremental steps that can plant seeds and gain momentum that later produce results, but may not be fully recognized at the time.

What we did during this period made fair elections possible during the next two decades and produced a more representative and inclusive democracy. For the first time in over 50 years, 1989 marked a peaceful transition of power from the left-of-center Liberal Party to the opposition right-of-center Nationalist Party, which was a significant achievement. Since that time the parties have continued to rotate in the Presidency. We also began some of the first efforts to improve the administration of justice and upgrade legislative functions that are inherently long-term in nature. The Honduran Congress awarded me a recognition (“condecoración”) when I left the country for USAID’s work.

Various independent reviews highlighted the success of USAID’s democracy programs. For example, a Congressional Budget Office paper titled History and Accomplishments of USAID Sponsored Democracy Building Programs in Honduras (1996) concluded that the project for Strengthening Democratic Institutions, “…achieved impressive results towards the strategic objective of More Responsive Democratic Processes, with Greater Citizen Participation”. A CDIE Impact Evaluation (1998) indicated that “…Honduras had made significant progress transferring power and responsibility to the local level…” because of USAID support. Civil society and community groups, and municipalities, were strengthened or developed during this period, allowing Hondurans to play a greater role in their society. Yet many of these accomplishments were disregarded by later commentators eager to focus on the country’s and the USG’s failings.

At the same time, some of our programs, including democracy strengthening, were slowed down by a Contracting Officer who proved less effective than I had expected. Throughout much of my time in Honduras, contracting proved cumbersome and adversarial with partners, but we managed through these challenges. I had a lot of problems with the CO who had to be replaced, but was later reassigned to an even larger program--a disservice to USAID. Accountability is always important. Yet when COs are allowed to drive the pace and content of USAID implementation there are serious problems. This was the beginning of what we see today with USAID officers viewing
themselves as extensions of the procurement process, rather than as development professionals.

Q: Were you able to program without political interferences?

SANBRAILO: While the Embassy was closely involved with us, USAID was able to program its DA and Food Aid projects with no political interference. At the same time, we all fully recognized that State set the overall policy and must be comfortable with what we were doing. Indeed, as mentioned, Ted Briggs was supportive of our development objectives, although this changed when a new Ambassador arrived in 1990.

The main State/Embassy involvement came largely in USAID funding to the Contras forces which were using Honduras as a base for fighting against the Sandinistas in Nicaragua. At its peak, the Contras included about 11,000 fighters and additional family members and support personnel totaling about 30,000. ADST Moments in Diplomatic History, Winning the Peace: USAID and the Demobilization of the Nicaraguan Contras, provides a good overview.

It was wisely decided that the Contras program should be run separate from the USAID Mission, instead directed by an experienced Officer Ted Morse reporting to the Ambassador and Washington, and coordinating with me. It was a good arrangement that allowed us to remain focused on a demanding economic reform and development program without getting distracted by complex and highly political funding of the Contras. In later years, the USAID Regional Legal Advisor, Bob Meighan, would capture this effort in his “My Time with the Contras”, included in “Fifty Years in USAID: Stories from the Front Lines”.

The large ESF cash transfers were also closely followed by the Embassy and Washington because of their sensitive stabilization and structural reform conditionality. Even here, however, the Ambassador and the Embassy were usually quite supportive. When we held up disbursement of a $70 million ESF tranche in the 1989 electoral year because the Azcona administration was exceeding its fiscal deficit target and not meeting other conditions, Ambassador Briggs and the State Department were fully on board.

Later Azcona incorrectly charged that I had influenced the 1989 election by not disbursing these funds, thereby helping the opposition candidate Rafael Callejas. The Embassy appreciated that the USAID Director was taking the heat so that they would not be directly blamed. It allowed them to pursue other actions, like support to the Contras and intelligence operations, and not have them directly tied up in ESF conditionality. This situation was far more nuanced and complex than reported by later commentators, including some diplomats and others, who proved reluctant to recognize what had been achieved in moving the Hondurans forward in reforming their economy.

Q: Who did you have there?
SANBRAILO: I had outstanding Deputy Directors in Carl Leonard and then George Wachtenheim, both of whom went on to successful careers as Mission Directors and then as senior LAC officers in Washington. We had very good economists with Jerry La Pittus and Charlie Richter, and agricultural officers like Dwight Steen and Felipe Mantega. Dick Martin in Education and Human Resource Development. We also had the very best housing and municipal development leader in Mario Pita and an outstanding water and sanitation engineer in Herb Caudill, and others.

About 30 U.S. direct hires served in the Mission. There was high morale and a strong sense that we were supporting projects of historic importance for Honduras and the U.S. We were carrying out major initiatives like developing export processing zones (ZIPs) on the North Coast that transformed the country from a classic “banana republic” to more jobs being generated in textile manufacturing (maquiladora) than in the banana industry. In terms of job creation, we may have been too successful and maquiladora employment began to attract negative attention from the U.S. media.

USAID was the largest donor. Others were engaged but not in a leadership role and they were slower in delivering aid. They seemed pleased to let USAID assume the lead since a small poor Central American country was not a high priority for many of them. By the time I left the country in 1991, however, we were successful in getting the IMF and the World Bank engaged and helped Honduras achieve a Paris Club debt restructuring and a World Bank-led Consultative Group (CG). The CG brought in other donors and expanded their small programs or began new ones. They were significant breakthroughs in graduating Honduras to more diversified aid that were applauded in Washington.

Q: Was there anybody else there?

SANBRAILO: Yes, the IDB, UNDP, UN agencies and the OAS. We coordinated closely with all of them, particularly the UNDP Director Ricardo Tichauer, who was a good friend. A few other bilateral donors like Japan, Taiwan, South Korea, some European countries were just beginning programs. But they did not really gain full momentum until after the 1989 election of President Rafael Callejas and the departure of the Contras in 1990.

Some donors were impressed that we were rigorous with our ESF conditionality and did not disburse a large cash transfer of $70 million because of non-compliance with its reforms. As a result, there was greater donor interest. With the election of Callejas, there was improved economic performance, at least in 1990 and 1991. The new government cut public spending, devalued the Lempira, and reduced the size of the bureaucracy, which USAID had been attempting to encourage throughout the 1980s. It also took more significant actions to incentivize local and foreign investment. A major new Investment Law was approved that incorporated many of the principles that USAID had been advocating. There were new targeted social initiatives like the Family Assistance Program (PRAF) and the Honduran Social Investment Fund (FHIS) that USAID helped to create. On the political side, the Callejas government requested that the Contras leave
Honduras, which greatly cleared the air. It proved a crucial action that allowed other donors to support the country.

These measures produced renewed economic growth and allowed Honduras to obtain an IMF Standby, a Paris Club debt restructuring and a World Bank CG that fortunately led to new funding from the international community, like the $110 million World Bank Agricultural Modernization loan. These resources were particularly important because of deep cuts in the USAID program beginning in 1992-1993, as a result of other regional priorities.

We were successfully able to transition Honduras from dependence on large ESF cash transfers of the 1980s to other donor funding in the 1990s, including Japanese aid. I received a U.S. Presidential distinguished service award for this and similar achievements in El Salvador. Yet some international analysts failed to fully appreciate the significance of this transition. They kept repeating that the USG had undermined the country’s development and democracy.

Q: Canadians or other donors? What was the result of the ESF program in mobilizing other donor funds?

SANBRAILO: I don’t recall the Canadians, but I assume they were active in Honduras. A number of European countries also began new programs. With a few exceptions like Japan and Taiwan, most bilateral donors were funding relatively small projects. Until after the elections of 1989, several did not want to be involved in what they saw as a U.S. national security program. The same was true in El Salvador; almost no other donors were involved until the Peace Accords were signed and even then in a limited and slow way.

The controversy about Honduras, and assistance to the Contras, tended to blur the vision of many that USAID was implementing a significant economic reform and development program. It is why separating the management of aid to the Contras and the regular Mission program was a wise decision. It allowed us to keep focused on economic stabilization and structural reforms, and longer-term development, which laid the groundwork for breakthroughs during the 1990s. Unfortunately, even today the Honduran program of the 1980s is stigmatized by the assistance to Contras, or tagged as being a national security program that did not achieve much, which is not the case.

During this period, Honduras’s image in Washington was also damaged by some who were hyper-critical of the Azcona government for not moving more quickly on deeper economic reforms. These critics may have been seeking perfection in a highly imperfect country and allowing the “perfect to become the enemy of the good”. They tended to point with favor to Costa Rica and say “look at what it is doing”, not fully taking into account that we were dealing with very different countries, with different levels of development, different realities and capabilities, and different foreign policy considerations. Despite a mistaken perception, we had rigorous conditionality built into all ESF cash transfers and PL-480 programs and we held the Hondurans accountable for
them. We achieved policy breakthroughs, some of historic importance. While we were not able to get the GOH to devaluate the Lempira and sustain greater fiscal restraint in 1989, those measures were in fact done in 1990-1991 by the Callejas government because of USAID’s persistence.

Indeed, I believe that the ESF conditionality was more rigorous than that included in, say, the $215 million Millennium Challenge Corporation (MCC) compact provided to Honduras in 2005. It was the second country to receive conditional-based MCC funding, highly praised by those inside and outside of the USG. The ESF, PL-480 and development programs during the 1980s and the 1990s, and hurricane aid that began in 1999, laid the groundwork for transforming the economy and upgrading its capacity to qualify for MCC resources. As a result, ESF assistance prepared the GOH not only for an IMF Standby, and large funding from the World Bank, IDB and other donors, but also for subsequent initiatives like the MCC compact and the Central America Free Trade Agreement (CAFTA). The lessons from the MCC compact are similar to those learned in the previous decades.

The Mission was also staffed with professional Ph.D. economists who developed and closely monitored the ESF programs. One of them was Jerry LaPittus, a former IMF and World Bank economist. USAID was directly engaged on a day-to-day basis with the Ministry of Finance, the Central Bank and other ministries to supervise compliance. The LAC Bureau was closely tracking the conditionality in all Central American countries and comparing progress among them. The later criticism of the ESF program does not correctly reflect the reality that I experienced in Honduras.

President Azcona strongly criticized me when we did not disburse the large ESF tranche in 1989, and he even appealed to the State Department and the White House. I disagree with some diplomats and others who later alleged that the USG did not sufficiently condition aid to Honduran economic reforms. When improved performance was in fact made in 1990-1991, we did disburse. Reports prepared for the subsequent IMF Standby, the Paris Club debt restructuring, the Consultative Group all noted the country’s improved progress.

The IMF and the World Bank would not have supported a Standby, a Paris Club debt restructuring, or a $110 million Agricultural Modernization program, if there had not been sufficient progress on ESF conditionality that tracked closely with conditions that the Fund and Bank required. As part of this effort, the USG, through the Treasury Department, even forgave $434 million in official USG debts and signed a Trade and Investment Framework Agreement in 1991, as part of President Bush’s Enterprise for the Americas Initiative.

To suggest that USAID did not have rigorous ESF conditionality, and that Honduras did not make progress on it, is incorrect. For the USG to have further held up ESF disbursements in 1990-1991, with major new funding being provided from the IMF/World Bank and new USG initiatives, would have been totally unrealistic. It would
have appeared that the U.S. was punishing Callejas for demanding the withdrawal of the Contras.

Q: Did the USAID economist operate under your supervision?

SANBRAILO: Yes, he reported to me and the Deputy Director. I was engaged with him and his team in developing and negotiating the ESF conditionality. While the conditionality was not perfect during much of the 1980s, we developed with the Hondurans ambitious economic reform programs that were compatible with overall U.S. policy objectives and CAI/CBI legislation, taking into account the local political reality and what the IMF and World Bank were recommending. Some actions that we achieved, such as the devaluation of the Lempira and encouraging ZIPs, were of historic significance.

These reforms were complemented by investment incentives and price liberalization in the agricultural sector, better targeting of assistance to the poorest groups, a Social Investment Fund, and actions to further develop exports, among others. They took on a life of their own and became permanent Honduran policies. A comprehensive LAC Bureau study of ESF documented the successes and shortcomings of these programs. (For example, see “ESF Cash Transfer Assistance to LAC Region FY1988-1991” by Michael Radmann, LAC/DR and Gary Linden, LAC/DPP.)

Q: Could you have divested the Contra program any more than you did?

SANBRAILO: The Congress had mandated that USAID manage this assistance, so additional actions were probably not possible beyond those taken. We were able to separate it from the ongoing development program. The office that worked with the Contras operated out of the Embassy. The Director worked closely with the Political Section and others. Everyone recognized that this was a special initiative that needed to be supervised by the Ambassador. The program was relatively short-term and was closed when President Callejas requested that the Contras leave the country.

Q: What was the money being spent on?

SANBRAILO: Food, uniforms, medical attention, humanitarian supplies. It was the type of assistance that in previous years Oliver North was alleged to be funding through the Iran-Contra deal. As you can see in North’s testimony to Congress, available on C-Span, it was intended to keep the Contras together as a fighting force, to deter Sandinista military expansion, and to keep the pressure on the Sandinista regime. If I recall correctly, other USG agencies were doing the arms transfers and USAID was only funding the non-lethal items. When Nicaragua held elections in 1990, and replaced the Sandinista government with Violeta Chamorro, it evolved into an OAS supervised demobilization and reintegration program funded largely by USAID.

Q: So, USAID didn’t have to do the arms part?
SANBRAILO: No, I don’t believe so. It was a relatively small short-term program but it stereotyped Honduras, and to a degree USAID, which unfortunately still exists today. While there was a unified U.S. mission strategy, there were clearly differences between the USAID program and what other USG agencies were doing, and not only in terms of the Contras.

The military assistance program, for example, developed a large facility near the city of Comayagua, at the Enrique Soto Cana Air Base (originally called “Pamerola”) to support Honduran military exercises, undertake civic action, build roads, provide medical teams for remote rural areas, and train U.S. and Honduran military personnel. I understand that there were reconnaissance missions to help the Salvadoran military in its fight against the FMLN and to counter the Sandinistas. Twelve advanced F-5 fighter aircraft were provided, which reinforced Honduran air superiority in Central America.

Q: Was there any police training in this period? That had been a feature of those programs.

SANBRAILO: If I recall correctly, the Embassy provided some support to the police but USAID was not involved. This was a major gap in USG programming in the 1980s and 1990s, dating back to the Congressional restrictions on public safety programs from the early 1970s. Lack of a professional Honduran police force in part produced the citizen security and drug trafficking issues that arose in more recent decades.

There were some reports of human rights abuses in the early 1980s and they may have discouraged U.S. officials from getting more involved with the police. Since the Congressional attacks on public safety projects, USAID had been prohibited from providing support for police training. This is unfortunate because citizen security is one of the highest priorities in the LAC region, especially in Honduras, and a key component for facilitating national development.

Q: Human rights issues?

SANBRAILO: Yes, early in the 1980s there were allegations by some leftist groups (e.g. CODEH & COFADEH) of human rights abuses by the military and police forces, but I never saw reports that clearly documented them. The international press kept repeating the allegations, which continue to circulate even to the present. There is little evidence, however, to confirm these charges. Such abuses may have existed but I never directly saw them and I was deeply involved in the local society. There was a free and activist press. I suspect that if such violations had been pervasive, they would have been reported in the media since there were few secrets in this small and open society.

Q: Who was responsible for mandating that assistance to the Contras be managed by USAID?

SANBRAILO: It was the Congress and some of its senior staffers who seemed to have more confidence in USAID than in the State Department. They used to say that USAID
provided them the “straight story” but expressed concerns about State. Such comments did not endear us to our State colleagues and set off some institutional rivalries, especially when a new Ambassador arrived in 1990.

**Q: Who was the new Ambassador?**

SANBRAILO: Cresencio Arcos who previously had served in Honduras in the early 1980s as Public Affairs Officer, directing the USIA section. He was very knowledgeable of Hondurans and U.S. policy and had great insights about how the society and politics worked. I had less effective relations with Ambassador Arcos. There were more inter-agency rivalries within the Country Team after his arrival, especially conflicts between USAID and USIA that were counter-productive. They may have been stimulated by the large size of the USAID program, our positive relations with the Callejas administration, the praise that we regularly received from counterparts, and the new programs being assigned to us, such as assistance to the Contras.

**Q: Was the assistance to the Contras an authorization or an appropriation?**

SANBRAILO: I believe it was an appropriation but I am not totally certain about that.

**Q: Did it come to an end during your tenure?**

SANBRAILO: Yes, after the Honduran elections of 1989 the Callejas government ordered the Contras to leave the country. That decision was facilitated by the April 1990 election of a new government in Nicaragua headed by Violeta Chamorro. As a result, the program changed into one to help the Contras reintegrate into their society in what was hoped to be a more democratic and pluralistic country.

The newly elected Nicaraguan government moved quickly to end the “Contra War”, bringing to a close the Sandinista revolution and producing relative peace in the 1990s. The U.S. provided $300 million to consolidate the peace process; ironically some of those funds came from the downsizing of the Honduran program in the 1990s. With peace now emerging in Central America, and with other regional priorities especially in Haiti, the USG no longer needed Honduras. The USAID budget was significantly reduced. It would again be increased after Hurricane Mitch hit the country in 1998, but the latter was limited in scope, focusing on reconstruction rather than development.

**Q: Yes, that’s what I was wondering. When that ended, did the money just get cut off, and – How did that transition work?**

SANBRAILO: Yes, there was a major reduction in funding beginning in 1992-1997, after I left the country. Funding for the demobilization and reintegration of the Contras was eventually included in the $300 million program to support the newly elected Chamorro government and the Nicaraguan peace process. It is important to place all of this in context.
In November 1989 the Berlin Wall fell, which set in motion a transition away from communism in Eastern Europe and the former Soviet Union, and the weakening of Cuban support to Central American insurgencies. The following month, President George H.W. Bush took action in Panama to remove Noriega for drug trafficking. A favorable new Nicaraguan government was elected in 1990, replacing the Sandinistas. Shortly thereafter, in early 1991, there was the First Persian Gulf War. A newly-elected Salvadoran government subsequently negotiated Peace Accords with the FMLN, which required support. There was a large U.S. military intervention in Haiti early in the Clinton administration and an increase in USAID funding to that country.

Budgets for foreign aid were limited so something had to give. Other priorities diverted attention and resources away from Honduras so that programs could be supported in Nicaragua, El Salvador and Guatemala, and pay for interventions in Panama and Haiti. The USG clearly cutback its program too early in Honduras, right when it was becoming most effective. The IMF Standby, the Paris Club debt restructuring, the World Bank-led Consultative Group, and funding from the multilateral banks and bilateral donors helped fill some of the gap. However, the unique assistance provided by USAID suffered greatly, especially in policy reform and with civil society, municipalities and the private sector.

Q: But before these funding reductions you were able, nevertheless, to go about your business and do development programs with policy discussions with the government and so on, right through the end of your tour?

SANBRAILO: Yes, up until my departure in mid-1991 we did not feel the cutbacks as much as my successor Marshall Brown did. As indicated in his ADST oral history, Brown had the challenge of downsizing the Honduran program beginning in 1992 from around $200 million per year to about $40 million or less; this adjustment was extremely painful for many institutions. ESF was drastically reduced and terminated by 1994. Brown’s oral history provides additional details.

USAID was involved in working with and strengthening many institutions. The entire fabric of Honduran organizations was changing but, as we all know, institution-building and improving governance are long-term affairs. They cannot be achieved overnight with short-term fixes, especially in one of the smallest, weakest and poorest countries in Central America that was being threatened by insurgencies and regularly hit by natural disasters. While there were important improvements in economic policies, export diversification, agricultural modernization, decentralization, municipal governance, social services, and in the growth of civil society and the private sector, some of the gains deteriorated during subsequent years. This was particularly the case with growing corruption and slow efforts to pursue additional structural reforms, such as privatization of state-owned enterprises.

Q: Did we close down programs?
SANBRAILO: Yes, a number of programs were discontinued and others scaled back, mainly with the private sector. The period 1992-1995 marked a major transition. There were no longer large ESF cash transfers to support policy reforms and generate local currency for development projects. Most aid was now provided through slower disbursing development assistance. Some reforms later unraveled.

In addition, a CBS “60 Minutes” episode in 1992 unfairly discredited a key part of the USAID program. It was orchestrated by Charles Kernaghan of the U.S.-based Amalgamated Clothing and Textile Workers Union (ACTWU), in coordination with the Clinton campaign. It continued “60 Minutes” longstanding opposition to U.S. policy in Central America in the 1980s and 1990s. The broadcast focused on the maquiladora plants and Export Processing Zones (ZIPs) in San Pedro Sula. “60 Minutes” charged that these initiatives were exporting jobs from the U.S. to Honduras and El Salvador, thereby causing unemployment among American workers. The ZIPs were significantly increasing employment, which grew to over 150,000 jobs during the next two decades.

As mentioned, USAID and other international agencies had completed studies that showed the ZIPs, and the production sharing concept approved in the CBI legislation, were actually helping the U.S. maintain jobs and to better compete with China. Yet “60 Minutes” disregarded them and instead sensationalized women crying in Tennessee because they claimed USAID had exported their textile jobs to Central America. Adverse media coverage contributed to the cutback.

All of this led to a decrease in the scope and funding of USAID Honduras during most of the 1990s. Especially after the election of the Chamorro government in Nicaragua and the Peace Accords in El Salvador, Honduras literally fell off of the USG radar screen, compared to its high priority in the 1980s. Many initiatives were only partially completed or not at all. As an Ambassador with whom I served used to say, “the U.S. throws away countries and counterparts like ‘old beer cans’ when they are no longer needed”. It was sad to see this happen in Honduras after all of the good work that was done to move it forward. Hopefully, someone will eventually prepare a history of this program.

Q: Had the migration to the U.S. from Central America already started? I mean, it shows how little I know about this part of the world, but had the movement of people in large numbers to the United States started by that time?

SANBRAILO: Not so much from Honduras. Most of the migrants to the U.S. in the 1980s came from El Salvador and Nicaragua, fleeing the civil wars and killings in those countries. As mentioned, Honduras remained relatively peaceful, without open warfare during the 1980s and 1990s, except along its sparsely populated border areas, and was not generating major migration as yet. Honduras was an “island of peace” within Central America that was not fully appreciated by the critics. It was a great achievement that would not have happened without USG support.

There was a large community of Hondurans already in New Orleans because of the county’s leadership in banana exports and the involvement of New Orleans-based
companies like United Fruit and Standard Fruit. Honduran immigration to the U.S. through Mexico became a much more pronounced phenomena starting in the late 2000s and continuing in the 2010s, with large numbers fleeing high crime and homicide rates, and violence created by drug traffickers, that impacted many communities, particularly in the San Pedro Sula area.

**Q:** There were, essentially, civil wars going on during the time you were in Honduras?

SANBRAILO: Yes, major civil wars in Nicaragua and El Salvador, but not in Honduras. Some would argue that a similar “dirty war” was happening in Guatemala at the same time. But Honduras remained peaceful. In this regard, it was similar to Ecuador which did not have an insurgency, even though its two larger neighbors had vicious guerrilla movements with the FARC-ELN in Colombia and Sendero Luminoso and Tupac Amaru in Peru.

**Q:** But you could go out and visit the projects and do regular field monitoring?

SANBRAILO: Yes, there were never any problems, except in the regions along the borders. The country remained peaceful throughout the 1980s, unlike its neighbors. By the 1990s, Honduras had served its purpose for U.S. policy. It had helped contain the spread of the Sandinistas and the FMLN, until regional and extra-regional events (e.g. the fall of the Berlin Wall & the economic crisis in Cuba) produced the Central America peace processes in the 1990s.

**Q:** You didn’t need to have a man with a submachine gun in the front seat of your car?

SANBRAILO: Not in Honduras. Most of the USAID staff commented on how peaceful Honduras was and what a great pleasure it was to work and live there. I later had armed guards when I was USAID Director in El Salvador.

In subsequent decades Honduras became quite violent in the 2010s, in part because resources had not been dedicated to modernizing the police force, addressing drug trafficking and upgrading the prison system that became breeding grounds for criminal gangs. It was another product of the USG cutting back on key programs and not helping the country deal with this critical challenge.

**Q:** When I went to visit Guatemala in the 1970s, when Fred Schick was the mission director, there would always be a guy with a gun in the front passenger seat as we drove around outside of the capital.

SANBRAILO: In the 1970s and afterwards security was a continuing issue in Guatemala. Almost none of that existed in Honduras. It was unique. A highly informal place, an “island of peace” that enjoyed relative security. My wife and I walked all over the streets of Tegucigalpa in the 1980s without any concerns and without any body guards. My wife walked to Church every morning with her friends.
Just to give you the flavor. I was working one weekend and was trying to call Washington. For some reason I had to go through the operator from the local telephone company. As she was making the call, she would say, “I know you, you head the AID mission”. The operator would then ask, “Can you help me get a scholarship for my son?”

This was the type of informality that characterized Tegucigalpa. It was a little peaceful town with wonderful warm people, in many ways a throwback to the 1950s. There is a famous saying that “you cry when you arrive in Tegucigalpa” because it is a backwater and not as important as other posts, but you “cry when you leave” because the Hondurans are so wonderful to work with, with their friendly attitudes and openness to USAID. In many ways it was an idyllic assignment.

**Q: But USAID was a big player in the little pound?**

SANBRAILO: Yes, Honduras was very much like a “city-state” rather than a country or a nation. Everyone knew everyone else. And we had a large USAID presence that was funding high profile projects that were being closely followed in the press. You could see the achievements in terms of increases in employment, agricultural production and exports. There was a gradual, but unmistakable, shift from an inward looking economy to an outward oriented one that was growing more confident that it could compete in U.S. and world markets with its non-traditional exports. The economy was stronger, especially after increased multilateral assistance, although still fragile. By the 1990s, it was in much better shape than during the 1980s.

There were significant improvements in social indications, like infant mortality and contraceptive prevalence. More kids were in schools than ever before, although the quality of the education left much to be desired, it was improving. Hundreds of lower and middle-income youth gained access to USAID’s Central America Peace Scholarships, and training at the world famous Pan American Agricultural School at Zamorano, which were great successes in producing leaders. There was an increase in civil society groups that empowered citizens outside of government to implement innovative initiatives and to advocate for development reforms. Peace Corps Volunteers were all over the country carrying out USAID small grants for community projects.

Thanks largely to our cooperation, Honduras conducted free and fair elections, peacefully transferring power from one party to another. During this period, the legislature performed with greater technical expertise, although many of its leaders were still venal and corrupt, and did not serve their country very well. While the administration of justice and judicial reforms remained major challenges, even here some progress was being made, although slowly and grudgingly. Greater progress was achieved after I left the country with the leadership of Director Marshall Brown and the Director for Democratic Initiatives Mario Pita, but we got the ball rolling in the late 1980s.

President Azcona had been involved with USAID’s housing programs in the 1970s, but still maintained a “love-hate” relationship with us. He never forgave me for holding up the $70 million ESF tranche in 1989, even after he left office. Azcona was replaced by a
younger President, Rafael Callejas, who many hoped would provide more effective governance. Unfortunately, after the positive period of 1990-1991 with renewed economic growth, Callejas and his administration got mired in alleged corruption regarding the privatization of the national telephone company and other state-owned enterprises. His government ended in 1994 with backsliding on macroeconomic reforms, especially the fiscal deficit. Sadly, in 2016, Callejas admitted to conspiracy and soliciting bribes in the worldwide FIFA soccer scandal and faces jail time in the U.S. This has become a national disgrace and highlights the country’s endemic and pervasive corruption.

Yet while it is easy to focus on the country’s corruption and poor leadership, it is also important to recognize that we worked with some very good counterparts who were honest and highly effective. In the public sector, I would cite Ambassador Jorge Ramon Hernandez Alcerro and others like Norma Garcia who directed FIDE and later served in the government. In my career, I never worked with anyone so dedicated, inspiring and dynamic, as businessman Juan Canahuati in San Pedro Sula, who pioneered the ZIPs when others were fearful of doing so. Without Juan’s leadership, and support from FIDE, we may never have been able to get this program off the ground. The contributions of Juan Canahuati should never be forgotten in the negativism that so often characterizes this country.

Q: So you actually held up on ESF Cash Transfers.

SANBRAILO: Yes, when there was non-compliance. At times, especially in 1989, President Azcona would call Ambassador Briggs and complain that USAID was being too tough. The Ambassador had been well briefed by us and his support was crucial. In such a high profile country, USAID alone could not have held up on such a tranche without Ambassadorial concurrence and having USAID and the State Department on board. There was widespread information in State and LAC about slow progress in meeting the ESF conditionality and we were frank in our reporting. Everyone in Washington knew of these challenges.

Ambassador Briggs advised the President that USAID had to be satisfied with progress in meeting the ESF conditions and that this could not just be a political decision. He urged the President to work things out with me and our team. The President was not happy but we had several meetings. He felt that we were being unreasonable about the fiscal deficit target during an election year, even though it was originally established by his own economic team.

We tried everything possible to help the President and his cabinet meet the conditions, but it proved all but impossible. We knew the consequences. Withholding ESF monies led to a lack of foreign exchange for imported petroleum, shortages of gasoline and other essential imports, producing some street demonstrations.

We were sending a message not only to the existing government but to the new one that ESF conditionality was serious and had to be complied with. The GOH had itself
established these conditions in its annual economic program. We ultimately disbursed the $70 million during the first year of the Callejas government when it reduced the fiscal deficit, devalued the Lempira, and carried out other reforms. It was amazing that we were able to withhold the disbursement based largely on technical considerations. Some commentators later chose to ignore this action because it did not fit their negative view of U.S. policy in Honduras.

Q: But basically, the Ambassador had your back.

SANBRAILO: Yes. President Azcona, of course, would then try to go to the State Department and the NSC in Washington but we had a united front with them. It wasn’t easy. We had widespread understanding in the LAC bureau of our ESF program. Many in the Bureau were pleased, though surprised, with what we had orchestrated and how it impacted the subsequent administration, although some forgot about this achievement in later years.

Q: So your ESF program operated with close supervision from Washington?

SANBRAILO: Yes, very much so. Each new program (PAAD) required a rigorous inter-agency review that was quite adversarial. The LAC Bureau closely followed the large ESF programs in El Salvador, Honduras, Costa Rica, and then later in Nicaragua and Guatemala. This was big-time stuff, supporting major national security objectives. It represented billions of dollars of multi-year funding for relatively small countries. The agreements and their conditionality were under a microscope. No matter what the PAADs said, there was open and frank discussion of the macroeconomic situation and progress, or lack thereof, on conditionality. Nothing was hidden from Washington.

Our efforts paid off in 1990-1991 in helping Honduras qualify for an IMF Standby, a Paris Club debit restructuring, a World Bank CG and new WB lending. As mentioned, some in the LAC Bureau regularly challenged us on the ESF conditionality and the large number of measures included in the Honduras reform agenda, especially to improve the investment climate and stimulate exports. Some desired fewer but deeper macroeconomic changes, like devaluation of the Lempira. We were attempting to move the country across a broad range of reforms, although progress was slower than in other countries.

Q: So, did you change as a result of LAC’s engagement?

SANBRAILO: Partly. We had a different approach than the one used in Costa Rica that some felt should be the model for the rest of Central America. We tried to get Honduras to move across a comprehensive reform agenda that at times included up to 20 conditions. In Costa Rica the mission focused on fewer actions. In my view, our ESF conditionality was the only feasible approach in Honduras. It ultimately produced significant results in increasing private investment and moved the economy toward a greater export orientation. Given the lower level of development in Honduras compared to Costa Rica, the results may have been even greater in terms of lifting more poor people out of poverty.
By the 1990s, analysts agreed that we helped the Honduran economy achieve higher economic growth by shifting from its outdated import-substitution industrialization to an export-led strategy. This effort created tens of thousands of new jobs, greatly increased local production and exports, and prepared the groundwork for Honduras’s entrance into the subsequent Central America Free Trade Agreement (CAFTA).

Q: Was this all because the president was prepared to go with it, or did you spend an enormous amount of time with the people at the lower levels and –

SANBRAILO: Both. President Azcona was very much like President Belaúnde in Peru. He was not comfortable dealing with policy reforms, except their potential political impacts. This changed with the Callejas administration. But throughout the 1980s we dealt extensively with the GOH economic team, including Vice President Jamie Rosenthal, a banker from San Pedro Sula and the Ministry of Finance and Central Bank staffs. In 1990-1991, we worked closely with Central Bank President Ricardo Maduro, among others, who were far more aware of the need for such reforms.

We dialogued on the agenda up and down the bureaucracy, from top to bottom, and encouraged leading private sector groups like COHEP, FIDE, and the San Pedro Sula Chamber of Commerce and Industries to advocate for reforms. Because of its informality, you might meet leading GOH officials in the supermarket and end up doing policy dialogue as you were waiting in the check-out line. I spent weekends with Ricardo Maduro, my neighbor, discussing economic reforms and why they were so important for development. So you would end up dialoging in the supermarket, over the weekends or on field trips with senior officials, including the President. It was a 24/7 job!

As mentioned, USAID had a unique approach to policy discussions, not only in Honduras but in other countries. It was not enough just to convince government officials about proposed changes. We recognized that it was necessary to bring the entire society along and help build a national consensus. This was done by supporting education campaigns through seminars, conferences, the media and public-private dialogues by non-governmental groups and empowering them to advocate for specific measures.

The approach brought about not only macroeconomic changes, but was used to accelerate investment and export promotion, agricultural modernization, environmental improvements, decentralization to municipalities, family planning, education reforms, and encouraging citizens to fight back against corruption. Such an approach is distinctive to USAID. Few other donors have adopted it and done it in so many sectors. It was similar to the strategies we used in Peru and Ecuador.

Q: To the best of your knowledge, do USAID officers now engage in this sort of dialogues in these countries?

SANBRAILO: I suspect there are some countries where USAID may have this type of engagement, but they seem to be rare today. They may exist. We all know that there are
effective people in USAID who are doing things like this, but the overall orientation does not seem to be the same. Field missions, their Directors and senior staffs are much more tied up in process and bureaucratic procedures, trapped in high security Embassy buildings that discourage interaction with local counterparts. Unfortunately, the de-facto USAID Directors have become the Contract Officers. The COs have so overwhelmed the younger officers that they fear making any type of mistake.

Regrettably, many USAID staff see themselves as extensions of the procurement process and feel intimidated by COs who may look down on “freewheeling” policy dialogue of the kind we undertook in Honduras and El Salvador, and earlier in Peru and Ecuador. It is the type of orientation that produced so many achievements, such as with the Marshall Plan in European reconstruction, or how USAID helped convert Taiwan and South Korea into the powerhouses that they are today.

What has happened to USAID is a real shame. It became most pronounced with the ill-advised reforms of Administrator Brian Atwood and his Assistant Administrator Larry Byrne in the 1990s and then has continued. In this regard, I identify with the arguments made by former Administrator Andrew Natsios in his paper, The Clash of the Counter-bureaucracy and Development, which is fundamental to understand USAID in recent decades.

Q: Okay, so, this is a continuation of the Oral History. We’re talking about Honduras. You stayed there for four years?

SANBRAILO: Right, about four and a half years and then I transferred to El Salvador. It had been an unforgettable assignment: supporting high profile foreign policy objectives, restructuring the economy, strengthening Honduran institutions so they could better improve the lives of those living in poverty, growing private investment and exports, increasing agricultural production, improving access to social services, developing nongovernmental organizations, strengthening democratic institutions, and promoting municipal decentralization, and more.

There were, however, a number of issues that diverted attention away from what was actually achieved and have left negative impressions. The first was aid to the Contras, which I mentioned earlier and Honduras’s support for U.S. policy in Central America. Another was the allegation that the GOH did not implement significant ESF conditionality and the economy did not fundamentally change. The third were media attacks by CBS “60 Minutes”. There were two such programs, one in 1987 and another in October 1992, after I had left Honduras. Few international media ever visited Honduras, so this was a big deal. These broadcasts showed the international attention that this small country was receiving. I mention these cases only because “60 Minutes” has had such a large viewership. It set the agenda for debating many U.S. domestic and foreign policy issues, and some still remember the episodes.

In the first “60 Minutes” program in 1987, it compared U.S. policy in Honduras and Costa Rica, severely criticizing the Hondurans for allowing their country to support what
was seen as the failing U.S. policy in Central America, while giving Costa Rica a pass for pursuing similar actions. It was particularly negative about Honduras’s human rights record and President Azcona, who came from a humble background and supported the U.S. At the same time, it was extremely favorable to President Oscar Arias Sanchez of Costa Rica, who came from an upper class family and was also benefiting from USG support and large USAID funding. “60 Minutes” was being used to support Arias’ campaign to win a Noble Peace Prize for his Central America peace initiative. As shown in this episode, the liberal media could never forgive Honduras and its Presidents for supporting the Contras and Ronald Reagan’s policy.

I particularly remember the first CBS program because it was narrated by Mike Wallace who followed me around a reception in Tegucigalpa trying to get me on camera for an interview. Ambassador Briggs had asked that any such interviews first be approved by the USIA Public Affairs Office and that is what I did. But Mike Wallace would not give up when I said that I could not be interviewed, and that he and his producer had to first contact USIA. Some local leaders told Wallace that the USAID Director was one of the most important people in the Embassy. The Hondurans were mesmerized that “60 Minutes” was focusing on their small country without fully realizing the negative consequences that could be produced in the U.S. and international media. The Ambassador was correct that we could not expect a fair and balanced broadcast, given the Iran-Contra Affair and the media’s bias against Honduras.

The second “60 Minutes” episode was in late 1992, after I had moved to El Salvador, and it was more serious. CBS sent a crew with hidden cameras to entrap USAID private sector officers into saying that they were encouraging textile manufacturers to relocate to Honduras. This was significant at the time because the U.S. economy was in recession. The textile industry had already lost most of its low-wage jobs, mostly to China and Asia, although also to Central America and Caribbean countries. The CBI legislation had contemplated production-sharing arrangements between American companies and those in the Caribbean Basin, as a way to maintain jobs in the U.S. A number of analyses showed that such partnerships (value chains) created more jobs than were lost, but in different skills.

The “60 Minutes” program showcased two women workers crying on camera and charging that USAID had exported their jobs to Central America. In the highly charged U.S. Presidential campaign of 1992, this was dynamite. It essentially ended USAID support to maquiladora industries and ZIPS. Later reports indicated that this media show was orchestrated by operatives like Charles Kernaghan of the ACTWU and staff from Bill Clinton’s Presidential campaign, who were seeking issues to use against President George H.W. Bush. This is particularly ironic because one of the major achievements of the Clinton administration was the passage of NAFTA that supported similar supply chain partnerships with Mexico.

What “60 Minutes” demonstrated was the impact that Honduras, with USAID support, was having to increase investment and jobs, as proposed in the CAI. Thousands of jobs were generated while also maintaining higher wage jobs in the U.S. By the time I
departed, Honduras was on a track to create well over 100,000 jobs in Export Processing Zones with U.S. and other companies, thereby making textiles and other non-traditional products its leading exports. As Honduras moved into the 21st century, it had transformed itself, evolving from an economy mainly dependent on bananas and coffee, to a much more diversified production and export base. It was one of the important achievements of USAID that unfortunately was discredited by “60 Minutes”.

Q: How did you attract these companies?

SANBRAILO: Recruitment was not done by USAID. It was carried out by the Honduran Foundation for Investment and Export Promotion (FIDE) that USAID and other donors supported, as well as by ESF programs that encouraged the GOH to create an improved climate for investors, especially in ZIPS. As was being done by other countries, FIDE advertised for companies in the U.S., Europe and South Korea to relocate to Honduras. What got lost in the “60 Minutes” exposé was that this was a Honduran initiative, approved by the U.S. Congress and Executive branch in CBI and CAI legislation, and in USAID budgets. It should not have been a surprise. USAID’s Congressional Testimony in the 1980s highlighted these programs as a fundamental part of its strategy. “60 Minutes” distorted and sensationalized what was happening. It incorrectly charged that USAID was exporting jobs of lower income Americans when many were suffering from recession and globalization.

Q: And you knew that Honduran institutions were doing that?

SANBRAILO: Yes, it was widely-known that FIDE, Honduras and other Central American and Caribbean countries were pursuing this type of strategy. It was being implemented throughout the Caribbean Basin by counties such as Jamaica and the Dominican Republic. Throughout the 1980s, FIDE was advertising in the U.S. and worldwide for investors and holding seminars in these countries about the advantages of assembling garments and producing other items in Honduras. A similar program was being implemented by FUSADES in El Salvador. Indeed, such action had been encouraged by the CBI legislation. Congressional delegations (CODELs) or their staffers who visited Honduras were briefed on these initiatives and regularly visited the export processing zones and the emerging maquiladora industries while they were under construction.

There seemed to be a consensus in Congress and in the Executive branch that promoting new exports was one of the most positive aspects of the USAID program and the quickest way to create jobs. They achieved CAI objectives of stabilizing Central America and helped the U.S. better compete with China and other low-wage countries in Asia. When the “60 Minutes” program was broadcast, many in the Executive branch and in Congress suddenly said that they did not know anything about what was going on. Some made it appear that USAID was a “rogue agency” that was out of control and operating on its own.

Q: No one was flagging that this might run afoul of U.S. domestic politics?
SANBRAILO: To be frank, the political reaction in the U.S. was not a major issue that many focused on. We had considered the possibility at least in USAID Honduras. There were analyses by leading trade experts, however, that showed that more jobs would be created or maintained in the U.S. through production-sharing arrangements; those same studies identified how such actions would improve textile company competitiveness. In terms of job retention, we felt that they would be sufficient to demonstrate that this was a “win-win” situation that would advance job creation in the U.S. and help the American consumer access lower cost items. Perhaps no one fully appreciated how successful the ZIPs would be in quickly creating jobs in Honduras.

What we failed to appreciate is how such an initiative could be politicized by highlighting the few lower-income American workers who perhaps lost jobs, even though many of the textile companies were already well-advanced in the process of outsourcing their production to plants in Asia. What we were doing was to maintain more jobs in the Caribbean Basin that promoted development, maintained higher-paying U.S. jobs, and supported actions that benefited consumers. It shows how politically treacherous trade initiatives can be to explain, as we have seen in recent years. “60 Minutes” did a great disservice to the American people.

Q: For the American consumer?

SANBRAILO: Yes, the American consumer could purchase lower-cost garments because of these arrangements. Throughout the 1990s and into the 2000s, a growing number of men’s shirts and women’s clothing sold in department stores said “assembled in Honduras”. The U.S. had already lost much of its textile industry to lower-wage Asian nations. Keeping these jobs in the Caribbean Basin would allow U.S. companies and workers to better compete internationally.

Earlier, a similar strategy had worked well in other places like Puerto Rico, along the Mexican-American border and in the Dominican Republic. In the 1980s, it was being replicated in priority countries like Honduras, El Salvador, Costa Rica, and Haiti to achieve stabilization and development objectives. It wasn’t something new or unknown, but the context was not provided. It was another way for “60 Minutes” to attack U.S. policy in Central America.

While most of the USAID-support to maquiladora programs was suspended after the “60 Minutes” episode, the CBI countries continued to implement them in the 1990s and beyond with their own resources. A highly regarded international trade expert, Ambassador Richard Bernal from Jamaica, prepared a number of articles on how these programs were saving jobs in the U.S. while promoting development in CBI countries as originally intended in CBI legislation. They in turn led to the Central America Free Trade Agreement (CAFTA) that recognized that such arrangements were in the best interest of the American people. By that time, Honduras had created over 150,000 jobs in maquiladora industries that had transformed the country.
Visitors were amazed at how the export processing zones (ZIPs) had produced higher wages for local workers and provided all kinds of social services that were previously unknown. While there were some labor abuses, mainly by Korean companies, a number of independent studies demonstrated that the ZIPs had substantially upgraded working conditions and wages for Hondurans. Unfortunately, the positive part of the story never was told, although there were a few excellent “op-eds” that did attempt to make this case and demonstrate how the U.S. was benefiting from CBI programs.

Q: How many jobs did people claim you had taken from the United States?

SANBRAILO: I am not sure that there was ever a specific figure, although Kernaghan at the ACTWA maintained they were tracking the jobs lost. The “60 Minutes” episode, and others like it, embellished and dramatized the story while being vague about specifics. It largely focused on anecdotal cases of two American women workers who may have been adversely impacted and then generalized from those cases. It was never clear who exactly they were and if in fact their jobs went to Honduras, to another Central American or Caribbean country, or even to Asia. It was a classic case of “yellow journalism”. What was not mentioned was the thousands of other jobs that were maintained or created in the U.S. in product design, advertising, marketing and other fields that could have been lost if it had not been for these production sharing agreements.

After all of the drama, there were few follow-up analyses. No real focus was directed to those who supposedly had been adversely impacted, or to the nuances of what had been done. Yet a negative image was created in the minds of many about Honduras and El Salvador. The incoming Clinton administration clearly had no incentive to continue such programs, even though it adopted a similar supply-chain rationale for the NAFTA negotiations.

Q: Did USAID try to defend these programs on the Hill and elsewhere?

SANBRAILO: Yes, and there were some excellent presentations made by the LAC Assistant Administrator. Other efforts, however, made the situation worse. It is important to recall that USAID did not have an effective Administrator during this highly charged campaign year who should have assumed a leadership role in defending the program from what were clearly political attacks that favored the 1992 Clinton campaign. Instead, it fell to USAID’s Legislative and Public Affairs (LPA) office and career staff to explain what had been done and why. Unfortunately, LPA did not have the most effective officers. They alienated different media outlets and made the situation worse.

Q: So other media picked up on the story?

SANBRAILO: Oh yes, very much so. Besides “60 Minutes”, ABC “Nightline” identified other workers who they claimed had lost their jobs because of USAID. For about a month, the story fed upon itself and entered the ongoing Presidential campaign. It was sad because USAID had the arguments and data but could not get them out with all of the media frenzy and an ineffective LPA. No one really wanted to listen; the power of “60
Minutes” overwhelmed rational discussion of alternative views and a more balanced presentation. I was later advised that the Clinton campaign operatives who orchestrated the “60 Minutes” episode got promoted. They were given credit for creating a negative image of the Reagan- Bush policies and consequently helping Clinton’s election in November 1992.

It is particularly ironic that leading experts on Inter-American relations now believe that George H.W. Bush’s left an important but little-known legacy in Latin America through his support of the CBI and CAI, and his Enterprise for the Americas program which accelerated the development of export processing zones, production sharing arrangements and maquiladora plants in the region. This was the policy context that was missing from in the 60 Minutes program and media reports. See “George HW Bush and Latin America: An Overlooked Legacy” by Michael Shifter, and

**Q: Did you know about these details as they unfolded?**

SANBRAILO: No, not at all. A year earlier, I had moved from Honduras to El Salvador which was also the subject of this exposé. I was largely responding to the emerging Peace Accords and directing other initiatives in El Salvador, especially a large earthquake reconstruction program. What I recall is we got little support from the White House, the Administrator or USAID’s Legislative and Public Affairs Bureau, which abdicated their leadership, although some Bush officials did speak out to defend these programs. There was an unfortunate sense that “60 Minutes” was just too big to handle in an election year. Some on the Hill and in the Executive branch were hiding out, knowing full well that these programs had been approved. There was an unfortunate failure of communication in a highly charged presidential campaign year.

What we needed were better media advisors and for the administration to have stepped up and more effectively defended the approach. This reflected the disarray in the Bush campaign that ultimately led to Bill Clinton’s election. We were tied up doing damage control while also managing large ongoing activities. Perhaps the strategy used by Ambassador Briggs in 1987 was correct, which is not to go on camera with “60 Minutes” and similar outlets. Instead professional communications people ought to manage the interaction with the media, and issue written statements to control the message and not allow them to manipulate camera images to reinforce preconceived notions of the story. It was clear that “60 Minutes” had an agenda and we should have been more aware of it.

Unfortunately, later in the 1990s, USAID would again open itself to another exposé by “60 Minutes”, this time of its efforts to improve the administration of justice in Haiti. The USAID Director in Port-au-Prince went on camera. “60 Minutes” again manipulated the story to show that she did not know what was happening and suggested that taxpayer funds were being poorly used. It was another example that such a media appearance, if done at all, requires careful preparation and should be guided by experienced communications professionals.

**Q: Well, that’s fairly dramatic stuff: how would you sum up your time in Honduras?**
SANBRAILO: The USAID program achieved many positive results, as well as having shortcomings. The policy of containing the Sandinista military threat and the FMLN from seizing control of El Salvador and destabilizing other countries was successful. Honduras avoided the thousands of deaths and physical destruction that characterized Nicaragua and El Salvador. It no longer was the poorest country in the region; Nicaragua unfortunately assumed that title. A process was begun that transformed the Honduran economy that is still underway. Millions improved their incomes and standard of living because of rural development, employment and social programs that USAID funded.

A major decentralization process was initiated that granted increased authority to municipalities and civil society organizations. For nearly two decades, Honduras maintained fair and free elections, peacefully rotating power among opposing political parties. While democratic institutions and governance remained fragile and incomplete, there were significant improvements that were later demonstrated by Honduran effectiveness in expanding the ZIPS with its own resources, implementing far-reaching sector programs funded by international agencies, quickly utilizing nearly $300 million in Hurricane Mitch reconstruction aid, successfully executing the MCC compact, and approving the CAFTA agreement.

At the same time, there were shortcomings. Honduras still had serious governance and corruption issues, as seen in many other countries. Democratic institutions remained fragile. Progress on judicial reform, human rights, drug trafficking and public security were inadequate. The large reduction in USAID funding that began in 1992 did not allow the Mission to fully consolidate and deepen the reform momentum begun in the 1980s, especially for macroeconomic reforms, social programs, institution-building and governance. While the Callejas administration started off well in 1990-1991, it latter faltered, backsliding on economic reforms and allowing itself to get mired in allegations of corruption. It never lived up to the expectations that so many had for it.

Yet Honduras significantly changed. Any objective analysis of what the country looked like in 1980, verses what it looked like in the 1990s, must highlight the historic economic, social and democratic transformations. It is often easy to laugh at Honduras and not to take it seriously, as many policy-makers and writers do. It is also easy to focus only on its ineffective leaders, endemic corruption, and ongoing struggles with crime and drug trafficking, and then throw up your hands in despair and say “what a failure these programs must have been”. There will always be those who choose to accentuate the negative, view countries in black and white terms, and seek perfection in an imperfect world. Such a superficial attitude, and a lack of historical perspective, do a disservice to those Hondurans and Americans who worked hard over many years so that the country could progress.

Finally, it is important to place Honduras in context to appreciate some of the criticism. Throughout the 20th century and into the 21st, this country has been ridiculed and deprecated on a regular basis. In his famous bestseller of 1904, Cabbages and Kings, O. Henry wrote of Honduras as a country of greedy rulers, dishonest bureaucrats,
innocent peasants, where businessmen could make quick fortunes and wield great power. While the U.S. banana companies transformed the North Coast from a lawless, disease infested and almost uninhabitable region -- dramatically increasing production, exports and social services -- they have been demonized for their immoral practices and for converting Honduras into the quintessential “banana republic”. Lack of objectivity in assessing the country’s development, and those who supported it, continues to this very day.


*Q: And now, what led to your assignment in El Salvador? Was it because they needed someone there, or they thought you’d been in Honduras long enough, or both of those things?*

SANBRAILO: The USAID Director in San Salvador, Hank Bassford, was interested in an assignment as Director in Egypt. The Bureau needed a senior Director with Central America experience to serve in El Salvador that had become the highest priority in the region. Because of the ongoing civil war, the election of a moderate President, and the emerging peace process in 1990-1991, this country was LAC’s largest and most important. El Salvador was the equivalent of what the programs in Iraq and Afghanistan have been in recent years.

With the breakthrough in Honduran economic reforms in 1990-1991, and a well-defined USAID strategy, the timing for a succession from one Mission Director to another was appropriate. Marshall “Buster” Brown, who was then the USAID Director in Egypt, had always liked the idea of working in Honduras. After serving as Counselor and LAC/DAA, Buster was highly qualified for what unfortunately became a much smaller program.

I had been in Honduras for about four and a half years. Hank Bassford had served in El Salvador more than three years and he wanted a mission outside of the LAC region. Egypt had one of the largest programs in the world. Washington had a solution with three experienced Directors for its largest Missions. So off I went to San Salvador in 1991.

*Q: What were the key differences between Honduras and El Salvador?*

SANBRAILO: Well, Honduras had been an “island of relative peace” in Central America while El Salvador was embroiled in a brutal civil war with tens of thousands of lives lost and widespread destruction of infrastructure. The FMLN was routinely blowing up bridges and public services, especially electrical transmission towers, to undermine the government. It even directed rockets into office buildings in San Salvador, which almost killed a number of staff prior to my arrival.

The GOES was using USAID funds to rebuild roads, bridges, electrical systems, schools, hospitals and other facilities that had been bombed by the FMLN or were badly damaged
by a recent earthquake. While the level of violence had subsided somewhat by the time of my arrival, there were still major security issues up to the signing of the Chapultepec Peace Accords in January 1992.

Bodies of those who had been assassinated during the night would be piled up in the streets in the morning, some in front of the Embassy or the Ambassador’s residence. The country was much more polarized than Honduras and there was pervasive violence. The horrendous savagery and human rights abuses were the worst the region had ever experienced.

At the same time, the Salvadorians were famous for their work ethic and entrepreneurial spirit, even being termed the “Japanese of Central America”. Large numbers, especially young men, fled to the United States in the 1980s because of the indiscriminate killings on both sides. They began sending money home as remittances. This is the origin of the large Salvadorian presence today in U.S. cities like Washington, D.C, Los Angeles and San Francisco.

There was open warfare throughout the country, even in the capital city of San Salvador. Since 1979 the Farabundo Martí National Liberation Front (FMLN) had fought to impose a Marxist-Leninist regime, aided by the Cubans and Sandinistas together with their patrons the Soviet Union. The FMLN controlled large sections of the country, like Morazán and Chalatenango departments. Prominent personalities in Hollywood and on U.S. campuses were sending funds to aid the insurgency as it battled the Salvadorian military, equipped and supported by the USG. The conflict turned out to be one of the last battles of the Cold War.

As in Honduras, 1989 marked a crucial turning point in the War with the election of a moderate business leader, Alfredo Cristiani, who felt the military could not prevail. He favored peace talks that would allow for economic and social reforms and for private investment to stimulate growth. The FMLN made a final attempt to win the conflict with a nationwide “Offensive” in November 1989, with vicious fighting throughout the country and in the capital city. It was the largest battle of the war and was often referred to as the equivalent of the Tet Offensive in Vietnam. A sense of what happened is provided by the ADST history: “El Salvador: the Sheraton Hotel Siege and the Jesuit Murders”.

The failed “Offensive” shocked the new GOES and military, demonstrating that the civil war was stalemated and neither side could win. With the fall of the Berlin War and collapse of communism in Eastern Europe and Russia, as well as an economic crisis in Cuba and the defeat of the Nicaraguan Sandinistas at the polls in 1990, the ever pragmatic Salvadorians entered discussions to end the war, with the mediation of the United Nations and encouragement of the Bush administration.

There was a large U.S. Mission, and a large USAID program with almost $1.0 billion in multi-year financing. The Country Team included outstanding Political, Economic, Public Information, Military, Intelligence, USAID, and other personnel. There was high
morale and a spirit of comradery among all agencies, which unfortunately was not always present in my final years in Honduras. The MILGROUP was large, although USAID was probably the single largest unit with well over 300 USDHs, FSNs, contractors and NGO partners. We even had our own helicopter, with its helipad located beside a USAID building in a new $80 million Embassy compound in Santa Tecla. The helicopter could take us anywhere in this small, fragmented and densely populated country in about an hour.

When I arrived in San Salvador, William Walker was U.S. Ambassador but he departed in early 1992 to become Vice President of the National Defense University in Washington, D.C. As part of the UN-led peace talks in Mexico City, he was involved in opening negotiations with the FMLN in their rural strongholds. The Country Team’s daily focus was on the emerging peace process and preparing for the demobilization of forces, as well as supporting the many ongoing projects to help mitigate the impacts of the civil war and put in place longer-term reform and development programs.

The Peace Accords were mediated by the Peruvian Alvaro De Soto, a controversial special representative of the UN Secretary General. They were signed on January 16, 1992 at the Chapultepec Castle in Mexico City by the Salvadoran government and FMLN, ending the 12 year civil war. As a result, the FMLN became a political party. Due to the contentious nature of the Accords in the U.S. Congress and in El Salvador, and the upcoming U.S. elections, Ambassador Walker was replaced by a Chargé d’Affaires, Peter Romero, since there was a sense that a new Ambassadorial nominee may not be confirmed by the Senate.

Q: What did the USAID program look like?

SANBRAILO: Throughout the 1980s and much of the 1990s, El Salvador was one of USAID’s largest programs, especially significant given the national population of 5 million. It is a real shame that there is no comprehensive history of what was done because it transformed the country and brought peace by 1992. What came to be called the “El Salvador Miracle” began in the 1990s that extended for the next 15 years, until the financial crisis of 2007-2008.

The program accelerated economic growth, expanded the coverage of social services, strengthened democracy and inclusion, decentralized power to municipalities and NGOs, financed structural changes like land reform and titling, and created the conditions for the peaceful transfer of the Presidency to the FMLN political party in 2009. As with most such Accords, they could not address every issue in this country’s troubled past. Nevertheless, they amounted to a historic transformation that unfortunately has not been fully appreciated. The debate over what the peace process produced continues to rage even today.

Once the war concluded and the Accords were signed, there was great pressure for the USG to cut back its funding, although not as much as had happened in Honduras, and to forget El Salvador, especially with the election of the Clinton administration in
November 1992. Funding declined but the USG remained more engaged than in Honduras, in part because of Congressional pressure to support the Chapultepec Accords. Funding gradually declined in the 1990s, but there was substantial USAID support later for earthquake reconstruction in 2002. As a result, assistance was continued for recovering from another natural disaster and for a few social programs.

In 2006, El Salvador received one of the first MCC compacts totaling $461 million and began participating in the free trade agreement CAFTA, which greatly helped it through the worldwide financial crisis a couple of years later. Much of the MCC compact was implemented through institutions that USAID had developed or strengthened in the 1980s and 1990s. In addition, billions of dollars in remittances began flowing into the country from the hundreds of thousands of Salvadorans who had fled to the U.S. during the 1980s. Yet, after the signature of the Accords, most of the international media, moved on to other hot spots. The El Salvador success was largely forgotten.

When I arrived, USAID expenditures totaled more than $300 million a year, with the largest portion comprising ESF for political and economic stabilization, and for supporting major structural reforms. Numerous projects were also funded with Development Assistance for agricultural modernization and increasing non-traditional products like fruits and vegetables, developing export processing zones and small and microenterprises. The Mission had large grants to improve health services and sanitation, to expand and upgrade public education and teacher training, and to strengthen the administration of justice and democratic institutions. Some of the first USAID-supported judicial reform actions began in El Salvador in the late 1980s because of the brutality of the civil war and the human rights abuses. One project alone for reconstructing San Salvador from the terrible 1986 earthquake totaled over $150 million and funded hundreds of activities all over the city.

Our principal GOES counterpart was the Ministry of Planning, led by a brilliant woman, Mima Lievano de Marques, who was one of the most effective officials that I had in my career. She headed the Economic Cabinet and led the formulation of policies and programs with the line ministries like Finance, Public Works, Agriculture, Education, Heath, etc., as well as the Central Bank, all of which received ESF-generated local currency to support and expand their operations, with USAID supervision. This brought about significant changes in GOES budget management, bidding, contracting, supervision and overall transparency. It instilled a new spirit of public service in the bureaucracy, especially with the Cristiani administration that was more open to USAID advice.

Traveling around the world, and letting everyone know that a new day had arrived in El Salvador, the Minister of Planning, encouraged multilateral and bilateral donors to re-engage with her country. She led the planning for a USAID supported and World Bank-led CG in 1992 that mobilized almost $3.0 billion to implement the Peace Accords. It opened the door to other donor funding that had dried up during the 1980s. This was a key strategy to graduate El Salvador to more sustainable and diversified relations with the international community and was a great success during my time as Director.
In the field, one of the most important initiatives was the USAID-funded “Mayors in Action” that provided GOES/USAID “block grants” to local officials, especially in rural areas, with the condition that the funds be programmed for projects through “Open Town” meetings and participation of a broad segment of the community in setting overall priorities and supervising expenditures. For the first time in Salvadorean history, this program empowered local officials, some allied with the FMLN, and greatly nurtured grassroots democracy. It was so popular that the FMLN could not blow up these community projects. Many local analysts said that “Mayors in Action” was a factor in encouraging the FMLN to enter peace talks since the communities were turning against its indiscriminate violence and destruction.

As in Honduras, empowering the private sector to play a leadership role in promoting peace and development was a key priority. In the mid-1980s, USAID provided funding to establish a multi-purpose Foundation, Fundación Salvadoreña para el Desarrollo Economico y Social (FUSADES), to mobilize and organize the private sector to participate in addressing the inequities that had produced the civil war, to advocate for reforms, to serve as a research center, and as a private sector alternative to implementing programs that the public sector could not do because of the ongoing conflict or limited human resources. A sister NGO, Fundación Empresarial para el Desarrollo Educativo (FEPADE), was also established to expand and upgrade technical training and promote educational reforms. Both were begun by a prominent private sector leader, Roberto Murray Mesa, who modeled FUSADES on an OAS affiliate, PADF. PADF had developed a similar foundation in the Dominican Republic in 1965 in that civil war, and provided early technical assistance to help FUSADES become operational. While executing a broader mandate, FUSADES was similar to FIDE in Honduras, CINDE in Costa Rica and Fundación Chile. They continue to be models for dealing with countries in conflict.

Most importantly, using economists from Chile, FUSADES led an initiative to promote and educate Salvadoreans about market-based structural reforms and the need to move toward an export-led strategy. It became highly successful in the 1990s and 2000s in generating increased national growth, investment and employment. With USAID funding, FUSADES led efforts to promote non-traditional exports, to develop export processing zones, to finance micro and small enterprises, to strengthen civil society organizations, to facilitate private sector involvement in actions to address the country’s many challenges, and to create a more positive narrative about the future than that advocated by the FMLN and its discredited communist allies.

Equally important, FUSADES served as an incubator of leaders for the Cristiani administration. Cristiani himself was one of the founders of FUSADES and served on its Board. Prior to becoming Minister, Mirna Lievano de Marquez was a part of the senior staff, along with other leaders in the new government.

The crucial importance of FUSADES in supporting the peace process and the country’s development is highlighted by Diana Villiers Negroponte in her Ph.D. dissertation,

Other Salvadoran NGOs, community groups and cooperatives were also developed and strengthened, including the Fundación 16 de Enero that the FMLN had organized. USAID provided assistance to this Foundation through the Central America Graduate Business School (INCAE) to conduct seminars on global trends, the collapse of communism, and modern economic and social analyses that could guide them in forming a political party, participate in Salvadoran society and facilitate their involvement in the World Bank CG.

Fortunately, INCAE had great creditability because of its academic objectivity and for its prior work in advising the Sandinista government. It was motivating to see the FMLN leadership debating such works as Milton Freidman’s Capitalism and Freedom, Hernando De Soto’s El Otro Sendero, Samuel Huntington’s “The Third Wave: Democratization in the late 20th Century”. These seminars presented the challenges facing the Cuban economy after the fall of the Berlin Wall and the transition away from communism in Russia and Eastern Europe. Needless to say, this involvement with FMLN groups, attracted intense local criticism because of the deep bitterness about the killings and destruction. Yet such assistance reflected the willingness of the USAID to work with both sides to promote national reconciliation and to develop a common framework for moving forward.

There were also large programs in the education and health sectors and hundreds of Salvadorans participated in the Central American Peace Scholarship (CAPS) program that developed a new generation of community leaders. The health and education initiatives were particularly instrumental in expanding coverage to the large underserved population and in improving social indicators. As with “Mayors in Action”, they empowered local communities to participate in a much greater degree in supervising teachers and field health and sanitation workers.

We were also completing a far-reaching earthquake reconstruction in San Salvador to finance rubble removal and rebuild and equip over 170 schools, health centers and hospitals; highways and other infrastructure, public markets and more than 100 apartment buildings and community housing projects. The tremendous success of this program was due to Salvadorian leadership and especially to the USAID Project Director, Chuck Brady, who did a masterful job in supervising it with favorable evaluations and no major audit findings.

When another massive earthquake hit San Salvador in 2002, the USAID-funded projects survived. A new building code and standards introduced with USAID technical assistance helped to protect the city. Unfortunately, this $150 million program has long been
forgotten and doesn’t even appear in the records of USAID’s Office of Foreign Disaster Assistance (OFDA) because it was largely funded by the LAC Bureau. There is a final report in the DEC, *San Salvador Builds Back: Earthquake Reconstruction Project*, published in 1993.

**Q: So USAID could do policy dialogue and carry out development and reconstruction programs even in the middle of the Civil War?**

SANBRAILO: Yes, very much so. The Central America Initiative (CAI) developed by the Kissinger Commission specified that improving economic and social conditions, and strengthening democratic participation, were fundamental for the GOES to prevail in the war and for the U.S. to achieve its objectives. There was, and continues to be, serious misconceptions that national security programs do not accomplish development objectives and important reforms. This was not the case in El Salvador or Honduras. It was not the case for Taiwan and South Korea in the 1950s and 1960s, or in the Dominican Republic in the 1960s, or in Colombia today.

When I arrived in El Salvador in 1991, I inherited a robust USAID policy dialogue with the GOES dating to the late 1980s. Through FUSADES and other local actors, the Mission was building a consensus and reform momentum that needed to be carried out by Cristiani and subsequent governments. Through INCAE we were even dialoguing with FMLN leadership about these reforms. The most contentious subject in this period and subsequently, was the provisions in the Peace Accords and the willingness of the GOES, FMLN and general public to accept them. Many Salvadorans believed strongly that you should not “negotiate” with murders and kidnappers. Cristiani often had to characterize the talks in Mexico City as a “dialogue”, not negotiations. Even after the Accords were signed, there was major criticism of them.

**Q: What was it like working with President Cristiani?**

SANBRAILO: It was different than with Belaúnde in Peru or Azcona in Honduras, who were architects/engineers and tended to measure development by the number of public works and infrastructure projects. Alfredo Cristiani came from a wealthy Italian immigrant family that had interests in pharmaceuticals, coffee, cotton and agricultural production. He was a pragmatic businessman, and a Georgetown University graduate in business administration. He rose to prominence as a leader in coffee production, processing and marketing, and represented the Monsanto Company.

As a moderate in a highly polarized country, Cristiani was the right leader at the right time. He led the center right “National Alliance Republican” party (ARENA) to a 20-year period of ARENA presidencies through free and fair elections. The year 2009 marked only the second time in El Salvador’s history that a ruling party peacefully transferred power to the opposition, namely its arch rival the FMLN party. This transition was a significant achievement for consolidating democracy. It was a significant but unrecognized success of U.S. policy and the USAID program.
Cristiana was astute at recognizing that the GOES could not win the war and had to build an international consensus for a new vision of peace and development. The country was viewed negatively for its clear human rights atrocities and most donors had cut off cooperation in the early 1980s and left the “heavy lifting” to the United States. President Cristina traveled to Washington often to sell his plan in the U.S. Congress and not just in the executive branch. He built a coalition made up largely of Republicans, although with some Democrats, who supported him. Likewise, he reached out to the Europeans and leading LAC countries to get them on board, which paid major dividends for the Peace Accords and in encouraging both sides to come to a quick agreement in Mexico City.

He even brought in Peruvian economist Hernando De Soto to start a property titling program to demonstrate his government’s commitment to structural reforms at the grassroots to help the poor and excluded. This initiative possibly sent a message to Hernando’s brother, Alvaro, who would be the chief UN mediator for the Peace Accords. Later however individual property titling would clash with FMLN insistence on collective ownership of land so that it could maintain control over its former militants, who received land and those communities it still controlled. What many international analysts and the media failed to capture was the deep conservatism of much of the rural population and its support of ARENA. The campesinos wanted individual property titles through land reform, and they especially wanted peace. Some in the FMLN leadership were attempting to impose their collectivist ideas through vicious threats and the barrel of a gun.

Unfortunately, after Cristiani left office, leftist groups in Europe and elsewhere attempted to discredit him and his government because of the Jesuit killings during the 1989 FMLN “Offensive”. For example, the Center for Justice and Accountability and the Spanish Association for Human Rights filed a lawsuit in Spain charging Cristiani and the Salvadorian military with direct responsibility in the murder of the Jesuit priests. Even FMLN representatives traveled to Spain to testify in favor of Cristiani. He was acquitted while military officers from that period were convicted.

The action in Spain built upon another CBS “60 Minutes” episode in March 1993 narrated by Bill Bradley in which he highlighted the most horrendous murders, such as at El Mozote and the Jesuit killings. It presented a negative view of El Salvador, the Bush administration and Ambassador William Walker. The scheduling of the broadcast appeared to be an attempt to undermine support for the Peace Accords with the new Clinton administration and to make U.S. funding for them more difficult to obtain. While the “60 Minutes” exposé proved less impactful among the American public than the previous one on the export processing zones, it did complicate our efforts to get final Washington approval of the $300 million to support the Accords.

I hope one day someone will write a dissertation or book on the role of “60 Minutes”, and those in the international media, who in my view misrepresented Central America starting with their attacks on Somoza in the 1970s. They regularly produced programs that presented the Sandinistas and FMLN insurgents in a favorable light, as “Jeffersonian democrats”. The Central America civil wars cost American taxpayers billions of dollars.
to stabilize an area that was of crucial geopolitical importance for the United States. Reporting by the media may go down as similar to what the NY Times did in the 1950s to promote Fidel Castro and the Cuban Revolution, helping to consolidate a totalitarian regime that brought the world to the brink of thermonuclear war in 1962. The same thing could have happened in Central America.

I saw all of this unfolding as part of a campaign to discredit the Peace Accords. It has continued to the present, despite favorable analyses of the Accords included in Diana Negroponte’s writings, as well as in The El Salvador Accords: A Model of Peace Keeping Actions by James Roush in 1997, or The Structure of Negotiations: Lessons from El Salvador for Contemporary Conflict Resolution by Jeffrey Pugh in 2009. Leftist groups and some academics, however, dispute these findings and maintain that El Salvador’s current problems of crime, violence and impunity trace their origins to U.S intervention, the Peace Accords and the National Reconstruction Program that imposed “neoliberal” economic reforms on the country and did not address its social inequities and poverty. In my review these charges are baseless.

Even Alvaro De Soto joined this leftist group and claimed he, as UN mediator, was never consulted about IMF-WB “neoliberal reforms” that were included in funding for the National Reconstruction Program. This again is untrue. The UN fully participated in the World Bank-led CG in 1992 that discussed the rationale for the reforms to be supported. The FMLN attended these meetings and supported them. In my view, this line of thinking is aimed at diverting attention away from the UN failure to build a viable National Police Force that it was assigned to do as part of the Chapultepec Accords. What Alvaro De Soto and others are attempting to do is point the finger at the IMF/WB, and indirectly the USG, USAID and the Washington Consensus for El Salvador’s subsequent problems.

Q: What were the major provisions in the Peace Accords?

SANBRAILIO: They included far-reaching measures to: 1) reform and significantly downsize the Salvadorian military and demobilize and reintegrate FMLN fighters; 2) create a national police force composed of both former military and FMLN combatants; 3) major judicial reforms; 4) electoral reforms that would allow participation by the FMLN in politics; 5) land transfers to former FMLN fighters and agrarian reform; 6) the implementation of a National Reconstruction Program that would be funded not only by USAID but other donors, like the UN, the World Bank, IDB, the European Community, bilateral agencies like the Nordic countries, Japan and Taiwan; and, 7) assurance of FMLN political participation in Salvadoran society.

To verify compliance, the United Nations created a “UN Observer Mission in El Salvador (ONUSAL)” that was charged with building a new National Police Force with military and FMLN participation. As various studies over the past 20 years have noted, “…..the case of El Salvador is widely considered a success of peace building efforts, due in part to significant structural changes in the military and police, and addressing the root causes of the conflict, that have prevented the return to armed conflict”. Yet building an
effective police force was not a major success. It explains many of El Salvador’s current problems with criminal gangs, drug trafficking and one of the highest homicide rates in the region.

Many of the Peace Accord reforms closely tracked with measures being supported by USAID. Shortly after my arrival in 1991, we engaged with the GOES and the World Bank on the organization of a Consultative Group of donors to mobilize funding to implement the Accords. Building on my experience in Honduras, this was one of our major achievements, making sure that the country was ready for a CG and that USAID had prepared a significant package of new funding that could influence other donors and demonstrate U.S. resolve in supporting the Accords. This was not easy because some key Washington policy-makers favored a “cut and run” strategy after the signing of the Accords, as had happened in Honduras. Many countries were still skeptical about whether the Accords would hold. These concerns were accentuated by “60 Minutes”-type exposés, cited above.

The Minister of Planning brilliantly led the effort with USAID support and WB technical advisors, and quickly became the “star of CG show”. As mentioned, Mirna Lievano de Marquez traveled around the world prior to the CG selling the National Reconstruction Program. One of my favorite memories was how the Japanese representative at the CG spent 10 minutes describing the favorable impact that the Minister had on the Japanese public when she appeared on the television program “Good Morning Japan”. Having FMLN representation at the CG and allowing them to participate, was another success that USAID had encouraged.

If I recall correctly, the CG ultimately mobilized nearly $3.0 billion in donor commitments, although it was expended very slowly and some not at all. For much of the 1990s, USAID remained the largest donor in terms of expenditures but symbolically the CG was a great success in demonstrating global support for peace. The Accords proved important because many Salvadorans continued to detest the FMLN and thought they should be jailed for murder and kidnapping and not rewarded with funding. Reconciliation after a long and bitter civil war is never easy, as shown today in Colombia. The commitment of large amounts of funding by the international community proved vital in facilitating the peace process and reconciliation that has now existed for more than 25 years.

Q: Tell us more about working with the World Bank and the USAID program to support the Peace Accords,

SANBRAILLO: It was positive dealing with WD officers Rainer Steckhan and Luis Ernesto Derbez, with whom I had worked in Honduras. The Bank had great respect for AA/LAC Jim Michel and that greatly helped as he mobilized support from State and Treasury for the CG. After the struggles we had with the Hondurans on ESF conditionality, the Bank was enthralled by the Minister of Planning and how she was so effective in leading the Economic Cabinet and getting Presidential approval for structural
reforms that were controversial. It again demonstrates the crucial importance of host country leadership in achieving success.

The Bank was clearly impressed with the technical expertise of the USAID staff, and how deeply we were embedded in the government and private sector, especially our economists like Juan Belt. They turned to us for guidance because we were on top of so many issues and were helping the Salvadorians formulate stabilization/structural reforms and innovative new programs like Mayors in Action and measures to improve the investment climate and increase exports. USAID had the ability to bring key actors together that no one else had. We had a country programming perspective reminiscent of approaches done in the 1960s.

The Bank and other donors did not have programs in the country for well over ten years and required our support to organize the CG. There were numerous policy and programming issues that needed to be address to make it a success. I would later be granted a U.S. Presidential Award for my work in El Salvador and Honduras in getting the IMF/WB and other donors engaged with these countries, which proved crucial in supporting the Peace Accords, consolidating the reforms and generating growth.

Another crucial factor was gaining bipartisan support from the U.S. Congress for our Peace Accord program even before we presented it to Washington. We did this through the many CODELs and STAFDELs that came to El Salvador, on almost a weekly basis. A number of Congressional staffers followed the country closely, some for ten years, and they all had their favorite Salvadorian contacts and counterparts, some secretly supporting the FMLN. To the extent feasible, we would incorporate their ideas into the program and make Congressional staffers feel like valued members of the USAID Mission team whose ideas were fully considered. Through FUSADES and other local groups like Fundación 16 de Enero, we conducted a systematic review and came up with high priority Peace Accord projects that should be included in any program and regularly crossed checked them with the Minister of Planning and its prioritization of activities. There was an amazing coincidence of views on what needed to be done to make the Accords successfully.

An important consensus existed that success would depend on an economy that was growing and producing jobs, so the rapid expenditure of ESF cash transfers to support structural reforms continued to be a high priority, especially to give time for the IMF/WB/IDB/EU/UN to mobilize their resources. Such funding was also needed to generate local currency that would facilitate GOES compliance with the Accords. The next key element was support to demobilize former FMLN fighters and ensure their productive and peaceful reintegration into society. Finally, there was support to facilitate electoral and judicial reforms, as well as funding for land transfers to ex-combatants that was one of the issues at the heart of the insurgency. But most importantly, more effective local governments that could act autonomously, coupled with increased health, sanitation, housing and education programs directed to the lowest income population, would demonstrate that El Salvador had fundamentally changed.
Q: How much USAID funding was provided to support the Peace Accords?

SANBRAILO: Incredibly we were able to gain approval of $300 million for disbursement over a five year period. This happened because of USAID’s and the GOES’s effective relations with the U.S. Congress, despite “60 Minutes” trying to sabotage these efforts. The continuation of high levels of ESF to support economic and social reforms in 1994-1999 proved fundamental to ensuring the success of the Peace Accords. It demonstrated to the donor community and national opinion leaders that the USG would remain engaged, whereas the strategy in Honduras was unfortunately to downsize and disengage as soon as possible.

Approval of such a package was made possible largely through U.S. congressional action and highly effective advocacy by President Cristiani and his team. At the same time, USAID made it possible by preparing the groundwork with congressional staffers and showing them on the ground that we would deal fairly with both sides. Much like the U.S. Congress, the staffers were divided about what to do. It was USAID that showed the way forward in terms of targeted reforms and development programs that could advance the peace process and ensure success.

Q: So what was it like dealing with the FMLN?

SANBRAILO: It was not easy since many of them had been fighting for many years and were quite suspicious of us. They were still stuck back in the old Cold War days and felt that we would write a blank check to them. That we wanted plans for expending funds, that expenditures had to documented, and that we would monitor and evaluate results, were new concepts for FMLN leaders. They had been receiving funds from Hollywood celebrities, U.S. college students, and others, who did not require such procedures and they expected the same would be true with congressionally appropriated funds. This took some time to fully explain and how we had to operate. Some of the FMLN would complain to their favorite congressional staffers in Washington. But because of the groundwork we had laid with those staffers, we had their support. At the same time, we provided staff to work with the FMLN to help them prepare the necessary documentation so as to demonstrate our goodwill, even though some of the FSNs in the Mission were deeply skeptical about the Accords.

I worked with Joaquin Villalobos and Ana Guadalupe Martinez whom the FLMN named to negotiate with USAID about the assistance to be provided to facilitate ex-combatant reintegration. In similar conflicts in other countries, the UN would normally be charged with such tasks, but both sides wanted aid delivered by the USG. USAID was the only mechanism that could do it, much like with aid to the Contras. Each of the sub-groups forming the FMLN had their representatives in Washington, engaging with Congress and staffers on the assistance package. As a result, they felt that they would have more leverage over us at the Mission.

Some of the most contentious issues involved the provision of “encerés básicos” to FMLN ex-combatants. The leadership had insisted on some luxury items, like microwave
ovens and televisions, which we rejected. When we removed such items from the list, they would complain to congressional staffers in Washington, who again backed us up. As a result, we finally reached agreement on a basic package that would be provided and it went amazingly well. The FMLN also learned a great deal about how to deal with international funding, which later served them in forming a political party.

Likewise, during my tour, we began the first land transfers to FMLN ex-combatants at highly emotional ceremonies in which the new landholders would occasionally breakout in tears. They thought that they would never see such a day. At the same time, the FMLN insisted on collective ownership through a cooperative or other similar organization run by them. We never fully resolved this issue. Demonstrating its pragmatic orientation, the GOES essentially accepted variations and flexibility to ensure that forward momentum was maintained. At the same time, the local press had bold headlines that USAID was giving away the country to criminals, murderers and kidnappers. It was not a pleasant time since the Accords were so sensitive to many who had suffered so much.

As a result, we gradually gained the confidence of the FMLN leadership and they got to know us and we got to know them. Ana Guadalupe Martinez, in particular, was interesting and was something like the Joan of Arc or Ché Guevara of the FMLN. She advised that her radical political formation was encouraged by involvement with the Peace Corps in her home town of Santa Anna. I was told that her parent’s home was where some Peace Corps volunteers lived in the 1960s and 1970s and she may have absorbed some of their ideas about what was needed for revolutionary change to move her country forward.

Q: Frank Mankiewicz (former Peace Corps Latin America Director) would be proud.

SANBRAILO: Yes Mankiewicz believed strongly in the revolutionary role of Peace Corps Volunteers. If I recall correctly, Ana told us that one of the Peace Corps volunteers that she met was Mark Schneider, who would later become USAID LAC Assistant Administrator and Peace Corps Director. Mark and I both attended Berkeley in the early 1960s, but we did not know each other. We graduated the same year and joined the Peace Corps, he going to El Salvador and I to Venezuela. Our thinking went in different directions and shows the diversity UC Berkeley created in its graduates.

As I understood it, Ana was one of the FMLN’s most effective fighters and leaders, showing how important women are in Salvadoran society. She was captured by the military during the worst period of the War in about 1983. Ana said that she was raped and terribly brutalized in jail. I understood that her life was saved by the head of the security services, who was her classmate when she was younger. The guy was Roberto D’Aubuisson, a sinister Intelligence Service mastermind behind many of the assassinations in the 1980s. He was infamous at that time. He subsequently died of throat cancer before my arrival in the country.

In the 1980s, Ana was freed from captivity in a trade for the President’s daughter, who had been kidnapped by the FMLN. There was an exchange for her, and Ana was sent off
to Europe for a program of rehabilitation and to publicize her book, *The Secret Jails of El Salvador*. According to the story, she returned to El Salvador, found the guys who had raped her, and killed them. It demonstrates the terrible viciousness of the civil war that turned neighbor against neighbor and split families apart to this very day.

**Q: Did you tell the story of her killings to Congress too?**

SANBRAILO: No, not that part of it, because she ultimately came to the CG and we wanted to highlight the reconciliation theme and the Peace Accords. I did discuss it with the Embassy’s Political Officer, who essentially confirmed most of details, although some details may have been embellished. I suspect that there must be some Embassy cable that may have recorded this story.

Many of the FMLN leaders would go on to write books in which this and other atrocities are recorded. It is very sad that such a small country, where everyone knows everyone else, could fall into such a brutal conflict. As a student of history, it reminded me of the accounts that came out of Kansas before and during the U.S. Civil War, and what came to be called “Bleeding Kansas”. Let us never think that it cannot happen here.

**Q: Again, and again, you’re pointing to people in authority in these countries who were terrific partners for you, people who had their own integrity and they knew what they wanted, but they knew that they needed help, too, and that the relationship was a critical one between you and your mission and these people. Without that, so little of this could have been accomplished. Do I have that right?**

SANBRAILO: Yes, very much so. A key role of a USAID Mission is to identify, work with and encourage leading change agents, supporting their efforts to reform their own societies. We can provide them with technical advice, new approaches, resources and moral support but it is they who must advocate and lead if the changes are to be realized and sustainable. This transformation cannot be done by USAID alone, or any other outsiders. We act through counterparts in the public and private sectors, and in civil society, and the quality, leadership and commitment of counterparts are crucial in determining success. This is similar to what we all learned in the Peace Corps at the community level.

While USAID has developed important techniques to nurture such counterparts (e.g. the establishment of organizations like FUSADES, or programs like Participant Training), there is simply no substitute for a dynamic leader like Mirna Lievano de Marquez or others at the national and local level. You can judge a Mission by those with whom it is engaged in regular development dialogues. It is the quality of what former USAID Counselor Jim Michel has termed “development diplomacy”.

Unfortunately, many USAID Missions are not now doing this type of work in a systematic way. Instead, they are drowning in internal processes, hidden behind the high walls of bunker-like Embassies. There should be a USAID training course that addresses
the fundamental policy dialogue role, and lessons learned, instead of requiring Officers to learn it in the field and on the job.

Q: Which may, however, be the best way to learn it.

SANBRAILO: Yes, but the learning process could be accelerated if new officers had a better idea of lessons learned and different dialogue techniques that have worked. This could be an important role for the USAID Alumni Association or an Office of the Historian, if one existed, to transmit this type of unique experience that really separates USAID from other donors. It needs to be better emphasized that this approach is a fundamental role of a field Mission, identifying and cultivating local reformers who can bring about permanent change. It goes back to the earliest successes in Taiwan and South Korea and to key breakthroughs in LAC and other countries.

Q: You describe a positive picture of USAID El Salvador during the early 1990s. There must have also been challenges as well. In any such group there must have been problems.

SANBRAILO: Yes, there were numerous operational and political challenges, but we overcame them because of the high quality of our staff and our excellent relations with Salvadoran counterparts. In the world of development “people are everything”. As I think back, we did some amazing work.

The Mission had reached its stride with an exceptional ability to get things done, with public and private sector leaders, with donors, and with the LAC Bureau and congressional staffers. There was a positive collegial attitude with good relations with the Embassy. We were recognized leaders, firing on all cylinders and achieving some of the most important objectives in the region. It was an exciting time, with the fall of the Berlin Wall, the collapse of communism, the election of a new government in Nicaragua, and the Peace Accords in El Salvador. We could see a brighter, more peaceful and prosperous future for Central America, while still recognizing the economic and social challenges that remained.

In his article Transforming El Salvador (included in Fifty Years in USAID: Stories from the Front Lines), the Deputy Mission Director in El Salvador, John Lovaas, captured well the results that were achieved and how it was a team effort among Salvadorian counterparts and USAID staff. In this regard, we were fortunate to have outstanding leaders like John Heard, who served as one of two Assistant Directors; Debbie Kennedy in Democracy and Judicial Reform, Ken Ellis in Agriculture and Rural Development, Henry Reynolds in Education and Social Programs, Chuck Brady in Earthquake Reconstruction, David Kitson in Infrastructure Rebuilding, Tom Hawk in Mayors in Action, Spike Stevenson in Private Sector Development, Mike Deal in Project Development, Executive Officers Jim Leo and Ann Heard, and many more. This was clearly one of the best staffed USAID Missions.
At the same time when I arrived in San Salvador, I found a top heavy front office with a Deputy Director and two Assistant Directors that had stifled quick action, led to needless conflicts and made decision-making cumbersome. I gradually eliminated the two Assistant Directors and promoted greater interaction with the USAID Director. This improved our ability to respond quickly to the dynamic environment of the peace process, which demanded speedy and flexible actions in what was a constantly changing situation that required focused attention on what was really important.

As mentioned, managing the fallout from the CBS “60 Minutes” program and other similar exposés on USAID support to FUSADES and export processing zones in El Salvador (as well as Honduras) proved challenging and even demoralizing given the misinformation that was disseminated and sensationalized. Since these attacks were largely driven by the ongoing U.S. Presidential campaign in 1992, we required more effective support from the Administrator and the White House to address media stories that were highly exaggerated and embellished. Unfortunately, such support was not forthcoming, reflecting the disarray in the Bush campaign and how astutely Clinton operatives had orchestrated and promoted these stories.

At the same time, USAID had one of its least competent Administrators in Ronald Roskens, who did little to support the Bureau or field Missions, which were left hanging to mount their own defense to what were clearly intended to be political attacks against the Administration’s Central America policy. While the George H.W. Bush administration had a well-defined strategy for supporting peace and development they were never adequately explained or appreciated and the opposition defined the terms of the debate. See George H.W. Bush: Ambitious Agenda for the Americas by Peter Hakim, and George H.W. Bush and Latin America: An Overlooked Legacy by Michael Shifter.

Unfortunately, the work of the Public Affairs Office further antagonized the media and made the situation even worse. It demonstrated how challenging it can be to tell USAID’s story, even for what was one of its major successes in terms of promoting trade, generating local employment and benefiting American industry and consumers with lower cost garments. The Clinton Administration would go on to support NAFTA, initiated by the Bush administration, that was essentially justified based on similar policies as pursued with the export processing zones.

Another distasteful action was when an FBI agent arrived in San Salvador to arrest the husband of a USAID officer who had been implicated in criminal activity in the U.S. I had not dealt with such a situation and it was very sad for the family. It was painful for all because it was such a “tight knit” Mission with great comradeship. Likewise, the Mission was divided between those officers who had gone through the terrifying experience of the “Offensive” of 1989 and those of us who had arrived later. At every Mission reception we were regaled with “war stories” of what it was like to be trapped in their homes in the middle of a “war zone”.

Q: After such an assignment how did you adjust to life back in the U.S. when you finally returned home?
SANBRAILO: You raise a good point. Serving as a USAID Mission Director in countries like El Salvador and Honduras can be intoxicating. For a short period of time, you are a very prominent person with a lot of resources and access to all levels of society. You are an influential local actor in what are small and fragile societies. You can easily lose perspective as we have seen with a number of Ambassadors and Mission Directors. I keep coming back to serving with humility and respect for the host country and not think that you have suddenly become something that you may not be. When you come home and have to cut the grass and shovel the snow, you recognize what a wonderful opportunity USAID and the American people have given you.

Q: I can’t imagine you having any such difficulties.

SANBRAILO: I had fewer difficulties than others because I always kept the position in perspective. I knew that this was a unique assignment that would eventually end and I might not ever again have a similar experience. I was doing things that I may never have been able to do in the United States. Because of my service and achievements, I reached the highest rank of Career Minister in the Senior Foreign Service. I had learned how to lead a USAID Mission and become an effective Director by ensuring that those talented officers around me had the opportunity to excel and to get the credit for their achievements. I was recognized as one of USAID’s most effective and committed officers. I thought that I had my “dream job” and would serve in USAID well into my 60s. Unfortunately that was not to be.

At the same time, I like to think that I did not have a “big ego”, downplaying my own role and accentuating that of the staff and counterparts. My job was to create a vision and framework of where we wanted to go and to address the most intractable problems, to fill programmatic and management gaps, and not to micromanage a staff that often knew more than I did about particular issues. I managed crucial external relationships, such as with the GOES, the private sector, civil society, the FMLN, the Embassy, donors, Congressional staffers, USAID headquarters, etc. While I carved out key areas for my own involvement, like the design of the Peace Accord program, I delegated to others and they generally performed in an exceptional manner. During my tenure, the Mission received a number of awards for its high morale and effectiveness.

Q: Do you wish to say anything further about El Salvador and lessons learned?

SANBRAILO: As I mentioned, tens of thousands of people died in El Salvador and the U.S. taxpayers had to provide billions of dollars to stabilize the country and this key geopolitical region. I continue to believe that wiser policy-makers in the 1970s could have avoided this tragedy. The Carter Administration’s human rights experimentation in Central America was misguided, destabilized the region and encouraged groups like the Sandinistas and the FMLN. In my view this led to nothing but more human rights abuses and needless deaths. We are still living with the consequences of a similar policy in Iran and how costly it has been for the U.S. One is reminded of the famous saying that “…the road to hell is paved with good intentions…”
With the Clinton Administration and the Peace Accords, El Salvador and Central America were largely forgotten in the 1990s and subsequent decades. USAID quickly shifted its focus to supporting the emergence of democracy and market economies in Eastern Europe and Russia, to the Middle East, aid to Africa and Haiti, and to emerging national security issues in Colombia with the FARC guerrillas, drug traffickers and another civil war. During the past two decades Iraq and Afghanistan have been the focus of USAID attention. The Salvadorian success story faded away, was largely forgotten and unrecorded, other than those few references that I previously mentioned. Unfortunately, there was no comprehensive history of the program that might have been helpful in Iraq and Afghanistan.

When Colombia finally reached an agreement with the FARC in 2016-2017 on the terms for Peace Accords, USAID Colombia and the LAC Bureau had to turn to me to provide lessons learned from El Salvador that might guide its planning. I attach a paper that I prepared for my presentation. Billions of dollars were expended in the 1980s and 1990s in Central America. Yet no one in USAID today can tell you what was done with those funds and what was learned.

The political battles of the 1980s were so exhausting that policy-makers just wanted to move on and forget the region. Yet the period 1988 to 1992 was one of the most productive in Inter-American relations, as described in the previously cited articles by Peter Hakim and Michael Shifter. Since USAID has no systematic way of preparing such program histories, the Central America experiences, much like the Alliance for Progress in the 1960s, just faded into oblivion. As a result, agency officials and others often operate based on incomplete information, false stereotypes and misconceptions about what was actually done, how it was done and what was achieved. This again shows that “USAID is an Agency without a Memory” and unfortunately doesn’t care about its past.


*Q: And what led you back to Ecuador?*

SANBRAILO: As mentioned, I was disappointed when I was transferred from Ecuador in late 1982, although I loved my time in Peru. I was making significant contributions to Ecuadorian development. I felt that I had left a job only partially complete. Ecuador was a special country for me because it is where I began my USAID career and met my wife. Its history of interaction with the United States is fascinating, not least because promoting development there has always been such a challenge. During the course of my career, I became an expert on Ecuador’s tortured modernization and development.

The health of my Ecuadorian mother-in-law was deteriorating and it was important for my wife to spend some time with her. I was grateful to USAID that my wife and I could have some time with her mother and father before they passed away. As a result, instead of moving on from El Salvador to a larger Mission outside of the LAC region, or to a
Washington assignment, I went to Ecuador, recognizing that this may be a career mistake.

My transfer proved to be the end of my USAID career. Unfortunately, I could never do what I had hoped in Ecuador, which is one of my great disappointments. When a new Administrator, Brian Atwood, came into office in 1993 he was accompanied by a highly partisan Assistant Administrator for Management, Larry Byrne, who conducted a political purge of about 200 career Senior Foreign Service Officers, especially those like myself suspected of cooperating with the Reagan-Bush administrations. I got caught up in this purge and was forced out of the agency in December 1996.

Q: Before we go into your departure from USAID, let’s discuss the program in Ecuador and what it was like to return to this country.

SANBRAILO: In August 1992, Ecuador had elected a new government led by President Sixto Durán Ballén of the Union Party and his young brash Vice President Alberto Dahik of the Conservative Party. Born in New York City, Durán Ballén was a former Minister of Housing and a former Mayor of Quito who was an architect, similar to Belaúnde in Peru or Azcona in Honduras. He came from Ecuador’s traditional elite and represented an older genteel generation. He was soft-spoken and had a reputation for honesty. Durán-Ballén tended to see development in terms of the number of public works and housing units built rather than changing policies for stimulating economic growth and social inclusion, although his administration implemented some important reforms.

Vice President Dahik was a Princeton-trained economist from Guayaquil and former Minister of Finance. He was the country’s leading “neo-liberal” economist and extremely arrogant. Dahik clearly understood the importance of policy and structural transformations but his hubris alienated so many that his impact was limited in reforming the Ecuadorian economy. In a running conflict with his mentor and former boss, ex-President Leon Febres Cordero, he was ultimately impeached for misusing national security funds, fled the country in 1995 for asylum in Costa Rica and spent the next 16 years in exile.

Dahik represented everything that is wrong with the younger generation in Ecuador and why the country has had so many challenges in progressing. In this regard, he is similar to his left wing counterpart, economist Rafael Correa, who received his Ph.D. at the University of Illinois and manifested even greater arrogance ten years later as he rose to power. Despite their U.S. training, and exceptional talent, both failed to move Ecuador to a higher level of sustainable development.

Durán Ballén and Dahik were committed to implementing the market reforms and export-led strategies that were essential parts of the Washington Consensus. Those policies were similar to the ones we had been supporting in Central America that were sweeping the developing world in the 1990s in the wake of the collapse of communism, the fall of the Berlin Wall and the Soviet empire, and the success of such measures in Chile. The policies adopted by the Durán-Ballén/Dahik government in 1992-1996 had greater
success than is often recognized and shaped the evolution of policies for the next ten to fifteen years. Many were then reversed by the protectionist-mercantilist-corporatist government of Rafael Correa, who served as President from January 2007 to May 2017.

Unfortunately, the Dahik scandals and a nasty border war with Peru in 1995 diverted attention from the restructuring of the economy. This in turn led to the 1996 election of an erratic populist President, Abdalá Bucaram, who was forced out of office less than six months after his inauguration. Bucaram’s removal in 1997 triggered ten years of political instability and questionable successions of governments that undermined the democratic progress the country had made from 1979 to 1997.

For U.S. policy, the election of Durán Ballén was the fourth consecutive electoral transition in Ecuador and a major success. Despite its small size, Ecuador had become a “bell weather”, in terms of democracy in the LAC region since it was the first in the late 1970s to transition from a military regime to an elected government in 1979. While many including myself continued to see its democracy as quite fragile, the U.S. enthusiastically supported the new government and increased assistance to demonstrate support.

Through USAID a modest ESF grant was provided to support the establishment of two key institutions proposed by the new government, the Modernization of the State Council (CONAM) and a Social Investment Fund (FIS). CONAM would formulate and implement structural reforms, improve the investment climate, privatize state-owned enterprises, and better target poverty programs. It would also serve as a think tank for developing innovative measures to assist the poorest segments of the population, such as FIS and the use of “conditional-based cash transfers”, or what came to be called the bono solidario. FIS became a highly effective mechanism for providing employment in those communities that were negatively impacted by GOE policies to restructure the economy. It continued the type of assistance USAID had pioneered with its past support to Agrarian Reform, IERAC, FODERUMA, SEDRI, indigenous federations, cooperatives, non-formal education, and food aid and community development.

CONAM and FIS were complemented by the establishment of the private sector-led Fundacion Ecuador (FE), funded by USAID, to serve as an advocate for market reforms, encourage national and international enterprises to invest in the country, promote export-led policies and further develop the economy based on the concepts proposed by Harvard professor Michael Porter in his bestseller, The Competitive Advantage of Nations (1990), among others. FE was led by Ing. Pedro Aguayo who would subsequently become Vice President of the Republic in the late 1990s. Its members included leading private sector figures. For the first time an NGO was created that brought together leaders from all geographical regions of the country. In this regard, Fundacion Ecuador was to play a role similar in promoting development as the Chile Foundation, or FUSADES in El Salvador, FIDE in Honduras and CINDE in Costa Rica.

USAID also provided assistance to accelerate structural reforms in the all-important agricultural sector and to encourage major changes in land reform legislation to increase rural investment, which had stagnated during the past three decades because of land
invasions and potential expropriations. These historic changes were promoted through the creation of a policy unit in the Ministry of Agriculture and the establishment of private foundations that could implement and advocate for measures that public entities could not carry out alone. During its more than 50 years in Ecuador, one of USAID’s most significant achievement was the development of private sector alternatives to government programs, which served as incubators of new policy and approaches. These NGOs empowered citizens to participate more fully in the development of their country from a position outside of government.

The new foundations included the Instituto de Estrategias Agropecuarias (IDEA) to advocate for restructuring the agricultural sector through the formulation of new growth policies and to generate public support for them. In this regard, IDEA was designed to function like FE in industry, transportation and public services. The Fundacion para El Desarrollo Agropecuario (FUNDAGRO) was established to implement alternatives to public sector research and extension, and PROEXANT to promote non-traditional exports. A senior international advisory group was provided, led by Dr. Morris Whitaker of Utah State University and included outstanding policy analysts like Dale Colyer, Douglas Southgate, David Flood and others.

Working with their public and private counterparts through the USAID Agricultural Reorientation Project and the PL-480 food aid program, the international group brought about some of the most significant reforms in Ecuador since the introduction of Import-Substitution Industrialization and Land Reform legislation in the 1960s. In this regard, the project should be compared to what the Kemmerer mission did for Ecuador in the 1920s to modernize the banking sector and the Triffin mission in the late 1940s. The latter helped open up the country’s coastal region for agricultural production, dramatically increasing the agricultural frontier and promoting the banana boom.

As a result of the USAID policy project, some leaders came to see how Import-Substitution Industrialization and protectionism had disadvantaged investments in the agricultural sector while worsening income distribution, especially in rural areas. A new Agricultural Modernization Law was passed in 1995 that abolished the Land Reform Agency (IERAC) created in 1965, addressed the serious issues of land invasions and established market incentives for land transfers for those who did not have such access. These measures opened the agricultural sector for new investment and dramatically increased non-traditional exports, such as flowers, shrimp, fruits and vegetables.

The reforms encouraged investments that built on Ecuador’s comparative advantages and were sustainable, rather than the artificial industries fostered by the Import-Substitution strategies. The reform program, extending from the 1980s to the mid-2000s, is summarized in the book “Agriculture & Economic Survival: The Role of Agriculture in Ecuador’s Development,” edited by Dr. Morris Whitaker & Dale Colyer, and numerous analyses and reports produced by USAID’s Agricultural Sector Reorientation Project. A GOE history of the PL-480 program, supported by USDA, also records the significant resources provided by it, much as was done in the 1960s with agrarian reform. Unfortunately, many of these measures would be reversed beginning in 2007 by the
populist Correa government as it returned to traditional protectionist measures. Correa would characterize the 1990s as a “long neo-liberal nightmare.”

The structural reforms were further supported by initiatives of President George H.W. Bush termed the Andean Trade Preference and Drug Enforcement Act (ATPDEA), approved by the U.S. Congress in December 1991 that provided duty-free access to the U.S. market for those countries that were cooperating with the war on drugs. Eventually over 40% of Ecuadorian exports were favored by this legislation in the 1990s and 2000s. It proved to be one of the most effective uses of trade preferences to support national security objectives and development, even though it disadvantaged some U.S. producers. ATPDEA was similar to the Caribbean Basin Initiative (CBI) that was being used to support the restructuring of economies of Honduras, El Salvador and Costa Rica, and formed part of the Bush administration Enterprise for the Americas program.

The USG and Ecuador also finalized a Bilateral Investment Treaty (BIT) in 1993, and USAID supported the development of an Intellectual Property Law that improved the investment climate. Progress was made in preparing state-owned enterprises for privatization that continued throughout the 1990s, despite the political instability that began with the Bucaram administration and continued into the 2000s. Despite Ecuador’s long history of maintaining protectionist policies that favored privileged groups and discouraged foreign investment, it now appeared that the country was on the road to true market-based development, as was needed to improve the economy.

Furthermore, USAID-funded social programs were also implemented in the health sector. At the same time, family planning NGOs (APROFE, CEMOPLAF, CEPAR) were moving toward sustainability. An environmental protection program in the Amazon (SUBIR) was carried out to address conservation and human rights issues facing indigenous populations, as well as new initiatives to strengthen civil society, with special emphasis on women rights and combatting domestic violence.

Grants were made to the Charles Darwin Foundation on the Galapagos Islands to confront the growing environmental degradation. Assistance was provided to expand the translation into Spanish of leading university textbooks and improve teaching methodologies, through the Corporación para el Desarrollo de la Educación Universitaria (CODEU), created by USAID in the 1960s. CODEU was expanded in the 1990s through partnerships with RTAC in Mexico and institutions like the University of Maryland and Georgetown University.

The USAID Regional Housing and Urban Development Office (RHUDO) based in Quito continued its technical assistance and training initiatives and built greater public understanding of the need to incentivize private investment and reduce subsidies for home construction, despite some resistance from policy-makers including the President who tended to favor government subsidies for such projects. The Solanda Integrated Urban Development program in southern Quito, along with its smaller versions in secondary cities, were becoming recognized successes and attracted attention from the international community. They were subsequently replicated by the World Bank and the
IDB without attribution to USAID. This is another example of how USAID often pioneers new initiatives that are then used by host countries and other donors, while the original source of the innovation is forgotten.

We also supported the GOE in establishing a Ministry of Indigenous Affairs, led by Luis Felipe Duchicela, a direct descendent of Ecuador’s great indigenous leader, Atahualpa, and one of the success stories of indigenous advancement (see my articles on Ecuador attached to this history). The Mission expanded its Andean Peace Scholarship program that had already offered graduate-level training in the U.S. to many, including future Presidents, like Jamil Mahaud and Rafael Correa. The latter would turn down the scholarship, perhaps for ideological reasons, and instead obtained alternative support from his employer, Universidad San Francisco de Quito.

Q: Wow, that was quite a reform agenda and you did not have a large USAID program. How was this done?

SANBRAILO: Yes, the agenda showed that a USAID mission does not require a large amount of funding to advance important policy and structural reforms. While some funding is necessary, you don’t necessarily need hundreds of millions of dollars, as we had in El Salvador. The sense in USAID and other agencies that you cannot support significant reforms without large amounts of funding is mistaken. The key is USAID leadership and its ability to mobilize effective technical experts like Morris Whitaker, Dale Coyer, Douglas Southgate and excellent local counterparts who share a common vision of important problems and the need to address them.

So often it is USAID’s ability to bring host country groups together, and the power of its ideas, like the introduction of empirical studies demonstrating the impact of macroeconomic policies on sector growth and income distribution, or publications and analyses of Michael Porter, or sending groups to Chile to observe first-hand the impact of such policies. In addition, CODEU and IDEA translated into Spanish university textbooks with the new market concepts of the 1990s to replace the outdated ones from the 1950s and 1960s, which advocated protectionism and Import-Substitution Industrialization. The latter ignored the crucial role of agriculture and export-driven development.

Through IDEA and Fundacion Ecuador, we financed seminars with universities and leading opinion leaders to better orient them to the rationale for market reforms and policies to promote export-led development. We also brought in the Central America Graduate Business School (INCAE) to conduct seminars on how the Asian Tigers (e.g. Taiwan, South Korea, Singapore, Hong Kong) had achieved such high rates of economic growth, starting with almost no natural resources. The South Korea model proved most impactful because of the country’s almost total destruction in the Korean War and its emergence only 35 years later as a global powerhouse. A number of “op-eds” based on these seminars were published in newspapers. They shaped a new agenda that was actively debated in the press, in universities and think tanks, and in political campaigns during the next ten years, but they could not totally overcome Ecuador’s long tradition of protectionism and historic suspicion of market mechanisms and foreign investors.
It should be noted that these policy changes unfolded during a major shift in international development thinking, as represented by the Washington Consensus that dominated policy-makers at the IMF, the World Bank, USAID, and many leading economists and universities worldwide. Economists and others in these institutions in turn were influenced by the collapse of communism and socialist development models and what was occurring in Russia and Eastern Europe. Perhaps no books were more symbolic of the period than Francis Fukuyama’s *The End of History and the Last Man* and Hernando de Soto’s *The Other Path*, and the writings of various Chilean economists. We distributed them to Ecuadorian universities and think tanks. These works laid out the rationale for market reforms and how they would deepen freedom and democratic participation. They were useful in providing the context for our policy dialogue.

Likewise, a group of Latin American writers was emerging that challenged the region’s conventional orthodoxy about state-led development and protectionist, mercantilist, corporatist policies that had dominated Ecuador and Latin America for much of their history. Among the group’s new books was Carlos Rangel’s *De Buen Salvaje al Buen Revolucionario*, later translated into English as *The Latin Americans: Their Love-Hate Relationship with the United States*. Even more powerful writings emerged, such as the bestsellers, *The Perfect Latin American Idiot* and *Fabricantes de Miseria* by Plinio Apuleyo, Carlos Alberto Montaner and Alvaro Vargas Llosa. These three writers brilliantly questioned the authoritarian statist mentality that had subjugated the LAC region at such a great cost to its progress. Through Ecuadorian think tanks, these books were distributed throughout Ecuador and lively seminars conducted on them. Some local universities, still dominated by Marxist faculty, refused to accept them and even falsely claimed that they had been produced by the CIA. These books were helpful to our policy dialogue because they were written by leading Latin American intellectuals.

With the collapse of communism, the 1990s also saw new thinking about development, such as Lawrence Harrison’s *Underdevelopment is a State of Mind: the Latin America Case*, which highlighted the importance of culture and values in achieving economic and social progress. This powerful book, and Harrison’s subsequent writings on the theme of *Culture Matters*, were read in Ecuador. They went on to influence some of the country’s leading intellectuals, like former President Osvaldo Hurtado, and his pioneering book, *Portrait of a Nation: Culture and Progress in Ecuador*. As one of USAID’s most distinguished Mission Directors, perhaps Harrison’s greatest contribution was in his post-USAID career as a leading intellectual and author. I was honored to have served on his advisory committee in the 2000s and to have supported his research and writing.

*Q: Who was the U.S. Ambassador and who were among the previous USAID Directors?*

*SANBRAILO: I was transferred to Ecuador at the same time that Peter Romero was confirmed as the new Ambassador. Pete had been Charge d’Affaires in El Salvador and he understood the liberalization reforms that we were supporting. His wife, Ruth Espey Romero, was an accomplished attorney and worked in the USAID El Salvador Democracy Office and became a big supporter of our program. Later, as part of the*
Greenberg Traurig, LLP firm in Washington, Ruth was a close colleague in helping me rebuild PADF and would later become President of the Board of the Pan American Development Foundation in the mid-2000s.

In directing the USAID Ecuador Mission, I was fortunate to build on the excellent work done by Frank Almaguer who had to deal with the tragic misuse of USAID funds through inappropriate salary supplements to leading GOE officials during the Febres Cordero government in the mid-1980s. Frank’s ADST oral history best describes what happened and why. He was followed by Chuck Costello and then by an Acting Director, Bob Kramer.

Frank, Chuck and Bob made important contributions that I could build upon, continue and deepen. This was in contrast to the sometimes erratic changes in some Missions that one sees when a new Director arrives. Continuity in Ecuador was facilitated by well-defined LAC Bureau policies and priorities that were implemented by AA/LAC Jim Michel. It was a period of great achievements throughout the LAC program because of Jim’s vision and leadership and our ability to adopt them to local country-specific conditions.

Q: So now, what went wrong? Why didn’t Ecuador move to a higher level of development?

SANBRAILO: During much of the 1990s, we were successful in gradually introducing reforms, although slowly because Ecuador was so resistant to change. Its mercantilist and protectionist attitudes were deeply entrenched. We were trying to reverse decades of misguided policies. The country’s strong leftist political culture resisted reforms, such as privatization of state-owned industries, opening the economy to international competition, and allowing in foreign companies to compete with local enterprises. This was a highly nationalistic country that felt great pride in never allowing its rich natural resources (e.g. cacao, bananas, tuna, oil) to be controlled by foreign enterprises.

In Ecuador there is widespread belief in conspiracy theories and a “victimization complex” that tends to see the world as a zero sum game, “my loss is your gain”. Important segments of society continued to criticize the market reforms even though there were no alternatives. Egged on by leftist intellectuals, they criticized the IMF, the World Bank, the CIA, the U.S. government and the oligarchy for supporting such reforms that they charged had undermined the country’s sovereignty. Many mistakenly blamed such measures for the country’s lack of development.

Nevertheless, the new reforms, even though they were only partially implemented, had an impact on encouraging economic growth and diversifying exports, especially in the agricultural sector, which had been repressed for more than 30 years. There was a boom in non-traditional agricultural exports, including flowers, shrimp, fruits and vegetables. This boom continues to the present, despite Correa’s negative policies. Ecuador also became a leading exporter of specialty chocolate and products like trout, asparagus, strawberries, mangos that generated tens of thousands of jobs. These products, plus
growing tourism, would represent the future of Ecuador in using its microclimates, geographical diversity, beautiful scenery and indigenous population to enhance its comparative advantages in world markets.

Books were beginning to be written about how indigenous groups, such as the Otavaleños, were using exports to substantially increase their incomes and purchase land and housing just north of Quito. At the same time, mass migration to the U.S., Spain, Italy, Chile, Australia and other countries began from poverty stricken areas, such as in the Southern Sierra, and these diaspora groups began sending home hundreds of millions of dollars in remittances.

Exogenous factors, however, hampered the GOE and private sector achievements. The Dahik scandal discredited the reforms that he led. A border war with Peru in 1995 diverted attention from economic restructuring. And in 1996, Ecuador elected an erratic populist President, Abdalá Bucaram who believed in many of the new reforms and initially attempted to deepen them, but he was seen as so “crazy” and unstable that any proposals he made were discredited among leading groups. Bucaram was later removed from office for “mental instability” and corruption and then went into a long exile in Panama.

It was during Bucaram’s tenure as President that he declared Lorena Bobbitt a national heroine when she cut off the penis of her American husband, John Wayne Bobbitt, after a domestic dispute that became front page news throughout the world. The symbolism of an American named “John Wayne” was not lost on millions of Ecuadorians, who just loved this story and the idea of one of their own was standing up to an abusive “gringo”. It became a metaphor for Ecuadorian nationalism and brought out all of the country’s sense of exploitation and victimization. The incident tapped into deep nationalist feelings and added to Bucaram’s short-lived popularity.

One of my closest friends in Ecuador had run for the presidency, Rodrigo Paz, who unfortunately was not an effective candidate. As a former mayor of Quito, a leading businessman and the President of La Liga football (soccer) team, Rodrigo could have changed the course of Ecuadorian history had he been elected in 1996. His defeat marked a major setback for those promoting development and modernization and opened the door to a ten year period of political instability that was in part triggered by a new U.S. Ambassador, Leslie Alexander.

Q: What happened with the Ambassador and U.S. policy in Ecuador?

SANBRAILO: Following Peter Romero and my departure in 1996, the State Department assigned to Ecuador the first Afro-American Ambassador who had little experience in Latin America. He spent much of his Foreign Service career in Africa, and appeared to have a condescending attitude toward Ecuadorians. He allegedly lectured local policy-makers, inappropriately speaking down to them. Alexander involved himself in national politics, which did not come across well in this highly nationalistic country. When Ecuador required one of the very best U.S. Ambassadors, it instead got someone who
would contribute to destabilizing its fragile democracy. In my view he did long-term damage to U.S. objectives in the country.

Ambassador Alexander would deliver a speech at the Ecuadorian-American Chamber of Commerce in Cuenca in January 1997 in which he publically suggested that President Bucaram was corrupt, but did not provide specifics. It remains uncertain to this day what evidence the Ambassador may have had for such a charge but the national perception was that the USG was siding with those who were demanding Bucaram’s removal from office. Ecuadorians believed that the speech was approved by the State Department, when in fact I understand it was the Ambassador just freelancing. Many were making similar charges. The fact that the U.S. Ambassador had spoken out so publically was a signal to those who were attempting to impeach Bucaram that there would be no consequences should there be a forced change in government.

The Ambassador’s speech set off a “fire storm” against Bucaram, leading to his impeachment for “mental instability” and corruption in March 1997. Fabián Alarcón, the President of the Congress, assumed the Presidency until new elections were held in 1998. This impeachment in effect undermined a 25-year U.S. policy of supporting democratically-elected governments. It led to a ten year period in which there were regular non-constitutional changes in the Presidency and the election of the anti-American populist Rafael Correa in 2007. Correa’s election resulted in the reversal of many of the policies that the USG had supported for three decades.

Later, Jeffrey Davidow, the Assistant Secretary of State for Western Hemisphere Affairs, would disavow the actions of Ambassador Alexander, yet the damage had already been done. Ecuador’s fragile democracy had been broken and by the USG that had done so much to create it. It is one of the great tragedies in U.S.-Ecuador relations that could have been avoided if a more experienced Ambassador had been assigned to the country. Ambassador’s Alexander’s ADST oral history provides his views of why he took this action and the reaction by the State Department.

Equally significant, when Ecuador was hit by El Nino floods in 1998-1999, over $2.0 billion in infrastructure damage was done in its Pacific coastal lowlands which led to the diversion of GOE resources to reconstruction rather than structural reforms. The U.S. Embassy provided virtually no assistance, the first time that such inaction had taken place in the face of a major natural disaster. I had a front row seat on all of this because I was now retired from USAID, serving in Ecuador as a Senior Advisor to the GOE with World Bank support. Many Ecuadorians were disappointed by the Embassy’s weak and indecisive response.

Further complicating this situation, Administrator Atwood needed to show Congress that he was cutting back on the number of countries where USAID was working. He focused on Ecuador, among others (e.g. Costa Rica, Panama), and began phasing down the program right when it needed increased support to further consolidate the reform process and respond to natural disasters. Since few in Washington cared much about Ecuador, including the LAC Assistant Administrator, and there was an ineffective Embassy, the
phase-down of the program sent a negative message to those groups that had strongly supported the type of reforms then favored by the USG. While funding would again be restored after 2000, the lost momentum undermined the reform agenda and proved to be one of the greatest mistakes in the history of USAID in this country.

In 1998 a new President would be elected, Jamil Mahuad, who was a recipient of the one of USAID’s Andean Peace Scholarships. He received his Master’s degree from the John F. Kennedy School of Government at Harvard. During his presidency he finalized Peace Accords with Peru, putting behind the country its long acrimonious border dispute with its southern neighbor. While this was a major achievement, Mahuad and his economic team mismanaged the liberalization program, which led to a major banking crisis that discredited his government.

Many Ecuadorians lost their life’s savings. This event ultimately produced the dollarization of the economy in 2000 to stabilize the banking system. Mahuad had to flee into exile, further destabilizing the country’s democracy and economy and creating even greater distrust in national governance. If the USG had been more engaged, and had a more activist Embassy and USAID Mission, this tragedy might have been mitigated. Few in the State Department, however, cared about Ecuador. The USAID Mission was absorbed with downsizing its operations.

As a result, in the 1990s, much of the reform momentum got derailed through exogenous factors, like the border war with Peru, political scandals, natural disasters and changes in USAID policies. Mismanagement and perceived corruption also played a part when leading bankers were allowed to flee the country into exile or were not held accountable. While earlier economic reforms continued after dollarization in 2000 to produce positive economic growth and to reduce poverty, unexpected changes in GOE administrations and political chaos undermined the continuity of reforms and efforts to improve the investment climate. By 2006-2007, they had created a leftist backlash by the populist leader Rafael Correa, who cleverly campaigned for the Presidency against “the long neoliberal nightmare”, the Bush administration, and U.S. and international intervention. Correa’s poorly done book, Ecuador: de Banana Republic a la No Republic argued that these reforms had converted the country into a “banana republic”. See my attached response, Ecuador: Never a Banana Republic.

With support from Hugo Chavez in Venezuela, and possibly the FARC in Colombia, Correa came to power in 2007 and reversed most of the market reforms of the 1990s, while undermining democratic governance, as did his allies Hugo Chavez in Venezuela, Evo Morales in Bolivia, Daniel Ortega in Nicaragua and Néstor and Cristina Kirchner in Argentina. By living off of an international commodity boom, these populist leaders took their countries backward to an older period in which LAC economies were dependent on high and unsustainable international prices of oil and other commodities. They proposed a new anti-American alliance against the United States called ALBA, weakened the OAS, and developed closer economic and political ties with China, Russia and Cuba, all of which aimed to undermine U.S. leadership in the hemisphere.
Q: That’s quite a story but you left the country in 1996.

SANBRAILO: Yes, I continued to follow Ecuadorian politics after my departure from USAID. I was fortunate to return to the country in June 1997 as a Senior Advisor to the government. As a result, I was a first-hand witness to what was happening, seeing it from the GOE side. It was not a pretty picture. The State Department WHA bureau later swept these incidents under the rug. After the rise of Correa, and his intimidating rhetoric toward the USG, the Department largely ignored the economic policies that it had so strongly supported in the 1990s and allowed Correa to close the USAID mission because of its support to independent civil society organizations and human rights initiatives.

Senator Christopher Dodd would later get involved in helping Ecuador in 2000 and again in 2005 to re-establish its democratic momentum, but democracy, and what came to be called the market reform agenda, were discredited by the uncertainty, political gridlock and regular removal of Presidents. Ecuadorians were tired of the political chaos and many turned to the simplistic solutions of Rafael Correa and his Citizen’s Revolution. To my knowledge, the Dodd missions to Ecuador to develop some type of justification for the country’s extra-constitutional presidential changes have never been fully recorded and evaluated. They were as important as President Jimmy Carter’s interventions in the late 1970s.

Q: You lay out quite a story here that is different than you first tour as Mission Director in Ecuador. How would you contrast your earlier time as Mission Director from 1979-1982 to the period from 1993-1996?

SANBRAILO: As Director in the late 1970s and early 1980s, I had to focus on building a new program that had limited support in Washington. My challenge was to find resources wherever I could, especially from centrally-funded projects that would be responsive to GOE priorities, such as integrated rural and urban development. At the same time, we then found ourselves in a transition from the New Directions/Basic Human Needs of the 1970s to the Economic Growth/Market Reform/Private Sector initiatives of the 1980s. We had to adjust quickly. I previously discussed how that transition played out with Administrator Peter McPherson.

In the period 1993-1996, we were also in a transition between the George H.W. Bush administration and the Bill Clinton administration. While trade promotion and private sector programs remained priorities, except for export processing zones, the Clinton administration focused more on social programs and USAID reengineering, organizational changes, downsizing the senior staff, and supporting a vaguely defined concept of “sustainable development”. Since we were operating under the ATPDEA, and the Clinton administration supported NAFTA, we were able to continue most of our private sector programs that were responsive to the Durán Ballén government. At the same time, there was some shift in priorities in the direction of child survival, public health-sanitation, family planning, democracy/human rights, and micro-enterprises, which were championed by First Lady Hillary Clinton. Ecuador’s environmental hotspots
in the Amazon and on the Galapagos Islands attracted support, especially through the sustainable development policies of the Clinton administration.

At the same time, the basic thrust of the program that began in the early 1980s of encouraging changes in the country’s Import Substitution and mercantilist-protectionist policies remained in place into the 1990s, although not well supported in the late 1990s. There was a strong emphasis on projects that promoted institutional reforms and encouraged greater social inclusion, especially of indigenous groups and women, and strengthening national NGOs and civil society groups. These deepened the contributions of U.S. assistance to building a more pluralistic and democratic society that has been a central theme throughout the history of USAID in Ecuador.

**Q: So you had more support from USAID Washington in 1993 than you had in 1979-1980? Did you have enthusiastic support by LAC management?**

SANBRAILO: Yes, while Jim Michel was AA/LAC we had strong support. But that changed later when a new AA Mark Schneider assumed office. Mark had a policy of “benign neglect” of Ecuador since he did not know much about the country. He tended to focus on social and human rights initiatives in higher profile countries. As a result, the Ecuador program lost momentum, especially as it became clearer that I would be forced out of my position and into early retirement.

Nevertheless, the ongoing program carried the Mission through much of Clinton’s first term. In my previous assignment from 1979-1982, we had to generate momentum whereas in the 1990s, Ecuador was seen as a legitimate USAID partner until the disruptions of 1997 with the Bucaram administration. As I mentioned, Brian Atwood’s initiative to phase out the program in 1998 further derailed ongoing projects, as well as the focus on the Northern Border region, but I had left USAID by that time.

It now meant that the World Bank and the IDB had to lead the policy dialogue process and to support the reform agenda. Despite the earlier achievements, USAID leadership was largely missing during the late 1990s and into the early 2000s, and its unique expertise proved to be sorely lacking.

**Q: What about the Ecuadorian side? Was there strong interest by the Ecuadorian government in making these kinds of structural changes?**

SANBRAILO: Yes, from the Durán Ballén government. The GOE recognized that the key challenge was generating higher economic growth, but it was up against strong opposition from vested interests that wanted to keep in place protectionist and statist policies. Ecuador is a very fragmented country in which coalition building is extremely difficult. Just because it had elected new leaders didn’t necessarily mean the government could implement its program. It had some world class leaders like Alberto Dahik, Augusto de la Torre at the Central Bank, the President of the FIS, and the new Minister of Indigenous Affairs, but other policy-makers did not fully take advantage of the new opportunities.
With USAID support, the Modernization of the State Council (CONAM) got off the ground and attracted additional support from the World Bank and the IDB. CONAM and FE symbolized what we had all hoped would be major breakthroughs in privatizing inefficient and corrupt state-owned enterprises and promoting export-led development by private investors, much like USAID had done in Honduras and El Salvador. In this regard, the ATPDEA, the BIT, and a new Intellectual Property Law, reinforced these approaches and sent a signal to the private sector that the investment climate was changing, although not as quickly as many wanted.

_Q: How did you provide direct support to the private sector?_

SANBRAILO: By helping local groups improve the investment climate and by supporting non-governmental organizations like FE, IDEA, FUNDAGRO, PROEXANT, Banco Solidario, among others. We worked with the Federation of Exporters and those advocating for policies to stimulate exports. We partnered with those government entities that were encouraging exports, including the Ministry of Agriculture, but also with civil society advocacy groups, especially FE and IDEA, that could accelerate the policy adoption process. As mentioned previously, this unique public-private approach proved to be an invaluable tool for promoting changes in many countries.

It is ironic that in the 1960s, USAID supported the country’s Import Substitution strategy and institutions to implement it as recommended by Raul Prebisch at ECLA. These included the Junta Nacional de Planificación, CENDES, CFN, COFIEC, OCEPA, ANDE, Centro de Ejecutivos, and others. Now thirty years later, USAID was promoting a market-based strategy focused on exports and a new set of institutions, such as FE, IDEA, CONAM, FIS, FUNDAGRO, PROEXANT, and CLD for judicial reform to improve the rule of law. These changes show how development priorities had evolved and how they often express themselves through new policies and institutions. Development is not a science!

_Q: And was it you who remembered that this is what was done, or did your staff know about these past programs?_

SANBRAILO: Almost none of the staff in the 1990s knew anything about the programs that USAID had implemented in the 1960s or even the 1970s. For most, the program began in the 1980s. As I have said, USAID is an agency without a memory and cannot easily access its own history. I had to provide the historical context and to draw out lessons learned. This gap remains one of USAID’s major weaknesses, an inability to learn from its past programs. As a result, it continues to place the “old wine in a new bottle”, rather than making the wine taste better.

_Q: Interesting. So even after 30 years had passed, the principles remained the same._

SANBRAILO: Yes, the private sector required similar assistance in the 1990s to make the transition to export-led development, just as it needed help during the 1960s to take
advantage of the new Import Substitution policies. It required technical advisors, training, market information, feasibility studies, seed capital and greater understanding of the underlying concepts being proposed by the Washington Consensus or by Michael Porter at Harvard, Hernando De Soto, or leading economists like Steven Hankey and others. Direct observation of alternative models in Chile, Ireland, Taiwan, South Korea, Taiwan and Singapore were useful in demonstrating what could be done, especially for a country that is as provincial as Ecuador. There was a lot of resistance and skepticism that national enterprises could compete internationally, again reflecting this country’s sense of inferiority in the world economy.

Q: Did USAID pay for these visits to other countries?

SANBRAILO: FE, IDEA and others provided the logistical support with USAID assistance. The private sector financed its trips. If I recall correctly, we paid for public sector officials, and labor and civil society leaders. The Mission ensured that these trips were well organized and that they were relevant to the Ecuadorian context. We also had facilitators join the group to encourage dialogue and policy discussions and to keep them focused. We wanted USAID to keep a low profile because of the controversial nature of some of the countries like Chile, so there was not a great deal of fanfare.

Even today few can recall these trips. When the groups returned they held press briefings at FE that furthered the policy dialogue and reform momentum. While these observations proved useful, among some leaders there was only a half-hearted acceptance of the reforms, which was different than what had happened with leaders from other countries, such as El Salvador. Many in the Ecuadorian private sector remained quite content with the practices of “crony capitalism”. They remained wary of opening the economy to greater international competition.

Q: When did Rafael Correa come in?

SANBRAILO: Much later, in 2006-2007, as a reaction to the political chaos in presidential transitions and the mismanagement of the liberalization of the banking sector. While accepting some of CONAM’s strategies, like the bono solidario, he rejected most and returned the country to state-directed programs based on mercantilist, protectionist, and authoritarian policies. While claiming to introduce new programs, he funded large road and infrastructure projects, which were throwbacks to those implemented by the country’s greatest populist leader José María Velasco Ibarra. He rewarded his political supporters, including his own brother, with large government contracts and other benefits, while turning to China (PRC) for loans and investment. Correa’s authoritarian attitudes and populist fiscal policies, and arrogant style of governing, will undermine the country’s democracy and economy for many decades to come.

Correa wasted the revenue from the oil boom of the 2000s to build unsustainable infrastructure projects that could not be maintained and to run up giant debts to the Chinese to cover lavish GOE operating expenses. He also became the first LAC President
to declare a World Bank Representative *persona non-grata*. Yet few saw this populist backlash coming in Ecuador, Venezuela, Bolivia, Nicaragua, or elsewhere. Correa became so anti-American that some commentators said he and Hugo Chavez were the equivalent of Latin American versions of Osama Bin Laden, in the sense of wanting to tear down the liberal international system and undermine U.S. leadership.

**Q:** But had these liberalization reforms and export policies lasted up to the Correa Presidency?

**SANBRAILO:** Yes to a degree. Unfortunately, presidential instability throughout this period (1997-2007) made it challenging to implement coherent reforms and policy changes were carried out in a fragmentary way. The political system became increasing “gridlocked” with all kinds of new groups, especially the private sector and indigenous people, making demands on the government. They drove out of the country Occidental Petroleum and other U.S. companies and intensified a dispute with Chevron on oil pollution in the Amazon. What you had was a classic case of weak governance with widespread social and political mobilization, and increasing growth but insufficient resources to respond to all demands. As so often happened in Ecuadorian history, the response was to turn to simplistic and conspiratorial populist solutions.

Nevertheless, some measures from the 1990s continued and others were introduced. As a result, the economy grew, new exports were developed and poverty declined, although Correa and his team rejected these achievements and outright lied about them. Some analysts now maintain that it was these earlier policy changes from the 1990s and early 2000s, plus the oil boom, that provided Correa with the resources to carry out his “Citizen’s Revolution”. Correa’s budgets expended more in ten years than all resources spent in the entire modern history of Ecuador, while still not achieving sustained development. It became a classic case of the “oil resource curse” or what Francis Fukuyama terms, “modernization without development”, in his book *Political Order and Political Decay*.

**Q:** So you were engaged in lots of discussions in both the public and private sectors during this period?

**SANBRAILO:** Yes, all kinds. However, I gradually got distracted by rumors of major changes in USAID, by Atwood’s and Byrne’s reengineering proposals, and the possible termination of senior Foreign Service Officers like myself. At the same time, I knew most of the key counterparts in the government and private sector from my long involvement in the country. We were making operational new mechanisms like CONAM and FIS, and supporting the creation of a new microenterprise bank, Banco Solidario and a new Ministry of Indigenous Affairs, and other important initiatives.

**Q:** Was there a large indigenous population in Ecuador?

**SANBRAILO:** Yes, but it was rapidly declining in size. The country was transitioning from an indigenous country to a *mestizo* or mixed-race country. Many books still describe
Ecuador as an “indigenous country” even though less than ten percent of the population identify themselves as “indigenous”. With the banana boom of the 1940s and 1950s, much of the indigenous population migrated from the Sierra highlands to Ecuador’s tropical coastal region to work in banana related activities and infrastructure projects.

In subsequent decades, many also migrated from the drought-stricken Southern Sierra highlands of Azuay and Cañar to other parts of the country and even to New York City. These migrants tended to lose their indigenous identification and instead became mixed race people. A major thrust of the USAID program in the 1960s and 1970s was helping indigenous people become full citizens in a multicultural pluralistic society. Nevertheless, Ecuador still defines itself as an indigenous country, another indication of how difficult it is to escape its past. Ecuador in the early 21st century is very different than what it was a hundred years earlier, but few draw this comparison.

Q: When did support to indigenous people begin, which you say extended for more than 50 years? Was there some forceful person in USAID? How did it start?

There was no individual who led this process, but was more an institutional commitment. One of the success stories of U.S. assistance in Ecuador, starting in the 1940s and 1950s and continuing to the present, was support for the organization and empowerment of indigenous groups. In this regard, assistance to establish a Ministry of Indigenous Affairs in 1994 was a continuation of these initiatives, as was U.S. support to the Confederación de Nacionalidades Indígenas de Ecuador (CONAIE) established in 1986 and its political party Pachakutik that received grants from the USG’s Inter-American Foundation, USAID and other foundations. Ecuador has had the best organized and most actively mobilized indigenous groups in the Andean region, in part because of more than 50 years of U.S. assistance to local federations and community groups that could then organize themselves into CONAIE. The Title IX programs in the late 1960s and 1970s, especially non-formal education implemented by the University of Massachusetts at Amherst, were largely focused on indigenous groups.

I already mentioned the key role that President John Kennedy played in urging President Carlos Julio Arosemena and the military to abolish the huasipungo peonage system and to carry out land reform in the 1960s and how this initiative continued throughout the life of the USAID program. Kennedy’s lobbying of Arosemena at the White House was a crucial but little-known chapter in U.S. cooperation. While many of the indigenous groups and academics are reluctant to recognize such support for ideological reasons, it was U.S leadership that was instrumental in accelerating indigenous progress during the 20th century.

This process actually began in the early 20th century with President Eloy Alfaro’s Liberal Revolution and the entry into the country of evangelical missionaries, who worked with and organized indigenous people and trained community pastors. They would later introduce schools and radio stations, like HCJB, that played a significant role in educating and mobilizing the indigenous population. The USAID program built upon and expanded many of these initiatives. No other international entity was so active in this
area. It should be no surprise, therefore, that indigenous groups led the opposition to the authoritarian polices of Rafael Correa.

Q: That’s a very interesting story, and it’s the kind of thing that one hopes instills a sense of great pride in some of the work that was done by USAID over the years. In Ecuador, is this recognized as being an impact of U.S. assistance?

SANBRAILO: Unfortunately not. Ecuadorians are not generous in their praise of the U.S. and are often reluctant to recognize any positive achievements in their country, except perhaps “Point Four” and the Peace Corps. It is a country with a pessimistic worldview about itself and most development programs are often defined as failures. This has been reinforced by academics who regularly highlight the negative aspects of the relationship and downplay or distort the positive. Even a Ph.D.-trained economist, like Rafael Correa, used these anti-American sentiments to consolidate his populist regime, declaring the U.S. Ambassador persona non-grata and terminating the USAID mission for supporting independent civil society. This has been a longstanding tradition in Ecuador. I hope to complete a history of U.S.-Ecuadorian cooperation that will further explore this phenomenon. I further discuss it in the attached articles.

It is also important to recall my earlier comments about the paranoia and provincialism that influence Ecuador and feed its conspiratorial worldview and its sense of victimization and exploitation by the U.S. and international agencies. Such attitudes drove Ecuador’s earlier “Tuna War” and its attack on international banana companies, as well as the more than 20 year dispute with Chevron over oil pollution in Amazon, despite the damage they have done to its investment climate. Even well-educated leaders, beyond just Rafael Correa, often share these sophomoric arguments. They use them to explain how the country deals with the outside world. As a result, it is challenging to break through this negative, pessimistic culture that permeates the country’s educational system and so much of its population, including the middle and upper classes. I attach several articles on Ecuador that some have found useful in understanding this phenomena.

Q: And even the indigenous groups would not recognize these achievements?

SANBRAILO: That is correct. Unlike other countries (e.g. Colombia or Peru), Ecuador is a society with deeply embedded anti-American sentiments. Its leaders will rarely recognize achievements that the U.S. has made. For example, when Peter McPherson visited in the early 1980s to celebrate the reopening of the USAID program and U.S. support to democracy, at a press conference the major questions focused on why USAID was a front for the CIA and supported the IMF that hurt poor people. As I mentioned, the country has been obsessed by the Philipp Agee book, Inside the Company, that tries to make the case that the CIA did all kinds of bad things to Ecuador. While much of Agee’s book has been proven incorrect or exaggerated, and Agee himself was a double agent working for the Soviets and Cubans, his book fits the Ecuadorian narrative and continues to be cited to this very day.
When high level U.S. visitors attend the inauguration of a new Ecuadorian President and the swearing-in ceremony in the National Assembly, they are often seated in front of a giant mural in the National Assembly chamber, painted by its world famous artist Guayasamin that depicts the most negative chapters of Ecuadorian history and has a panel that includes the CIA. So this in part explains the emergence of anti-American populist leaders like Rafael Correa, and the earlier Arosemena cousins, as well as their attacks on the USG and the USAID Mission. What is not fully appreciated is that Ecuador in modern times has been one of the most anti-American countries in South America, very different than its neighbors, Colombia and Peru. It continues to reflect the sentiments articulated in the novel, Ariel by José Enrique Rodó, who I mentioned earlier.

Q: Do you wish to say anything further about Ecuador?

SANBRAILO: Yes, Ecuador is one of those countries that historically has not attracted much U.S. attention, although during the past ten years Rafael Correa has made it more prominent. As Correa likes to say, many cannot tell you where this country is located and even some think it is in Africa. Yet it has had a rich history of interaction with the U.S. since its independence in the 1820s, especially with its Galapagos Islands, border conflicts, and investment disputes. This relationship is a fascinating story that I have tried to capture in a series of articles that show how Americans and Ecuadorians have worked together for nearly 200 years to advance the country’s modernization and development.

For example, the first American Consul in Guayaquil, William Wheelwright, imported into Ecuador its earliest steam engine in the late 1820s, created export businesses and arranged for his brother Isaac Wheelwright to serve as an education advisor in the 1830s for President Vincent Rocafuerte. U.S. Consuls helped develop some of the country’s first NGOs with the establishment of the Philantopica del Guayas in 1859 and the Junta de Beneficencia de Guayaquil in 1886. American engineers worked alongside President Gabriel Garcia Moreno to reconstruct the towns of Otavalo and Ibarra after a terrible earthquake in 1867. And American engineers from Virginia worked hand-in-hand with President Eloy Alfaro to construct the Guayaquil-Quito Railway (1897-1908) that unified the country and promoted new economic growth, much like the transcontinental railroad did in the United States.

The Kemmerer mission in the 1920s transformed the institutional structure through the creation of the Central Bank of Ecuador, the Controller’s Office, the Superintendence of Banks, the National Development Bank (BNF) and other entities. Professor Kemmerer, from Princeton University, introduced the gold standard to stabilize the economy and made it more attractive to foreign investors, such as banana companies. He transferred the latest economic thinking and technologies that supported the “July Revolutionaries”, that along with the Triffin mission in the late 1940s, made possible a stronger and more consolidated state. These measures provided the economic and institutional stability that helped make the country into the world’s largest banana exporter after World War II.

Following a border war with Peru in December 1941, the U.S. signed its first bilateral aid agreement with Ecuador in February 1942 to improve public health and sanitation, and to
assist other development projects, including the reconstruction of El Oro province destroyed by the Peruvian invasion. These early aid programs were provided through the White House Office of the Coordinator of Inter-American Affairs led by Nelson Rockefeller and the U.S. Export-Import Bank. Throughout WWII, the Galapagos Islands were of great strategic importance to defend the southern flank of the Panama Canal and commodities from Ecuador (e.g. quinine, balsa wood, rubber, rice) helped the War effort. The GOE supported USG efforts to deal with Nazis spy rings.

Ecuador was an ally in the early Cold War period, but the country has often assumed a more negative nationalistic foreign policy toward the U.S. in subsequent decades. As I have indicated, it was a recipient of Alliance for Progress and USAID assistance but never fully embraced such cooperation. The “love-hate” relationship continues to manifest itself during the past 60 years, accentuated by a series of disputes like the Tuna War, the Occidental expropriation, or the ongoing Chevron dispute. Recent public opinion polls, however, are more encouraging about Ecuadorian views of the U.S., especially after Rafael Correa left office. Hopefully the Correa experience will demonstrate the damage done to Ecuador by such policies.

Q: You clearly have a deep understanding of U.S. assistance to Ecuador? How did you gain this?

SANBRAILO: The Point Four program of the Truman administration began a library of program documents and reports that the USAID Mission inherited. I began to go through the collection for lessons learned. This library was fascinating. When I became Director in 1979, we expanded it and subsequently collected all kinds of documentation on the USAID experience in the 1960s, 1970s, 1980s, and into the 1990s. This was the best development library in Ecuador. Many university professors and students went there to do research and we used it in program planning.

Unfortunately, in the late 1990s, as the Mission was downsized, the Director and Executive Officer did not place the same priority on the library, and destroyed this invaluable resource, representing millions of dollars’ worth of one-of-a-kind studies, reports and evaluations. They sent a number of the documents to CDIE in Washington and gave others to host country organizations.

Dismantling this centralized resource, however, made research far more costly and time consuming. For those of us interested in the history of the Ecuador program, it was like “burning the library at Alexandria”. The very memory of Point Four and USAID in Ecuador was destroyed. In subsequent years, a number of officers had to turn to me to obtain information about what had been achieved in prior decades. It was a real shame, but a further indication that USAID does not value its history.

Q: So the USAID program built upon a longer tradition of U.S. support to Ecuadorian development?

SANBRAILO: Yes, very much so. Unfortunately this history is virtually unknown both
in Ecuador and the U.S. As I mentioned, many Ecuadorians continued to call the USAID Mission "Punto Cuarto" or "Point Four". The later program of technical assistance and training in the 1950s had a longstanding impact on Ecuadorians, in part because many of the Point Four technicians came from humble rural backgrounds in the U.S. and lived and worked in rural areas, much like Peace Corps Volunteers today.

While the country was never a high priority after WWII, its instability did concern policy-makers in the 1960s and what evolved into the "Tuna War". Later, as it became a transit country for drug trafficking, and a sanctuary for the FARC guerrillas in Colombia, Ecuador gained more attention. The border wars and disputes with Peru, regularly triggered observer missions from the Rio Treaty’s guarantor countries of Argentina, Brazil, Chile and the U.S. Unfortunately, U.S. interests in Ecuador have most often been determined by U.S. concerns in other countries (e.g. WWII, the Cold War, Cuba, Peru, Colombia).

Yet USAID’s most significant achievements have largely been forgotten, like so much of its history. Bobby Kennedy’s roommate at Harvard, Donald Daughters, was named as the first USAID Mission Director in 1962 and his experiences in the early days of the Alliance for Progress have largely been lost. It is virtually unknown that John Kennedy and the Alliance urged Ecuadorian leaders to abolish the Huasipungo peonage system that had enslaved indigenous people, to undertake agrarian reform and to establish the land reform institute IERAC. These were some of Ecuador’s historic reforms, analogous in ways to Lincoln’s Emancipation Proclamation that freed the slaves.

From the 1960s to the present, USAID pioneered some of the most important policy and program innovations, especially through the creation of Ecuadorian NGOs and developed civil society. For example, the decline in the country’s high population growth was facilitated almost exclusively by non-governmental organizations created by USAID, such as APROFE, CEMOPLAF and CEPAR. Similar assistance to the Ministry of Public Health, the Social Security Institute and the military’s civic action programs was instrumental as well.

Additional contributions were made in supporting reforms that improved environmental protection and natural resources conservation and increased non-traditional exports, agricultural production, and small and micro-enterprises. USAID served as the catalyst for strengthening credit unions, cooperatives, savings and loan associations, and pioneered programs to improve nutrition, child survival, women rights, alternative energy, and hundreds of communities and municipalities.

It was the USAID’s civil society strengthening that most upset Rafael Correa, whose authoritarian approaches concentrated all power in the presidency, thereby undermining checks and balances and the role of these groups in representing alternative voices. Correa had no tolerance for challenges by independent NGOs and viciously attacked them throughout his ten year tenure in office. This stance is what led to the termination of the USAID mission in 2014-2015. The Obama administration made little effort to defend the program and its indifferent attitude contributed to strengthening Correa.
For more than 50 years, USAID programs have played a unique role in supporting Ecuador’s development. In my view, the closure of the USAID Mission was similar to other actions in Ecuadorian history, such as the expulsion of the Jesuit missionaries in 1767 that set back Ecuador’s development for a century. This incident reflects the country’s intolerance, authoritarian tendencies and the difficulties it has had in dealing with the outside world that was attempting to support its modernization. In this regard, it is important to review the writings of the country’s leading political scientist Osvaldo Hurtado, such as his *Portrait of a Nation: Culture and Progress in Ecuador*, and compare his views with those Rafael Correa, such as his book, *Ecuador: de Banana Republic a la No Republic*. Both conclude that Ecuador has a defective political culture, although each has very different proposals for overcoming the country’s development constraints.

*Q: Earlier you mentioned your experience in Ecuador in the late 1970s and early 1980s and then your experiences in 1993-1996. It might be useful to further elaborate on these two periods.*

SANBRAILO: They were similar and at the same time very different. In 1979 I had to build a new Mission while in 1993 I inherited a significant ongoing program. It included many of the elements that we had put in place in the early 1980s, but reflected the changes of the 1980s and 1990s and the emergence of new development thinking based on better using market mechanisms, conducting policy dialogues, promoting exports and incentivizing the private sector to achieve development objectives.

As you recall, the program we began to develop in 1979 embodied much of the New Directions policies. The evolution of USAID programs in countries like Ecuador should be better understood, as well as their programming documents located in the National Archives and in the Development Evaluation Center (DEC), since they have often been ignored by the few historians who have focused on this cooperation.

*Q: You also indicated that there had been allegations of misuse of USAID funds in Ecuador in the mid-1980s that disrupted the Mission. How did that play out during your second tour as Mission Director?*

SANBRAILO: Yes, it was the salary supplement issue of the mid-1980s that USAID Director Frank Almaguer had uncovered and addressed. Frank summarized this unfortunate incident in his ADST oral history. I was not directly involved.

Fortunately, the issue did not greatly impact my tour in Ecuador in the 1990s. Indeed, it had been put behind the Mission and I rarely heard comments about it. The Mission had much better systems in place and had professional staff who knew USAID regulations and fully complied with them.

The whole experience does highlight, however, how sensitive it is managing foreign aid funds and how careful one must be. Yet, as reported by the Washington Post and other media, USAID in the mid-1990s, allegedly wasted over $80 million in developing a New
Management System (NMS) that did not function. There was virtually no accountability for such misjudgments, even though senior officers had warned the Assistant Administrator for Management of the risks.

Q: So now tell us what led to your departure from USAID?

SANBRAILO: As I mentioned, my transfer from El Salvador to Ecuador was approved in early 1993, just as the Clinton administration was assuming office. After 12 years of the Reagan-Bush administrations, Brian Atwood was named Administrator and should have come into office with a positive view of USAID senior officers, since he had recently served as President of National Democratic Institute (NDI) and as a Hill staffer. He was joined by an Assistant Administrator for Management, the infamous Larry Byrne, and others like LAC Assistant Administrator Mark Schneider.

Byrne proved to be the most controversial and a real egomaniac who began a campaign to “clean out” the senior career staff and force them into early retirement. While Atwood would later deny that he supported this action, and claimed that he was forced by the White House to accept Byrne and could not remove him, Atwood abdicated his managerial responsibilities in supervising him and allowed it to happen. As with the other Assistant Administrators, they simply looked the other way as Byrne hollowed out and destroyed USAID’s senior leadership.

Upon entering USAID, Byrne wanted to “reengineer” the agency and to implement a New Management System (NMS) that may have been a good idea but was too ambitious and too costly. Computers were just being introduced and were still largely untested in terms of changing all procedures across an agency as complex as USAID. In the best spirit of the Senior Foreign Service, some of the career staff, like myself, recommended caution and a less-costly incremental approach, which Byrne dismissed and interpreted as disloyalty. He told some in Washington that the senior staff were undermining him. I understand that he may have pointed to me and others. The details of what Byrne did were recorded more fully 20 years ago in Marshall Brown’s ADST oral history that showed how destructive Byrne proved to be to the agency. I am grateful to Buster for his comments about my service.

Throughout 1995-1996, I was distracted by the rumors that I would be forced into early retirement at the age of 53. The rumors spread to my staff, even before I knew about them, and undermined my effectiveness. A new Mission Director for Ecuador, Tom Geiger, was named and I was not even informed. My staff knew even before I did, which was embarrassing.

In subsequent years, some of the Administrator’s apologists would argue that Atwood had no choice but to cut back on Senior Foreign Service Officers in order to save USAID from Senator Jesse Helms, who was moving to merge USAID into the State Department, as he had done with USIA. Some have maintained that he “saved the Agency” by sacrificing the Senior Foreign Service. While I don’t think that Brian Atwood intended to discredit USAID, and it was challenging to manage someone like Larry Byrne with his
wife’s political connections, the impact of the new polices severely damaged USAID, which continues to reverberate to this very day.

After decapitating the agency’s senior staff, and attracting around him some USAID officers who had few distinguishing achievements, Byrne introduced the NMS, which cost over $80 million to put in place. The longstanding terminology of a “project” was changed to an unintelligible “results package”. The ill-defined concept of “sustainable development” became the central USAID programming theme, even though the large activities in Eastern Europe and Russia had a very different focus. Most of the management changes were not successful, but they elevated contract officers into a permanent leadership role, miring the agency in even more bureaucratic process.

Symbolizing the Administrator’s approach, he placed in the USAID lobby a large plaque honoring First Lady Hillary Clinton and her support to USAID. Some felt that the funds spent on the plaque were inappropriate. It and the NMS attracted Washington Post exposés that were used as examples of a waste of resources. They discredited the Administrator and forced the Clinton Administration to withdraw his nomination as Ambassador to Brazil. I understand that the George W. Bush Administration later tried to send the plaque to the Clinton Library, but it was not interested in it. Throughout the Obama administration, the plaque hung in the USAID lobby, a permanent reminder of this sad period.

The introduction of “results packages”, to replace the concept of a “project”, made it difficult for host countries and the development community to understand USAID programming. Few knew what this term meant since project-based operations had been the norm throughout foreign aid history. The strategy of “sustainable development” proved so vague and ill-defined that some in the State Department later told me that they avoided meetings in which it was discussed.

While the agency was not merged into the State Department, it may have been a pyric victory since USAID lost most of its senior officers and a great deal of creditability. The Administrator and Assistant Administrator Byrne departed in 1998 with the agency in a much weakened position. This unfortunate chapter in USAID history is recorded in the CSIS study, “Foreign Policy and Development: Structure, Process & Policy—the Drip-by-Drip Erosion of USAID” by Jerry Hyman.

Q: As I understand it, Byrne zeroed in on many Senior Foreign Officers. What did he have against you?

SANBRAILO: He may have been concerned that I raised questions about the NMS and his reengineering proposals, especially measures to shift authorities away from Mission Directors to contracts officers, who had no development training. I was also told that he commented on my Presidential awards during the Reagan-Bush administrations and what that might indicate. The ADST oral history that Marshall Brown completed 20 years ago, as well as later comments, suggest that Byrne had targeted me because he also believed that I was a Republican, but he had done the same to others as well.
USAID never experienced anyone in a previous administration like Larry Byrne who conducted an open purge, with so few concerns being raised and so few consequences. As it unfolded, the Administrator and Assistant Administrators chose to ignore this drama and later denied responsibility for it. At the same time, most of the 200 senior officers moved on to new jobs, many in the private or nonprofit sectors, but the damage to USAID was significant.

Q: How did he do this? Was it your time in grade?

SANBRAILO: Yes, Byrne was clever in using the existing Foreign Service “up-or-out” system to force most senior officers out of the agency. Based on merit, I had risen quickly to the highest rank of Career Minister. If I did not receive an extension from the Administrator, I had to retire. And this is what happened.

Q: You were promoted too quickly! Had you still been a lower level officer you would have continued in the Agency.

SANBRAILO: Yes, in fact a number of interns in my IDI class, who were not promoted as quickly, continued in the agency. So, this purge sent a terrible message to the staff, “don’t excel” and keep your head down. The damage to the USAID culture and operations was serious, as commented on by many inside and outside of the agency. USAID never fully recovered.

Q: And USAID lost its very best officers and a lot of other people –

SANBRAILO: Yes all kinds, from a number of superstars to lesser known officers. It decimated agency leadership and empowered a number of officers who may have not been as well qualified. It destroyed the informal mentoring system that had played such a crucial role in cultivating junior officers, like myself when I first joined the agency.

Q: The cream of the crop, in fact, because the people who’d been promoted the fastest were the ones who were the best, and they were the ones who were forced out.

SANBRAILO: Yes, we were shown the door in a very ungraceful way. It hurt many distinguished officers who should have been better treated. A number never got over this shabby treatment and a sense of being fired for excelling in their jobs. At the time, the regional Assistant Administrators and others just sat on the sidelines, looking the other way, rather than standing up to Larry Byrne.

It was the most negative environment that I had experienced in USAID. So in early 1997, I’m sitting at home and saying, “What did I do wrong?” We had made significant family sacrifices to advance the USAID program and we were working for the equivalent of about $40,000 per year (the difference between our annuities and our salaries) and yet we were treated like this. Most of us had a great deal more to contribute. Many believed that their involuntary terminations were motivated by political expediency and conducted in
an arbitrary manner. USAID was not just another job for us, it was a special calling. What happened violated the sacred trust that had existed between the agency and most of us.

Q: How old were you at that point?

SANBRAILO: I was 53 and could have served for another 10 years, which would have been in the best interest of the taxpayers. I had outstanding employee ratings. A number of Ambassadors urged Atwood to retain me. These years could have been the most productive of my career, as they were when I directed the Pan American Development Foundation.

Instead, many of us moved on to private sector jobs. USAID lost a great deal that now is more fully appreciated with the challenges faced by the agency in subsequent decades. Nevertheless, much of this history and its ramifications, like so much of USAID’s history, has been largely forgotten or remains an embarrassment that few wish to discuss.

Q: You still had at least 10 more years of a career ahead of you.

SANBRAILO: And I may have been involved in the programs in Eastern Europe or Russia, or in the Middle East. Some of us might have made a difference in ensuring that USAID was better prepared to go into Iraq and Afghanistan in 2003, especially based on what we had done in Central America. You can identify examples of how the agency might have been different.

As I made my rounds to say goodbye, I met with Charlie Flickner, one of the Congressional staffers who I had known well in Peru and El Salvador. Charlie offered to call the Administrator and recommend that he extend me. I thought about it, but then concluded, do I really want to serve in an agency that so disrespects its senior staff. I thanked Charlie for his offer and decided that the best was to move on. After my service, you really don’t want to work in a place that doesn’t want you and uses questionable criteria to make such decisions. So I joined others and left USAID with great sadness.

Finally, to place this issue in context, it should be noted that Congressional foreign aid policy was being greatly influenced by long-serving Senator Jesse Helms and others who were pushing to merge USAID into the State Department. With the end of the Cold War, there was a sense that foreign aid may no longer be needed. USAID and its FAA were seen by some as “relics of the Cold War” and were no longer priorities. The War on Terror had not yet emerged. There was great uncertainty about what role foreign aid might play in the future.

Helms never liked foreign aid, except when it supported national security objectives, such as his new Cuba Liberty & Democracy Act passed in 1997. He felt that it would function better as a Bureau of the State Department. Helms may have seen the termination of large numbers of USAID senior staff as an opportunity to further weaken the agency and make it more difficult to defend itself. The departure of USAID’s most senior officers played
into Jesse Helm’s hands. While the agency remained independent of State, it lost its most valuable resource.

In addition, USAID and State were in a bureaucratic battle over who would control the large new national security programs in Russia and Eastern Europe. While I don’t want to be cynical, anything that weakened USAID, such as losing its most senior officers, strengthened the position of those who were proposing that USAID be merged into State, or at least be more closely controlled by the State Department. Under these circumstances, my USAID career came to a sad end. I felt that I had lost my “dream job”.

Q: So Larry Byrne was not hamstrung by the Congress in forcing out of USAID such a large group of senior officers?

SANBRAILO: Why there was not more of a reaction by the Congress is beyond me to this day. The Congress and its committees didn’t seem to really care either. There was also the broader context. Many saw that the Cold War had ended and perhaps USAID was no longer needed. The State Department was assuming a larger role in directing and managing aid to Russia and Eastern Europe and was directing an ill-advised military occupation of Haiti. Some may have felt that it was better not to have the senior officers around.

Again, this was before 9/11. The U.S. was seen as the only superpower, unchallenged in the world. Many were seeking a “peace dividend”. A new USAID program in Russia and Eastern Europe was a central focus of attention. I don’t think what was happening was ever fully explained to the Congress. It was taken as a routine application of the existing “up-or-out” procedures used by the Foreign Service. As a result, it never rose to the attention of Congressional committees, which was unfortunate. Even though it virtually destroyed the agency, few in Congress seemed to notice. Most of us left USAID without even a “thank you for your service”. It was a negative atmosphere. Most of us just wanted to move on.

Q: That’s really interesting and depressing because this episode is a dramatic one as far as USAID losing these talented officers.

SANBRAILO: Yes, it left a permanent stain on the agency, on Brian Atwood, and needlessly hurt many senior officers and their families. It undermined USAID. Everyone came out losing. It reflected the tragic streak that is so pronounced in the history of foreign aid. A program that is so well-intentioned often ends up with heartbreaking consequences, like this one.

Q: At this point, let me suggest that we break. Since we’ve been going about two hours, let’s move in the next session to your post-USAID career, how you adjusted to your departure from USAID, what you did during that period and how you became CEO-Executive Director of the Pan American Development Foundation.

SANBRAILO: We can finish up in the next session
Q: Yes, perhaps we don’t need two hours for that one, but we can do whatever is needed to hear the full story, and we’ll capture that before you actually retire from the Pan-American Development Foundation. There’ll have to be an oral history of that done for you. Thank you very much John. It was fascinating, once again. You certainly have been through some interesting periods, and interesting places with all sorts of tumult and turmoil surrounding you, but it sounds like a wonderfully fascinating career, so I’m glad we’ve captured at least part of it.

SANBRAILO: Thanks again Alex for taking the time. I greatly appreciate your interest. If I had to do it all over again, no matter what happened at the end of my USAID career, I would have still joined the agency. This may make me different than some in my peer group.

Q: Alright. We will continue next time and complete this history at that time.

SANBRAILO: I am looking forward to it.

Consulting Assignments (1997-1999)

Q: Good afternoon today is June 19, 2017, this is Alexander Shakow, and we are picking up now the third session of recording John Sanbrailo’s personal history, this oral history, for ADST (The Association for Diplomatic Studies and Training). I am so delighted, John, that you have been willing to do this. It is fascinating, and adds many dimensions to what I already had in way of knowledge of you, but this is part of the fun of being the interviewer on this.

Let’s now focus on the rather difficult development of finding that, despite having done such an enormous and wonderful job, USAID was pushing you right out the door in 1996 with a whole bunch of very senior, experienced people. So now tell us how you adjusted to your post-USAID career.

SANBRAILO: My wife and I attended the Foreign Service Retirement seminar. We learned how to write a resume, do a job search and attempted to adjust to the loss of the exciting work we had been doing in USAID. The seminar was very well done, with a lot of good counseling and advice on how to deal with a post-foreign service career. I was 53 years old and felt that I still had a lot more to contribute to international development.

We had moved back to our home in Vienna, VA after nearly 18 years of serving overseas in Ecuador, Peru, Honduras and El Salvador. There was some adjustment but I never lost my perspective. I knew that one day we would be coming back to “cut the lawn”, “shovel the snow” and “repair the house”. We moved back to “hometown America”, which Vienna prided itself in creating, and enjoyed that part of our experience and reconnecting with neighbors without being concerned about security as in El Salvador and Peru. I was able to maintain more of a positive attitude than my wife who became bitter at USAID
for what was done to us. It never left us and was an unfortunate way to leave a “Dream Job”.

As my wife and I planned our future, we listened to the lyrics of the Simon and Garfunkel’s song “Mrs. Robinson”. It summed up how I felt about leaving USAID, especially the following:

Sitting on the sofa on a Sunday afternoon
Going to the candidates’ debate,
Laugh about it, shout about it, when you got to choose
Every way you look at it, you lose

Where have you gone, Joe DiMaggio?
A nation turns its lonely eyes to you,
Woo, woo, woo
Where have you gone, Joe DiMaggio?
Joltin Joe has left and gone away
Hey, hey hey, hey hey, hey

And that is how I felt about the extraordinary professionals who had been forced out of USAID. They were the Joe DiMaggio’s of international development. Unfortunately, the agency would never be the same again.

Q: So what did you do to keep yourself busy?

SANBRAILO: As with many, I did consulting work and was hired by Fred Schieck, who was a Senior Manager at the IDB. Fred needed an experienced officer to do a study and develop recommendations to address the Bank’s “bunching problem”. That is the approval of over 80% of its loans in the final two months (November-December) of its fiscal year and how such approvals could be spread out more evenly over the entire fiscal year, rather than concentrated in the last two months.

It was an opportunity that allowed me to talk to staff across the Bank and to reconnect with so many with whom I had worked during my USAID career. It also proved embarrassing. Some were surprised about what had happened to USAID and to me that was difficult to explain to those not familiar with the Foreign Service “up-or-out” system. At the same time, I was able to dig into how the World Bank and the Asian Development Bank managed their loan approval processes and learned a great deal about their internal operations. It was a good way to get my mind off of what happened in USAID.

We came up with an important study that proposed managerial and structural changes to the loan review process. They were presented to the IDB Board, most of which were approved. I was complimented on my work. It remained the Bank’s definitive study on “bunching” for more than a decade. It helped improve the flow of loan approvals in 1998 and 1999, though I understand the Bank reverted to its older pattern in subsequent years.
The fundamental recommendations required changes by management and the Board that were initially accepted but later disregarded. In such a situation, they needed greater management focus that was not always there. This situation was especially the case with larger loan operations that often had significant policy and political issues that could not be quickly resolved and dragged out to the end of the fiscal year. Timing then forced a decision on them.

Q: So you didn’t solve the IDB “bunching” problem?

SANBRAILO: No, it improved somewhat for a few years but was not “solved”. It was essentially a management rather than a structural problem requiring greater focus by the Bank’s senior leadership and the Board. As with so much in development, progress often demands leadership and focus rather than quick and magical structural changes. This was another example.

Q: What happened after the assignment at the Inter-American Development Bank?

SANBRAILO: I had continued to look around for the right niche where I could dedicate the rest of my international development career. I didn’t like the idea of moving from one short-term consulting assignment to another. About April 1997 one of my closest friends in Ecuador, Rodrigo Paz, had been named the President of the Council for the Modernization of the State (CONAM) in the new Alarcon government that had assumed office when President Abdalá Bucaram was forced to resign. Rodrigo called to ask me to return to Ecuador to serve as Senior Advisor to CONAM, as the country worked to rebuild its credibility after the chaos in the previous administration.

So in June 1997 my wife and I headed back to Quito through a World Bank contract financed by one of the Bank’s loans to CONAM’s for supporting privatization of state-owned enterprises. In accordance with a new Report, The State in a Changing World, the Bank had assumed a lead role in helping Ecuador streamline the state, remove subsidies and better target resources to the poorest population. The GOE and the Bank recognized that I was well-qualified for the assignment because of my prior experience in the country and my recent involvement with CONAM and similar organizations in other countries.

Q: What were the results of the CONAM program?

SANBRAILO: After the stalled progress due to Ecuador’s border war with Peru in 1995, the unexpected departure of President Bucaram in 1997 and the emergence of an interim government, the challenge was to re-establish momentum and demonstrate the country’s earlier commitment to modernizing the state. As part of this effort, Ecuador would make important progress in preparing state-owned enterprises for international auction in the telecommunications, electric power and petroleum industries. These advances proved far more complex and lengthy than many appreciated because of decades of mismanagement and corruption.
To aid the process, CONAM mobilized another excellent advisor, the former Minister of Privatization of Bolivia, Alfonso Revollo, who had made great progress with similar programs. Yet despite the best of intentions, the Ecuadorian companies could not be transferred (sold) to private investors, in part because of the uncertainty about future policies, unreasonable price expectations, growing public resistance and other factors. It proved even more challenging than anyone had expected to overcome the country’s deeply entrenched mercantilist and statist tradition that had created substantial obstacles to selling off these companies. Such efforts, however, did improve the internal management and services of the enterprises.

It is important to recognize that these initiatives were implemented, not in isolation as some commentators seemed to suggest, but in the context of a new international development policy (the Washington Consensus) that maintained that weak, ineffective and failed states were the source of many of the world’s major problems. As outlined in a seminal 1997 report by the World Bank, *The State in a Changing World*, the worldwide focus was on reducing the size and scope of state functions through privatization and greater use of the private sector and non-governmental organizations to deliver services. This report attempted to help countries define the role and effectiveness of the state, what the state should do and how it should do it. Many believed that bloated state sectors had limited economic growth and restricted the coverage and impact of social services.

At the same time, the policies of the 1990s aimed to improve the state’s institutional and managerial capacity and not just reduce public sector activities. As Francis Fukuyama would present in his book, “State Building: Governance and World Order in the 21st Century” the key challenge was not only making the state smaller but making it stronger”. Fukuyama would maintain that such actions were of crucial importance for policy-makers to better appreciate the interlinked processes of economic growth, social mobilization and demands for political participation and how they impacted the role of the state. He concluded that the art of state-building was a key component of national power, as important as the ability to deploy traditional military force to maintain world order.

In this context, Ecuador had a classic case of a weak and ineffective state that was often overwhelmed by the demands of numerous interest groups. The latter had been mobilized during the past 50 years through the breakdown of its traditional rural society and rapid urbanization, which occurred within an authoritarian and rent-seeking political culture. It was a highly fragmented and class-ridden society whose divisions made it extremely difficult to achieve consensus on sensible policies that left it one of the least developed countries in South America, despite its rich natural resources. Ecuador’s deeply divided society, the inability of leaders to cooperate and form governing coalitions, and its dysfunctional political parties, often led to a gridlocked government that could not generate the resources or institutional capacity to advance national development.

As a result, not only would democratic governance break down, but populist *caudillo* figures, from the left or right, would emerge to fill the vacuum. They would attack traditional elites, accentuate border conflicts, use strident anti-American rhetoric to unify
the society, and offer simplistic conspiratorial solutions to the country’s complex problems. This cycle had repeated itself throughout much of the 20th century and into the 21st, thereby frustrating and demoralizing many Ecuadorians, forcing some to abandon public service or even leave the country.

As a result, a major focus was placed on improving state functions and performance, and upgrading the country’s governing capacity. CONAM proposed to Interim President Alarcon and his Cabinet more effective economic and social policies and the formulation of a new Constitutional structural that took effect in 1998. This work included the design of innovative measures for implementing “conditional-based cash transfers” (*bono solidario*) to the poorest population to encourage them to vaccinate their children, keep them in school and undertake other family improvements.

All of this was part of redefining the role of the state and enhancing governance that would allow Ecuador to better meet the needs of its lowest income citizens. Some of these measures would later be continued and adopted by subsequent administrations. Beginning in 2007, the *bono solidario* would be dramatically expanded by Rafael Correa to consolidate his “Citizen’s Revolution”, but it did not require the self-help improvements in family behavior, as originally intended. While Correa ranted against the “neoliberal nightmare” some of his basic instruments had been developed by CONAM in the late 1990s.

When a new government was elected in 1998, led by President Jamil Mahuad, I attempted to support it working through CONAM. While Mahuad initially took some important actions, such as agreeing to Peace Accords with Peru, adopting measures to improve the investment climate, and supporting actions to reform and modernize the state, he named a new CONAM President who was not effective. Furthermore, the Mahuad administration moved the modernization/privatization process in a different direction that made me uncomfortable because of the insufficient staff work being done on crucial issues, like liberalizing the banking sector. This ultimately led to a major banking crisis during which many Ecuadorians lost their life savings and discredited the reform process.

The banking crisis forced Mahuad to resign from the presidency in 2000, to flee into exile, and required the country to adopt the U.S. dollar as its new currency to stabilize the economy. This “dollarization” essentially ended the formal modernization process, although important additional measures were implemented in the 2000s to strengthen the tax and customs collections. Nevertheless, after the dollarization adjustment the economy continued to grow based on an increasingly diversified export base that began in the 1980s and 1990s. As it entered the 21st century, Ecuador was clearly changing and improving some state functions, but the process was incomplete and messy, and unfortunately had not generated widespread enthusiasm.

*Q: Such a strategy seemed to fit within an overall state-building orientation that followed the end of the Cold War.*
SANBRAILO: Yes, it became clearer in the 1990s that weak, fragile and failing states were a major threat to the international order. This allowed terrorists, drug traffickers and criminal gangs to control large geographical areas, as was happening in Colombia, Afghanistan and in Africa. There were major nation-building efforts launched in places like Somalia, Haiti, Bosnia, Kosovo, and later Iraq and Afghanistan, that gradually shifted development thinking toward more of a concern for building stronger states. With the end of the Cold War, a new dynamic had emerged and international programming changed accordingly.

Samuel P. Huntington at Harvard again came out with a seminal work, “The Clash of Civilizations and the Making of World Order” that quickly became one of the most influential books on foreign affairs. It and other similar publications focused the international community on the challenges of state building and how chaos in failed or weak states could endanger world order. Along with the incomplete and messy transitions away from communism in Eastern Europe and Russia, and the breakup of Yugoslavia and the crisis in the Balkans, it became clearer that building or transforming state institutions was a high priority but would require much more time and more effective national leaders.

Yet countries like Ecuador, Venezuela and others would increasingly be left behind, as they subsequently turned to destructive populist leaders rather than remaining focused on the hard work of state-building. What we witnessed in the 1990s and into the 2000s, was another transition in international assistance that continues to this very day. As indicated by Francis Fukuyama in his important book, Political Order and Political Decay, state-building remains as elusive today as it was in the 1990s

Q: So what specifically did you do in CONAM?

SANBRAILO: Using the Spanish version of the World Bank Report, The State in a Changing World and similar publications, I worked with the President of CONAM, Rodrigo Paz and his Executive Director Raul Gangotena, to train its staff, the ministries and state-owned enterprises on the latest thinking on state reform and state building, and on the priorities for reshaping Ecuadorian state functions. We drew on the privatization experience in other LAC countries, like Bolivia and Chile, and the writings and advice of leading experts, such as former Venezuelan Minister Moisés Naím, IDB economist Ricardo Hausmann, Chilean economist Sebastian Edwards, as well as Alfonso Revollo from Bolivia, among others.

Building on the previous work by USAID, we wanted the Ecuadorians to see the “big picture” of what was happening in the region and the world, much like we had done with the FMLN in El Salvador. We dealt extensively with the local press to encourage them to write articles about these changes and the rationale for them. We introduced seminars into local universities and urged them to use The State in a Changing World as a textbook in their classes. We distributed over a thousand copies in Spanish.
I also provided technical and managerial assistance to CONAM staff in preparing assessments of state-owned enterprises, contracting teams to address key operational issues, identifying investment bankers who could advise on auction procedures, arranging for audits and other financial reviews, and developed plans for dealing with labor unions and the general public to better explain the advantages of privatization and its ability to attract new investment, technology and management that could improve services. I also worked on social policy, especially the design of the “bono solidario” and new mechanisms for delivering social services through NGOs and other similar organizations.

In early 1998, I organized a seminar for CONAM staff, Ecuadorian opinion makers and the media at the IDB in Washington with international experts on the status of privatization and modernization of the state and lessons learned. We used this opportunity to meet with Thomas “Mack” McLarty, the White House Special Envoy for the Americas, and senior officials at the State and Treasury Departments to urge greater USG support for Ecuador’s privatization initiatives and the proposed auction of the telecommunications company. While we were led to believe that CONAM would have active participation by potential investors in the bidding for this company, it did not happen largely because of uncertainties with the upcoming election and the sabotage of this action by some national groups. This was a major lost opportunity for the country and for improving public services.

What the failed privatization of the telecommunications and other state-owned companies symbolized was how hostile Ecuador has been historically to foreign private investment. This is not a country that enthusiastically accepted outsider economic interests, nor saw them in a positive light. In the early 1960s, the government forced out of the country the famous United Fruit Company and expropriated its lands, while allowing a leading Ecuadorian entrepreneur, Luis Noboa, to develop the region’s first locally-controlled multinational on the same United Fruit lands.

In the 1960s and 1970s, Ecuador prevailed against the United States in the “Tuna War”, virtually destroying much of the San Diego fishing fleet. In the 1990s, it triumphed over the European Union in the “Banana War”. And from the 1990s to the present, it has undertaken a bitter ongoing battle with Chevron over pollution in the Amazon that has damaged the investment climate and scared off numerous investors, especially in the mining sector. Until Ecuador can better work with foreign investors, it is unlikely that the country can make significant progress in promoting national development.

Q: In addition to work for Ecuador, did you do other consulting work?

SANBRAILLO: Yes, I had the opportunity to assist USAID Peru, advising the government and its anti-drug agency called, “National Commission for Development and Life without Drugs (DEVIDA)”. I helped them organize and prepare for a Consultative Group of donors to mobilize international funding for a Peruvian plan to eradicate coca cultivation and to better address drug trafficking. It drew upon my prior experience in Honduras and El Salvador in helping them prepare for CGs, as well as my past experience in Peru.
We also mobilized the local NGO community, led by the “Center for Information and Education to Prevent Drug Abuse” (CEDRO), to support this effort, which was well-received by the donor community. DEVIDA and CEDRO were longstanding USAID grantees, dating to my time as Director so I could see their institutional development and how they had broadened their support with other donors.

In addition, I did consulting work for multinational companies, like Occidental Petroleum in Ecuador, helping it formulate a corporate social responsibility strategy and worked with local and regional NGOs to strengthen their managerial and planning capacity and fundraising. While I did not realize it at the time, these and other assignments, prepared me for my subsequent recruitment as CEO (Executive Director) of the Pan American Development Foundation.

The assignment in Ecuador was fascinating, seeing how the U.S. Embassy, USAID, the diplomatic community and international agencies operated when one was on the other side of the table and served as a GOE advisor. It was a challenging period because of the removal of former President Bucaram, and the uncertainties of an interim administration, that had disrupted nearly 20 years of constitutional transitions. This issue concerned the USG, as well as the international agencies, as the country gradually slid into a period of political instability.

I remained in Ecuador until July 1999 when I returned to the States to take care of my parents whose health had deteriorated and they subsequently passed away. I was fortunate that I had time to spend with them.

Q: So how did this unfold in shifting gears from serving as a senior USAID Mission Director to now becoming Senior Advisor to the Ecuadorian and other organizations?

SANBRAILO: After nearly 30 years in the USG, working for another government was demanding because of the uncertainty of the situation. As mentioned, it was instructive to see how the U.S. Embassy and international officials now dealt with me as a CONAM advisor. While I tried to get the Embassy and USAID more engaged in supporting CONAM, and to respond to the massive El Nino floods, the Embassy remained aloof and USAID was largely distracted by downsizing the Mission. It was disappointing to see the USG’s indecision in how to deal with the situation. The latter ultimately led to a CODEL by Senator Christopher Dodd who seemed to give greater direction to U.S. policy after I had left the country.

The World Bank and the IDB assumed the leadership in policy dialogue with the GOE and supported the most important reforms, but USAID’s absence left a vacuum. We made some important progress but dialoging from a multilateral bank perspective was quite different than in USAID. Much of it was done from headquarters in Washington rather than the field. It demonstrated again the strength of USAID’s decentralized operating structure.
The USG did not seem to be following the rapidly changing economic and political challenges in 1999-2000 and largely got taken by surprise by the banking crisis and “dollarization” of the currency. This situation almost led to the military taking over in the year 2000, since the political parties could not deal with the situation. These and subsequent events later led to Rafael Correa’s Citizen’s Revolution and its populist attacks on U.S. interests in Ecuador and in the region. The mismanagement of U.S. relations with Ecuador during this period, in my view, contributed to producing Correa and undermined Ecuadorian democracy.

Q: Did you have much contact with the Embassy and USAID Mission in Ecuador at that time?

SANBRAILO: More with the Embassy that was monitoring privatization. I became one of the Embassy’s contacts. They started to even give Christmas gifts, as I had previously done with counterparts when I was a USAID Director. This is when I sensed that I had graduated from the USG. It was a cold lonely sensation!

Unfortunately, USAID was being forced to cut back its program. Funding to modernize the state and support privatization was no longer a priority. As the Andean Regional Initiative was developed in the late 1990s (what became Plan Colombia), the Mission gradually focused on community-based activities to improve security conditions in the Northern Border region (along the Ecuador-Colombia border) to strengthen the GOE and military presence in those areas to better combat the FARC insurgency. This was then followed by a program along the Ecuador-Peru border to support the Peace Accords. The latter programs, plus the departure of Administrator Atwood, halted the phase-out of USAID Ecuador, but gave them a narrower project and national security focus. It demonstrated again how misguided the phase-out had been.

Q: What did the Embassy give you?

SANBRAILO: A bottle of wine.

Q: But your relations with the USAID staff in country were okay, considering your previous position?

SANBRAILO: With the staff it was fine. It was less satisfactory with the USAID Director who wasn’t particularly interested in what the GOE was doing to modernize the state or privatize state-owned enterprises. In response to the Administrator’s mandate to graduate Ecuador, the Director was absorbed in reducing the size and scope of the USAID program and terminating staff, especially FSNs. It was a painful time for some of the FSNs. I had always been interested in growing the Ecuador program.

So it was also difficult for me to see what was happening, especially since it was being done for non-technical reasons. The USAID Director did not seem interested in making any case for why an Ecuador program was in the USG’s best interest, given the country’s national security concerns and its clear development and disaster assistance needs. After
she left, and the George W. Bush administration entered office, the phase-out decision was reversed and, as mentioned, the Northern Border region became a high priority to combat FARC incursions and to aid the thousands of displaced Colombians fleeing into Ecuador. Some funding was also provided to support GOE efforts to modernize the tax and customs services that were part of the original CONAM mandate. These activities went back to the very beginnings of USAID programs in the 1960s, when similar initiatives were supported. The more things change in Ecuador, the more they stay the same!

Q: Well it is an awkward kind of arrangement under the best of circumstances.

SANBRAILO: Yes, but it did not have to be. I offered to be helpful on a number of occasions but there was little interest and even less follow-up. It was clear that the Director did not want me involved in the Mission. As I previously described, my concerns with her were compounded when she and the Executive Officer eliminated the USAID library that had existed for more than 40 years. As they downsized the Mission, the first thing to go was the library, which was a real tragedy.

As mentioned, the USAID library contained one-of-a-kind studies and evaluations carefully collected and catalogued over a long period of time, many of which did not exist anywhere else. They were prepared by USAID, contractors, counterparts, GOE agencies, local NGOs, etc. Most were specific to Ecuador and were irreplaceable. While some made it into the USAID’s Center for Development Information and Evaluation (CDIE) in Washington, most were distributed to local NGOs or other Ecuadorian groups that did not have great capacity to maintain such documents nor fully appreciated their importance. Some of them were just thrown in the dumpster with total disregard for the history of USAID. We and others had put decades of work into building this resource that was regularly used by GOE officials, private sector counterparts, university professors and students, as well as USAID staff. Nothing like it existed in Ecuador.

If you read Larry Heilman’s recent book on USAID Bolivia, something similar happened in that country. It again symbolized the disregard for USAID history and why the agency has no memory. I viewed this as a great misfortune. The emergence of a new generation of USAID officers could not care less about the past.

Many of the FSNs identified with the library and became quite negative about the new Director. Because of this and other events associated with the phase-out of the Mission, they even felt that the Director did not like Ecuador very much. Many were pleased to see her depart the country. It was an unfortunate part of my post-USAID tour in Ecuador.

Q: They actually destroyed documents?

SANBRAILO: Yes, that was what I was told by the former USAID librarian. Some were sent to USAID’s CDIE, but many others, especially those in Spanish, were simply destroyed because local groups did not have the space to receive or maintain them. Some were also sent to the Embassy’s Lincoln Library where I have found a few of them. The
USAID library had a large and valuable collection, some studies represented hundreds of thousands of dollars of USAID expenditures. They are now difficult to locate and not easily available to those in Ecuador. Once you destroyed this centralized collection, it would be impossible to reconstruct it. Any researchers would have to spend a great deal of time just searching for documents, if in fact they can be found at all.

**Q: These were books, program documents, feasibility studies, evaluations, etc. ? Was it done by objective criteria?**

SANBRAILO: I am not sure. Most of the documents were specific to Ecuador. There was an entire history of USAID in the 1960s that I was fortunate to save from the dumpster and many others that the Mission typically prepared, but that never made their way to Washington. I was not involved in the decision-making about the library and do not know what criteria were used to select the documents to be sent to Washington, what went to local institutions and what went to the dumpster.

The long-serving librarian had left the Mission as part of the downsizing. She advised me it was an unsystematic process that was rushed and haphazard. It symbolized a new generation of USAID leaders who were not concerned about what had been done in the past. Unfortunately, this is a recurrent theme in USAID history that was highlighted in Ecuador and Bolivia in the late 1990s.

**Q: What a shame. The general lack of interest in history...**

SANBRAILO: Yes, there was a lack of appreciation for what had been done. It expressed an unfortunate sense that “history begins with me”. As I have said, many in USAID share Henry Ford’s perspective that, “……history is bunk, the only history that is worth a damn is the history we make today……”

It is the same attitude that Senate Staffer, Jim Bond had in the late 1970s when he vetoed the LAC bureau’s proposal to prepare a comprehensive evaluation of the Alliance for Progress, dismissing such an initiative by saying it was only intended as an employment project for retired Mission Directors and that the agency does too many studies.

**Q: Yes, and we still see it today.**

SANBRAILO: Yes, even more so. On the 50th anniversary of USAID, I understand that Administrator Rajiv Shah made a decision not to sponsor an official history of the agency because it might open up too many past failures, such as USAID’s involvement in Vietnam. This is a sad situation that permeates the agency. It is different than the State Department that has maintained for many decades an Office of the Historian, or the CIA and the military which dedicate millions of dollars to recording and learning from their histories.

**Q: So you and your wife left Ecuador in the summer of 1999?**
Yes, I departed the country but my wife remained in Quito. Her father’s health was deteriorating. The emerging banking crisis in Ecuador required my wife to remain there to help manage the family finances. A run on the banks had created a crisis atmosphere throughout the country, with a lot of political and civil unrest and concern about President Mahaud’s policies and indecision. There was a banking panic that ultimately did tremendous damage. It again led to another government being forced out of office, building on the precedent established with Bucaram’s removal, and an ongoing cycle of democratic instability that would lead to further setbacks and incoherence in economic policies, and the election of President Rafael Correa in 2006.

**Q: You returned to California and then what happened?**

SANBRAILO: Yes, I traveled to San Francisco to take care of my parents. During that period, I began to receive calls from several Trustees on the Board of the Pan American Development Foundation (PADF), including Fred Schieck, who was a Senior General Manager at the IDB, as well as the former USAID Central America Regional (ROCAP) Director, Nadine Hogan. They advised me that PADF was recruiting for a new CEO (Executive Director) and indicated that I would be an ideal candidate.

They wanted to know if I might be interested. This then led to a series of interviews with Board members and senior staff, and my next transition that provided me with a wonderful 18 year career with PADF. Since the Foundation had an affiliation with the OAS similar to USAID’s relationship to the State Department, it proved to be exactly the niche I was seeking and utilized my 32 years of experience in the LAC region.

**Executive Director: Pan American Development Foundation**

*(1999-2017)*

**Q: Tell us a little about PADF. We can then circle back to why Trustees like Jack Heller, Fred Schieck and Nadine Hogan felt that you were an ideal candidate to be CEO.**

SANBRAILO: PADF was established in 1962 as an affiliate of the Organization of American States (OAS) to promote microenterprises, to establish national development foundations (NDFs), to strengthen civil society, and to encourage private sector involvement in the Alliance for Progress. It is a little-known sister institution to USAID and the Peace Corps. It operated similar to the Global Development Alliance by partnering with corporations to finance projects in Latin America and the Caribbean.

In the 1960s, engaging civil society and the private sector was not a priority for most LAC countries. They felt that development should be implemented through national government ministries, in accordance with the principles of the UN Economic Commission for Latin America (ECLA/CEPAL) and the Import-Substitution Industrialization (ISI) strategy. Working with the private sector was sensitive and did not correspond to the region’s mercantilist tradition. At the same time, USG policy focused on strengthening both the public and private sectors and civil society. Private sector development has always been a fundamental part of U.S. foreign aid.

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As a result, the USG and others believed it was necessary to create a specialized foundation to carry out such work and to launch it under the umbrella of an international organization because of the political sensitivity. The OAS had a lead role in directing and coordinating the Alliance for Progress, along with the IDB, USAID and OAS member states. To ensure independence of action, PADF was incorporated as an affiliate of the OAS, but operated independently, with a private sector Board of Trustees. It was not directly supervised by the OAS governing body, the Permanent Council that has been highly political. The OAS Secretary General and Assistant Secretary General would serve as ex-officio members of the PADF Board, as Chairman and Vice Chairman, to ensure appropriate policy guidance.

As mentioned, Ronald Scheman in the OAS Legal Department was the dynamic force promoting PADF during the 1960s. Like so many, Ron was inspired by Kennedy’s vision and rhetoric. His own travels in Latin America as a Fulbright scholar took him to Guatemala where he met retired New York businessman Sam Greene and learned about the emerging Penny Foundation. Ron was an organizational entrepreneur and convinced the OAS, the IDB Social Progress Trust Fund and USAID that the Alliance needed an instrument like PADF to facilitate private sector engagement in LAC development. Therefore, grants from international agencies and corporate donors were provided to establish PADF. It became one of USAID’s and the IDB’s earliest non-governmental grantees, pioneering microenterprises and NDFs well before they became popular in the 1980s.

There are even some indications that President Kennedy intervened to encourage the Caterpillar Corp. to join the PADF Board and to become a founding member, along with the Pfizer Pharmaceutical Corp. While much of this history has been forgotten, the Alliance for Progress was oriented toward promoting the growth of the LAC private sector and stimulating greater involvement by U.S. and local enterprises to achieve Alliance goals, especially in terms of increasing private investment, economic growth, employment and per capita incomes.

Some decades later, Ron Scheman would maintain that PADF had an even broader impact. He believed that Muhammad Yunus was inspired by its programs to create the world famous Grameen Bank in Bangladesh. As a Fulbright scholar, Yunus studied in the U.S. and had discovered PADF in the 1960s and 1970s. He then may have used PADF’s microenterprise concepts to establish similar ones in his country. For his work, Yunus received the Nobel Peace Prize for addressing worldwide poverty.

So we are dealing with a part of the Inter-American System with important historic significance, reflecting an innovative response to the Alliance for Progress of the 1960s, and the “New Direction” poverty programs in the 1970s. Existing programs were not fully addressing the needs of marginalized enterprises excluded from banking and other support. Developing mechanisms that could do this was seen as a priority.
PADF focused on expanding employment and increasing the productivity of low-income people by improving their access to credit, technical assistance and training, and doing it through NDFs. The NDFs in turn were used to mobilize local business leaders who could direct and sustain them. The aim was to encourage the NDFs to develop new entrepreneurs, strengthen civil society engagement in national development, and nurture public-private partnerships and corporate social responsibility.

The Foundation evolved in the context of the Cuban Revolution that had systematically eliminated most private enterprises and civil society on the Island, as a means of consolidating its power. Many felt that a specialized entity was needed to strengthen private entities throughout the LAC region in order to contain the spread of communism and provide marginalized populations with development assistance.

The OAS assigned to PADF other mandates, as well. For example, because of the large earthquake in Chile in the early 1960s, its program broadened to include disaster assistance, and mobilizing corporate and private contributions for such responses. In Chile, PADF was recognized for its disaster relief with the Bernardo O’Higgins award. As a result, it became an OAS mechanism for responding to natural disasters almost from its very founding.

Furthermore, through Scheman’s initiative, PADF absorbed the “Tools for Freedom” Foundation. It had successfully provided tools and vocational training equipment to European groups during the Marshall Plan. It became PADF’s In-kind donation program and was broadened to include medical equipment, hospital beds, educational supplies, office furniture, school buses, ambulances, emergency shelter packages and building materials for victims of natural disasters. Over the course of the next 50 years, this program would provide hundreds of millions of dollars of in-kind donations to civil society groups, universities, municipalities and others in every country in the region.

Q: As I understand it, working with the private sector was not a totally new idea in the Inter-American System.

SANBRAILO: That is correct. The Inter-American System was born in the 1890s through a public-private partnership established by Secretary of State James G. Blaine and the industrialist Andrew Carnegie. As part of his philanthropic interests in promoting international peace, Carnegie funded the first Inter-American Conference in 1889-1890 and the construction of the main OAS building from 1908 to 1910. The latter became the headquarters of the Pan American Union (PAU) and later the OAS.

The PAU was the earliest example of modern multilateralism and progressive internationalism, serving as a model for establishing the subsequent League of Nations, the Bretton Woods System, and the United Nations and its affiliates. With PADF, the OAS was the first multilateral organization to establish its own foundation. The United Nations would use PADF as a model for creating the UN Foundation in the 1990s, financed by CNN’s Ted Turner.
The main OAS building, located three blocks from the White House and adjacent to the Washington Monument, was meant to serve as an enduring symbol of American commitment to Pan Americanism and the special relationship between the U.S. and Latin America. Throughout its history, the Inter-American System worked closely with the private sector to encourage regional trade and economic development. Despite a negative image that some have of this multilateral entity, for over 100 years it made the hemisphere the most peaceful region in the world, with little inter-state warfare. The OAS and its predecessor have proven to be far more innovative and creative, especially with public-private partnerships, than is popularly recognized. The establishment of PADF was such a case.

In the 1960s, for example, a priority for PADF was forming the Dominican Development Foundation (DDF) in response to that country’s civil war and the U.S. intervention in 1965. PADF and the DDF organized local leaders to support national reconciliation by helping them reach out to the lowest income population through assistance to microenterprises and community development. The DDF grew into one of the most successful foundations in the DR and the region. It became a model for responding to subsequent civil wars or national crises in countries such as Grenada, Haiti, El Salvador, Honduras, Nicaragua and Colombia. As a result, PADF evolved as an OAS instrument for addressing civil conflict, as well as developing microenterprises and civil society, and mobilizing aid for victims of natural disasters and humanitarian crises.

From its beginnings, the Foundation worked closely not only with the OAS, but with the State Department through the U.S. Mission to the OAS, the IDB and its Social Progress Trust Fund, with USAID and corporations like Caterpillar and Pfizer, and with LAC business leaders, as part of the Alliance for Progress and then successive regional development programs. During these formative years in the 1960s and 1970s, the OAS Secretary General, such as Galo Plaza from Ecuador and Ron Scheman, played crucial leadership roles. The Foundation operated out of the OAS offices in Washington and through national OAS offices in the member states.

PADF gradually became an indispensable private sector outreach arm for the OAS, marshalling grants from USAID, the State Department and other donors. Throughout its history there has been a close partnership between PADF and USG agencies operating in the LAC region to implement sensitive programs that can more effectively be undertaken through multilateral channels, such as aid to civil society. Former U.S. diplomats and USAID officials, along with private sector leaders and others from the region, have served on the PADF Board of Trustees or in management and staff positions. The Board was meant to have a hemispheric membership, largely with business and non-governmental representation, reflecting the regional make-up of the OAS itself.

Q: This is very interesting. So foreign aid cooperation with the private sector goes way back in American history?

SANBRAILO: Yes, such partnerships are deeply rooted in American history. For example, in the 1820s the U.S. government partnered with the private sector to aid
victims of the Greek Revolution who were fighting against the Ottoman Turks. In the late 1840s, aid was rushed to Irish famine victims using public-private partnerships, with the federal government providing naval vessels to ship food aid. The Lincoln administration worked with business groups to send food and clothing to Lancashire textile workers in England. These workers had been unemployed by a “cotton famine” created by the Northern blockade of Southern ports during the Civil War. They were pressuring for British recognition of Southern independence.

The case of the Greek Revolution in the 1820s is of special interest. It created what was called “Greek fever” in the U.S. to aid those who were inspired by the American and French Revolutions. The liberation of Greece was one of the first instances of what is now called “humanitarian intervention” in which strong moral concerns on the part of the international community were combined with strategic self-interest to promote military intervention and foreign aid. Supporting the “freedom fighters” became a cause celeb for liberal Europeans and Americans, particularly among Harvard professors and others.

Later in the 19th century, the McKinley administration mobilized the American Red Cross (ARC) to deliver humanitarian aid to Cubans displaced from their homes during and after the Spanish-American War. For the next 50 years, the ARC became the federal government’s leading foreign aid agency, with Presidents like William Howard Taft and Woodrow Wilson serving as ARC Chairman. In the early 1900s, the War Department contracted Harvard University to carry out education reforms in occupied Cuba and Puerto Rico. In subsequent decades, the Rockefeller Foundation played a crucial role in combatting yellow fever and other diseases. In turning to Andrew Carnegie for financial support to establish the Inter-American System, Secretary of State James G. Blaine drew upon a longstanding U.S. tradition.

Those who see public-private partnerships as something new, may find these examples of interest. They define a unique aspect of foreign assistance that has been a fundamental element of American history, instrumental in creating the Inter-American System and many of its affiliates. U.S. support to PADF has been part of a long tradition of partnering with the private sector to achieve regional objectives.

Q: So returning to your recruitment by PADF, why did Jack Heller, Fred Schieck, Nadine Hogan and PADF Board believe that you were the ideal candidate to lead the Foundation into the 21st century?

SANBRAILO: As mentioned, Fred knew my work and was the first to hire me at the IDB after I retired from USAID. Nadine knew me from her tours at the Regional Central America Office (ROCAP) when I was directing the Mission in Honduras. Nadine was one of my big supporters, naming me as the most innovative and entrepreneurial of the Central America Directors. She was aware of my achievements in Honduras and El Salvador, my diplomatic experience, my collegial management style, my positive attitude in the face of adversity, and my NGO and private sector orientation that PADF required. Most importantly, she felt I was one of the few who could mobilize resources for PADF and save it from closing that was a potential threat in 1999 - 2000.
While at that time I did not know the President of the Board, Jack Heller, we had several productive meetings. I found in Jack someone who had been one of the early leaders of the Alliance for Progress. He had served in USAID in the 1960s before establishing his legal practice in Washington. So our conversations addressed USAID and PADF histories and what PADF required in a new CEO. Jack and others on the Selection Committee appreciated my vision of where PADF could go in the 21st century and that my perspective largely tracked with the “White Paper” Strategic Plan that the Board and management had developed in 1998-1999.

I also met with the Acting PADF Executive Director, Bob Moore, who was a volunteer and wanted to leave the position as soon as possible, after the previous ED had resigned nine months earlier. And I talked with Anita Winsor, who was Deputy ED and some of the staff like the Senior Programs Director, Norberto Ambros, the In-Kind Director Pilar Heraud and others. There was great transparency in my recruitment and selection so that others could offer their views about me and other candidates.

Most importantly, I dealt with consultant Larry Slesinger, who the Board had contracted to vet candidates and manage the recruitment. Larry had recently created Slesinger Management Services as a specialized search firm for NGOs in the Washington, D.C. area and had overseas experience with a number of groups, including the Inter-American Foundation. PADF was one of Larry’s first clients. I became Larry’s longest serving CEO.

Everyone I met emphasized the importance of recruiting a senior executive with extensive operational experience managing LAC development programs, funded by USAID, but also with knowledge of other donors. At that time, USAID was PADF’s largest source of support, contributing about $8.0 million per year through project assistance. The Committee felt that PADF needed someone who was entrepreneurial and creative, with a vision of what the Foundation could become. Because of morale issues among the staff, and conflicts among some Trustees and with the OAS Secretary General, they wanted a CEO with proven diplomatic skills who could rebuild relations with the OAS, its member states and the donor community.

In the 1990s, PADF had encountered serious management problems and a regular turnovers in Executive Directors. The Foundation was no longer winning grants, except in Haiti. There was no clear strategy of how to translate the “White Paper” into operational programs and how to mobilize grants and recruit staff to support it. Despite some committed Trustees, PADF was lost and floundering. It needed a strong CEO to rebuild and move it forward, or to turn off the lights and close it down.

After reviewing the final candidates, most of whom were former USAID directors, I was selected by the Committee and senior staff as the one who best met the requirements. Unfortunately, I did not dig deeply enough into the Foundation’s legacy problems and its lost opportunities, which had occurred during the 1990s. In retrospect, I wish that I had known more about them, but then again if I did, I might have had reservations about
accepting what became a very demanding position to save an institution that was about to go out of business.

Q: Can you further elaborate on what happened to PADF in the 1990s?

SANBRAILIO: Many nonprofits have their ups and downs and go through cycles depending on different leadership and funding considerations, especially those NGOs that depend on external grants to finance their operations. During its first three decades, PADF had done well because of strong visionary Executive Directors like Ron Scheman in the 1960s and 1970s, former USAID Director Ed Marasciulo in the 1980s, and Deputy ED Don Finberg in the early 1990s. As a result, PADF successfully developed over 30 NDFs that pioneered the first microenterprise and civil society programs, provided in-kind donations, responded to numerous natural disasters, and carried out other activities.

In the 1980s and early 1990s, the Foundation successfully implemented major USAID grants in Haiti, Grenada, the Eastern Caribbean, Honduras, Nicaragua, El Salvador and other countries, and became a recognized leader in community-driven development and using NGOs to strengthen municipalities. Starting in the 1990s, however, PADF encountered Board governance and management challenges that snowballed out of control throughout the decade and led to my recruitment in 1999.

The challenges involved disagreements among Trustees about what type of programs PADF should implement and perhaps some personality conflicts. In the early 1990s, Ron Scheman and former Ambassador Curtin Winsor, who were then serving on the Board, wanted to build on past microenterprise successes and incorporate a banking institution that could provide loans to the network of NDFs that PADF had created. Such a banking institution could then generate revenue to sustain PADF operations so it would not have to depend totally on external grants. Other Trustees feared this approach, perhaps because they did not fully understand it, and felt that it was not PADF’s role to create a bank. They were guided more by PADF’s humanitarian mission.

There were major disagreements and gridlock over PADF’s purpose and how that purpose should be translated into field programs. The Trustees could never agree. It appears that management did not provide sufficient leadership to guide these deliberations. The group that favored the bank idea left the Board.

Later, PADF’s competitors, like Acción Internacional and FINCA, picked up the bank idea and incorporated financial institutions that essentially displaced PADF from its leadership role in microenterprise development. Acción partnered with many of the NDFs established by PADF to carry out its strategy and became the lead microenterprise organization in the LAC region for donor agencies. This was one of PADF’s greatest strategic blunders. It was produced by a lack of vision and poor Board governance and leadership.

Furthermore, PADF attempted to develop programs in Argentina and entered into questionable projects that raised ethical issues about the reliability and integrity of the
Foundation. It was chasing almost any project it could without an overall vision of how to maintain and expand operations and generate overhead to sustain itself. There was dissention among the staff, with regular disputes between the ED and Deputy ED, and others, about what type of projects should be pursued beyond those with USAID.

After it had lost its leadership in funding microenterprises, PADF needed a new strategy that was not quickly forthcoming. It moved from one project to another, disconnected from an overarching program strategy. To further complicate the situation, several Trustees joined the Board from consulting firms or other institutions in what appeared to be an attempt to gain self-serving intelligence on future grant opportunities. They placed their own corporate interests above those of PADF’s in clear violation of all ethical standards. Unfortunately, the Board could not reach agreement on an ethics policy to address this and other potential conflicts of interest. Again, it reflected another leadership breakdown that was allowed to fester. It further eroded confidence in the PADF Board and management. No one seemed to know what to do and the problems only got worse.

During this period, the ED and the Board resisted working with the new OAS Secretary General, former President of Colombia, Cesar Gaviria, who was trying to reinvigorate the OAS and the Inter-American System. As a former President, Gaviria was interested in using the Foundation to mobilize additional support and funding for the OAS and wanted his wife to join the Board to help support PADF and provide her with a professional experience in Washington. Unfortunately, the Board turned down the SG’s request to have his wife become a Trustee. Needless to say, the SG-PADF relationship went from bad to worse. PADF continued “to shoot itself in the foot” and became its own worst enemy.

The SG finally got so angry at the Foundation that he moved it out of the OAS building to what is called the “Pink Palace”, the deteriorated offices of the Inter-American Defense Board (IADB) on 16th Street. This was the proverbial “skunk works”, where Inter-American organizations traditionally had been sent to die. He also began strengthening competing NGOs within the OAS, such as the “Young Americas Business Trust (YABT)” and the “Trust of Americas”, which were expected to replace PADF. Unfortunately, PADF had committed one strategic blunder after another that further weakened the Foundation.

Q: So what happened next in this drama?

SANBRAILO: After increasing complaints from staff, and growing dissention among some Trustees, the Board terminated the Executive Director in 1997. It then brought in former USAID Mission Director Fred Schieck on detail to serve as interim ED from his position as Senior Manager at the IDB. For about a year (1997-1998), Fred stabilized the situation and began cleaning up the inappropriate operations, but he had to return to the Bank. The Board then recruited another interim ED on detail from the State Department who had no prior NGO experience and limited understanding about how to develop and win new grants, which was a fundamental requirement for any ED. While she did
improve relations with the Secretary General and the OAS that was important, there were few new grants and the size and scope of PADF programs continued to shrink.

Regrettably, after about a year the new ED was terminated for making expenditures that did not appear to be high priority. The President did not advise the OAS Secretary General, who was officially the Chairman of the Foundation and very much liked the ED. Needless to say, this further antagonized the SG and greatly undermined relations between PADF and the OAS. There were then a series of Acting EDs, like Bob Moore, who filled in from time to time, but it looked like PADF was about to collapse and close its doors. No one expected the Foundation to come back after so much incoherence and after committing one mistake after another.

There continued to be growing disagreement within the Board about how best to manage and operate the Foundation. While the Board pulled together a White Paper on its program directions that identified the need to raise $600,000 in unrestricted funds, it was unsuccessful in raising any funds. As a result, the Board commissioned a fundraising study and recruited an excellent Deputy ED, Anita Winsor to help carry it out. These positive steps were washed away by continuing disputes among the Trustees, a lack of operational coherence and an inability to raise new funds.

One Trustee, the OAS Assistant Secretary for Finance and Administration, was actually barred from attending Board meetings because of issues discussed concerning prior operations. Meanwhile, the senior staff especially Norberto Ambros, Lee Nelson, Pilar Heraud and others kept the Foundation alive while the Trustees fought among themselves and conducted one unproductive meeting after another. If it had not been for the staff, the Foundation would clearly have closed.

A strong visionary leader and a sense of direction were needed to move the Foundation forward. The recruitment process that led to my selection was PADF’s final attempt to right the ship before it went down, although I was not fully aware of all of these issues at the time.

Q: What did you do?

SANBRAILO: For the next five years (1999-2004) PADF was on emergency life-support and the outcome was uncertain. We had a very deep hole to dig out of to re-establish confidence with donors, especially USAID, to win new grants, to rebuild relations with the OAS and the Secretary General, and to reenergize the staff and provide a sense of leadership and vision.

Most importantly, the Board had become dysfunctional, required major changes and the recruitment of new Trustees. Institutional rejuvenation and redefinition for the 21st century were needed. Stakeholders wanted to see that the PADF ship had a captain and that there was a strong and experienced leader in place who could inspire confidence. That is what they got with me.
While I had the USAID experience to address many of the issues, I had to learn a great deal about NGO governance and fundraising and do it quickly. But it was essentially what I did during my Peace Corps and USAID careers: moved into chaotic and disorganized situations, provided focus and order, injected energy and leadership, established priorities, took action, solved problems and didn’t let them fester, and inspired those around me. Most importantly, someone was needed to provide the OAS, the Board, staff, and donors a sense that PADF had a vision, knew where it was headed and had a strategy for getting there.

As some Trustees would later say, I may have been one of the few who could have turned around such a chaotic situation and saved PADF. Most importantly I had the determination and passion to make it happen. I may have been the only one willing and able to take on such a challenge since a number of potential ED candidates felt it was an impossible task. I was the right person, in the right place, at the right time, although many of the lessons learned were later forgotten by the Board, as it again became dysfunctional in 2015 and beyond.

Q: And you knew about the challenges when you came into PADF?

SANBRAILO: Yes, I knew that there were issues with the Board and with winning new grants, but there was a degree of naiveté on my part. I mistakenly thought that working with Trustees from the private sector would make it easier, especially with fundraising. It took me a number of years to fully understand them and to appreciate the differences between PADF and USAID and what would be required to rebuild and re-energize the Foundation. We finally arrived in 2005 when we were able to move PADF into the main OAS/GS Building at 1889 “F” Street, NW in Washington.

A year earlier, Cesar Gaviria had completed his term as OAS Secretary General and recognized PADF’s achievements. He publically admitted that he had been mistaken about us. We then knew that PADF had been given a second chance, but it took five years of very hard work to reach this point. Some of those on the Board never fully recognized the mistakes that had been made in the 1990s and how they should have been taken into account in guiding the Foundation in more recent years.

Q: How did you move forward in those early years?

SANBRAILO: The first thing I did was to understand the history and origins of PADF, whether its original purposes remained valid and what changes in direction might be needed. In other words, was there still a role for the Foundation in the 21st century or was it just a relic of the Alliance for Progress that should be “put to sleep”, as some had suggested. I focused on what were PADF’s achievements that could be built upon, the problems in the LAC region and the mandates of the OAS that it could support. While the White Paper had addressed some of them, it did not clearly identify PADF’s strengths and weaknesses, or place the challenges in historic context nor draw upon its history to determine what insights and lessons could be used.
I asked myself some simple questions: why was PADF created, what had it achieved, and how did it survive so much turmoil in the 1990s and why was it so resilient. The small remaining staff was deeply involved in this brainstorming and they had important insights and recommendations. The staff and many of our NGO partners in the region very much wanted the Foundation to continue to operate. From this experience, we developed a collegial and participatory culture that proved vital in rebuilding the Foundation that some on the Board never fully understood or appreciated in subsequent years.

All of this led me back to the key role of the staff who continued to prepare grant applications and implement the few remaining projects that did survive, mainly in Haiti. It was the senior staff that held things together while the Trustees fought among themselves. The staff had declined to about ten in Washington hidden away on the 4th floor of the Inter-American Defense Board (IADB) “Pink Palace” where almost no one could locate them. I could not find them on my first trip to the office.

The offices were falling apart, overly hot in the summer and very cold in the winter; the floors were virtually collapsing under us. The IADB had no funds for office repairs. At one point, the Finance Director almost fell through the floor to the next level below us because of inadequate construction. About ten staff remained in Washington with a small team in Haiti implementing a few projects that may have totaled about $5.0 to $8.0 million a year, plus some in-kind donations. It was a sad situation that became even more challenging as we reviewed the landscape and discussed our comparative advantages.

In the early rebuilding, the key staff were: Deputy ED Anita Winsor; Norberto Ambros, Senior Programs Director; Pilar Heraud for the In-Kind program; Lou Varela for Disaster Assistance; Sandra Perez as Office Manager, Lee Nelson in directing the Haiti team and a few others, like Dan O’Neil who joined us to manage a Haiti hurricane reconstruction program. Sandra Perez rejoined the Foundation and brought her infectious optimism and positive attitude about what could be done. When Anita Winsor left us, we were fortunate to recruit a new Deputy Executive Director, Amy Coughenour Betancourt who helped us further stabilize and grow the Foundation. By 2002 we were able to recruit experienced officers like Beto Brunn and John Heard who played crucial leadership roles in Colombia.

I had inherited a Finance Director who previously worked at the Inter-American Foundation but was later implicated in fraud in using PADF funds in Colombia. We were fortunate to have identified it quickly and addressed this issue without a major loss. Many of PADF’s best staff had resigned because they felt the Foundation would not survive, so we had a major recruitment job and limited funds to hire staff. The accounting was defective and we couldn’t reconcile the accounts or get a clean audit. A new Finance Director, Jack Bluestein, was employed who began a process of upgrading financial management. Everywhere we looked there were significant obstacles, but PADF’s history, resilience and our vision of a better future sustained us.

We began to focus on how PADF could rebuild its relations with the OAS and win more grants. In this regard, we further developed the Haiti program and won grants for
hurricane reconstruction and hillside agricultural development that were based on PADF’s distinctive competence in working with community groups in some of the most difficult rural areas. Our Haiti staff had survived and became a model for what we could do in other countries. These grants helped stabilize our finances and provided some additional time to rebuild credibility with the OAS, donors and the broader community.

The staff excelled at implementing programs in the field, often working many extra hours. Once we had won grants, PADF usually performed well in delivering results that exceeded donor expectations. The key was giving the staff a sense of direction and shielding them from the turmoil created by the Board’s poor governance, indecision and lack of fundraising support. While the Foundation has been blessed with some outstanding and committed Trustees who cared greatly about the Foundation, the Board as a group has been PADF’s weakest link, especially in terms of its unwillingness to help with fundraising and its general lack of knowledge of international development programs. For these reasons, the Foundation had no endowment and could only sustain itself based on overhead generated from project assistance, largely from USAID grants.

Q: So what happened next?

SANBRAILO: As we entered the early 2000s, we focused on defining a new role for the Foundation that built on past achievements. From the beginning, PADF was an Inter-American response mechanism for addressing hemispheric crises, such as the civil war in the Dominican Republic in the 1960s; natural disasters in Peru, Nicaragua, Guatemala and Honduras in the 1970s; the Caribbean Basin and Central America Initiatives of the 1980s; and the Peace Accord programs of the 1990s in El Salvador and Nicaragua. So this led us to explore how we could support Plan Colombia in the 2000s, which was just being funded to respond to the gravest humanitarian crisis in the region with well over 3 million displaced persons. Colombia confronted major challenges in delivering services in isolated and insecure rural areas, implementing coca eradication and alternative development in coca producing areas.

We also began developing programs in response to similar national security mandates, such as the Congressionally approved “Cuba Liberty and Democracy” legislation that provided grants to support emerging civil society in Cuba like the Independent Libraries, Free Mason Lodges, faith-based, and other community groups. This again built on PADF’s longstanding competence in working with civil society in conflictive and complex environments, as we had done in previous decades. It was particularly important because on September 11, 2001 in Lima, Peru the OAS member states approved the Inter-American Democratic Charter that committed the region to advancing democratic principles and practices, including strengthening independent civil society. PADF became the OAS mechanism for supporting this mandate, which would grow in size and scope during the next two decades.

We started addressing the issues of the Board by recruiting new Officers and Trustees. In this regard, we were particularly fortunate that former Ambassador and former Assistant Secretary of State for Western Hemisphere Affairs, Alexander Watson, became President
of the Board. He brought a stature and seriousness to PADF governance that at times had been lacking. This allowed us to attract other prominent Trustees. We were able to recruit Ruth Espey Romero from the Greenberg Traurig, LLP law firm, who became a real dynamo in promoting PADF among her State Department and corporate contacts. Ruth provided pro-bono legal services and energized our fundraising efforts and lobbied Trustees to contribute both funds and time.

Based on my work in Ecuador with Maston Cunningham, senior VP for Finance at Occidental Petroleum and now chair of the Association of American Chambers of Commerce in Latin America (AACCLA) at the U.S. Chamber of Commerce, we were able to develop a strategic alliance with AACCLA to support disaster assistance and corporate social responsibility, in partnership with its member country AmChams. Maston became a PADF Trustee. We then used the AACCL network to recruit other corporate leaders from the region to form part of the PADF Board. This opened up a new relationship. It was particularly attractive for competing for grants with the Bush administration that favored greater private sector involvement in development programs. AACCLA also reflected what PADF was and why it was originally created.

We also intensified our work in responding to natural disasters that was important because the region is so disaster-prone. The OAS needed a mechanism to deliver emergency relief and follow-on support for recovery, rehabilitation and reconstruction, and to coordinate them better with preparedness and mitigation activities. We became a leader in providing assistance to hurricane victims in Haiti and earthquake victims in El Salvador in 2002-2004 and working with Salvadoran groups in the U.S. to deliver aid. We filled a niche for the member states that was crucial in demonstrating that PADF was back and could play a vital role in responding to Inter-American needs. This raised our profile and support for the SG that was important for rebuilding confidence within the OAS.

Q: Are there things that you did not do?

SANBRAILO: Yes, we did not try to re-establish PADF’s previous leadership in microenterprises, although we continued to develop some projects in this area, but they became part of an integrated strategy that was being advocated by the OAS and its member states. Unfortunately, PADF had lost its microenterprise mandate to other groups that were now better financed and staffed than we were. We shifted gears and moved to implement a more comprehensive development strategy. Instead of being a foundation that was largely focused on microenterprises and NDFs, as PADF was in the 1960s, 1970s and 1980s, we became a multipurpose foundation designed to support Inter-American mandates, especially those emerging from OAS regional meetings and the Summits of the Americas.

Gradually the outlines of a new strategy emerged that included four elements that would complement the OAS: i) PADF’s traditional emphasis on helping vulnerable people become more productive through microenterprises, employment generation and working with the private sector on job training for low-income groups, women, youth and ethnic
minorities; ii) addressing social issues, especially aiding the integration into their societies of ethnic minorities like Afro-descendent and indigenous populations, girls and women, and youth; iii) protecting human rights, strengthening civil society and promoting community participation to enhance greater citizen engagement in national development, and iv) aiding victims of natural disasters and humanitarian crises. Cross cutting these initiatives, PADF focused on supporting public-private partnerships, corporate social responsibility and facilitating greater private sector engagement in LAC development.

We expanded PADF’s wonderful in-kind donations that few fully appreciated. This program delivered high value equipment and commodities, and emergency shelter packages, to LAC nonprofits and municipalities to support projects benefitting lower income people and responding to natural disasters. It worked closely with USAID’s Excess Property Program and corporations that donated tools and educational supplies, or hospitals that provided beds, furniture and other equipment. Gradually PADF became an Inter-American support network for local groups that could not alone access in-kind donations and international grants from the United States.

While some depreciated the in-kind program, it proved impactful and a great marketing tool that placed PADF on the map throughout the region. For example, hundreds of beds were donated to rural hospitals, dramatically improving patient care and expressing greater dignity for low-income people. Previously many patients had been forced to sleep on hospital floors, on cardboard or rudimentary cots, or other improvised means. It was unacceptable in the 21st century and a national disgrace for many countries. These were the type of “niche” markets that PADF would fill, where few other groups were working.

Q: How did the Board and donors react to these new initiatives?

SANBRAILO: They reacted positively. We were transiting to a new Board. The President (former Ambassador Alec Watson) and I largely focused on easing the older Trustees off the Board and putting the 1990s behind us, recruiting new Trustees who could bring greater focus and energy to the Foundation, improving governance and trying to get Trustees to better address fundraising and resource development that were our fundamental challenges.

The President left operations to me as Chief Executive Officer (Executive Director) and to the staff. We dissuaded the Board from micromanaging operations and encouraged them to focus on overall policy and strategy, and improving governance and fundraising, so that the events of the 1990s would not again reoccur. We directed a great deal of attention to developing foundation governance, improving financial management and resource mobilization, and preparing an Ethics Policy Statement that the Board eventually approved.

We also spent a lot of time cultivating Secretary General Gaviria, and other senior officers in the OAS, showing them how PADF could better support Inter-American mandates. This ultimately paid off but we had a deep hole to dig out of. We began
working with the SG's wife on programs in Colombia and this greatly improved the atmospherics. Many came to see her as a wonderful person who could contribute to the Foundation and our relations with the OAS, again highlighting what a great mistake the Board had committed in previous years. What the Board never fully recognized is the Foundation was fragile and needed all of the friends it could muster. Cultivating a network of supporters was crucial to growing the Foundation and making it more sustainable.

Most importantly, we gradually developed a major new program to support Plan Colombia and opened an office in Bogota. It would grow to become our largest over the next ten years and contributed significantly to growth. Thanks to our new Country Directors, Beto Brunn, and subsequently John Heard, and our exceptional Colombia staff, PADF became a leader in the 2000s and 2010s in aiding families displaced by that country’s civil war, integrating victims of civil strife into society, supporting alternative development in coca growing areas, working with municipalities, and strengthening civil society and community organizations. We assisted government ministries and agencies leverage private contributions through public-private partnerships. PADF filled a “niche” in helping Colombia reach its poorest and most destitute population in isolated and insecure rural areas and crime infested urban squatter neighborhoods.

In addition, we expanded the program in Haiti, especially in response to hurricanes and tropical storms that regularly hit the Island and continued the previous initiatives to improve hillside agriculture and rural development. In accordance with the newly signed Inter-American Democratic Charter, advancing human rights and developing civil society were high priorities. We focused particular attention on actions to facilitate greater citizen participation in countries that were experiencing challenges to democracy, like Cuba, Venezuela, Ecuador, Nicaragua and Bolivia.

As the OAS member states further refined their thinking and proposals for an Inter-American Social Charter, PADF led the effort to implement programs that defined what the OAS could do to advance social progress in its member states. These included aiding Afro-descendent and indigenous populations, and better integrating women, youth and persons with disabilities into LAC societies. And we became the disaster assistance and humanitarian arm for the OAS, along the lines originally anticipated in PADF’s founding documents. The latter evolved into major new initiatives.

We also moved to diversify funding. While USAID grants remained important, especially in Haiti, Colombia and Venezuela, we became a leading grantee for the State Department’s Democracy and Human Rights Bureau (DRL), its Population and Refugee program (PRM) and eventually for the International Narcotics and Law Enforcement Bureau (INL) that were all expanding their programs. We obtained significant new funding from the World Bank and smaller grants from other international agencies. In this regard, Deputy ED, Amy Coughenour Betancourt, did a wonderful job in helping us win additional grants in El Salvador and for developing the Haiti-DR border region, which further expanded our program.
As a result of new leadership on the Board, especially when Ruth Espey Romero became President, we began to receive more corporate and private donations but they were still at a modest level. Resource mobilization and fundraising remained major challenges. We would regularly advise new Trustees and staff that we must all focus on mobilizing new grants if the Foundation was to prosper. There was simply no higher priority.

Q: Tell us a little more about Plan Colombia.

SANBRAILO: Throughout much of my tenure at PADF, support to Plan Colombia was one of the dominate USG programs in the region, providing billions of dollars to combat coca cultivation and drug trafficking through eradication and improved enforcement, alternative development in coca growing areas, stabilizing Colombian democracy against the FARC insurgency, and aiding millions of displaced families, especially women, youth and ethnic minorities like Afro-Colombians. For the first two decades of the 21st century, Colombia was similar to programs in Afghanistan and Iraq, and the priority placed on El Salvador and Central America in the 1980s and the 1990s, or on Brazil, Chile, Colombia, and the Dominican Republic during the Alliance for Progress in the 1960s.

From 2002 to 2017, PADF won grants of more than $500 million from USAID, the Colombian government, corporations and private contributors, and other donors to support Plan Colombia. We directed these resources to; i) aiding displaced families with jobs, training and social services; ii) implementing alternative agricultural production and improved rural living conditions in coca growing regions; iii) strengthening national NGOs and municipalities so that they could better serve vulnerable populations in isolated rural areas under the influence of FARC or those in marginal urban squatter settlements infested with criminal gangs; iv) partnering with the GOC to expand its field operational capacity to reach groups like ethnic minorities, abused women and youth; and v) supporting human rights policies and translating them into meaningful on the ground results that improved local participation, incomes and living conditions for its poorest and most destitute populations.

Furthermore, PADF helped the GOC mount its own international aid program for the Caribbean Basin, so it could compete with actions being taken by Venezuela’s Hugo Chavez to gain allies in this region with its subsidized oil exports. The Colombian initiative was virtually unprecedented for a country enmeshed in a major civil war. As the Venezuelan economy deteriorated, we also cooperated with the GOC in addressing the humanitarian crisis of large numbers of Venezuelan refugees flowing into the country and in promoting greater state presence along its conflictive borders with Ecuador, Panama and Venezuela. Thanks to our highly effective Colombia staff led in recent years by Soraya Osorio, PADF became one of the GOC’s most important partners for carrying out Plan Colombia. Luz Cristina Pinzon and other staff played extraordinary roles in generating new grants from the Colombian government.

A number of international evaluations showed that Plan Colombia was a great success. It led to Peace Accords with the FARC in 2016-2017, ending the longest insurgency in modern times and mitigating the impacts of one of most vicious civil wars in Latin
American history. The conflict had extended over 55 years and caused the death of tens of thousands, setting back the country’s development by decades. The successful methodologies and programs used were later extended to Afghanistan and subsequently to Mexico and Central America.

With a population of nearly 50 million, Colombia was the largest country in which PADF had organized and implemented a major program, with staff often exceeding 500 and field offices throughout the country and in some of the most conflictive regions. With smaller grants, Colombia became the model for the type of program we developed in Mexico, Central America, Brazil and other South American countries. Funding limitations for new business development, however, constrained our efforts, although our Venezuela and Ecuador programs were growing with new USAID grants. With astute leadership, rebuilding Venezuela could become an even larger program than the one that PADF had in Colombia. As I departed the Foundation, the Venezuela program was rapidly growing thanks to its dynamic director and staff.

As I retired in 2017, the challenges in Venezuela, Mexico, Central America and the Caribbean Basin were becoming similar to the earlier ones in Colombia. They included a collapsing Venezuelan economy and regional humanitarian crisis, increasing drug violence in Mexico, growing numbers of migrants traveling from Central America to the U.S. border, and increasing drug trafficking and youth unemployment in the Caribbean. These were all compounded by weaknesses in citizen security, ineffective and corrupt national police forces, and major governance challenges that limited many LAC countries from fully addressing the needs of their most vulnerable citizens. I left PADF well positioned to play an even greater role in these and other programs.

Q: So the Foundation grew in size during your tenure.

SANBRAILO: Yes, as mentioned, we were fortunate to win major grants from USAID and other donors, especially in Colombia, Haiti, Venezuela, Cuba, Ecuador, Central America and other countries. It took us five years but by the mid-2000s, we were obtaining large new grants from USAID, the State Department, the USDA/Food for Progress program, the World Bank and others, such as the Offices of Foreign Disaster Assistance (OFDA) and the Office of Transition Initiatives (OTI).

The real turning point came in 2005-2007 when we won over $150 million in new USAID grants for aiding Colombian displaced persons and carrying out alternative development in coca growing areas, thanks to the outstanding leadership of Country Director John Heard and our local staff. We were expanding or beginning programs to aid civil society in Cuba, Bolivia, Venezuela and Ecuador. A new Haiti program was developed, especially along the Haiti-DR border and for community-driven development. We also began working with U.S.-based Hispanic groups to help them better direct their remittances to school improvements and education projects, but unfortunately we were not successful in growing this program.
Corporate donations were increasing, especially for responding to natural disasters and providing in-kind donations. In retrospect, we missed opportunities in not developing more aggressive fundraising aimed at high net worth individuals, in defining a role for PADF in implementing the growing PEPFAR/HIV-AIDS campaign and the programs of the Millennium Challenge Corporation (MCC). Staff limitations and lack of general support funds prevented us from moving into these and other areas.

There was a proliferation of USG aid programs, and major increases in USAID and other international aid budgets up to the worldwide financial crisis of 2007-2008. LAC diaspora groups in the U.S. continued to send more than $50 billion of remittances to their home countries, but we could not find a sustainable model for working with them. However, we implemented several important projects in El Salvador for upgrading schools and improving education with community remittances.

The best way to visualize our progress is to review the four Strategic Plans PADF developed and implemented from 1998 to my departure in 2017, and the amount of funds expended during each one of them, as follows:

- **1998 – 2002:** $62 million
- **2003 - 2007:** $158 million
- **2008 - 2012:** $267 million
- **2013 – 2017:** $433 million

These Strategic Plans included a number of goals and objectives aimed at reaching larger numbers of beneficiaries, growing the Foundation, and making PADF into a stronger, better governed and more relevant Inter-American entity. When counterpart resources generated are added to the funds shown above, PADF mobilized over $1.0 billion during a 20 year period, impacting nearly 100 million people throughout the region.

As recognized by most observers, this was an extraordinary achievement. I was proud to have led such an effort, especially after many had written off the Foundation in the 1990s. Most importantly, however, we strengthened a vital Inter-American entity and exceeded the vision of our original founders.

**Q: And did you imagine that such progress could be made when you began at PADF?**

SANBRAILO: No never, especially during my early years when I discovered the depth of the problems we confronted, the challenges of resource development and recruiting staff. While the early Board was better at fundraising, later Boards during 2015-2018 were less effective and even indifferent to this important function. By the end of my tenure, the Trustees were making almost no financial contributions, which was a major weakness. If it had not been for the staff, the growth of the Foundation would never have occurred.

During my final years, the Board was not able to address the private fundraising deficiency, which diluted the progress we had made. It produced a strong but fragile
Foundation that regularly struggled with sustainability. By my departure in late 2017, some of the more effective Trustees had rotated off the Board or had to leave because of other factors. This undermined what we could do to obtain greater financial support.

A highly regarded Board President was elected in 2015, who had previously directed a leading endowed Foundation, but he proved unable to encourage Trustees to make significant contributions, or to direct us to new donors. As I left the Foundation, Trustee fundraising continued to deteriorate. Most simply wanted to ignore it and a number got upset about the issue even being raised. While a few Trustees recognized their responsibility, others maintained that it wasn’t their role, despite governance experts who advised that fundraising was a fundamental job of a non-profit Board.

Private contributions further deteriorated when a new Executive Director was recruited to replace me in September 2017. Despite having worked for a leading multinational corporation in Mexico and Brazil, she did not seem to have contacts in LAC countries who could help PADF. Because of our success with the Strategic Plan for 2013-2017, there was sufficient program momentum to carry PADF into 2018-2019 with a significant budget and operating surplus financed largely by public sector grants, but the real challenge will come in 2020 and beyond.

Q: So, you had a lot of goodwill that clearly must have helped.

SANBRAILO: Yes, many believed in the Foundation. They wanted it to succeed. There had been a lack of leadership. I and others provided the missing ingredient. This motivated many to appreciate PADF’s importance. Unfortunately, what it did not do is encourage Trustees to find ways to reach out to potential financial contributors. With exceptions, like Ruth Espey Romero, Nadine Hogan and a few others, most Trustees were simply not effective or did not see it as part of their fiduciary responsibility. Trustees refused to hold themselves accountable for bringing in new funds, as is done by other nonprofit Boards. Not being able to generate a more regular flow of private funding limited our ability to develop new programs and open operations in more countries.

What became clear was the challenge of recruiting, managing and motivating a non-profit Board. It was difficult to identify Trustees. Some joined because their companies required such participation, those who wished to enhance their CVs, or for other reasons. While new Trustees were regularly advised about their responsibilities to help PADF raise funds, and they initially agreed, most demonstrated little inclination to do so even within their own business networks. A major lesson learned was the challenge of recruiting volunteer Trustees or getting them to sanction their colleagues for non-performance. It raises questions about the viability of the current Board structure.

Despite the briefings and goodwill, the Trustees had limited appreciation for the difficulties of winning grants and doing fundraising. Most wanted others to do the heavy lifting of bringing in funds. Until the Board addresses this issue, PADF will not be able to realize its full potential. There will be the constant danger of returning to the downward spiral of the 1990s.
One of the lessons from my tenure is the composition of the Board may require changes if PADF is to attain sustainability. As currently constituted, the Board is too large. It does not include Trustees with the correct backgrounds. The question remains open whether PADF will continue to evolve in cycles of growth and decline, depending on the quality of the ED, key senior staff or country directors. Or can some way be found that Trustees bring more value-added. Trustees have sat on the sidelines in terms of resource mobilization, while mainly focusing on governance. What exists now is a large Board unable to support organizational maintenance and growth.

Q: You mentioned Alex Watson and the key role he played. Was he still at the State Department?

SANBRAILO: No, he had retired from the Foreign Service in the mid-1990s and became Vice President for International Programs at The Nature Conservancy (TNC). He joined the PADF Board in the late 1990s and was elected President in 2000, as part of the effort to rebuild and re-energize the Board. The latter efforts were supported by Nadine Hogan and others who had been trying to generate greater forward momentum. Along with Nadine and Ruth Espey Romero, who joined the Board shortly after Alec, they were crucial in the success we achieved in the 2000s and 2010s, along with a few others.

The Board included business leaders with experience in the LAC region, with the idea that they would be able to encourage their companies and business networks to contribute to PADF. It was to be a hemispheric Board composed of corporate representatives who would mirror the membership of the OAS. So it did not include those who were in the public sector.

Q: But there you are. They called upon your services. Were there other competitors for this job?

SANBRAILO: Yes, most were former senior USAID directors. I came with a strong background of directing LAC development programs for 30 years. Yet I had the naive view that private fundraising would be easy. I was looking for something like the PADF assignment. It was sort of intriguing, taking on a basket case that was struggling to survive. I thought getting money from the private sector would be the easier part. I was very wrong. It’s not easy and still remains a major challenge.

At the same time, we also recruited a number of other leaders to the Board who could contribute in different ways. One of the most important was Ambassador James Michel who greatly upgraded our strategic planning. Another key Trustee was Bill Gambrel, former President of the Bank of Boston in Colombia, who headed the Audit Committee and did an extraordinary job in helping us improve financial management and auditing. By the time I retired, PADF consistently had the best strategic planning in our peer group because of the seeds planted by Jim and others, and “clean audits” because of Bill’s leadership and our excellent finance, contracts and program staff.
Among the staff, we all rolled up our sleeves and started a rebuilding process and prepared grant applications. In the early years, much of it was for USAID-funded projects, but this gradually broadened to include other donors. As I mentioned, we achieved success in Haiti, Colombia, Cuba, the Dominican Republic, Venezuela, Ecuador, Bolivia, and in other countries. In Haiti, we made a major breakthrough in obtaining World Bank funding for community-driven development that became one of our greatest successes. In more recent years, we won major grants for protecting human rights in Central America and supporting citizen security and youth training in the Eastern Caribbean, as well as continued to grow Colombia and Venezuela. We began smaller projects in Mexico and Brazil but resource mobilization in these countries remained a challenge because of their size and our lack of general support funds to contract local staff, as we had in Colombia and Haiti.

The key was generating program momentum, recruiting new Board leadership and encouraging the Board to allow the Executive Director and staff to keep focused on program development and implementation. For much of my time, there was a sense that we could not allow ourselves to again get distracted by the issues which had disrupted the Foundation in the 1990s. As I retired, I was uncertain whether this approach would be sustained. I feared that PADF might again slide back to what it had been before I was recruited. I left the Foundation with great anxiety.

Q: And you were tremendously successful over 18 years

SANBRAILO: Yes, we mobilized and expended almost $1.0 billion in funds, helping millions of vulnerable and low-income people. We provided the OAS and donors with a reinvigorated PADF that was a trusted partner known for exceeding donor expectations. We were able to operate in some of the most challenging countries like Colombia, Haiti, Venezuela, Cuba, Ecuador, Bolivia and Nicaragua. We created a foundation that had significant momentum that could carry forward the program for a number of years.

PADF became a leader in executing projects for employment generation, community-driven development, working with displaced persons and ethnic minorities, and protecting human rights. We facilitated citizen participation, strengthened civil society, aided victims of natural disasters and humanitarian crises, and provided in-kind donations. And we did this largely with public sector grants but also by developing public-private partnerships and encouraging greater corporate social responsibility. We did it in a low profile way, with no fanfare or drama, which could have triggered negative reactions in some countries, or institutional rivalries and jealousies in the OAS.

Equally important, PADF greatly improved it’s internally management systems, reaching a point in which every annual audit was “clean” and free of any material findings or financial weaknesses. When I joined the foundation, the accounting was in disarray and the books could not be reconciled. Improving financial management, accounting and auditing was a major achievement. They were commented on throughout the donor community and provided even greater confidence to those seeking a reliable partner for sensitive grants in Colombia, Cuba and Venezuela. This was especially significant during
a period in which USAID had disqualified larger NGOs from participation in its programs for lack of accountability of funds. And we did this with limited staff and not being able to provide the same level of compensation as private consulting firms and larger groups with whom we competed.

Q: And all of these donor institutions felt comfortable putting resources into PADF because of what you managed to do to bring it out of the doldrums and the problems that you had fixed?

SANBRAILO: Yes, it was a team effort, involving key Trustees and all of the staff. In the 2000s, there was great confidence in Trustees like Alec Watson, Fred Schieck, Ruth Espey Romero, Maston Cunningham, Jim Michel, Bill Gambrel, and others. My track record at USAID was well-known. Public and private sector leaders knew me in Latin America. I had an extensive network throughout the region, especially with governments and NGOs.

Most recognized that I was the ideal Executive Director, much like Ed Marasciulo had been in the 1980s, or Ron Scheman in the 1960s. I had spent my career in Latin America. I had been known for my leadership and hard work. Rebuilding PADF became a 24/7 job and a passion not only for me, but for a number of Trustees and staff who welcomed the challenge.

As mentioned, we developed a strategy of operating in “niche” markets where few other competitors were working, like Plan Colombia in its earliest days. Also in Haiti, Cuba, Venezuela, and Surinam. Or in human rights programs, where our OAS affiliation gave us a distinctive advantage and allowed us to attract new funding. We became an early supporter of the Inter-American Democratic Charter. We then broadened these initiatives into supporting other OAS and Summit of the Americas mandates, such as aiding Afro-descendant and indigenous populations, women and youth-at-risk, in accordance with the Inter-American Social Charter.

Instead of resisting cooperation with the OAS, as the Board and management had done in the 1990s, we embraced the OAS and turned it to our advantage. We carved out a role in which we supported its policy dialogues with member states that were its expertise. PADF focused on translating policies into action on the ground by mobilizing financial resources to support them. Of great importance, we delivered by winning new grants and implementing them so that there were clear results achieved.

During my final years at the Foundation (2013-2017), PADF’s budget exceeded the regular budget of the OAS, which amazed everyone. And we did it by keeping focused on what was really important—maximizing impacts on beneficiaries, winning grants, resisting bureaucratic processes and institutional rivalries, rejecting interpersonal disputes, maintaining a flat organizational hierarchy, and staying relevant to our Inter-American mandate and origins.
**Q:** What did you do in Cuba, early on? What have you been able to do, since that’s one place that not many others can work in?

SANBRAILO: This initiative, of course, emerged from the Cuban Democracy and Liberty Act approved and funded in the late 1990s. What PADF has been doing, largely with USAID and State Department grants, is building grassroots democracy and nurturing the emergence of independent civil society. We saw our strategy as preparing the groundwork for a democratic transition that might follow after the passing of the Castro brothers and when the Cuban people are able to demand more freedom. This was PADF’s historic role and the very reason it was created—to empower citizen groups and the private sector to play a more significant part in the development of their countries. We didn’t enter Cuba just because it was Cuba. We saw Cuba as a fundamental feature of PADF’s mandate in the region.

When the Pope visited Cuba in the late 1990s, he urged Fidel Castro to allow for greater freedoms, especially the right to read books that had been prohibited by the regime. Fidel responded publicly, “Any Cuban can read anything.” The Cuban people then started pulling out those books that had been banned and hidden for over 40 years. With them they created small community libraries. PADF began sending more books to those libraries and helping them to organize seminars on community engagement. It was the beginning of empowering citizens to think about, “How you engage with your community? How you come together to address community problems?” “What would greater citizen participation look like and what could it achieve within a totalitarian society?”

We began working with groups such as the Freemasons and the Masonic Lodges. They were the only surviving civil society organizations, other than religious groups, that had not been destroyed by the Revolution. There were about 30,000 Freemasons in the country organized into about 150 to 200 lodges around the island. The reason they survived was because the great Cuban independence leader, Jose Martí, was a Mason. But, the lodges were heavily infiltrated by Cuban intelligence so we had to be careful.

We started working with the Masons on book and youth programs, entrepreneurship training, junior achievement-like projects to establish micro-enterprises, or projects for developing community pharmacies to provide medicines not available on the Island. We sent in-kind donations and small private grants of $5,000 to $10,000 to support them in ways that did not attract a great deal of attention. We implemented most of them through our NGO partners in other LAC countries rather than directly ourselves.

**Q:** Partners, meaning—

SANBRAILO: Latin American civil society groups that received grants from PADF to work in Cuba. In keeping with our OAS mandate, we wanted to make the program a hemispheric initiative. USAID liked our approach. It allowed us to play a low profile role. At the same time, the Cuban Intelligence Service did pick up our trail and placed the
Foundation on a blacklist that could have endangered our staff who might have traveled there.

A Cuban Intelligence informant later advised the government about several of our travelers that made operations difficult for some of them. We overcame this obstacle. It was challenging for the GOC to track a larger number of Latin American NGOs who could work more independently in Cuba because of the regime’s stated policy of encouraging “people to people” exchanges with other LAC countries. At the same time, there were major obstacles for them operating on the Island and several were detained but subsequently released. Because of our excellent staff, we became quite adept at helping our partners work within a totalitarian system. We became one of USAID’s most trusted partners.

Q: These Latin American NGOs had their own programs?

SANBRAILO: Yes, we provided them with grants to work in Cuba on activities that they designed and implemented and that reflected their priorities. All of them had similar human rights or democracy initiatives in their own countries and were strong supporters of the Inter-American Democratic Charter. Many were seeking ways to test their methodologies in other countries. Cuba was an intriguing place for them to work.

Other groups had expertise in organizing and managing small libraries and community engagement and relished the idea of bringing a degree of freedom to Cubans. They recognized the potential danger of working in a closed society, but were enthusiastic about doing it. As with other programs, PADF was building a regional network that could advocate for greater freedom in Cuba and help nurture the emergence of civil society and the private sector at the grassroots. It was the vital role that PADF had played throughout much of its 55 year history.

Q: So, you have no staff in Cuba?

SANBRAILO: That is correct. We carried out programs largely through NGOs in Costa Rica, Mexico, Colombia, Argentina, Chile, Ecuador, Peru and other countries. We guided and supervised them. We helped refine their methodologies and helped them adapt their operations to the Cuban reality. We showed them how they could safely work in Cuba without getting into trouble or even placed in jail. PADF developed a unique training methodology and security procedures. We closely supervised them, coordinating with the donor, but each group designed its own work plan and had a great deal of flexibility to implement it.

And we’ve been involved in Cuba now for almost 20 years without major problems. There have been important achievements in community organization and responding to humanitarian needs that we could clearly not publicize because they would endanger counterparts on the Island. USAID appreciated this approach. PADF was the only one doing it on such a scale. We later adapted this strategy to our operations in Venezuela, Ecuador, Nicaragua and other countries that were moving toward authoritarian regimes.
Unlike a Washington-based consulting firm whose representative was jailed in Cuba for trying to carry out similar programs, we did not have problems because of our careful selection of staff and LAC partners and close monitoring. The American citizen who was jailed, first sought a job at PADF. We saw problems with him, especially in terms of his limited language skills and lack of experience operating in a country like Cuba. We did not select him. He later gravitated to another group that ended up in a terrible tragedy for him, his family and for U.S. policy. Our staff and others had cautioned USAID about the potential dangers of using groups that did not have experience on the Island and of sending American citizens to do this type of work. We believed it was best done by Latin Americans.

Q: You didn’t want to provide computers as the consulting firm was doing?

SANBRAILO: PADF did provide basic computers and cellphones but we based this assistance on what could reasonably be used in Cuba without attracting a great deal of attention. We first undertook analyses with those on the Island and then came up with small computers and useable cellphones, unlike the approach by others. We involved our LAC partners in adopting the technology to the existing limitations. We regularly received on-Island inputs. We kept a low profile so this effort would not attract attention, yet still be demand-driven by local needs.

This was the essence of our strategy. PADF had to be more adept at dealing with these challenging countries than other groups. We had to be nimble and flexible. We had to maintain a low profile so as not to produce incidents within the OAS and Inter-American System. We were not well funded and could not run the risk of having to defend staff or partners who might get into legal trouble. It was a risky undertaking, but we fully appreciated the risks and carefully managed them.

As I mentioned, we had a Foundation that could not produce general development funds. We didn’t have money, other they tightly controlled project assistance. So we couldn’t directly compete against the larger Washington NGOs or consulting firms which were better financed. Many of them were making significant revenue in USAID programs in Iraq, Afghanistan and Pakistan. They could then subsidize their activities in Latin America in ways that PADF could not do. So, we had to carefully carve out niches where few others could work. This strategy allowed us to grow from the low levels of the 1990s to over $95 million in annual expenditures.

The following responses were prepared after my departure from PADF on September 30, 2017 without the presence of an interviewer (pages 253-266).

Q: How did your decades with USAID prepare you for running the foundation?

SANBRAILO: My USAID experience was indispensable. As mentioned, the most successful PADF executives had been former career USAID officers, such as Ed Marasciulo who was ED in the 1980s, Don Finberg who was Deputy ED in the early
1990s, and myself. Finberg mitigated some of the ill-advised initiatives at that time. After Don retired, management deteriorated and a downward cycle accelerated in the 1990s, leading to the challenges that I inherited. I could not have been an effective Executive Director without my 30 years in USAID and the Peace Corps.

Unfortunately, I was not able to convince the Board’s Selection Committee that similar career experience was essential to direct the Foundation. It was one of my major failures. They chose a new ED who was a short-term political appointee at USAID with limited LAC development experience that was relevant to PADF. The Committee did not seem to recognize there was a difference between career experience and that of political appointees. It took PADF back to the type of executive directors who were recruited in the 1990s, instead of moving the foundation forward.

The Committee members said that they wanted to recruit a well-qualified candidate but they appeared to do a superficial job in reviewing CVs and in carrying out due diligence. While the proposed applicant had many talents, her experience didn’t seem to match PADF’s needs or reflect its culture. During the transition in which we worked together, the new ED told me that she had limited experience developing grant applications for major donors or organizing fundraising. Most of the senior staff had more relevant experience than she had in managing grants and developing proposals. While holding corporate assignments in Brazil and Mexico, I was disappointed that she did not seem to have contacts in those countries who could help PADF.

The new Director’s most significant NGO work was directing a small group that was merged into another after her departure. Similar cases demonstrate that this type of background may not prepare one to lead a complex non-profit that had to win large grants and in which staff are motivated by different considerations than those in the corporate world. It was disheartening to hear the comments from some OAS staff and missions when we had worked so hard to build trust and credibility with them.

Q: Maybe there’s nobody who has a comparable experience in USAID. Were there other candidates to replace you? What would you say were the key elements that you could take advantage of?

SANBRAILLO: There were a number of potential candidates for the ED position who had similar experience as my own, especially retired female Senior Foreign Service officers who had distinguished themselves at USAID and the State Department, as well as in the private sector. The Committee was simply not aggressive in pursuing them, as was done in 1999, and perhaps did not want someone with such a profile. They passively relied on the executive search firm to identify and vet candidates. In the end, it produced an ED who may not have had the experience or temperament to succeed at PADF.

Regarding qualifications, the first was clearly my many years of “hands-on” experience in the LAC region developing and implementing projects from the 1960s to the 1990s and dealing with Latin Americans at all levels of society. I was a LAC specialist who knew how international agencies worked. I had important public and private contacts in
almost all countries. I was widely known throughout the region, in USAID and the State Department, and within the OAS. There was no substitute for this.

Second, I had decades of experience developing donor-funded projects and in-depth knowledge of USAID. I knew the pitfalls, dangers and accountability standards. My track record was especially important given the problems PADF had encountered in the 1990s and for restoring creditability. I understood how to navigate USAID, the State Department, the OAS, the World Bank and other international agencies to mobilize support. Over many years, I was recognized for my effectiveness in programming grants and developing staff. I knew what worked and what didn’t, and how to engage LAC governments, civil society and the private sector in productive relations.

In PADF you cannot afford to have a large well-paid staff like you may see in some non-profits or consulting firms. You had to do a lot of staff training and use younger less experienced officers because of budget constraints that did not exist to the same degree in donor agencies, or in larger and better funded groups. As a result, the ED and senior staff had to be able to develop a less experienced team of professionals. This had been one of my strengths.

At the same time, recruiting the right staff was indispensable, particularly those who could win grants, such as former Colombia Country Director John Heard. Directors like Lee Nelson in Haiti, Dan O’Neil in the Dominican Republic, Soraya Osorio and Luz Cristina Pinzon in Colombia, Nadia Cherrouk in Haiti, Carolina Brea in Venezuela, Roberto Obando in the Caribbean and Central America, and others. They were outstanding. Our headquarters staff was crucial in supporting field programs and developing new ones. They included Kristan Beck, Bernie Fructuoso, Joe Blubaugh, Jose Pandal, Luisa Villegas, Camila Payan, Matt Potter, Liza Mantilla, Lance Leverenz, Sandra Perez, and others. As you know, I was fortunate to have an excellent executive assistant in Nidia Zavala who could manage multiple assignments and always made everyone feel good about engaging with us. I was grateful for all of their dedication and loved them all.

There is nothing more important for a “fundraising Foundation” than mobilizing resources. This remained a major challenge and was demanding. To do it, the ED had to listen to donors and the senior staff, and bring value-added. The ED could not be a passive bystander or a “disruptor” without any purpose. The competition was intense from other groups. We required field and headquarters staff who could be multitaskers, producing new grants while implementing others. During my final years at PADF, the President never appreciated this dimension of success and how to incentivize outstanding performance through participation and consultation.

In order to succeed, any nonprofit that depends on external grants, must be prepared to compete. It has to define its comparative advantage. It has to be able to prepare well-written and compelling proposals to donors who are often mainly interested in “what have you done for me lately”. They quickly forget past achievements. This element of the job requires a great deal of focus, leadership and judgement. You cannot waste time and
allow yourself to be distracted by management theories, cumbersome systems, unproductive meetings or irrelevant actions.

Again, this situation drew upon my Peace Corps and USAID experience where I excelled at being able to step into unstructured situations, fill gaps, listen to stakeholders, provide pragmatic direction, deal with ambiguity, keep everyone focused, and not be paralyzed by uncertainty. We had to confront the reality of a highly competitive operating environment and in recent years a Board that could not support staff in fundraising.

Another crucial qualification was knowing how USAID proposals were put together, what donors are looking for, not only at the proposal level, but also being aware of implementation, contracting, evaluation and audit requirements. You had to know instinctually when something was not right that can only come from in-depth experience. You should be able to go into the field and quickly understand and address issues, while projecting a positive vision. At times, we had over 500 staff in Colombia, all local nationals. Ensuring that there were checks and balances was crucial. All of that, and much more, is what you learn in USAID over many years. Trying to learn it on the job at a nonprofit can be dangerous for the organization.

Q: Yes, but no one can have experience in all aspects of NGO management.

SANBRAILO: That is correct, but PADF requires an Executive Director and senior staff who have broad development experience and mature judgement; those who are “hands-on” senior managers and listen to others, who can be multi-taskers and serve as “utility infielders”, and fill gaps across the organization. I tried to keep us focused on key priorities, like simple processes for strategic planning, resource mobilization, financial management, accountability of funds, HR management, etc. We regularly asked ourselves: “What were we learning that was relevant to our goals and objectives”. As in USAID Missions, I consulted staff before making major decisions so they could be heard and had a sense of participation in “their” foundation. I welcomed feedback on issues and on my own performance.

As I told the staff, a nonprofit is like a graduate school. It should be an exciting place to learn and then be able to test that learning against real world challenges. The staff sensed that we were building something new, creating a revitalized organization, and developing more productive relations with USAID, the State Department, the World Bank, the OAS, LAC civil society and the private sector. The ED had to have the credibility to lead such a process. Selecting an ED who could inspire staff and donors was essential.

The ED was a coach and cheer leader, encouraging exceptional performance, celebrating and replicating successes, and creating an environment that nurtured entrepreneurship and creativity. We did some wonderful work for USAID in supporting Plan Colombia, implementing disaster reconstruction in Haiti, advancing community participation and human rights in Cuba and Venezuela, and strengthening civil society in Ecuador and Nicaragua. We defined a role for ourselves in promoting human rights, citizen security and youth employment in the Caribbean and Central America, working with USAID and
the State Department’s International Narcotics Bureau, and in other areas. Our in-kind donations were a jewel, earning us praise across the region.

PADF proved good at carrying out programs at the community level, which goes back to the very origins of the foundation. Our Colombia and Haitian staffs exemplified this history and became star performers. Developing innovative ways of working with LAC communities and strengthening local NGOs were our unique expertise. We used projects to motivate public sector donors to support us and then leveraged those grants to generate private contributions, as we did in Colombia. At other times, we used small private grants, or in-kind donations, and leveraged them into larger public grants, as we did in Haiti.

We remained focused, flexible, entrepreneurial, seizing opportunities and never letting the “perfect become the enemy of the good”. We often had to “sub-optimize” and not allow ourselves to get bogged down in theoretical concepts or inter-personal disputes. We had to keep our eyes on the goal of reaching more beneficiaries, raising funds, developing relations with donors, and better responding to the needs of the Inter-American system.

Q: But you’ve been at this now for about 18 years?

SANBRAILO: Yes, I started in the summer of 1999, never fully realizing the challenges of directing a nonprofit that did not have any of its own funds, no endowment and limited staff. I had 30 years of experience dealing with complex problems and a track record that helped me. The ED ultimately became responsible for an organization with over 500 employees, largely funded by short-term public grants. While in the early years the Board made heroic efforts to support fundraising, especially in the 2000s when Alec Watson and Ruth Espey Romero were Presidents, in later years it was far less committed, despite the efforts of a few Trustees. The growth of the foundation came to depend on the staff’s capacity to win public sector grants from USG agencies, OAS member states like Colombia, or from international agencies like the World Bank.

The Board’s operating philosophy was that fundraising should be “staff-driven”. This was demoralizing when we could not get help from the Trustees, especially when PADF required counterpart funds to leverage other grants as in Colombia or for responding to natural disasters. This weakened the foundation, which should be a key lesson learned. Such an approach was appropriate for public grants that clearly must be developed by the staff, but not for private funding from corporations, foundations and high-net-worth individuals. In my view, the Board abdicated its leadership and fiduciary responsibility that was a disappointment. It remains one of PADF’s weaknesses.

As mentioned, over the years it had been the staff who rose to the occasion and saved the foundation, even when the Trustees or the ED could not bring value-added or became dysfunctional and disruptive. One of my accomplishments was developing an organization in which talented and entrepreneurial professionals could rise and advance their careers, especially strong women who might not have had similar opportunities.
elsewhere. Nurturing those around you, listening to them and creating a family atmosphere were fundamental for success.

In this regard, the Chief Operating Officer’s leadership was exceptional, who happened to be a woman. The PADF Colombia team, composed largely of women, performed in an extraordinary manner. The Country Director for Haiti and her female staff there, produced amazing results. The woman who directed the Venezuela program and her staff symbolized the type of entrepreneurial talent and dedication that PADF requires. And our two senior program directors were excellent at winning grants, building teams to implement them and achieving results that repeatedly impressed donors. Unfortunately the female Disaster Assistance Director left the foundation after my departure. The fact that over 70 percent of the staff were female explain many of our accomplishments. Should PADF ever lose this staff, grants and operations will quickly decline.

Q: And this is all coming to an end now?

SANBRAILO: Yes, with my retirement I no longer had to be concerned, but after 18 years, it was hard to just walk away and say the next ED should address the pending issues without some guidance. For this reason, the staff and I prepared a draft Strategic Plan for the period 2018-2022 to help guide the Board and management and lay out illustrative program, funding and institutional goals for discussion. While initially applauding this effort, and endorsing the target of moving to $100 million in annual operations, the Board then disregarded it when recruiting a new ED. The Plan identified fundamental problems that anyone would have to address, no matter who was directing the foundation. It was based on a frank SWOT exercise and a consensus of staff inputs. The issues had been regularly flagged by those who knew PADF well.

Recruitment of a CEO normally flows from the needs shown in an organization’s strategic plan. While there was significant program momentum and funding to carry PADF forward for several more years even without an ED, I emphasized to the Board that the gains were fragile because they depended on short-term government grants, especially from the Colombia government. They could be undone by unexpected policy changes or if the senior staff began to leave.

The decline in private funding and public grants in 2018 should not surprise anyone. The outlook for 2019 may be similar. PADF operations have shrunk by more than 25% from their highest level. Despite these drops, I understand that the Board abandoned the accountability standards that were linked to specific achievements in growing revenues. There was a commitment to grow the foundation and to recruit an ED who might achieve that goal.

In a similar manner, based on a recommendation by the President, the Board increased Trustee contributions but made them voluntary. They ranged from a minimum of $2000 per year, the lowest of most non-profits in our group, to a high of $50,000 that no one made. Many Trustees were not making even the minimum. Smaller non-profits, such as a competing foundation in the OAS, required its Board members to contribute $25,000.
Repeated efforts to increase contributions were unsuccessful. This undermined PADF’s ability to leverage other grants and achieve greater sustainability.

Throughout the period 2015 to 2018, Trustee contributions and private grants declined to the lowest level in recent years. The proposed increase was all for show, which was one of the reasons I decided to retire. No one seemed to care that Trustees were not contributing. As a result, there was no peer pressure to encourage improved performance, as exists in other groups. Some Trustees wanted the prestige of being part of the Board with none of the responsibility.

Q: Are you feeling that it’s time to end this, or do you have mixed feelings about your time at PADF? I mean, it was your choice to retire, I believe. You’re in your 70’s now, you’re entitled to retire.

SANBRAILIO: Yes, it was my decision to retire. Now in retrospect, it may have been a mistake. My regret was not negotiating an agreement with the Selection Committee regarding my participation in the recruitment of a new Executive Director. I was led to believe that I would have some meaningful input. Regrettably, I trusted the Committee that its members would do the right thing and conduct the process in accordance with the values and precepts we had used to rebuild the foundation. These included openness, transparency, trust, inclusion, staff participation and respect for those who had grown the organization.

Unfortunately, the final selection was conducted in a closed, non-transparent and questionable manner, in ways which had gotten the Foundation into trouble in the past. Similar errors were repeated, as in the early 1990s when an ED was recruited who almost destroyed the foundation. In a number of executive sessions, I urged the Board to learn from history, but my suggestions were largely disregarded.

While the Committee made some early efforts to include inputs from me, the senior staff, and the Advisory Committee, it was not a serious exercise. It was all for show, quite superficial and had no impact on the final decision. For example, I had prepared a detailed Job Description that was largely disregarded by the Committee and its search firm. The Job Description represented a consensus of what was required. It was a waste of time.

As a result, there was disappointment when the President announced a new ED with a CV that did not appear to meet some of the key requirements, especially in terms of LAC development experience, a proven track record directing an NGO of equivalent size and complexity, and a clear record of winning USAID and other grants and raising funds. Despite my 18 years at the foundation, the President did not ask for my views or that of the senior staff, although he would later advise the Board that we had an “input”.

The ED selection process eroded the trust that had existed among the Board, management and the staff. For most of my tenure we were a happy family, with a participatory working environment and collegial relations. There was a great deal of comradely and
confidence among all those associated with PADF. The ED recruitment undermined much of that trust, which is the glue that holds any organization together. The Committee members simply didn’t care about the prevailing values and cultural norms.

While I recognized that the selection was the prerogative of the Board, common courtesy should have led them to solicit the views of those who knew PADF the best. I suspect that we were not consulted because they sensed what might be the reaction. After 18 years at PADF, and 50 years of international development experience, my inputs and those of others might have averted what could become a costly mistake. As I told the President, I could not support the selection. At the same time, I would do my best to help the new ED.

In order to legitimize the decision, the President advised the Board that I had concurred in the selection. Likewise, the new ED would go on to develop her first Annual Report in a manner that made it appear that I had supported her appointment. While I appreciate their interest in gaining my approval, the recruitment process and subsequent actions, highlighted the disillusionment with the transition.

While I reluctantly say this, I do it because there continued to be misleading statements. I reiterated my views in a farewell message to the Board on September 30, 2017 indicating my disappointment in not having a meaningful input in recruiting my successor. As a result, I left with great sadness and concern about PADF’s future.

Q: What process did the Board’s Selection Committee follow in recruiting a new Executive Director?

SANBRAILO: It contracted a search firm headquartered in New York, Russell Reynolds, which proved to be a great mistake. Its representative was disorganized and not very experienced. She struggled to identify well-qualified candidates. She misled me and the senior staff that we would be able to comment on candidates before a selection was made. It was not done in any systematic manner.

After the selection, I received calls from potential candidates who were interviewed, some of whom held senior positions in prominent organizations and had experience with similar recruitments. They felt that the interviews were slanted to discourage their interest. They believed the process was not well organized and was not conducted in a professional manner.

To win the contract, Russell Reynolds advised that it would have “no problem” recruiting an “extraordinary”, “exceptional” and “outstanding” ED. I had cautioned about the challenges of identifying candidates with career USAID and LAC operational experience, and a proven track record in resource mobilization and fundraising. Russell Reynolds had overcommitted to win the contract and underperformed in identifying qualified candidates.
In my view, the ED selection process may not have held Russell Reynolds fully accountable for producing the type of candidates that it had committed to recruit. The only winner was Russell Reynolds that made a quick candidate placement, but it jeopardized the future of PADF. Based on this experience, I would never recommend this firm to any nonprofit.

Needless to say, when I raised some of these issues to the Committee the reaction was not positive. I felt the ED recruitment process did great harm to PADF, especially in violating the cultural norms that we had worked hard to instill over many years. It undermined my legacy and those who had worked to create a foundation in which there was mutual respect. The situation was particularly unfortunate because during their tenure on the Board, none of the Committee members had raised any grants to sustain the foundation. Almost all of the resource mobilization had been done by the staff and management who were not given a meaningful voice in the selection. Those who in fact had grown the organization were excluded from one of the most important decisions that would shape PADF for many years to come.

Time of course will tell what will happen. The outlook is not promising of maintaining expenditures at $90 million+ per year, let alone growing them to $100 million or more, and developing new programs in Mexico and Brazil, cited by the President as goals during my final year. Yet, the new ED may surprise, rise to the occasion and prove more effective than it now appears. I certainly hope so. The most likely, however, is that the senior staff will end up saving the foundation from an ill-advised Board decision, as has happened in the past.

The ED selection was a tremendous gamble, a real “shot in the dark”. PADF lost a golden opportunity to recruit a truly distinguished and exceptional leader who could move it to a higher level. These type of lost opportunities have punctuated PADF’s history. They represent self-inflicted wounds by those Trustees who failed to protect the foundation.

Q: What were the issues with the Board?

SANBRAILO: In my final years, the Board did not function as a non-profit should in terms of fundraising and Trustee contributions. Our outside consultants were surprised by the lack of Trustee support in this all-important function, compared to other organizations. I regularly had to defend the Trustees, indicating that they were more committed to PADF than it appeared.

The President was reluctant to meet with donors. While I initially applauded his nomination, thinking he would bring in new grants and other contributions, despite his distinguished career, I gradually came to see that he did not seem to have the contacts. The longstanding chair of the Fundraising Committee was ineffective and could not achieve meaningful results. Few other Trustees were willing to chair this Committee.

Some were on the Board to enhance their resumes or because their companies required such participation, or simply for the prestige. While they all had agreed to support
fundraising, few actually did so. One Trustee regularly offered Board membership to his business contacts to advance his personal interests without being sanctioned by others. He proposed candidates with questionable records that the due diligence process had to stop, but there were no consequences.

In another case, a leading Trustee recruited a Board member who represented a large multinational. After the candidate joined, she advised that her company did not make cash donations to nonprofits but instead provided in-kind contributions of its products and services. To take advantage, PADF would have to expend its own complementary funds, thereby subsidizing the marketing and CSR strategies of a very rich company. While the Trustees involved never intended to violate PADF’s ethics statement, which such a project might have done, it showed how the Board could overlook its own policies. Ultimately it was the staff and management who had to say “no”.

Likewise, most Trustees simply did not have the inclination to help with PADF’s number one requirement, yet they were allowed to remain with no peer pressure to contribute. It proved challenging to recruit new members. After chairing the Fundraising Committee for several years, one Trustee from a leading company resigned out of frustration in getting her peers to do more. She later joined a competing group and commented to me on the difference.

During my final year, an officer was critical of a proposed fundraising plan because it called upon Trustees with staff to contact high net worth individuals and to encourage them to sponsor projects. This criticism, of course, discouraged others from helping. While all Trustees had a strong interest in helping the foundation, at times some came across as more interested in the recognition for themselves or their companies or countries. They did not have “skin in the game” since most did not make significant financial contributions or facilitate donations, although some provided valuable in-kind services. It was also challenging to form the required quorum for regular Board meetings.

A few Trustees seemed indifferent: if PADF succeeded that was fine, but if it did not that was equally fine. In accordance with the By Laws, we tried to keep them briefed on operations in ways that they could not ignore. For example, we developed a system of “no objection” messages to advise Trustees of new grants that most Trustees seemed to welcome. My successor discontinued it, which could place PADF at risk and raise questions of governance and accountability, yet no Trustee expressed concern. Should changes be made to the accounting system, or inexperienced junior staff be recruited, this could undermine the clean audits that the Foundation has consistently received.

Despite the best of intentions, with several exceptions, the Trustees had few ideas that could address the important problems and help achieve greater sustainability. Most wanted to take credit for a successful Foundation. In later years, the large Board became time consuming and cumbersome to manage. It chewed up valuable time, with little return from a cost-benefit perspective. While Board meetings and field trips were necessary, they did not produce greater contributions or ideas that could improve the foundation. Board fundraising galas and similar events often cost more than they raised,
in part because the Trustees did not have the networks of business contacts who would be willing to participate.

I say this not to criticize the Board that had some committed members, but to record lessons learned so that more effective actions might be considered and to provide guidance to those who may be called upon to again rebuild PADF. It shows the frustrations we confronted, even though we achieved a great deal. It highlighted the disconnect between the Board and the rest of the foundation and the broader stakeholder community. It explains why PADF continues to struggle with sustainability.

Q: Who formed part of the Selection Committee?

The ED Committee included the Board President, the Treasurer and two longstanding Trustees, all of whom had corporate backgrounds, with limited operational experience with international development programs. It was unlike the more diverse Committee that had selected me in 1999 that included some members with senior USAID and international agency experience. Reflecting the weakness of non-profit governance that depends on volunteers, Trustees were reluctant to hold their peers accountable. They simply looked the other way when ill-advised actions were suggested, although several denied this point when I discussed it with them.

The Committee had little appreciation for what it took to manage a fragile organization. It did not appear to understand the type of candidates needed to mobilize new funding or the differences in recruiting a corporate CEO and an ED for a nonprofit. The members seemed not to fully appreciate the nuances of working within the Inter-American System or with demanding donors. Insufficient attention was directed to ED temperament and interpersonal relations that were key factors for success.

In the selection process, the Advisory Committee was largely disregarded. It included prominent international development experts whose insights and contacts could have contributed to vetting candidates, if they had been called upon. It was four corporate leaders, with a poorly qualified search firm, determining the destiny of PADF. The outcome will be clearer in the coming years.

Q: But you have, I take it, a great sense of accomplishment at what you have been able to achieve in bringing this organization that was on the ropes into being very accepted and successful –

SANBRAILO: Yes, very much so, but I left PADF after 18 years with great sadness and disappointment, especially with those who formed the Selection Committee. I felt they had cavalierly destroyed my work and the work of others. I came to see that those who I thought were friends had deceived me. While you may not die of a broken heart, the deep sense of betrayal may have exacerbated some of my underlying medical issues. I felt that I had failed the staff and others by encouraging them to have confidence in the Board.
The President was brought into the foundation to address its number one problem and to provide greater Board leadership. He regularly pointed out how well other groups were doing in fundraising, but could not translate that experience into meaningful actions. Yet there were no concerns raised by other Trustees. His only significant involvement was the ED recruitment.

The Committee included two former Board Presidents who should have better protected the foundation. They could have insisted that the President demonstrate common courtesy by asking others their views and being more sensitive. They were unwilling to challenge the President and appeared to “go along to get along”. As I retired, I sensed that the President may not have believed he had selected the best candidate, but he was overwhelmed by a process that proved more difficult than he and others had anticipated.

As a result, when the candidate’s CV was made available, a number of senior leaders in the Washington community contacted me to ask how the Committee could have selected someone with such a narrow range of experience and who had not managed a nonprofit of similar size and complexity. It was embarrassing because I was the face of PADF for so long. Most expected that I would have participated in the selection. We had worked hard over many years to enhance PADF’s reputation and the recruitment undermined it.

One Committee member was reported to have said that they did not want another “star”, which may have been the real agenda. If the latter is correct, such an approach was a disservice to PADF. It reflected the non-transparent manner in which the recruitment was conducted. I left the foundation feeling deeply betrayed by those who I had respected and considered friends. It was very unpleasant and something I had never expected.

Q: Did the Committee consider any way to keep you involved in PADF after your retirement?

SANBRAILO: I suggested several options but it became clear that the Committee was not interested. To allow someone with my experience to leave the foundation without any follow-on role demonstrates the indifference to the best interest of PADF. It was similar to how they had ignored the Advisory Committee and senior staff. While I agreed to advise them for six months following my retirement, this was not a serious request. It was a face-saving gesture to facilitate my transition out of PADF and was reluctantly done because one Trustee felt it was the appropriate thing to do.

It was clear that the Committee did not want my continued involvement. It was painful to see the former Presidents, with whom I had worked during many years, not express support and essentially went along. It was as if my 18 years at PADF did not matter and were irrelevant. What I came to see is we simply did not share the same views about what the organization required. The President appeared more interested in showing that he was in charge. He and some others desired the prestige of titles, and to label themselves “world class”, without being held accountable for results. I don’t see how the existing Board can be effective, even though I bare some of the blame as well.
Upon my passing, I had expected to leave a portion of my estate to PADF that could make the Foundation more sustainable. I wanted to replicate what one of my heroes, Leo Rowe, the long-serving Director General of the Pan American Union, had done to establish the Leo Rowe Fund at the OAS. I came to see, however, that the Board did not share my values or those we used to develop the foundation. Given these issues and leadership uncertainties, I could not make such a donation. I greatly regretted it.

While I hope that I am incorrect, the likely scenario is continuation of a Board that makes few financial contributions, Trustees mainly interested in serving for the prestige or social reasons, and an executive director who brings limited value-added. PADF expenditures will probably decline and the goal of increasing operations to $100 million per year will be forgotten. There could be a return to the unfortunate incidents of the past should the experienced staff depart and junior officers recruited to replace them.

As in the 1990s, the Board and management have had the unfortunate tendency to alienate even those who strongly supported PADF, which explains its many ups and downs. Founder Ron Scheman and Ambassador Curtin Winsor resigned because their proposed microenterprise strategy was not supported, which was one of PADF’s greatest blunders. As I mentioned, SG Gaviria and his wife wanted to help PADF grow, but they too were rebuffed, which damaged the Foundation in the OAS. There have been few attempts to reach out to the talented members of the Advisory Committee, or to prominent figures with fundraising expertise, to get them more engaged, since none of the current Trustees have such experience. Despite the goodwill of most Trustees, it is not clear what meaningful results the Board can produce, even though a few members have made important non-monetary contributions.

Q: Given all of this, how would you sum up your service at PADF?

SANBRAILO: Despite my concerns, I remain optimistic about the Foundation, largely because of its committed staff. PADF has great potential to impact even more beneficiaries and to grow its annual operations with the right Trustees and ED. To realize this potential, however, there needs to be adjustments in the type of Trustees who are recruited, recognizing that this may be very challenging. My biggest failure at the foundation was my inability to contribute to building a more effective Board by identifying those who could better help with resource mobilization and fundraising.

At present, Trustees offer Board membership to their friends who ultimately make little or no financial contributions. It is inadequate for moving PADF to a higher level of development. Despite these considerations, I remain confident that the staff will continue to ensure excellence in program management and implementation, as they have done so often in the past. The future of the foundation will depend largely on the staff who have done almost all of the resource mobilization and fundraising. Hopefully new Trustees will be recruited who can better help.

Even with these challenges, most of my 18 years at PADF were satisfying, especially working with our wonderful staff and those Trustees who did contribute. We held
ourselves accountable for specific goals and presented the results to the Board in semi-annual progress reports. We kept the Board advised of new grants through detailed messages that enhanced governance and that could avoid inappropriate actions. We developed new financial, accounting and other systems that produced clean audits and impressed donors. We were transparent about shortfalls and problems. Senior staff could easily discuss issues with the Trustees and donors without fear of retribution. There was a collegial and participatory culture and high staff morale. As a result, PADF impacted the largest number of beneficiaries and obtained the most significant grants in its history.

My final year was one of the most demoralizing of my career in dealing with those who appeared indifferent to protecting the hard-won gains. I left the foundation feeling that my goodwill had been abused, which was very distressing. While the President and the Board were complimentary of my service, and helped with my transition, I could never fully believe their many words of praise given the hypocrisy that marked my departure. They are responsible for the ultimate outcome. There will be no escaping accountability for what happens.

As I conclude, I am reminded of the Biblical passage, “What is your life…You are a mist that appears for a little while and then vanishes”. My hope is that some of my work, like PADF, will not just vanish.

**History Matters!**

*Q: Well, what comes next?*

SANBRAILO: I hope to continue my research and writing on the history of foreign aid. I look forward to participating with you to finalize the USAID History, as well as my own work that shows the roots of foreign assistance pre-dating the Marshall Plan and Point Four. I have summarized these ideas in the attached articles, “*Extending the American Revolution Overseas, A History of Foreign Aid*” (see: [http://www afsa org/extending-american-revolution-overseas-foreign-aid-1789-1850](http://www afsa org/extending-american-revolution-overseas-foreign-aid-1789-1850) and other articles attached. I have tried to apply Kierkegaard famous saying, “Life can only be understood backward. But it must be lived forward”. I was pleased that my presentations stimulated greater interest in foreign aid history among the members of the USAID Alumni Association and others. Unfortunately, I was less successful in encouraging USAID itself to establish an Office of the Historian and to build historical analysis into its policy formulation, program planning and training of new officers. I am hopeful, however, that my lectures to various USAID groups will eventually bring about positive change. The Alumni website includes the Power Point that I have used.

There is a fascinating story to be told about how Americans have used foreign aid to spread democracy and development throughout the world for the past 230 years. This history includes extraordinary but little-known figures who are made for a Hollywood movie, like Joel Poinsett in Chile and Mexico in the 1810s and 1820s, those who
supported the Greek revolutionaries in the 1820s, or responded to the Irish famine in the 1840s, or supported the Meiji Restoration in Japan in the 1870s. The great American railroad builders in Latin America during the 19th and early 20th centuries are an exciting development story, such as William Wheelwright who built the first railroad between Chile and Argentina, Henry Meiggs in Peru, the Harman brothers in Ecuador, Minor Cooper Keith in Costa Rica and Central America, and those who financed the railroads in Mexico.

The amazing work of William Howard Taft in the Philippines, and in converting the American Red Cross into the federal government’s foreign aid agency, are virtually unknown. The achievements of Herbert Hoover in savings the lives of millions of Europeans from starvation and malnutrition during and after WWI have largely been forgotten. The pioneer efforts of Professor Edwin Kemmerer from Princeton University in the 1920s to establish Central Banks and implement financial reforms in the Andes and other countries have not been fully appreciated. These were early aid efforts to improve governance and public administration and build stronger states.

There are many lessons from these and other similar experiences that remain valid today, as recorded in books like Prelude to Point Four: American Technical Assistance Missions Overseas: 1838-1938 by Merle Curti and Kendall Birr, American Philanthropy Abroad by Merle Curti, and Spreading the American Dream: American Economic and Cultural Expansion, 1890 to 1945 by Emily Rosenberg. The significant contributions of America businesses to development are chronicled in The Revolutionary Mission: American Enterprises in Latin America, 1900 to 1945, by Thomas F. O’Brien.

During the past years I was able to produce a number of articles on the history of the USAID program in Ecuador, some of which attracted attention from the State Department and other USG agencies. A few are attached. Of special importance, I brought together two dear friends who share my interest in Ecuador: one a leading American historian of Ecuador, Lois Roberts, and a leading economist, Douglas Southgate, who produced an important book on the development of that country’s banana industry, Globalized Fruit, Local Entrepreneurs: How One Banana-Exporting Country Achieved Worldwide Reach. They documented the evolution of the country’s banana industry, promoted by leading Ecuadorians with U.S. cooperation, and how it transformed Ecuador.

I was also fortunate to work with other historians to support their research, such as George Lauderbaugh and his history of U.S.-Ecuador relations. I helped Peter Henderson, who produced an outstanding book on one of Ecuador’s greatest 19th century modernizing Presidents, Gabriel Garcia Moreno. The latter was supported by U.S. technical advisors, as documented in Gabriel García Moreno and Conservative State Formation in the Andes.

I had the great pleasure of getting to know the granddaughter and great granddaughter of John Harman, who together with his brother Archer Harman and President Eloy Alfaro, built the Guayaquil-Quito Railway from 1897 to 1908. It transformed this Andean nation
and unified the coastal region with its Sierra (Andean) highlands. I helped them get their family history, *Railroad in the Sky*, translated into Spanish and widely distributed in Ecuador. During my many years of working with Ecuador, I have had great interest in President Eloy Alfaro and how he worked so positively with Archer and John Harman. Their achievements, and similar experiences, such as the development of the banana industry by President Galo Plaza, could be showcased and perhaps used to improve Ecuadorian-American relations.

I also provided historic context to State Department officials for U.S. policy and program initiatives and to make presentations at the Foreign Service Institute on the challenges of dealing with the complex country that is Ecuador. I helped a PADF Trustee develop a biography of his father Senator Gale McGee. A number of historians and others regularly contacted me for information on the history of foreign aid. Unfortunately this subject remains poorly researched and understood.

**Q: How did you come to this interest in foreign aid history?**

SANBRAILO: As I mentioned, when I first joined PADF, I reconstructed its history, and the history of the OAS and Inter-American System, to determine how best to move forward in rebuilding the Foundation. I believe that policy-makers and program directors can and should use history as a decision-making tool. It was helpful to me at PADF and in providing the staff and donors with a broader context in which to view their work, even though some Trustees wanted to disregard the past.

My interest in history, however, predated my PADF service and began with my earliest assignments with USAID and my university studies. When I assumed the directorship of a new USAID Mission, the first thing that I did was try to understand the country’s and the Mission’s history. I was greatly influenced by books like, *Thinking In Time: The Uses of History for Decision Makers*, by Richard Neustadt and Ernest May; and *The Purpose of the Past: Reflections on the Uses of History*, by Gordon Wood. Good history never goes out of style and can teach us so much. It is interesting to note how a book by Richard Hofstadter, now more than 50 years old, *The Paranoid Style in American Politics*, is being rediscovered to better understand current challenges.

As I have said, it is a real shame that USAID is indifferent to telling its own history. It is fascinating, full of characters made for Hollywood, and bursting with lessons for future generations. For this reason, I have been advocating that the agency establish an Office of the Historian, as mandated by Congress. It is important to note that the State Department, DOD, CIA and others dedicate millions of dollars to recording their histories. Yet the noblest of USG undertakings overseas, foreign aid, is the least known. I have tried to address this gap in the attached Power Point, which has been well received by a number of audiences. Hopefully more will be done along these lines. There is an exciting story to be told that can motivate all those interested in foreign affairs.

**Q: How have you been approaching this work?**
I began by reconstructing the history of USAID and other development programs at the country level extending over many decades. These dated to the 19th century in some cases, to draw out relevant comparisons with more modern aid programs and to show how some of the same issues repeat themselves decade after decade. This is similar to what Jim Fox did with his history of USAID in Costa Rica, Larry Heilman with USAID in Bolivia, and Robert Muscat’s *Thailand and United States: Development, Security and Foreign Aid*. A number of USAID Missions have produced country histories of aid programs, such as in Peru and Nepal. Some of them are of mixed quality, although they can be good starting places.

As mentioned, it is unfortunate that there are no country histories of aid programs in Brazil, Chile, Colombia, the Dominican Republic, El Salvador, Honduras, Nicaragua, Guatemala, Egypt, Afghanistan, Iraq and those larger programs in Africa where the U.S. has invested a large amounts over many decades. USAID has been engaged in Egypt for nearly 40 years. Yet there is no comprehensive history of what was done and what was achieved. While there are some histories of aid to Taiwan and South Korea, and more recently in Eastern Europe, they are virtually unknown. It is interesting to contrast this situation to the many positive books published on the Marshall Plan in Europe or those that focus mainly on USAID’s failures or its blundering bureaucratic machinations in Washington, losing total sight of what was being done in the field.

The methodology that I used was designed to build up from country to regional histories (LAC, Asia, Africa, Middle East) and to try to draw out generalizations that can be useful in guiding policy formulation, program planning and training. The book, *U.S. Development Aid—An Historic First, Achievements and Failures in the Twentieth Century* by Samuel Hale Butterfield uses a similar approach, although it has gaps in country and regional programs. In no other government program is the famous quote by John Maynard Keynes so appropriate: “Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years past”.

In this regard, my writings attempts to explore the deep roots of foreign aid in American history, and the ideas that shaped it, showing that aid was not an aberration or post-WWII innovation. I trace its origins to the American Revolution and its impulse to spread democracy and development throughout the world, as expressed by Thomas Paine’s famous statement that Americans had it in their power to “begin the world over again” or Jefferson’s recommendation to “create a Western Hemisphere of Freedom” that is distinct from Europe. Foreign aid is part of America’s DNA. We would not be Americans if we were not trying to improve and democratize the world.

*Q:* No organizations that you’re going to take over to run over the next few years – You’re not giving up that possibility, right?
SANBRAILO: If an appropriate opportunity came along, I would consider it, but I do not expect that to happen. I hope to continue to advocate for greater focus on the history of foreign aid provided by the public and private sectors, since this is such a unique aspect of American history that has largely been ignored. In this regard, I am encouraging the Smithsonian Museum of American History and the State Department’s new Museum of Diplomacy to better integrate these histories into their presentations. I will continue to support the USAID History project however I can.

The PADF Board asked me to advise the Foundation for a few months following my retirement, but it became apparent that neither the new ED nor the Board wanted my advice. This is not uncommon in many organizations and perhaps reflects the insecurity of those who are now directing the Foundation. This is unfortunate because most organizations would have recognized that someone with my experience would have had more to contribute.

When I first joined PADF I tried to proactively seek out those who had been previously involved in the organization to get their insights and recommendations on what could and should be done to better meet the expectations of OAS member states and to grow the program. This does not appear to be the current orientation, which is more closed. It reflects a further rejection of the participatory and inclusive values that we used to rebuild the Foundation. It is disappointing but not surprising.

Q: Is your wife pleased with the idea that you might actually be retired?

SANBRAILO: It’s going to be a new experience for both of us. We’re still trying to get used to it. We hope, however, to do more traveling and address some medical issues without worrying about where to find the next grant to sustain PADF. It is time for me to move on. I just hope that PADF will continue to do well and grow its program.

Q: I haven’t had the same kind of experiences that you’ve had, necessarily, but I can tell you that retirement has a lot of advantages, too. As you look back, and we’re going to bring this to a close sometime soon, what final thoughts would you like to express about this career of yours, of which the AID portion was the longest, and ended much too early? Do you have any additional, final words of advice for people who might be reading this and thinking about what can we do differently, what can we do better? You’ve stressed the importance of leadership, and that structures are not so crucial as the leadership that operates those structures. But, anything else that we may have missed out on?

SANBRAILO: Yes, I had a wonderful career that covered 50 years from 1965 to the present. I participated in the evolution of the Peace Corps, USAID and PADF, plus other international development agencies and non-governmental organizations. It was exciting work and we witnessed dramatic changes in the Third World that were not always so obvious to those who lacked a historic perspective. I hope that my service in Latin America and the countries where I worked has made them better places, especially for those most in need. This is what drove me throughout my career.
Compared to what existed in the 1950s, the developing world and the LAC region, are so much better, with far fewer people living in poverty and desperation. As one historian has noted, “The last half of the twentieth century witnessed greater global economic development than any other period since humans first inhabited the earth….This growth occurred because democratic capitalism drove material progress and facilitated enough peace and cooperation for humanity to flourish”. This period is now seen by some as a “Golden Age” of international development and unprecedented human advancement.

And foreign aid contributed to these gains. We should feel proud of what has been achieved and how the very concept of international assistance, pioneered by the United States, is now so pervasive worldwide. As I have maintained, overseas aid should be seen as an American innovation that has spread around the world, similar to the telegraph, the telephone, the light bulb, the assembly line, the radio, television, the internet, the computer, the IPhone, and others. Not only do the European and Asian countries have assistance programs, but those like Chile, Brazil, Mexico and Colombia are donors, along with Taiwan, South Korea, Israel, and now China and Saudi Arabia. Who would have expected it when we began our careers in the 1960s?

While there have been disappointments along the way, and we never accomplished all of what we set out to achieve, these aid programs did a great deal of good that should be better appreciated. To focus on the glass half empty, as so many tend to do, instead of the part half full, is a real disservice. The Peace Corps, USAID and the American people gave me an unprecedented opportunity to do things that I could not have done in other organizations. I will be forever grateful despite the way I was forced out of USAID and the unfortunate events when I retired from PADF.

As you can see, I have never lost my optimism and had a wonderful career. It was a special mission, not like joining another federal agency. It was not just a job but a calling. The term “mission” comes from “missionary”. We were “secular missionaries”, following the precepts of the Founding Fathers that we could “begin the world over again”. We were spreading development and democracy overseas, as the Founders originally envisioned. It was a sacred trust. Foreign aid continues to express Lincoln’s view that the U.S. is the “last best hope of man”. I was able to participate in something that was truly historic.

In terms of the lessons learned -- it is leadership, leadership, leadership. If you have good leaders, anything can work. This is absolutely crucial in development, because there is often no right and wrong approach. It’s not a science. It’s not like building a bridge or building a road that have well-established methodologies. It is a process that can be accelerated through direct engagement and effective “development leadership”.

It is leadership with host countries, it is leadership within the missions, it is leadership with program implementation, it is leadership among policy-makers, it is leadership in the field with beneficiaries and listening to them. In this regard, I have tried to operate based on Harry Truman’s statement: “Men make history and not the other way around. In
periods where there is no leadership, society stands still. Progress occurs when
courageous leaders seize the opportunity to change things for the better”.

The most successful USAID administrators, assistant administrators, mission directors or
NGO executives, all were strong leaders with a vision of where they wanted to take their
organizations and those who could produce results. While many have learned to “talk a
good game” about development, far fewer have been able to deliver results.

It is also about being bold, innovative, imaginative and creative, like the Peace Corps,
USAID and PADF have been during different periods of their histories. That’s not fully
appreciated. I hope that this aspect can be brought out in the USAID History. It is still not
fully recognized how quickly USAID has adopted the latest development thinking and
translated it into action. It’s been an open system, not in recent years, but it has generally
been open to new ideas. It’s been open to dialogue, it’s been open to experimentation and
learning by doing. It’s the same orientation that I tried to institutionalize at PADF.

You need to create a flat hierarchy, much like an R&D organization; you need people
who are action-oriented, risk-takers, results-oriented. You cannot allow yourself to be
constrained by hierarchy and bureaucracy and paralyzed by ambiguity, uncertainty,
indecision; instead focus and priorities are absolutely essential. Development leaders
must be prepared to step into management vacuums, make things happen and “get their
hands dirty” in the nitty gritty of program design and implementation. I would see
officers work all day and all night to get tasks done and move field programs forward
because they really cared about what they were doing. This is not your normal job. It is
not for those seeking easy and routine tasks.

You don’t see much of that orientation now in USAID, although clearly some must exist.
In more recent years, PADF went through challenging times with some overseas missions
when we couldn’t get them to make decisions. The simplest actions at times took months
to complete. So, in some ways the agency has lost its way, although I recognize that it
may just be the older generation not fully appreciating a younger generation.

But I think that USAID is now fundamentally different. It does not appear to be as
creative and imaginative, nor appreciate the importance of policy dialogue with host
country officials that is so crucial to development success. I believe it is why so many
point with nostalgia to former Administrator Peter McPherson. He was dedicated and
open. He loved to debate and conduct policy dialogues. He worked harder than anybody
else. He left a lasting mark on the agency. You can disagree with some of his policies, but
you can never question his commitment. He projected that we were doing sacred work of
great importance. That’s the type of leadership that USAID or any organization requires.

I am convinced that USAID, and groups like PADF, have made a difference. I think more
programs have been successful than they have been failures. I deplore the negativism that
so often permeates so many USAID officers, past and present. Nothing is ever a total
success, including the Marshall Plan, and nothing’s a total failure, like the Alliance for
Progress is so often portrayed. It’s always a mixture of success and failure.
Unfortunately, USAID has been abysmal at communicating what it does and documenting its successes. It has allowed its critics to define the agency. At times, the agency gets so lost in detail and process that it cannot see or communicate the big picture. Yet when you focus historically on past programs and what was left behind, you cannot deny the contributions and progress made.

Q: Let me say, I don’t know whether in 1996, when you left USAID, you were properly thanked, but I can tell you on behalf of those of us who spent many years at USAID, that we are very grateful to all that you have done. What is amazing to me is that despite the way in which you left, or were forced to leave USAID at much too early an age, you have maintained this incredible level of interest and support that you just reflected in your comments, which are really extraordinary in my mind, and very important and very valuable.

So, we thank you for this oral history. We thank you even more for what you put into all this, over the many years, and your contributions which will not be forgotten, with your attention to history and your pushing on trying to get the story told better. We hope that this will indeed be a way to promote a USAID of the future that is even more like the USAID you have in mind.

So, on this note of thanks to John Sanbrailo, I will close down this oral history, and we will look forward to your having had a chance to go through it and fix up the things where you think they need fixing and get this out onto the net and into the ADST files as soon as is possible. So, many thanks, John. I really appreciate it, and I know that everybody else does, too.

SANBRAILO: Thank you again Alex.

ATTACHMENTS

Video Conference
El Salvador Peace Accords & Lessons for Application in Colombia
John Sanbrailo
PADF Executive Director
Former USAID Director in El Salvador
October 17, 2014

El Salvador Civil War
- 12 year bitter civil war (1980-1992) with roots extending to the 1930s with military/elite dominance of political process and significant barriers to social-political participation.
Part of a broader conflict in Central America—3 civil wars raging in the region in the 1980s. Final battles of the Cold War.

70,000 dead in El Salvador; $2.0 billion in destruction; of a six million population over one million fled to the U.S.;

Peace Accords were arrived at through “dialogue” not “negotiations”—President Alfredo Cristiani, “you don’t negotiate with murders and kidnappers”;


Key characteristic: pragmatic approach that recognized that the Peace Accords were not a “panacea”. They could not solve all the problems and social injustices in a society—can launch an important process of democratization, greater political participation and institutional reform. They are not ends in themselves but means of national reconciliation.

Peace Accords led to what was called “El Salvador Miracle” from 1994-2009 and a historic political transition to an elected FMLN President in June 2009.

**Greatest Challenges**

- Tendency of U.S. Congress, especially staffers, and others to “pick sides” and favor one over another with piecemeal assistance.

- Highly polarized policy and operational environment—daily demonstrations in the U.S. against USG policy;

- Difficulties of getting international agencies (e.g. UN agencies, World Bank, Europeans, Japan) quickly involved in what many believed should be a US supported program.

- Obtaining early conceptual/budgetary commitments with Washington and agreement that the USG should play a significant role in a comprehensive support program for the Peace Accords rather than a “piecemeal approach”.

- El Salvador “fatigue”; desire to “get out” as quickly as possible with “short-term” fixes.

**General Lessons Learned from El Salvador**

- **Part of a Process:** Recognize that Peace Accords are part of an ongoing national reconciliation process –just one step in the process—not ends in themselves. Their success depends on what happens on-the-ground following the Peace Accords not
just for the ex-combatants but in the broader society, especially for the victims of the conflict that greatly outnumber the combatants.

- **Understand Origins of Conflict:** To ensure Peace Accords are sustainable, the support program should address sources of the conflict that began the insurgency and not just focus on narrow issues of demobilization and reintegration of ex-combatants. Recognize historic opportunity presented by the Peace Accords.

- **Importance of Economic Growth:** Peace Accords could not have been successful in El Salvador without recognizing overriding importance of promoting economic growth — place Peace Accords in broader macroeconomic context, growth and employment generation are vital to ensure success in the broader society. In the 1990s and 2000s, up to the worldwide financial crisis of 2008-2009, international attention focused on the “El Salvador Miracle” because of the economic, social, political reforms supported by the Peace Accords and USAID’s $300 million program (plus ESF) that supported them. Significant decline in poverty and social inequality in El Salvador throughout the 1990s and into the 2000s.

- **Democratization:** Address political/social participation, and human rights issues. These were key elements of USAID support to the Peace Accords—the ex-combatants must see that something politically has changed. Evolution of the insurgency into a political party or into a participatory democratic process at all levels—national, regional, and local. Institutional changes to permit such participation and potential electoral victories, as happened in El Salvador when the FMLN candidate Mauricio Funes won the Presidency in June 2009. Key role played by local officials, especially mayors should not be underestimated.

- **Balanced Approach:** Ensure that the public perception is not that the insurgents have won because they are getting a large amount of USG or international resources for what many in the broader society consider to be criminal acts, murder, kidnapping, torture, human rights violations, etc. Ensure that victims receive special “high profile” attention and that it is broadly communicated. Support victim’s assistance and Truth Commission process, not just aid to insurgents.

- **Involve the Private Sector:** Very important to have an ongoing consultation process with the private sector, civil society, municipal officials. Fortunate to have FUSADES established by USAID (with PADF technical assistance) in mid-1980s. Played key role as incubator of policies and leaders who led the peace process and follow-on development and democracy programs. Private sector needed to feel that it was being consulted by GOES/USAID and could play a key role in making the Accords a success if they are proactively engaged.

- **International Support:** Assisted GOES promote broad international support not just from UN but from the World Bank in organizing a government-led Consultative Group (CG) of donors to support the Peace Accords. Do not make this a USAID initiative but get other donors involved in a host country-led coordination effort that may require
strong support from the USG and USAID. Also, don’t make it a UN-led process—get the World Bank technocratic focus on economic growth, governance, structural reforms and sustainable programs.

- **Assistance to Ex-Combatants:** Recognize this as one of the most challenging components that can make or break the peace process. Provide more than just humanitarian assistance but intense “hands on” psycho -social counseling, in-kind assistance for technical training, university training, other informal training for cooperative development, micro-enterprise assistance—“don’t give them cash”. Carefully monitor combatant assistance and see it as a process not just of humanitarian aid but assistance to become productive citizens in a democratic society. Combine with training on democratic values and practices, youth-at-risk programs to avoid reentry into gangs and criminal activity. Central America Peace Scholarship program (CAPS) was very useful as was the training of FMLN by the Central America Graduate Business Administration School (INCAE).

- **Error on the Side of Action:** Avoid “paralysis by analysis” and lengthy procurement processes. Recognize that the easy part is designing policies, strategies and programs. Hard part is quickly delivering results on the ground and converting resources into results. Programs should be flexible and allowed to evolve based on field reality in what will be a highly dynamic conflictive environment requiring regular adjustments to programs.

**USAID-Specific Lessons Learned**

- **Start Planning Early with GOES & USAID Washington:** Maintain close contact with host government on planning for support to Peace Accords—USAID team assigned to this effort. Get early conceptual/strategic approval with Washington and relevant U.S. Congressional Committees and their key staffers. This was done even before the Peace Accords were finalized. We started planning early 1992 when Peace Accords not agreed to until 1993. USAID was ready to go from day one of signing of Accords, when other donors required two more years. Regularly brainstormed within the Mission, with Ambassador, Political Section, MilGroup, etc. about basic principles and concepts that would shape U.S. assistance.

- **Comprehensive Support Program & close involvement with GOES:** Formulated a comprehensive support program in close communication with GOES (Minister of Planning) that did not only focus on demobilization and reintegration of ex-combatants, although these were important. Obtained early agreement from USAID Washington to a comprehensive program of about $300 million to be expended over five years, plus continued rapid disbursement of ESF to support macroeconomic and structural reforms, especially with the electoral commission, judiciary and social sectors. Avoid “piecemeal” and fragmented approaches—this should become the central program for the Mission, not a sideshow or something to be delegated others. Requires strong leadership from U.S. Ambassador, senior Embassy officials, USAID Director—don’t delegate this to FSNs!!!
Encourage broad USAID Mission participation & Country Team in Planning: The formulation of the support program was led by the Project Development Office but involved a committee made up of all Mission senior officers, especially the Democracy and Agriculture Offices, Mission economists, social sector programs especially training, private sector initiatives, micro and small business development, etc. Committee also included some officers from Embassy Political Section and MilGroup. Informal participation of some Congressional staffers. Avoided a stove pipe program within the USAID Mission—Mission Director/Deputy Director and Project Development Director led the brainstorming sessions and conceptualization exploring various options and alternatives. U.S Ambassador, Political Counselor, head of MilGroup, etc. at times participated. Supporting the Peace Accord is not just another new USAID program but should become the organizing framework for all other programs that feed into it. Requires “top-down” national reforms and complementary “bottom up” approaches—need to work together. Should be a multi-year, perhaps a five year effort.

Ensure Bipartisan Program responsive to Congressional Issues to extent possible: U.S. Congress extensively involved in highly controversial program—attempted to micro-manage specific assistance to favorite groups. Some Congressional members and their staffers had strong feelings about what should be done. Be aware of these concerns and take them into account in the planning in order to make the Peace Accord program as comprehensive, neutral, sustainable and bipartisan as possible.

Understood GOES and FMLN Issues/Concerns: Worked as closely as possible (day-to-day basis) with GOES officials in developing the support program to influence the design of their policies and program responses. There was extensive USAID “policy dialogue” in these sessions—we got some things and the GOES got others. Some were intense negotiating sessions but always ended with a smile. Following the signing of the Peace Accords, USAID immediately began engaging FMLN representatives on field operational plans to implement assistance and made adjustments based on these consultations. We reported back regularly to the GOES on these contacts and used them to facilitate direct operational meetings between the GOES/FMLN representatives, as USAID transitioned out of a direct intermediary role—initially FMLN trusted USAID officers more than GOES officials although this gradually changed. Kept the Ambassador well briefed on these contacts—Ambassador William Walker attended and participated in USAID-funded training programs for FMLN leaders through “Fundacion 16 de Enero” that provided the core group for the FMLN to incorporate as a political party and participate in the democratic process that was an objective.

Build on USAID Program Successes & Lessons Learned: USAID El Salvador had almost 13 years of prior program successes, failures and lessons learned. We used the successful experiences—ESF policy dialogue process, FUSADES, FEPADLE technical training, “Mayors in Action”, civil society engagement, strengthening democracy/addressing human rights, strong relationship with on-the-ground implementing partners, etc. We avoided micro-management of partners and provided flexible assistance that could evolve with the reality on the ground.
Move Quickly: Given GOES and donor implementation weaknesses in the field (similar to Colombia), and slow capacity to respond, USAID was ready to move quickly with GOES agencies, municipal officials, NGOs, etc. to demonstrate that the Peace Accords were real and meaningful—they had “legs” and were not just another piece of paper. We tried not to allow political prejudices, bureaucratic inertia or indecision to slow the response although we perhaps had more of it than I recall—filled gaps with direct “hands on” USAID and partner involvement, from national reforms to local-level activities. Used proven partners with extensive on-the-ground experience for moving quickly and delivering results, while other donors were still in their planning phases.

Weaknesses/Failings

- Did not fully anticipate strong anti-FMLN feelings among some of the FSN employees in the Mission;
- Did not give sufficient attention to supporting a GOES public information campaign about what was being done and why—we left it to the GOES;
- After very positive CG meetings, we did not fully anticipate how slow other donors would respond, especially WB, IDB, UN, Europeans—USAID assistance was virtually the only on-the-ground assistance in the first 24 months;
- Underestimated the commitment of GOES officials and the private sector to make the Peace Accords a success; too many conspiracy theories dominated Country Team deliberations and the broader society; the Salvadorans made the Peace Accords a success, even though USAID played an important supporting role. We cannot overstate the importance of country commitment.

Book Review*

The Ecuador Reader
Carlos de la Torre & Steve Striffler, Editors
Duke University Press, 2008

Reviewer: John A. Sanbrailo**
(Published in the Latin Business Chronicle, August 10, 2009)

Explaining an Andean Enigma

Ecuador remains one of the least known countries in Latin America. It most often attracts attention when there is some dramatic political change, natural disaster, or some other extraordinary event that cannot be ignored. The country then pops into, and just as quickly out of the media spotlight, often leaving negative images that discourage further
study. Ecuador’s isolated location, its fragmented society and politics, and its colorful populist history have defied quick analyses and led to misunderstandings by foreign observers and the international community.

In recent years with the emergence of President Rafael Correa and his “citizen’s revolution” Ecuador has become a central player in what Michael Reid of *The Economist* has termed “the battle for Latin America’s soul”. As a result, *The Ecuador Reader* comes at an important time of growing interest in better understanding this land and the similarities and differences with its Andean neighbors. *The Reader* provides a useful but limited collection of essays by various authors who showcase the diversity and anomalies of one of the most fascinating nations in the hemisphere. It highlights not only this republic’s unique history but also how it does not fit the stereotypes and fantasies many have of it.

**Key Insights**

The strongest sections of the book are those that demonstrate the legacy of Ecuador’s pre-Colombian and Spanish colonial past—a legacy that continues to shape the country’s evolution to this very day. These essays clearly demonstrate that the fragmented territory called Ecuador has been influenced by its peripheral geographic location between great ancient civilizations and its marginal status during and after the colonial period. It has always resisted outside domination even by the Inca and Spanish empires, while nurturing a spirit of indigenous innovation that has not been fully appreciated.

In this regard, the chapter by Karen Vieira Power on the rise of the Duchisela family in Riobamba is particularly instructive since its members are direct descendants of Atahualpa, the last Inca Emperor and Shyri Lord of the Kingdom of Quitus. It is unfortunate that the author did not trace the genealogy of this family to modern times because readers would have found one of the most compelling stories of indigenous advancement in all of Latin America. In the mid-20th century, the young Luis Felipe Duchisela Huaraca Ramírez was employed by the United Fruit Company. This allowed his family and others the opportunity to rise in local society and to educate their children at leading U.S. universities. The history of the Duchicelas is an example of how multinationals and exports have facilitated significant social change that is still not well understood even today. It indicates why the editors’ comments on “…the less than exemplary behavior by U.S. corporations in Ecuador…” reflect an incomplete appreciation of the important role these enterprises have played in the country’s development.

At the same time, Susan Webster’s chapter on José Jaime Ortiz, the Spanish architect and entrepreneur who built some of Quito’s greatest churches and introduced major urban improvements during 1694-1707, shows how deeply resistant Ecuador traditionally has been to development and modernization. Those who have worked in the country will be intrigued to learn why Quito’s colonial elite rejected, imprisoned, tortured and ultimately killed one of its most significant foreign innovators, denying his contributions for almost three centuries. This experience has obvious parallels in Ecuador’s current disputes with multinational enterprises and international agencies.
Resistance to progress has appeared regularly in Ecuadorian history. For example, French scientists who traveled extensively in this territory in the 1730s to measure the circumference of the earth were threatened and a few were killed. Likewise, the development of what became Ecuador was set back by the expulsion of the modernizing Jesuits and expropriation of their property in 1767, and by the persecution in the 1790s of Eugenio Espejo, one of the greatest scientists in the Andean region. The undermining of nation-building efforts of President Gabriel García Moreno in the 1860s and 1870s, and his assassination in 1875, echo what happened to José Jaime Ortiz. So do the actions of those who opposed President Eloy Alfaro for building the Guayaquil-Quito railroad, calling it an “obra del Diablo” and brutally assassinating him in 1912 for political reasons similar to those faced by Ortiz two centuries earlier.

Another telling example occurred at the Punta del Este hemispheric conference in 1967 when President Otto Arosemena Gómez, a prominent Ecuadorian populist, invoked the memory of philosopher José Enrique Rodó, and his famous anti-modernization novel “Ariel” to denounce the U.S.-supported Alliance for Progress. In his keynote address, he indicated that Latin Americans identified with “Ariel” and did not share the materialistic values of the Alliance, which he warned undermined the true heritage of the continent. When the United States Ambassador to Ecuador later publically defended the goals of the Alliance for Progress, President Arosemena moved to declare him persona non grata and the USG immediately removed him from the country to avoid a diplomatic incident.

In more recent years similar attitudes have created one of the worst investment climates in Latin America. Indeed, Ecuador may be the only country in the region that declared persona non grata a local representative of the World Bank (in 2007) and has driven away other international advisors who came to promote its development. This approach is seen in statements by President Correa that the IMF and the World Bank should be abolished and in his dislike for multinational companies, which most leaders view as instruments of modernization. Such behavior is deeply rooted in Ecuador’s longstanding suspicion of international agencies and foreign investors, as exemplified by the sad story of José Jaime Ortiz.

On a more hopeful note, the chapter by Sarah Chambers introduces readers to Manuela Sáenz, Simón Bolívar’s lover and confidant who has become the Joan of Arc of Ecuador. She symbolizes not only its national identity but indicates how this little-known corner of the Andes has produced some of the most significant women in Latin American history. They include Manuela Espino, one of the region’s first female journalists; Manuela Cañizares who promoted its early independence movement; and Rosa Campuzano from Guayaquil, who together with Manuela Sáenz from Quito, played important roles in advising Generals José de San Martín and Simón Bolívar during the independence wars in the 1810s and 1820s. Even with this tradition, it is still a surprise to many to learn that Ecuador was the first in Latin America to grant women the right to vote—during the 1920s thanks to the courageous leadership of Matilde Hidalgo de Procel. This history offers opportunities for improving the country in the 21st century and demonstrates that
the stereotype of a closed, exclusionary society with rigid hierarchies is not totally correct.

**Unbalanced Presentations**

As the essays move through the 19th and into the 20th century they present a narrower range of perspectives, although providing useful insights. A number of chapters lack sufficient context for those not familiar with Ecuador to understand the themes being developed. While the editors indicate that they are committed to showing diversity, “…..offering readers the chance to hear what Ecuadorians have to say about their country and its place in the world…”, their selections reflect a distinct lack of balance among authors, with some chapters providing partial, incomplete and even disjointed views of this nation.

The most egregious omission is that of editor Steve Striffler, who includes his own article on the United Fruit Company in Ecuador while ignoring the contributions of one of the country’s most prominent Presidents, Galo Plaza Lasso, who in 1958 published a pioneering--and more positive--evaluation of the United Fruit Company in Latin America based on solid archival and field research. Academic objectivity and just plain fairness would argue for presenting alternative arguments, especially when one of the most important figures in 20th century Ecuador has written so extensively on this subject.

Such an oversight reflects a longstanding animosity that some academics and populist politicians have had toward Galo Plaza because of his favorable views of the United States and the United Fruit Company. While *The Reader* does include a piece by Plaza on “Two Experiments in Education for Democracy” the editors unfairly disparage it by saying that it is “drenched in paternalism”. In the spirit of full disclosure, I direct the Pan American Development Foundation which Galo Plaza helped create when he was Secretary General of the Organization of American States. I also have supported the Pan American Agricultural School at Zamorano and the American School in Quito, and I admire the Inter-American Dialogue. All of these institutions were greatly influenced by Plaza’s ideas. It is a distortion to ignore his most important achievements and not place them in proper context, as editor Carlos de la Torre attempted to do in a new book “Galo Plaza y su época”, which unfortunately is not reflected in *The Reader*.

Plaza’s administration put in place the public policy framework that allowed Ecuador in the 1950s to become the world’s leading exporter of bananas. These efforts expanded the country’s agricultural frontier, provided new opportunities for many of its most destitute people, accelerated its social development, and generated the longest period of high economic growth with democracy in its history. The banana boom was made possible by the technology, investments and marketing expertise transferred to Ecuador beginning in the 1930s by the United Fruit and Standard Fruit Companies. Indeed, were it not for the vision and courage of United Fruit’s CEO, Samuel Zemurray, who heavily invested in Hacienda Tenguel at the depth of the Great Depression, the banana revolution might never have occurred. It is indeed ironic that Striffler, who occupies the Doris Zemurray Stone Chair at the University of New Orleans, writes so negatively about United Fruit’s contribution to Ecuador’s development.
Other essays raise similar concerns. They lack context that can allow readers to make independent judgments on the pros and cons of different issues. For example, Suzana Sawyer’s “Suing ChevronTexaco” assumes the company bears all the guilt for polluting the Amazonian rainforest in northeastern Ecuador and damaging the health of its population, even though more recent reports show greater ambiguity about these impacts. Given the controversy surrounding this case, one might have expected presentations of other viewpoints that would permit the reader to understand its complexity. No discussion is provided of the responsibility of the national petroleum company, Petroecuador, which was a majority partner in the Texaco venture, controlled production and is alleged to have had similar environmental impacts in these Amazon areas.

A more complete discussion of petroleum issues would have included the historical context of oil development in the Amazon region, the reasons for building the trans-Andean pipeline, a recognition that Ecuador became a major oil exporter because of Texaco and other multinationals, and an accounting of the benefits provided to the country for almost forty years as a result of oil revenues. A very different perspective than Sawyer’s is presented by Douglas Southgate and Robert Wasserstrom in an excellent paper, “Oil Development, Deforestation, and Indigenous Populations in the Ecuadorian Amazon”, which was presented at the June 2009 International Congress of the Latin American Studies Association. As they point out, responsibility for deforestation, inadequate community services and the loss of indigenous lands rests with the national government, not foreign oil companies.

Other themes in The Reader might have been addressed more effectively by national authors. For example, a chapter is included by Kim Clark on the building of the Guayaquil-Quito Railroad, while an Ecuadorian historian, Byron Castro, has published a more complete study with a different analysis (“Ferrocarril Ecuatoriano: Historia de la Unidad de un Pueblo”). Likewise, it might have been more revealing to include writings on Guayaquil by Julio Estrada Ycaza and other coastal historians in addition to Ronn Pineo’s chapter, which provides a particularly narrow interpretation. The essay on “Women’s Movements in Twentieth-Century Ecuador” by Sarah Radcliffe is disappointing in not recognizing the great success women have achieved since the time of Manuela Sáenz. They have become leaders of civil society organizations, business-banking executives, National Assembly members, Foreign Minister like Nina Pacari or María Fernández Espinosa, and community-labor activists for more than half a century as with indigenous leaders like Dolores Cacuango, Rosa Lema, or Rosa Elena Tránsito Amaguaña, affectionately known as “Mama Tránsito”.

What is Missing?

While no single book can address all issues for a nation as diverse and complex as Ecuador, The Reader contains a number of gaps that limit its usefulness in highlighting national successes as well as shortcomings. The following examples suggest other ways of viewing this country that may be helpful for future publications:
Empirical Presentation: Almost no data are included in *The Reader* on the dramatic changes that have taken place in Ecuador over the past century, including its rapid population growth and improved social and economic conditions. If we could look at snapshots of Ecuador in 1900, 1950, and 2000, we would be impressed at least as much by the progress that has been made as by the poverty and social injustice that still exist. More than 90% of its children are in school and life expectancy is not very far behind that of the United States. Today one of the government’s major challenges is a growing number of retirees, which reflects historic improvements in health, nutrition and living standards. A discussion of the evolution of leading development indicators would have provided the reader a greater understanding of these changes, rather than leaving the impression of a static country with the overwhelming majority of its people still living in poverty.

An Indigenous Country?: At the same time, *The Reader* gives the impression that Ecuador is an indigenous society, when the empirical evidence shows something quite different. The most recent census indicates that fewer than ten percent of Ecuadorians identify themselves as “indigenous”, which is one of the reasons President Correa has not given high priority to their demands. While a number of books display photos of native people, they in fact provide a misleading image of this country. Indeed, the young Indian woman forcefully smiling on the cover of *The Reader* symbolizes the cultural changes that have occurred among this population.

What has not been appreciated is that the more typical Ecuadorian today is an urban *ambulante* (*street vendor*) in the informal sector—not a native person living in the rural Andean highlands or the Amazon who represent a small minority. One of the country’s success stories over the past century has been the relatively peaceful integration of its indigenous population into a predominately *mestizo* society symbolized by the largest federation in Latin America (CONAIE), the unprecedented Pachacutik political party, and the widespread participation of native people in the social and political life of the nation—as exemplified by Nina Pacari, the Duchisela family, Luis Macas, Monica Chuji, not to mention other figures such as *Mama Tránsito*, who recently died at over 100 years of age. It might even be argued that Ecuador has been the most successful Andean republic in integrating its indigenous people into a multicultural society, which the editors seem to recognize but not fully accept.

Exceptionalism in the Andes: In addition to noting the active participation of its native population and ethnic minorities, *The Reader* might usefully have explored other aspects that set this land apart, as it began to do with the chapter on the “First Black Miss Ecuador”. For example, the editors appear surprised that the country does not have a history of systematic human rights violations or brutal repression of indigenous protests. Ecuador has experienced no political insurgencies such as those led by the FARC and the ELN in Colombia or Sendero Luminoso and Túpac Amaru in Peru. Compared to its neighbors, this territory has been an “island of peace” with regular dialogue in the last few decades between senior government and business leaders and a multiplicity of social movements. In a region dominated by coca-growing, it does not cultivate a significant amount of coca. National enterprises have had a long tradition of controlling its major
resources, dating to the earliest days of the Republic. The Reader could have brought out more sharply why Ecuador is such an exception in the Andes and what lessons this may have for guiding it and others into the future.

**Ecuador’s Populist Tradition:** Perhaps most surprising is the lack of an updated presentation on the origins of the country’s strong populist tradition, which is a dominant characteristic of its political culture. The importance of populism has been underscored by editor Carlos de la Torre in a previous book, “Populist Seduction in Latin America: The Ecuadorian Experience.” Many who review The Reader will be seeking to learn more about the Correa phenomenon and what produced it. The current administration cannot be fully understood without greater appreciation of the country’s deep populist tendencies and how President Correa has been so effective at using them to consolidate his power. Unfortunately, the brief essays by de la Torre or by Ecuador’s most famous populist leader José María Velasco Ibarra, do not completely address this issue nor do any of the other authors. As a result the book misses an opportunity for better explaining to an international audience why the President is governing in what some could interpret as strange and erratic ways.

**Neoliberal Reforms:** Most disappointing, however, is the manner in which the editors and some of the volume’s authors assume the economy was destabilized by market reforms and trade liberalization policies implemented from the mid-1980s until the onset of the Correa regime. Little evidence is presented to support this proposition, and the issues are not discussed in any detail. Nevertheless, the assertion that Ecuador has been a victim of pro-market policies is suggested throughout the book. The Reader ignores a large body of academic work, plus experience in countries such as Chile and Peru, which demonstrate the potential of such reforms for promoting economic growth and reducing poverty. The real problem in Ecuador has not been the “neoliberal model” but the lack of its full application and the politicization of economic policies. While the effectiveness of “neoliberal” policies can be legitimately debated, the absence of alternative views does a disservice to those who would like to see a balanced discussion of key issues affecting Ecuador. The editors could have brought together a useful collection of essays by leading national economists and local research centers, as well as those by foreign academics such as Morris Whitaker, Douglas Southgate and Steve Hanke who offer different insights into its irregular economic growth.

**Forces Changing Ecuador:** The Reader could have facilitated greater understanding of the country had it presented additional analyses of those forces that have promoted its national development and integration during the past two centuries. These include export booms, internal migration, external emigration, plus the expansion of protestant groups that has been ongoing for a century since the Liberal Revolution but does not receive much attention. Historically exports have produced some of Ecuador’s most significant progress and stimulated its major reform movements. During the colonial period this land exported textiles and chinchona bark for quinine, and together with shipbuilding they contributed to the development of its largest port and commercial city of Guayaquil while nurturing
its entrepreneurial culture. The first export boom of “Panama Hats” beginning in 1849-50 fueled the rise of the Eloy Alfaro family and funded the Liberal Revolution of 1895. Cacao exports from the 1880s to 1920s financed major liberal reforms and infrastructure improvements, including the Guayaquil-Quito Railroad that geographically unified its territory, as well as some of the first indigenous education programs.

Large-scale banana exports starting in the 1950s converted Ecuador into a predominately coastal country, greatly developed its infrastructure and transportation network, provided opportunities to its poverty-stricken rural population, and facilitated agrarian reform by expanding the agricultural frontier for small and medium-size producers. The petroleum boom of the 1970s incorporated the Amazonian lowlands into the country, generated new public revenues that strengthened the central government and supported major social improvements that in some ways made it a middle class-like society. President Correa’s “citizen’s revolution” would have been impossible without petroleum exports.

The “Tuna War” of the 1960s and 1970s produced a new International Treaty for the Law of the Seas that helped Ecuador become an important exporter of marine products. In the 1970s and 1980s its bananas exported to Eastern Europe played a role in undermining communism, coming to symbolize Western life-styles, freedom and democracy that German leaders used to explain in part the fall of the Berlin Wall. With U.S. assistance, Ecuadorians prevailed in what came to be called “the Banana War” in a historic World Trade Organization decision in 2001 that gained it greater access to European markets that favored thousands of local producers and workers.

Since the 1980s newer exports have been developed such as cultivated shrimp, flowers, non-traditional agricultural products, ecotourism services, and minerals like gold that further illustrate how global markets have supported its development. They highlight the country’s latent dynamism that can produce higher economic growth and employment if improved policies are adopted. Many of these national successes were achieved with investments and technology transfers made by foreign companies or international agencies, as well as measures like the U.S. Andean Trade Preferences legislation, despite efforts to ignore or deprecate their support.

In recent decades, the emigration of large numbers of Ecuadorians (labor exports) to the United States, Canada, Spain, Italy, and Chile has created an important cultural transformation while generating almost $2.0 billion per year in remittances for the country. One would gain a very different view of this nation’s great potential if The Reader had profiled immigrant success stories like Eduardo Castro Wright, CEO of Wal-Mart; Napoleón Barragán, who revolutionized telemarketing in New York City; or Colonel Judith Lombeida, who advanced to the highest rank in the United States Air Force of any Ecuadorian before her tragic death in 2006.

Likewise, the country has produced world-class entrepreneurs like Luis Noboa and Segundo Wong, who rose from destitute backgrounds to establish some of the region’s first multinational banana companies which opened new markets in Europe and Asia. Globalization has also given prominence to the country’s athletes such as the speed-
walker Jefferson Perez, mountain climber Iván Vallejo, and superstar Afro-Ecuadorian soccer players, as well as teams like Liga that have inspired and unified the country. Less well-known are the important contributions made to Ecuador by immigrants from Lebanon, Jamaica, Colombia and Asia, and by the Jewish community that fled Nazi Germany in the 1930s.

The growth of Evangelical, Mormon, Pentecostal and other protestant groups are rapidly changing Ecuador’s dominant Roman Catholic culture with implications for the 21st century that have not been fully understood. Perhaps one of the most revolutionary forces has been indigenous people such as the Otavaleños who are exporting and traveling to all parts of the world, as described in Lynn Meisch’s book, “Andean Entrepreneurs: Otavalo Merchants & Musicians in the Global Arena”. The Reader, however, presents a more negative interpretation of the Otavalo success story by Rudi Colloredo-Mansfeld, which again illustrates the book’s slant.

Slow Progress: While Ecuador has clearly experienced significant change and national successes which are all too often overlooked, at the same time it has a history of being one of the least developed and most politically unstable in Latin America. Since the 19th century perhaps no question has so intrigued foreign visitors than why a country with such spectacular beauty and diversity and with so many natural resources, could remain so poor and chaotic. It is unfortunate that The Reader did not address this fundamental question. In selecting excerpts from some authors, the editors seem to have missed their most significant insights on this very issue. For example, the section from U. S. Minister Friedrich Hassaurek’s “Four Years Among the Ecuadorians” does not include his important observations on the cultural constraints to progress that he observed in the 1860s, such as the deep distrust among the population, its difficulties in cooperating and compromising, and an authoritarian leadership style that many continue to observe today.

The editors could have done a great service by summarizing major explanations for Ecuador’s persistent poverty and underdevelopment—including by drawing on their own previous writings. Explanations range from the country’s inadequate education system to its fragmented geography, which has made transportation and infrastructure improvements extremely costly. Other observers cite its numerous natural disasters, irregular climatic conditions, and harsh tropical diseases that have prevented full integration of its coastal and Amazonian territories for much of its history. International analysts often focus on the country’s weak institutions and civic culture, and its fragmented politics, which have created challenges for coherent policy implementation.

Many Ecuadorians highlight imperialism and dependency, neoliberal policies forced upon them by the Washington Consensus, multinational corporations, widespread corruption, an exploitative oligarchy, failed political parties, and a dominant populist culture that has poisoned the political system. Others attribute its slow progress to a fatalism that is illustrated by citizens describing themselves as living in a “cork country” that automatically bounces back from natural disasters or other crises without anyone taking action. A few discuss the society’s pronounced sense of victimization, pessimistic
worldview and resentment of the outside world, as well as its strong mercantilist-corporatist attitudes and hostility to foreign investment, market reforms and globalization.

In recent years, greater attention has been directed to Ecuador’s progress-resistant cultural values as the fundamental explanation of its political instability and arrested development. These have been well summarized by former President Osvaldo Hurtado in his widely acclaimed 2007 best seller, “Las Costumbres de los Ecuatorianos”, which is one of the most important books published in the last forty years. It demonstrates how traditional values, attitudes and customs have undermined the country’s modernization, and traces how they are so engrained in its history. On a hopeful note, it also shows how positive cultural values explain notable achievements of key groups like the Otavaleño indigenous people, inhabitants of the city of Cuenca, and Lebanese and Jewish immigrants. Available as “Portrait of a Nation: Culture and Progress in Ecuador”, Hurtado provides an important complement to The Reader for those seeking to understand why culture matters in promoting development and democracy.

**Other Views:** The selection of many authors for The Reader seems to reflect a pronounced left-wing orientation that opposes market reforms, multinational corporations and globalization, and that sees the international agencies and the United States as major sources of Ecuador’s problems. While such an approach may reflect political correctness on many university campuses, it does a disservice to those seeking a more nuanced understanding of this republic. Even though any such book must be highly selective, a wider array of views would have made it more objective and demonstrated the important pluralism that does in fact exist.

As noted, The Reader does not mention some prominent national writers who offer important perspectives on their country. These include Alicia Yánez Cossío’s wonderful book, “The Potbellied Virgin” (“La Virgin Pipona”), which provides a brilliant portrait of Ecuadorian life in the 20th century that is not well known even though translated into English. It is surprising that the editors did not include excerpts from Jorge Enrique Adoum, considered the country’s most significant 20th century writer and one of Latin America’s best poets. No other has so touched the soul of Ecuadorians and better described their national character, as shown by the outpouring of grief and commentary on his recent passing.

In eulogizing Adoum, a commentator used one of his quotes to draw attention to the country’s difficulties in dealing with the international community:

*We Ecuadorians shake hands with one we think superior, almost trembling, almost fearful, we bow down to foreigners, how we go around in circles before saying “yes” or “no”, how we look down when someone threatens or challenges us, and then when we try to overcome this complex, we become aggressive, arrogant and violent...*

As such works vividly portray, past and present are merged in the Ecuadorian experience, illustrating how the country’s current conditions are deeply rooted in its past, as reflected in so much of its literature.
Another illuminating way to understand this nation is through its beloved comedians such as Ernesto Alban—“Evaristo Corral y Chancletas”—who has been described as the country’s Charlie Chaplin. “Evaristo” became an important 20th century populist voice of its people, especially those in urban areas, by translating their daily frustrations and hopes into political satire. While national humorists are not well known internationally, they have a much larger audience, and tell far more about the population, than the less representative and vulgar Pancho Jaime, who is included in *The Reader*.

In addition, writings by key historic figures like Eugenio Espejo, the great 18th century intellectual of indigenous origin (surnamed Chushig), and Isidro Ayora, the first President in the region with a similar background, would have further demonstrated this country’s unique history as well as its identity crisis. It also would have been helpful to include excerpts from Juan León Mera’s 19th century classic “Cumandá”, now available in English for the first time, and contrast it with Jorge Icaza’s famous 1934 novel “Huasipungo” in order to show the changes in Ecuadorian views of its native people. For a U.S. audience, Icaza’s importance would have been further demonstrated by indicating that “Huasipungo” played a role similar to “Uncle Tom’s Cabin” in the United States for black emancipation.

Other significant works that could enhance future publications are James Orton’s 19th century study, “The Andes and the Amazon” sponsored by the Smithsonian Institution, and archeological reports by Dr. Marshall Saville of Columbia University on “The Antiquities of Manabí”. More modern writers such as Ludwig Bemelmans “The Donkey Inside”, Victor Von Hagan and Moritz Thomsen (two of the best American writers on Ecuador in the 20th century), and Lois Roberts (“The Lebanese in Ecuador”) and Robert Whitaker ("The Mapmaker’s Wife") can provide further insights. Recent books by Pamela Murray (on Manuela Sáenz), Peter Henderson (on Gabriel García Moreno) and Mitchell Seligson (on contemporary Ecuadorian democracy) offer important new perspectives. In addition, the World Bank and Inter-American Development Bank have published numerous studies on the economic, social and political challenges facing Ecuador, including reports on indigenous people and Afro-Ecuadorians. These institutions are too often ignored on university campuses for ideological reasons that do not advance understanding of this land and its people.

**Conclusions**

*The Ecuador Reader* provides an idiosyncratic anthology with some excellent essays that have not been easily accessible in the past. While the editors present a limited spectrum of views, their book illustrates key themes that will intrigue and surprise those who wish to better understand this Andean enigma. Still what clearly comes across is the lack of any consensus about the country’s national identity and its place in the world. Indeed, this is the overriding challenge that has frustrated and gridlocked Ecuador since its very beginnings in 1830. A fundamental question remains: is this territory something more than a mere collection of fragmented pieces of geography populated by disconnected and isolated communities with very different cultural, social, and political allegiances, as in
pre-Colombian and colonial times? Or does some overriding national identity unify Ecuador and make it different from other Andean countries?

The process of nation-building is still ongoing and largely incomplete, as shown by Ecuador’s numerous efforts to reach agreement on a durable national constitution (it has had more than twenty in 179 years of independence). A constitution most often has been promoted by a small political-intellectual elite with limited public debate, lacking a clear national consensus and rarely lasting more than a decade. As a result, this country has been known as one of the most politically unstable and difficult to govern in Latin America. It regularly produces strident populist leaders who superficially unify it for short periods by promoting conspiracy theories about the oligarchy, multinational enterprises, international agencies, the United States and border conflicts with its neighbors. What is often ignored is that the root causes of this phenomenon are Ecuador’s highly fragmented, deeply divided and progress-resistant society that are all too well reflected in The Reader.

John A. Sanbrailo**
Washington, D.C.
August 2009


**The reviewer is Executive Director of the Pan American Development Foundation and served as Director of United States Aid Missions (USAID) in Ecuador and other Latin America countries. He is preparing a history of Ecuadorian-American cooperation and has written a number of articles including: “Why Ecuador Never Became a Banana Republic?”; “We Cannot Escape Our History” on the Guayaquil-Quito Railroad; “Manuela Sáenz: A Little-Known Story of U.S.-Ecuador Cooperation”; “Superando el Pensimismo Nacional: El Poder del Pensamiento Positivo”, and “Ecuador and the United States: Useful Strangers or Faithful Friends?”.

The reviewer’s comments are meant to provide greater balance and perspective to those who are interested in Ecuador. They are based on his forty years of listening to its people talk about their hopes and frustrations. They are a plea for greater objectivity in dealing with this country and for greater focus on its national successes, including those achieved with international cooperation, so they can be replicated. Comments can be sent to: jsanbrailo@outlook.com

The views expressed herein are of those of the reviewer and do not necessarily represent those of the Pan American Development Foundation.

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Review Article
**Ecuadorean Banana Entrepreneurs**
*Published in Latin Business Chronicle May 29, 2012)*

**Editor’s Note:** The following article is based on the Spanish edition of “Empresarios Ecuatorianos del Banano” by historian Lois Roberts. It is a significant publication because of the many misunderstandings about banana companies and their role in economic development. Illustrating this confusion is the book by President Rafael Correa, “Ecuador: de Banana Republic a la No Republic”, in which he argues that a citizens’ revolution was needed to free his country from foreign influence that converted it into a “banana republic”. Lois Roberts and others maintain that Ecuador was never controlled by foreign companies or international agencies. As discussed below, the banana industry led largely by local entrepreneurs transformed this Andean nation and can serve as a model for its future development. LBC

**Ecuador: Never a Banana Republic**

**John Sanbrailo**

Those interested in the history of Ecuador will be grateful to Lois Roberts for preparing a pioneering book published in Spanish on how it became the world’s leading exporter of bananas. For over sixty years this has been one of Ecuador’s greatest successes, yet the story is not well known or fully appreciated. Building on her many decades of research in Guayaquil, Dr. Roberts demonstrates how national policy-makers, local entrepreneurs, foreign investors and international markets promoted banana production, accelerating the country’s socio-economic development. This book fills a gap in the historiography of an often forgotten Andean nation and provides the context for understanding an important chapter in U.S. cooperation.

How Ecuador and bananas became almost synonymous is one of the most fascinating stories in Latin American history. Yet it has been largely ignored because this country never became the stereotypical “banana republic” dominated by foreign companies, a scenario perhaps more applicable to some Central American countries in the past. Dr. Roberts raises fundamental questions about the conventional view of banana production and the role of the United Fruit and Standard Fruit Companies. She shows what an exception Ecuador has been in the region—a true “Andean Enigma,” as described by economist David Schodt. Her book should encourage greater research on how the banana industry and local entrepreneurs revolutionized a highly traditional society, allowing its bananas to play a role in major world events such as the fall of the Berlin Wall.

Beginning in the late 1940s, the banana boom began dramatically changing Ecuador, encouraging large numbers of people to migrate from depressed rural areas of the Sierra highlands and urban squatter settlements to work on coastal plantations, banana farms, road construction and infrastructure improvements. As a result, the 1950s produced some of the country’s highest economic growth rates marking the only time when international press accounts like that in Time magazine praised Ecuador for a “decade of development and democracy”. One cannot understand the history of Ecuador in the 20th century without appreciating how bananas fundamentally transformed the country, converting this Andean nation from an indigenous to a mestizo society and integrating it into world markets.
Ecuadorean Success

A number of observers have noted that one of Ecuador’s most salient characteristics is a deep national pessimism and a pronounced negative self-image. Even referring to a “national success” seems like an oxymoron for many Ecuadoreans, especially in its Sierra highlands. The country has had great difficulty identifying the nation’s achievements and building upon them. This worldview has often misled it into unproductive debates and strident populist rhetoric, leaving its citizens hobbled by a mistaken sense of exploitation, victimization and conspiracy theories that have distorted its own history. Many with Marxist or leftist orientations have accentuated these self-destructive attitudes by re-enforcing the country’s sense that it is incapable of determining its own destiny. Such approaches have contributed to paralysis and an inability to articulate to younger generations positive views of their own achievements. Not encouraging its citizens to learn from important national successes has undermined their ability to promote their own development and modernization.

The history of Ecuador’s banana industry illustrates this phenomenon. Most often it is described in highly negative terms, distorting what is in fact a great national success as presented by Dr. Roberts. In a very short period, the country moved from the almost total collapse of its cacao exports in the early 1920s to become the world’s leading banana exporter in the 1950s and subsequently maintaining its leadership for over sixty years to the present. Today the banana sector represents over 60 percent of its agricultural GDP (USD $1.9 billion) and has consistently been its most important export product after petroleum. Ecuador is the source of about one third of all bananas traded internationally and the fruit sector provides direct and indirect employment to 2.5 million people, or 17 percent of the population.

Unlike other countries, bananas were developed not only on large plantations but also on many small and medium-size farms, thereby opening new opportunities for hundreds of thousands trapped in poverty. This was virtually unprecedented in Latin America. Approximately 70 percent of the area planted in bananas (totaling about 170,000 hectares) is still cultivated by small and medium-size producers. If unregistered farms are included (another 60,000 hectares) the latter percentage is even higher.

Historically the country’s banana sector has been a little-known model of how local entrepreneurs and government officials worked constructively with foreign companies like United Fruit and Standard Fruit in developing an entire new industry while maintaining national control of what became a leading global export. Here is an example from 1948-1952 of how a visionary President and his equally visionary Minister of Economy—Galo Plaza and Clemente Yerovi—successfully established the conditions for the country’s banana development and a social revolution for which they have never received full recognition.

What we see in Lois Roberts’s book is the emergence of dynamic local entrepreneurs who rapidly learned from the technological, production and marketing innovations introduced by United Fruit and Standard Fruit starting in the 1930s, especially those in and around Hacienda Tenguel. Out of this milieu came one of the greatest entrepreneurs in Latin American history—Luis Noboa Naranjo and the creation of the region’s first multinational banana company, the Noboa Group, which eventually competed on an equal basis with foreign companies, even prevailing over them in some international markets.
As described in “Luis Noboa Naranjo: Profile of a Winner” by Isabel Noboa Pontón, national banana entrepreneurs dominated production and marketing, undermining the view that Ecuadoreans always lose out to multinationals. This is a very different model of development than the one that emerged in Central America and even in Colombia. Yet when one mentions Noboa today, some Ecuadoreans comment on his opposition to labor unions, his reluctance to pay taxes, and his lobbying for government subsidies, rather than any of his major business or export achievements. As with Luis Noboa and others like Segundo Wong, bananas provided the basis for the economic and social advancement of many who came from humble, even destitute circumstances, demonstrating that Ecuador has not always been the exclusionary society so often portrayed.

In the second half of the 20th century bananas opened Ecuador’s tropical coastal plain between the Andes and the Pacific Ocean, more than doubling its agricultural frontier while providing access to land, new sources of income and social advancement for many of its poorest people. The new tropical products developed in these zones would not have been possible without the infrastructure and labor provided by bananas. It was bananas that did more to redistribute land and income than most subsequent government policies, while generating and sustaining permanent employment for well over two million people. Export revenues and tax collections dramatically increased, financing the expansion of the country’s earliest social programs. Bananas produced a revolution by making Guayaquil into the largest metropolitan area with a population today of over three million and turning Ecuador into a predominantly coastal country.

Perhaps no example better symbolizes the positive impact that bananas had on this society than the family of Luis Felipe Duchicela Huaraca Ramírez (a direct descendant of Atahualpa Duchicela, the last Inca Emperor and Shyri Lord of the Kingdom of Quitus) who as a young man in 1945 was employed by United Fruit’s subsidiary, Compañía Bananera del Ecuador, serving in Guayaquil and Tenguel until 1965. Bananas and the United Fruit Company facilitated Duchicela’s rise in Ecuadorean society, as they did for so many others. This family was able to improve its income and educate its children at leading U.S. universities, again highlighting how bananas made a little-known contribution to social change.

Other Views

While such successes have been recognized in a few international reports and books such as “The United Fruit Company in Latin America” by Stacy May & Galo Plaza, and “Ecuador: An Andean Enigma” by David Schodt, they have largely been ignored and rarely discussed. Indeed, the centennial celebration of the birth of Galo Plaza in 2006 made almost no mention of his extraordinary achievement in developing the country’s banana industry through his association with the United Fruit Company. For many, this contribution continues to be a “taboo” subject. It is not even cited in the otherwise excellent materials on the banana sector presented by the Asociacion de Exportadores de Bananos del Ecuador (AEBE).

Instead, the literature is dominated by ideologically-driven accounts that have misled many through incomplete and unbalanced analyses, most often produced by non-historians with political agendas. They accentuate the banana industry’s negative impacts, ignore its positive contributions and downplay its unique role in the development and transformation of Ecuador. They reflect prejudices against local entrepreneurs,
multinational enterprises, private investors and globalization that are particularly pronounced among Quito’s intellectual establishment and the anti-market biases of some academics. The latter promote ideas presented in the famous novel *Ariel* by Enrique Rodó, the poetry of Pablo Neruda, the writings of Gabriel García Márquez and lesser-known authors who demonize banana companies and often use them as a foil for their concerns about modernization. When incorporated into the county’s education system and political debates, such attitudes undermine national development, as described so well in “Manual del Perfecto Idiota Latinamericano” and “Fabricantes de Miseria” by Plinio Apuleyo Mendoza, Carlos Alberto Montaner and Alvaro Vargas Llosa. These tendencies are seen in Carlos Larrea’s “El Banano en el Ecuador”, Oswaldo Albornoz Peralta’s “Las Compañías Extranjeras en el Ecuador”, Steve Striffler’s “In the Shadow of State and Capital”, Carol Pier’s “Tainted Harvest”, Alberto Acosta’s “Breve Historia Económica del Ecuador”, Peter Chapman’s “Bananas: How the United Fruit Company Shaped the World”, Carlos de la Torre’s “Galo Plaza y su época”, and Rafael Correa’s “Ecuador: de Banana Republica a la No República”. While each provides intriguing personal insights, they largely disregard the favorable impacts created by increased incomes and exports produced by the banana sector, exaggerate the political influence of banana companies, convey outdated stereotypes, and lack historic perspective. These writers appear more interested in demonstrating the evils of a market economy than recognizing the significant changes bananas produced for low-income people. Many are self-proclaimed Marxists or socialists who promote conspiracy theories and even paranoia of multinationals while rejecting the benefits of globalization.

In this context, Lois Roberts’s book provides urgently needed perspective and objectivity. Given her long association with Guayaquil and the coast, dating back to 1949, and her previous writings such as “El Ecuador en la Época Cacaotera” and the “Lebanese in Ecuador”, Dr. Roberts brings to this subject the training of a Ph.D. historian who was the first American to be inducted into the country’s prestigious Academia Nacional de Historia. Her career with Ecuador spans the most dramatic developments of the banana industry when she was drawn to Guayaquil by its increasing prosperity. Over the past sixty years, she has experienced Guayaquil’s growth into the country’s largest city and one of South America’s dynamic urban-industrial centers, due in great part to bananas. She is uniquely qualified to write the history of Guayaquil’s greatest entrepreneurs and record how they transformed the country with American and other international support.

**United States Cooperation**

In a similar manner, the role that the United States played in encouraging banana production and exports has likewise been clouded in mystery and suspicion. Thanks to Dr. Roberts the historic context for understanding this cooperation has now been provided, with its successes and failures, its highs and lows, its triumphs and tragedies. She demonstrates very well that banana development nurtured local entrepreneurship and modernization, although further research is needed on the complex interaction between the growth of the banana industry and U.S. assistance. The expansion of banana exports, in my view, is one of its most significant American contributions to Ecuador. It is analogous to early United States support for the country’s independence and national consolidation and to the building of the Guayaquil-Quito Railroad during the 1900s that geographically unified its coastal and Andean regions. It is similar in significance to U.S. encouragement to abolish the *huasipungo* peonage system.
in the 1960s, thereby facilitating indigenous sociopolitical mobilization as seen today in the CONAIE native federation and its political party Pachacutik.

From the very beginnings of the commercial banana industry in the 1920s and 1930s, United States companies, advisors, investors, aid workers and even Presidents made little-known contributions. For example, some of the most important preconditions were established by the completion of the Guayaquil-Quito Railroad in 1908 led by an American enterprise headed by Archer Harman, the founding of the Ecuadorean Corporation in 1913 by E. Hope Norton, and the opening of the Panama Canal in 1914. The eradication of yellow fever and other diseases in Guayaquil by 1920, with help from the Rockefeller Foundation and U.S. public health doctors, was of critical importance. The exploratory work of Dr. Wilson Popenoe in 1921 generated new data about the country’s underexploited agricultural potential. The Kemmerer mission from Princeton University in the late 1920s supported reforms that improved Ecuador’s investment climate, as recognized by President-elect Herbert Hoover in his goodwill visit to Guayaquil in December 1928. The publicity surrounding Hoover’s trip, the reports of Popenoe and Kemmerer, the sanitation improvements in Guayaquil, the excitement of the railroad and the establishment of the Ecuadorean Corporation attracted international attention, despite the Great Depression and the county’s pronounced political instability in the 1930s.

At the depth of the Great Depression, the United Fruit Company led by its legendary CEO Samuel Zemurray, made one of the most significant contributions when it purchased Hacienda Tenguel and surrounding lands to convert them into a modern banana plantation. United Fruit transferred to Tenguel its most advanced technology, production and marketing expertise, and scarce capital. While some writers have dismissed this courageous decision as nothing more than United Fruit fleeing banana diseases and labor unrest in Central America, they do not fully appreciate how risky such ventures were in the 1930s. Without United Fruit’s early investments, and later contributions by Standard Fruit and other foreign enterprises, Ecuador would not today be the world’s leading exporter of bananas.

Few other companies would have invested in this very unstable and unknown country, especially given the populist policies aggressively pursued in the 1930s by then President General Alberto Enríquez Gallo. United Fruit even supported pioneering national legislation in 1937-38 that mandated that at least half of its exported bananas be produced on Ecuadorean farms, thereby ensuring the emergence of small and medium-size producers. As Lois Roberts shows, Zemurray and the United Fruit Company, together with Standard Fruit, served as incubators and catalysts for developing the banana industry in the 1940s and 1950s.

As a major supporter of Franklin Roosevelt, Zemurray converted Hacienda Tenguel into a model of corporate social responsibility, a true “New Deal in the Tropics” that has been incorrectly depicted as just another example of multinational exploitation. While Ecuadorean entrepreneurs assumed the lead role in expanding production after the 1950s, they quickly learned from the foreign companies, taking advantage of the export-oriented policies put in place by Galo Plaza that produced the country’s most dynamic period of economic growth and democratic development in the fifties.

Contributing to this unprecedented progress was World War II and the provision of large amounts of U.S. aid to Ecuador to rehabilitate El Oro province after the Peruvian
invasion in late 1941, to develop strategic and other commodities needed for the War effort, and to begin modern development programs. In February 1942 the first U.S. bilateral aid agreements were signed to improve public health; to establish Hacienda Pichilingue as a tropical agricultural research center; to develop the country’s transport infrastructure; to expand cultivation of products needed for the War effort, including balsa wood, *chinchona* bark (for quinine), rubber, and rice. These in turn provided additional stimulus for bananas and other tropical exports following the War. Building on these precedents, the U.S. provided assistance to Galo Plaza’s initiatives through the new U.S. Point Four aid program (launched by President Truman in 1949), while funding was increased for infrastructure projects from the U.S. Export-Import Bank and the newly formed International Bank for Reconstruction and Development. In the 1940s and 1950s, the U.S. and Ecuador created Cooperative *Servicios* for Public Health Improvements (SCISP), Malaria Eradication (SNEM), Agricultural Development (SCIA), Education Advancement (SCIE) and Industrial Development (SCIAM). The *Servicios* assisted many projects that accelerated growth, especially among smaller farmers. The Rockefeller and Kellogg Foundations provided additional assistance that complemented these efforts.

The significant improvements in health conditions on the coast encouraged additional migration and allowed for rapid urban expansion that supported banana production. In the 1940s and 1950s Pichilingue evolved into one of the leading tropical research centers in South America, with assistance from U.S. Department of Agriculture technicians such as Lee Hines and those from SCIA and the Rockefeller Foundation. It pioneered some of the earliest small-farmer technologies for controlling sigatoka and other banana diseases. SCIA technicians Norman Ward, Russell Desrosiers, Robert Smith, Enrique Ampuero, Felipe Orellana, and others, literally saved the banana crop from near collapse in 1956-57 because of rapid spread of diseases.

SCIA helped producers establish the private-sector *Asociacion Nacional de Bananeros del Ecuador* (ANBE) to expand technical and marketing assistance to those who did not have access to them. This in turn supported a major increase in credit for the banana sector provided through the *Banco Nacional de Fomento* (BNF) that evolved from the *Banco Hipotecario* established as part of the earlier Kemmerer reforms. The expansionary monetary policy recommended by the Triffin mission of 1948 provided the basis for the credit growth that was mainly directed to smaller producers.

In the 1960s the Alliance for Progress implemented by USAID and the Inter-American Development Bank increased funding for coastal infrastructure, malaria eradication, rural electrification, agricultural cooperatives, and research and extension that further accelerated banana development. This facilitated the shift from the Gros Michel banana to the more disease-resistant Cavendish by establishing enterprises to facilitate marketing of the new variety. At the same time, the Alliance supported policies that were not always favorable to banana exports, such as Import Substitution Industrialization that discriminated against investments in the agricultural sector and promoted agrarian reform that unintentionally encouraged land invasions that disrupted production. As a result of these protectionist policies, changes in banana markets, the advent of petroleum exports in the 1970s, an overvalued exchange rate, and the rise of a military government, the banana sector stagnated but survived throughout the 1960s and 1970s showing its great resiliency. As explained by Dr. Roberts, this was due to dynamic entrepreneurs like Luis
Noboa Naranjo who, despite being exiled by the military government in the seventies, kept the sector growing by developing new markets in Europe, especially in the communist countries of Eastern Europe through innovative barter deals.

**Ecuador’s Second Banana Revolution**

The international debt crisis of the 1980s brought greater recognition of the damage done to exports and employment by protectionist policies and the overvalued exchange rate. As a result of fundamental changes in international policies, new trade liberalization and market reforms were gradually implemented starting in the mid-1980s with the León Febres Cordero administration. They were accelerated during the Administrations of Rodrigo Borja and Sixto Durán Ballén in the late 1980s and 1990s, greatly stimulating the growth of exports and creating what one writer termed “Ecuador’s second banana revolution”.

Again, we see a combination of national initiatives with little-known American political and technical support. Following successful policies in Chile, it was Ronald Reagan who encouraged President León Febres-Cordero to accelerate trade liberalization and market reforms that were undertaken from the mid-1980s through the 1990s. This was similar to John Kennedy’s efforts in the early 1960s in urging President Carlos Julio Arosemena to eliminate the *huasipungo* system and initiate land reform. The change in economic policies in the late 1980s and 1990s provided the incentives to increase investment in banana production and encouraged the introduction of new technologies that further consolidated the country’s leadership in banana exports, dramatically expanding its share of international markets, especially following the fall of the Berlin Wall in 1989.

American economists led by Morris Whitaker of Utah State University (financed by USAID) provided the most important technical advice for formulating these reforms, working through the Ministries of Agriculture and Finance and various private groups like Fundación Idea, Fundagro, Proexant, and Fundación Ecuador. Given the expansion and diversification of the country’s exports during these years, Whitaker and his team made one of the most significant contributions since the Kemmerer mission of 1926-27 and the Triffin mission of 1948. It was national policy-makers, however, who actually implemented their recommendations and made them a success with support from private sector leaders and the United States PL-480 program.

These measures helped the Noboa Group and others increase banana exports to the European Union and to Eastern Europe and Russia, well ahead of other companies. During this period Segundo Wong opened the Chinese and Asian markets to bananas and positioned Ecuador as an early leader in that region. As a result of the country’s growing exports to the EU in the 1990s, there emerged what came to be called the “Banana War” as the EU limited imports, threatening the sector’s continued growth and development. This trade dispute intensified up to Ecuador’s victory in the World Trade Organization (WTO) in 2001, which forced the EU to provide greater access to its banana markets, although intermittent disputes have continued to dilute these gains during the past decade. Here again the United States provided important assistance in disputes with the EU. The leadership of the Clinton administration, through its United States Trade Representative and the active lobbying by Chiquita (formerly the United Fruit Company), helped Ecuador with what the World Bank indicated was one of the most significant trade accomplishments of any developing country in WTO history. Yet Ecuador’s triumph in
the “Banana War” went almost unnoticed, further demonstrating how difficult it is to focus on this country’s achievements.

At the same time, the dispute with the EU almost bankrupted the Chiquita Company, while Ecuador emerged with one of the greatest commercial victories in its history. In these years it was even rumored that the Noboa Group might purchase Chiquita. One of the great ironies in the history of bananas would have been the former United Fruit company--the symbol to many of American imperialism--being absorbed by a little-known upstart from Ecuador founded by Luis Noboa, so similar in many ways to Samuel Zemurray. Both played key roles in developing the commercial banana industry that produced fundamental changes in the Ecuadorian economy and society.

**Emerging Challenges**

As the country has moved into the 21st century, newer challenges have emerged. As a result of the WTO ruling, international human rights groups began focusing more attention on the labor practices of Ecuador’s leading banana plantations and became very critical of abuses, although some may have been exaggerated for political purposes. Since the inauguration of President Rafael Correa in January 2007, the trade reforms that led to a dynamic banana sector have been demonized as a “long neoliberal nightmare” and gradually reversed, with a return to the protectionist measures that undermined the country’s agricultural growth and exports in the 1960s and 1970s. Most economists now recognize that protectionist policies increase costs to consumers, produce windfall profits for selected enterprises favored by the government, subsidize inefficient industries, and weaken the country’s competitiveness.

In this context, major questions have arisen: Will inward-looking protectionist policies weaken Ecuador’s comparative advantage as it confronts increasing banana competition from the Philippines, Colombia, Costa Rica and others? Will Ecuador in fact lose its world leadership to the Philippines, which has come to dominate banana exports to the growing Chinese market due to its lower costs and geographic proximity, despite earlier successes of Segundo Wong and his group? Or will the resurgence of fungal diseases (“Panama disease”) in the Philippines provide new opportunities to Ecuador, as hurricane damages in Central America and the Caribbean have done in the past? Will further progress be made to expand banana markets in EU countries or will they too continue to be limited despite WTO rulings? Will the Correa government follow through on threats to nationalize unlawful exporters or other parts of the banana industry?

With its large number of small and medium-sized producers, can Ecuador meet the labor and environmental certifications that are increasingly required by many buying countries, thus increasing production costs? In the face of an administration that is weakening the investment climate, can Ecuador modernize outdated banana policies and provide greater incentives for stimulating broader introduction of productivity-enhancing technologies that lower costs and combat diseases? Will it continue to embitter relations with foreign investors while rejecting one of the country’s greatest production and export achievements? In its search to save the country, will the Government in fact allow the banana sector to decline and lose its international competitiveness? Will this sector become one of the battlegrounds and causalities of the citizens’ revolution, as is happening in petroleum, mining and other areas?

At the same time, will the 21st century generation of banana leaders be able to move beyond past provincial attitudes and better articulate the great achievements that their
enterprises have made? Can they graduate to a new level of development, rather than just preventing the country from becoming a “banana republic” or depending mainly on markets like Russia and Iran that have no labor or environmental standards for imported products? Can this vital industry better demonstrate how Ecuador’s “banana revolution” and global markets benefit workers and disadvantaged people? Will the banana sector continue to flourish, or will it too decline, as happened to others that lacked the vision of their founders and lost the dynamism of their earlier development? Will the passing of Luis Noboa and Segundo Wong in fact mark a watershed in this important industry and a deterioration in Ecuador’s leadership in international banana markets?

Making History
Dr. Roberts provides valuable context for addressing these questions by demonstrating that the banana sector has been far more significant than many had previously imagined. In this small and often ignored corner of the Andes, history was made by banana men who transformed it into a coastal country. Prior to bananas, most of Ecuador’s population lived in the Sierra highlands and was recognized as mainly indigenous. Largely as a result of the expansion of banana production, the majority now lives permanently on the coast; less than ten percent of the country’s population identified itself as indigenous in the 2000 census and declined to 6.8 percent in the 2010 population census. Bananas facilitated a social revolution that is still unfolding. Dr. Roberts shows that the banana revolution was made possible by successful entrepreneurs and national policymakers who came to direct the industry in a manner not seen in other countries. While international support was important, the story of bananas was a local success that demonstrates the longstanding orientation of American cooperation of strengthening Ecuador’s capacity to develop and control its own natural resources. And this process had important impacts not only nationally but also internationally.

For example, the Noboa Group led the way in the 1970s and 1980s in opening markets in Eastern Europe that, as strange as it may seem, played a role in undermining communism, with bananas coming to symbolize Western-life styles, freedom and democracy that German leaders like Eric Honecker and Chancellor Horst Kohl used to explain in part the fall of the Berlin Wall. In Honecker’s book on the collapse of the communist regime in East Germany, he attributed a key event to its inability to import a sufficient quantity of bananas. They were so closely identified with the West that demonstrators tearing down the Berlin Wall chanted to Chancellor Kohl, “Take our hand, lead us to bananaland”, and their first purchases in freedom were bananas. Unknown to the world, most were Ecuadorian bananas that would never have been exported without the vision of Galo Plaza, the entrepreneurship of Luis Noboa and other national producers, and early support from foreign companies and international cooperation.

The dramatic expansion of bananas constitutes only one in a series of export booms that characterize Ecuador’s history. For almost 300 years Guayaquil was a leading shipbuilding center in the Spanish empire that nurtured its entrepreneurial culture and global vision. In the early republican period the California gold rush of 1849-50 stimulated its first exports of straw hats to the 49ers crossing Panama (now called “Panama Hats” for that reason), later generating resources to finance Eloy Alfaro’s Liberal Revolution beginning in 1895. The country’s cacao boom in the late 19th century transformed Guayaquil into an export-banking center, generated revenues for the construction of the Guayaquil-Quito railroad,
and provided the entrepreneurial and infrastructure base for the subsequent “banana boom” after diseases devastated the cacao crop. During World War II, the export of balsa wood for life rafts and lightweight aircraft, and chinchona bark for quinine, saved thousands of U.S. and Allied servicemen. As Dr. Roberts shows, Ecuador’s unique banana history is explained in large part as building on previous cacao and other export experiences that were generated mainly by local producers and exporters.

This same dynamism was further demonstrated in the 1960s and 1970s with the country’s growing exports of marine products, facilitated by a “TunaWar” with the United States that ended with the ratification of a United Nations-sponsored Law of the Seas Treaty. It recognized the thesis of a 200-mile coastal zone that Ecuador regulated and controlled, marking another diplomatic victory. The petroleum boom of the 1970s, with support from Texaco-Gulf consortium, expanded the role of the Ecuadorean state, fueled import-substitution industrialization, and strengthened the position of Quito and the military in politics and society. Rafael Correa’s citizens’ revolution would have been impossible without oil exports.

During the 1980s and 1990s Ecuador also became a leader in exporting cultivated shrimp, cut flowers, non-traditional agricultural products and eco-tourism services. It will also experience a significant mining boom if government policies provide adequate incentives and address social and environmental issues. Reflecting the country’s longstanding export orientation, even indigenous groups have increased their involvement in international markets, as described in Lynn Meisch’s “Andean Entrepreneurs: Otavalo Merchants and Musicians in the Global Arena”. Other Indian communities have experienced similar growth that is often not fully appreciated. This export tradition highlights why Ecuador was successful in quickly dominating international banana markets, despite those who maintain that the country rarely prevails in the global arena. These successes usually receive little attention. They often get overlooked in international reporting and in the academic literature by negative images that mainly portray Ecuador as a victim of multinational enterprises and globalization that appear disconnected from reality on the ground. In a similar way, most analysts have downplayed the significance of the country’s growing emigration, which represents the equivalent of yet another non-traditional export. Starting in the 1990s, increasing numbers of Ecuadoreans emigrated to the United States, Spain, Italy, Canada, Chile, Venezuela, Australia and other countries. Emigrants living abroad now send home more than $2.0 billion per year in remittances. In the coming years income generated by these labor exports may in fact become even more important than petroleum revenues and ultimately produce in the 21st century a modernization revolution as significant as the one that bananas produced in the last century.

Likewise, Ecuador’s commercial victory in its protracted “Banana War”, and the WTO ruling in 2001 that gave it greater access to EU markets, played a critical role in maintaining the country’s worldwide banana leadership, even with the negative policy environment of recent years. For many this achievement did not reflect the conventional image of the country and therefore was largely ignored. Yet this seminal event demonstrated anew how Ecuador can use constructive engagement with the United States and international agencies to achieve its most important national objectives. Such cases provide specific examples that can motivate younger generations to learn from and replicate national successes. They demonstrate that the most revolutionary force
in Ecuadorean history has been its ability to export and to seize opportunities in global markets, as the banana entrepreneurs and Otavaleños have shown so well. Unfortunately, many continue to reject this history, proposing instead a retreat into protectionist policies and confrontational approaches to the detriment of the country’s long-term development.

**Conclusions**

Lois Roberts has produced a valuable book that shows the importance that bananas played in Ecuador’s history. Her analyses break new ground and hopefully will encourage others to look more closely at the fascinating stories of the banana entrepreneurs and how their examples can inspire greater progress in the 21st century. As she demonstrated in her book the “Lebanese in Ecuador”, culture and values do matter in promoting development. It was the entrepreneurial culture of Guayaquil and the coast that produced figures like Luis Noboa and Segundo Wong who made possible the “banana revolution”. While many continue to argue that Ecuadoreans do not have the ability to determine their own progress, Dr. Roberts clearly has shown the contrary, thereby making a major contribution to better understanding of this country.

The growth of the banana industry is also an important chapter in the history of U.S. cooperation with Ecuador extending over two centuries. Even before this country achieved its national independence in 1830, American citizens like General José de Villamil from Louisiana supported its first development projects, serving as precursors of those who have continued to the present. They are symbolized by Ecuadorean-American partnerships like those of Vicente Rocafuerte and the Wheelwright brothers, Manuela Sáenz and Alexander Rudin, Gabriel García Moreno and Henry McClellan, Eloy Alfaro and the Harman brothers, José Luis Tamayo and Wilson Popenoe, and Isidro Ayora and Edwin Kemmerer.

Partnerships among Galo Plaza, Samuel Zemurray, Nelson Rockefeller, and other Ecuadoreans and Americans further highlight how they advanced the country’s production and exports, allowing it to evolve into the “Saudi Arabia of bananas”. While this history may not have always been free of conflict, the perfect should not be the enemy of the good. Negative and ideological interpretations, designed to diminish and deprecate, even when cloaked in academic works, do a disservice to the goodwill and hard work of those who were dedicated to nurturing local entrepreneurship that dramatically changed the lives of many Ecuadoreans.

Dr. Roberts’s book allows us to see a key chapter in national development with greater historic perspective and clarity. She challenges us to learn from the past and to move beyond the negative stereotypes and caricatures that have distorted views of the banana sector, local entrepreneurs and foreign investors. She showcases positive examples of how entrepreneurship, exports and global markets have benefited hundreds of thousands and fundamentally transformed Ecuador in a manner that is still not recognized to this very day. This book provides the basis for why Hacienda Tenguel and Hacienda Pichilingue should be seen as enduring legacies of Ecuadorean-American cooperation with worldwide impacts. It demonstrates that experiences like bananas can move the two countries beyond outdated paradigms and help achieve a breakthrough in dealing with each other that build upon longstanding friendship, prior cooperation and mutual goodwill.

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Book Review

**Ecuador and the United States: Useful Strangers** by Ronn Pineo, University of Georgia Press, November 2007

**Useful Strangers or Faithful Friends?**
(Published in Latin Business Chronicle, May 5, 2008)
http://www.latinbusinesschronicle.com/app/article.aspx?id=2350

John Sanbrailo*

Ronn Pineo has written a book that may show more about the state of academic research on Latin America than the history of relations between Ecuador and the United States. It comes at an important time in Ecuadorian-American relations and could have made a major contribution to better understanding of an Andean nation that is not well known. However, his book contains inconsistencies, misstatements and analytical gaps that limit its value. It may only reinforce Ecuador’s anti-globalization sentiments, further misleading the country about the sources of its political instability and under-development. In this respect, Pineo exhibits the estrangement among some academics, diplomats and international agencies in analyzing Latin America that has produced unfortunate misunderstandings of hemispheric relations.

The book presents an intriguing thesis that Ecuador has most often prevailed over the United States in major disputes and traces its success in neutralizing or thwarting U.S. power, although many were pyrrhic victories. It shows the country’s unique relationship with the United States and offers it up as an example of how “the less powerful are not powerless”. Yet, Pineo does not adequately explain how these victories were achieved or his suggestions that the country’s dependency on the United States produced instability.
and adversely impacted its development. Indeed, his book undermines the dependency theory he uses to describe relations between the two countries. In reviewing Ecuador’s tortured history of instability—producing some of the most erratic political leaders in the hemisphere—one is hard pressed to understand how they prevailed over American power. These contradictions leave the reader feeling that the author’s objections to or misunderstandings of U.S. policy have undermined his analysis.

A second concern is Pineo’s statement that the United States was “ignorant” of Ecuador and rarely focused attention on it. He chastises American officials for not understanding the country’s regionalism or its history and culture. This ignores the U.S. Government Area Handbook Series, “Ecuador: A Country Study” which has been used for over 40 years to orient U.S. officials serving there and is a basic source for many researchers including Pineo. He overlooks U.S. Minister Friedrich Hassaurek’s book “Four Years Among the Ecuadorians” published in 1867 which remains one of the best to this day, as well as numerous U.S. Government reports that clearly define regionalism as one of the dominant issues. Throughout the 19th and 20th centuries hundreds of messages from the U.S. Embassy in Quito and the Consulate in Guayaquil (available through the National Archives) provide some of the most insightful analyses available of Ecuador’s political and economic events. More recently, a significant book on U.S.-Ecuador relations, published by the U.S. Embassy in Quito in 2007, further demonstrates its interest in the history and culture of the country (http://spanish.ecuador.usembassy.gov/news/book/).

Likewise, Pineo does not fully explain his subtitle “Useful Strangers”. He disregards cases of how both countries helped each other which could have provided greater balance, as he did with his example of the U.S. Peace Corps. His subtitle seems to suggest a second meaning, highlighting the ambiguities in his book. While Ecuador may not be well known, it has attracted far more American attention than is fully appreciated. Early cases include visits in 1800 by U.S. Captain Amasa Delano (an ancestor of Franklin Delano Roosevelt) who completed the first studies of the Galapagos Islands. U.S. General Joseph Villamil fought for Ecuador’s independence in the 1820s and integrated the Galapagos into the country. Two of the greatest American writers and painters—Herman Melville and Frederic Edwin Church—were so inspired by their visits there to produce revolutionary works in the 1840s and 1850s that have had long lasting influence. Americans and Ecuadorians have had significant interactions during the past two centuries with important impacts on both and on international relations. While the two countries have not always understood each other, they are not strangers.

Third, there are a number of omissions or incorrect statements. For example, Pineo does not appreciate the role played by William Wheelwright, the most important U.S. entrepreneur in South America in the 19th century, in establishing the Pacific Steamship Navigation Company in 1840 to provide the Andean countries with greater access to international markets in order to promote their progress. Wheelwright developed his vision of using steam power to integrate the continent as the first American Consul in Guayaquil from 1825 to 1829 and through discussions with Ecuadorian President Vicente
Rocafuerte. In addressing the construction of the Guayaquil-Quito Railroad in the 1900s, Pineo claims that it failed because railroads only work on “flat plains”. This claim is contradicted by railroad history, especially in Chile, Peru and the United States (the transcontinental line) which served as models for Ecuador. He understates the broader significance of the Railroad as an initiative to unify this fragmented nation, providing capital and entrepreneurship to establish the Ecuadorian Corporation that supported the country’s early industrialization. Pineo is similarly dismissive of banking-financial reforms in the 1920s. He describes the architect of these reforms -- Princeton University’s Edwin Kemmerer who was one of the great American progressive economists, largely responsible for the U.S. Federal Reserve--as “orthodox” and “narrow-minded”. These judgments, and Pineo’s views that the Kemmerer reforms did not last, would have little support among economic historians and Central Bankers many of whom revere Kemmerer for his achievements.

His book misinterprets the significance of Eloy Alfaro’s Liberal Revolution from 1895-1911 and the support provided to it by American entrepreneurs, engineers, doctors, teachers and protestant missionaries. It produced revolutionary political and social changes throughout the 20th century that reverberate today at the Constituent Assembly being held in Alfaro’s hometown of Montecristi. It planted the seeds for growth of evangelical Christian and other protestant groups that have been changing the country’s dominant Catholic culture. Pineo overlooks how U.S. missionaries began the first community leadership development and radio education programs that nurtured national integration and the emergence of the Confederation of Indigenous Nationalities of Ecuador (CONAIE) and the Pachacutik Party that are unprecedented in Latin American history.

Pineo gives little attention to U.S. technical assistance and training in the 1940s and 1950s which helped establish some of the country’s most important development institutions. He overlooks the successful Triffin Financial Mission and fails to note the many achievements of the Point Four aid program. He doesn’t recognize projects of the Alliance for Progress in the 1960s that supported historic reforms such as elimination of the huasipungo peonage system (equivalent to Lincoln’s Emancipation Proclamation), the strengthening of cooperatives and civil society groups, the development of indigenous training, land and housing reforms, the initiation of family planning, and many others. He is critical of the conditionality attached to loans from the U.S. Export-Import Bank in the 1950s, from USAID in the 1960s and from the IMF/World Bank in more recent decades. However, he only makes passing reference to private bank loans of the 1970s that had no conditionality, were often misused and greatly increased the national debt with little impact on the country’s development.

The most egregious part of Pineo’s book is his section on the “CIA in Ecuador” which is largely based on one questionable source—Philip Agee’s “Inside the Company: A CIA Diary”. Pineo fails to advise his readers of Agee’s long history of supporting every leftist/Marxist movement in Latin America and allegations that Agee was working for the Soviets and Cubans when he published his CIA exposé in 1975 which greatly damaged Ecuadorian-American relations. Agee died recently in Cuba after a long residence there,
and the Castro government’s eulogy of him appears to confirm the allegations. On page 171, Pineo irresponsibly charges that the United States supported the murder of “independent-minded intellectuals, professors and newspaper reporters” with no evidence or supporting documentation. One would have expected a professional historian to be more rigorous in his research given its importance in U.S.-Ecuador relations.

When not blaming the United States, the CIA or the IMF for Ecuador’s poverty and chaotic history, Pineo falls back on simplistic explanations, such as the actions of the oligarchy. He refers to Ecuador’s elite in the most pejorative manner but does not always make clear who they are. He employs the same vague tactics that populist politicians have used to demonize those who have succeeded and who have promoted the country’s progress. Is Luis Noboa one of the elite—someone who rose from a destitute urban ambulante in Guayaquil in the 1930s to a multimillionaire banana and shipping magnate? Is it Segundo Wong, the Chinese-Ecuadorian entrepreneur who pulled himself out of extreme poverty to become a leading exporter and opened Asian markets to Ecuadorian bananas? Is it the Lebanese immigrants who played such a critical role in the country’s industrial-financial development? Or is it Jewish refugees fleeing Hitler like Olga Fisch in the late 1930s who settled in Quito and other highland cities and made major contributions to their development and to artisan exports? Does the elite include the Otavalo Indians who have used globalization to export their handicrafts and music all over the world, enhancing their cultural heritage, dramatically increasing their incomes and gaining ownership of most property and banks just an hour north of Quito? Should it include President Rafael Correa himself who taught at an elite university while obtaining a Ph.D. in the United States which few Ecuadorians have done? While Pineo sees this country as a closed society, the above examples show that it has more upward mobility than many appreciate and that traditional leftist paradigms do a disservice to understanding the country.

Fourth, Pineo’s presentation of Ecuador’s trade and market reforms adopted over the past decades ignore a large body of academic literature that clearly demonstrate why such actions are needed to break down deeply rooted mercantilist-corporatist-protectionist policies, to promote sustainable growth, and to democratize economic and social opportunities. His repeated statements about the IMF, the World Bank, the U.S. Government controlling the country’s fiscal policies are distortions and would have little support among most economists. They reflect simplistic views and conspiracy theories and promote misunderstandings of the role of international agencies and the United States in Ecuador. At the same time, Pineo overlooks alternative views by academics such as Morris Whitaker of Utah State University and Douglas Southgate of Ohio State University, and numerous UN and other international reports that demonstrate how key sectors of the economy (e.g. bananas, flowers, shrimp) have progressed because of “neoliberal” market reforms and integration into the world economy. Indeed, this book might have benefited from greater peer review by economists and economic historians who could have flagged some of the misstatements, misinterpretations of data and incomplete research.
Fifth, his book is particularly weak in analyzing the sources of Ecuador’s instability and its strong populist tradition. The country historically has been one of the most unstable in Latin America experiencing repeated crises of governance since its founding in 1830. Yet Pineo provides little explanation of its populism and how it defined itself as anti-American to unify this highly fragmented society and to generate political legitimacy. To suggest that Ecuador’s instability is due in large measure to U.S. policies—and to believe the populist rhetoric as Pineo seems to do—presents a distorted view of longstanding American cooperation that has advanced the country’s progress.

Sixth, Pineo’s range of sources is not as broad or balanced as it might have been. He draws many of his conclusions from self-proclaimed Marxist and leftist writers such as Philip Agee, Kim Clark, Steven Striffler and others who appear to use Ecuador as a foil for projecting their ideological views. Clark’s book on the Railroad and Striffler’s on bananas are given prominence while others that raise questions about their research are disregarded. He cites Ph.D. dissertations such as those of George Lauderbaugh, Robert Terry, and Eva Maria Loewenfeld, but ignores their positive conclusions. More objective writers are downplayed like Lois Roberts, David Schodt, and Clarence Zuvekas …., and earlier historians like E. Taylor Parks, as well as numerous international agency reports that come to different conclusions. He overlooks hundreds of studies of U.S. assistance projects in Ecuador that are available through USAID’s Center for Development Information and Evaluation. His selective use of sources focuses largely on failures while diverting attention away from successes.

Similarly, Pineo does not appreciate the classic American writings on Ecuador that are consummate love letters to a nation expressing great affection as well as criticism. These include: Adrain Terry’s “Travels in the Equatorial Regions of South America” (1832), Frederick Hassaurek’s “Four Years Among the Ecuadorians” (1867), James Orton’s “The Andes and the Amazon” (1870), William Elroy Curtis’ “The Capitals of Spanish America” (1886), Ludwig Bemelmans’ “The Donkey Inside” (1941), and Mortiz Thomsen’s “Living Poor: A Peace Corps Chronicle” (1969). While they are critical of the country’s poverty, religious and political intolerance, and cultural characteristics, they demonstrate the longstanding American interest in helping this country. They reflect one good neighbor’s concern for another while encouraging friends to be more introspective. The fact that Pineo overlooked these writings, or missed their affection, says a great deal about the limitations of his book.

Finally, one of Pineo’s gravest deficiencies is his “presentism”—evaluating the past through the prism of the present, judging events out of context and condemning historic figures for not acting as we might today. Too often he falls back on superficial explanations for Ecuador’s instability and crisis of governance which date from the very beginnings of the country and are rooted in internal factors such as its geographic, social and political fragmentation and weak civic culture. Instead the author seems guided by ideological debates that provide little guidance for a country that must grapple with a rapidly globalizing world. The challenges facing Ecuador are almost entirely products of its history and culture, as demonstrated so effectively by former President Osvaldo Hurtado in Las Costumbres de los Ecuatorianos published in 2007.
Pineo’s presentation is particularly disappointing because the history of Ecuadorian-American relations is one of the most fascinating in the region. For over two centuries there have been numerous examples of mutual cooperation as well as conflict and misunderstandings. They highlight a relationship that is far more complex and nuanced than is commonly believed. While Pineo correctly points out some of the negative aspects in Ecuadorian-American relations, such as discrimination against the country in U.S. aid allocations and unproductive U.S. actions to cutoff aid because of political disputes, he generally downplays or misinterprets the positive and accentuates the negative.

For example, most of Ecuador’s reform movements from its wars of independence to its nation-building and development programs were supported by the United States. The American General Joseph Villamil played a key role in Ecuadorian independence and his Guayaquil home was the famous meeting place for Simón Bolívar and José de San Martín in 1822. The United States was the first to recognize the independence of Gran Colombia including Ecuador which was celebrated in one of José Joaquin Olmedo’s most famous poems. Villamil together with the first U.S. Consul in Guayaquil, William Wheelwright, implemented the country’s earliest improvement projects. Wheelwright’s younger brother Isaac was an education advisor to President Vicente Rocafuerte and established the first public school for girls. From the 1820s to the 1860s, the Monroe Doctrine and British support provided Ecuador a protective shield that discouraged those promoting European recolonization by autocratic powers in continental Europe.

During the 19th century Ecuadorian leaders urged their fellow citizens to emulate Benjamin Franklin and George Washington and adopt American democracy and a market economy. Perhaps no other example better symbolizes American concern than how a U.S. diplomat and New England sea captains assisted the country’s national heroine, Manuela Saenz, when she was forced into a long painful exile in Paita, Peru in the 1830s, an early victim of political intolerance. Throughout its history Ecuador’s most important reformers--Vicente Rocafuerte, Garcia Moreno, Eloy Alfaro, Isidro Ayora, Galo Plaza, among others--used American technical advisors and received U.S. support. Initiatives such as the Alliance for Progress of the 1960s, the petroleum developments of the 1970s, the market-trade reforms of the 1980s and 1990s, the Ecuador-Peru Peace Accords of 1998, and more recent actions to strengthen its economy, democracy and national security received significant U.S. assistance.

The two nations were allies in World War II and in the Cold War, and continue to work together in the War against Drugs and Terrorism. For over half a century Ecuador’s international banana markets were developed with important American cooperation. In the 1970s and 1980s bananas exported to Eastern Europe by the Noboa Group played a role in undermining communism, coming to symbolize Western life-styles, freedom and democracy that German leaders used to explain in part the fall of the Berlin Wall. In recent decades American cooperation helped Ecuador gain greater access to European markets for its exports. Together the two countries along with others won what came to be called “the Banana War” in a historic 2001 World Trade Organization decision (ratified again in 2007-2008) that favored thousands of local producers and workers.
The United States has maintained an open and favorable trade regime for Ecuadorian exports, including the Andean Trade Preferences legislation, despite numerous disputes such as expropriation of the Occidental Petroleum Company in 2006. Despite the long protracted conflict over fishing rights known as the “Tuna War”, populist hostility to U.S. policies, and a negative investment climate, the two countries have cooperated in many areas such as combating drug trafficking, protecting Ecuador’s environmental heritage and developing its isolated border regions. During the past years of political instability, the United States proactively supported Ecuadorian democracy and provided aid to counter security threats along its northern and southern borders.

For over sixty-five years, United States aid has helped millions of Ecuadorians escape poverty, obtain employment and credit, and improve their access to health, education, housing and social services. USAID provided numerous grants to strengthen and create local civil society and community groups, thereby promoting greater participation of indigenous, Afro-Ecuadorians and other marginalized people, and helping them improve their incomes and living conditions. Such efforts extended basic human rights, such as family planning and education, to millions of disadvantaged people. Since the devastating earthquakes of 1868 that destroyed the cities of Ibarra and Otavalo, the United States has regularly provided aid to victims of natural disasters, as it is currently doing with coastal floods.

Ecuador’s most important social safety net is funded largely by immigrants in the United States and other countries who are sending home each year over $2.0 billion in remittances. Continued free access to U.S. markets for its growing exports remain of great importance for supporting growth and employment. Historically there have been hundreds of people-to-people and education exchanges, with Ecuador hosting one of the largest U.S. Peace Corps programs in the world for the past 45 years. Many American NGOs and other groups support development projects and environmental protection, and provide humanitarian and disaster assistance.

Such examples symbolize the positive aspects of Ecuadorian-American relations. They show that Ecuador and the United States have been faithful friends far more often than hostile or indifferent strangers. They confirm the conclusions of George Lauderbaugh in his Ph.D. dissertation that there has most often been a convergence of interests producing mutual benefits for both countries. For these reasons, Pineo’s book misrepresents the history of Ecuadorian-American relations.

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In a previous article, I traced the origins of foreign assistance to the Founding Fathers, showing how it supported foreign policy interests while extending the principles of the American Revolution overseas (see: http://www.afsa.org/extending-american-revolution-overseas-foreign-aid-1789-1850 ). This complementary presentation describes the evolution of aid during the second half of the 19th century that set the stage for America’s emergence as a world power following the Spanish-American War. Leaders expanded prior initiatives and developed new bilateral and multilateral instruments that would shape international cooperation in the 20th century. The impulse to improve and democratize the world became even more pervasive as the U.S. industrialized. It also generated the first opposition to foreign assistance that would profoundly influence criticism and debates to the present time.

**Foreign Technical and Humanitarian Assistance**

Throughout this period, the U.S. responded to increasing requests from foreign countries for technical experts. They included advisors to assist Liberia, support German unification, begin Japanese modernization, rebuild earthquake ravaged towns in Ecuador, and help Europeans with corn cultivation. Russia received medical aid during the Crimean War, Turkey expanded cotton production, Persia developed mineral resources, and China and Siam (Thailand) established agricultural education. Americans conducted geographical surveys, opening the Amazon Basin to world trade, and supported education and infrastructure projects in Latin America. Assistance increased to victims of natural disasters, famines and civil conflicts, especially through missionaries and new non-governmental organizations like the American Red Cross established in 1881. The ARC evolved into the federal government’s leading international humanitarian and development agency well into the next century. Foreign aid helped Lincoln to prevent British recognition of the Confederacy. Blockading southern ports created a “cotton famine” that shut textile mills in Lancashire, England, displacing 400,000 laborers who advocated support to the South to alleviate their hardship. Building on U.S. responses to the Irish Famine in the 1840s, Secretary Seward,
together with Senator Charles Sumner, urged businesses to send food and clothing to aid Lancashire workers. This partnership supported Lincoln’s policy of isolating the South diplomatically.

Reacting to an 1868 earthquake and tidal wave that struck Peru and Ecuador, railroad entrepreneur Henry Meiggs contributed $300,000 for relief, in cooperation with the U.S. government. During the siege of Paris in the Franco-Prussian War of 1870-1871, Minister Elihu Washburne provided humanitarian aid, receiving honors from both the French and Germans for the lives saved. Food aid was again rushed to Ireland in the 1880s, generating debate on how the U.S. should share its expertise with others. In the 1890s, the U.S. helped starving populations in Russia and India, and sent supplies to alleviate the suffering caused by the massacre of Armenians in Turkey. The U.S. assisted Cubans fighting for independence from Spain, prior to the Spanish-American War.

**Lincoln’s Economist Overseas**

In this period, foreign assistance broadened and new ideas emerged for promoting development.

Economist Henry Carey, who achieved worldwide prominence as an advocate for the “American School of Economics”, exemplified this evolution. Carey’s writings were studied around the world and celebrated at international events. They inspired U.S.-endorsed technical missions abroad and his ideas continue to resonate even today. Carey was called “Lincoln’s economist” because he wrote the economic platform for the 1860 Republican Party Convention. He advised Lincoln on a protective tariff, the establishment of a national bank and the Department of Agriculture, federal support for railroad and telegraph expansion, the Homestead Act, the creation of land-grant colleges and research programs. Carey encouraged similar policies to help countries improve their economies to counter British ascendency and its free trade orthodoxy.

One of America’s most renowned mid-19th century intellectuals, Carey advocated government-supported national development among German policy-making elites led by Otto von Bismarck, helping them consolidate Germany’s unification and producing its rapid economic progress. His writings, such as *The Harmony of Interests: Agriculture, Manufacturing and Commercial*, led to what would later be termed “policy dialogues” that influenced foreign leaders well into the next century, especially in Germany, Russia and Japan.

Carey’s writings were used to gain Russian support for the North in the Civil War. Lincoln’s Minister to Russia, Cassius M. Clay, a cousin of Henry Clay, distributed Carey’s books to the Czar and others and lectured widely on how the American School of Economics could advance Russian development as an alternative to the British free trade system. U.S. aid helped modernize the Russian fleet and expanded railroad-building. Russian support to the North, especially the 1863 visit of its fleet to New York City and San Francisco, proved crucial in Lincoln’s strategy of preventing diplomatic recognition of the Confederacy and paved the way for the purchase of Alaska.

**President Grant’s Initiatives**

Japan adopted many of Carey’s recommendations following the Meiji Restoration of 1868. President Grant approved a technical mission to Japan that included Carey associates who helped execute its earliest modernization. From 1871 to 1877 Erasmus Peshine Smith advised on the adoption of Carey’s policies, including founding its
National Bank. He aided in establishing Japan’s Ministry of Foreign Affairs and formulating the country’s industrial and education reforms. Japan contracted Americans for geological exploration, agricultural development, railroad construction, public administration and finances. Former Agriculture Commissioner General Horace Capron guided the colonization of the northern island of Hokkaido. American missionaries provided education and public health assistance, leading efforts to develop Japan’s universities and introduce Western-style education and health services. As a former President, Grant visited Japan in 1879 to highlight U.S. cooperation.

From 1870 to 1875, Grant sent seven technical missions to Central America to support an isthmian canal, producing vital geographical information to determine the most practicable route and to advance regional progress. Such surveys led to the development of railroads and the banana industry by entrepreneurs like Minor Cooper Keith that fundamentally altered Central America’s economy.

Grant also led an effort to annex the Dominican Republic, although the Senate blocked it. His Assistant Secretary for Annexation, the Afro-American leader Frederick Douglass, believed that voluntary annexation would spread progress and democracy throughout the Caribbean. Reflecting the euphoria of the North’s Civil War victory and the hopes for southern reconstruction, Grant and Douglas articulated a vision of American leadership that would stimulate overseas advancement, racial uplift and egalitarian inclusion, similar to human rights and modernization initiatives which followed World War II.

The Smithsonian Institution also sponsored scientific missions, such as that headed by Professor James Orton to the Andes and the Amazon. The National Board of Health created the Havana Yellow Fever Commission in 1879 to identify measures to prevent the disease, leading to Walter Reed’s discovery of its causes. The Chinese Education Mission sent 120 students to study at U.S. colleges, producing leaders for early modernization efforts.

In the 1880s and 1890s, “corn evangelist” Charles Murphy expanded corn cultivation in Europe to lower food costs, thereby improving nutrition and increasing U.S. exports. Cornell University’s Gerow Brill traveled to China to advance agriculture, founding the Hupeh College and Experiment Farm. David Lubin created the International Institute of Agriculture to disseminate statistics and scientific advances around the world, the model for launching the Food and Agriculture Organization in 1945.

Establishing the Inter-American System
Secretary of State James G. Blaine organized the First Conference of American States in Washington, D.C. from October 1889 to April 1890. Funded in part by Andrew Carnegie, it was an important example of U.S. support for regional cooperation. Inspired by Blaine’s admiration for Henry Clay and Carnegie’s interest in peaceful resolution of disputes, this Conference advanced collaboration among Western Hemisphere nations. It created the first modern international organization that evolved into the Pan American Union, now the Organization of American States, which pioneered numerous development initiatives.

The Conference established regular regional meetings that created specialized agencies such as the International Commission, mandated to build a Pan American Railroad that would integrate the hemisphere. The vision embodied in pan-Americanism led to construction of the Panama Canal and the Pan American Highway. From these meetings
additional entities were created, such as the Pan American Sanitary Bureau to eradicate yellow fever and improve public health. The Pan American Union and its affiliates became models for establishing the League of Nations, the UN, the WHO, the Bretton Woods System, and other multilateral organizations.

The 1893 Columbian Exposition in Chicago also created a positive vision of international development by showcasing American technological achievements and how they could advance progress overseas. The Fair exemplified U.S. encouragement of trade and technology transfer to stimulate growth and open new markets. Foreign visitors left Chicago energized to replicate the American success story, especially in railroads, communications, agriculture, and industrial and electrical infrastructure. It reflected the optimism of the era and suggested how technical and economic cooperation could produce a more peaceful, prosperous and democratic world.

**Questioning Foreign Assistance**

In this period, however, a darker more negative view emerged with the first questioning of America’s missionary impulse to spread technology and development that would continue throughout the next century. In his popular fantasy, *A Connecticut Yankee in King Arthur’s Court*, published in 1889, Mark Twain attempted to puncture the self-assurance of “messianic crusaders of advancement” by showing “…how their well-intentioned introduction of Yankee technology and ingenuity into pre-industrial settings could end not in the triumph of progress but in an orgy of destruction and annihilation.”

Twain used his fictional Yankee, Hank Morgan, as a metaphor for the “international do-gooder,” the ingenious expert who finds himself in a traditional society that he cannot resist improving. Morgan promoted what today would be called development projects: the application of science to advance prosperity and human well-being. He championed democracy, commerce and industry, attempting to change a society controlled by a feudal aristocracy and infested with suspicion, inhumanity, intolerance and unjust laws. To convert them to “progress”, Morgan destroys the people he tried to help.

As Emily Rosenberg notes in *Spreading the American Dream*, most contemporary reviewers of *Connecticut Yankee* took from it a message about how noble - if sometimes futile - was the effort to civilize backward peoples. Twain was the forerunner of those who would question the value of foreign assistance as a means to modernize traditional societies. Many of his views would be repeated by future aid critics.

**Spanish-American War: Accelerating Global Engagement**

The War of 1898 marked the emergence of the United States as a world power, extending American influence into the Caribbean and Asia. Less well-known is how the war became a milestone in the history of foreign assistance, accelerating aid activities that would help to improve the lives of millions and shape international cooperation in the 20th century.

Because of the War, means were developed to control yellow fever and other diseases that had ravaged populations throughout the world and constrained their development. Such scientific advances produced some of the most important public health breakthroughs in the 20th century, allowing for dramatic economic growth in the tropics. In addition, the U.S. initiated nation-building efforts in Cuba, Puerto Rico and the Philippines - and later in Panama, the Dominican Republic, Haiti, Nicaragua and other countries - that would pioneer new approaches to international development. While many
critics have focused on the failures and abuses of these interventions, they have downplayed the contributions of U.S. technical and economic assistance to the progress achieved in most of these countries. The War also led to the designation of the first foreign aid agency when Congress incorporated the American Red Cross into the federal government in 1900, mandating it to promote “the welfare of mankind”. Through a public-private partnership, the ARC became the USG’s leading instrument for delivering humanitarian and development assistance overseas. In Making the World Safe, historian Julia Irwin writes, “The United States and the ARC stood together at the dawn of a new century, prepared to take on new global responsibilities”.

This period launched the U.S. into a new phase of its history, producing a longstanding debate between those who seek to employ global engagement to advance the principles of the American Revolution, and those like Mark Twain who worry about its harmful effects on people and nations abroad.

**Conclusions**

Such examples demonstrate how pervasive foreign assistance had become by 1900 and highlights how deeply rooted it is in American history. Aid was driven not only by missionary groups and the private sector, but also by a growing public impulse to spread progress and democracy worldwide and as an important instrument of foreign policy. Even before the 20th century, models of bilateral and multilateral assistance had been developed, extending to many regions of the world. These seeds would grow and multiply in the next half century and ultimately evolve into modern foreign aid programs and the reactions to them.

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**Part III**

**Extending the American Revolution Overseas:**

**U.S. Foreign Aid, 1900 -1960**

**John Sanbrailo***

As described in previous articles, the history of foreign aid is not well known. Many believe that it is a post-World War II and Cold War innovation that emerged with the Marshall Plan and the Point Four program in the late 1940s. Yet foreign assistance is deeply rooted in American history, dating to the very beginnings of the American Republic and aimed at extending development and democracy overseas. The following is part of a broader history that traces the evolution of foreign aid from 1789 to the present. It provides a chronological listing of milestones from 1900 to 1960, leading to the emergence of the U.S. Agency for International Development (USAID) and the Peace Corps in 1961.

**Milestones**

**Progressive Era Foreign Aid**
1900 – 1930

- **1900-1930:** Following the Spanish-American War and growing American influence abroad, the first three decades of the 20th century marked a distinctive period in the expansion of U.S. foreign assistance. As the United States focused more attention overseas, **Progressive Internationalism** came to shape its growing cooperation, transferring to other countries similar reform models that were being implemented domestically. Many Progressives saw “redeeming America and redeeming the world as two sides of the same coin”. During these years foreign aid achieved some of its greatest successes, helping to save the lives of millions of people and pioneering new models of international cooperation, while confronting the limitations that would be seen in later development and nation-building programs. The following provides the major milestones:

- **1900:** In the wake of the Spanish-American war, and its role in aiding the people of Cuba, the Congress incorporated the **American Red Cross (ARC)** into the federal government, mandating it to promote the “welfare of mankind”. For a number of decades, U.S. Presidents served as ARC Chairman. The Red Cross became the USG’s main foreign aid arm from 1900 to the Second World War that carried out humanitarian, reconstruction and development projects with both public and private funds. Hundreds of Americans joined the ARC and other voluntary groups to assist foreign countries.

- **1902:** In a special message to Congress on the volcanic eruption in Martinique that virtually destroyed this Caribbean island, killing over 30,000, President Theodore Roosevelt called upon Congress to appropriate $500,000 for relief. It led to numerous subsequent responses to aid victims of **Natural Disasters and Humanitarian Crises.** Federal funds were most often implemented through the ARC and private organizations that raised additional contributions, with the federal government providing ocean shipping for relief supplies. These groups worked in growing collaboration with U.S. Ambassadors and Consular officers in countries impacted by disasters.

Aid was provided to China, Russia, Chile, Canada, Jamaica, Mexico, Costa Rica, Haiti, Guatemala, San Salvador, Italy, among others. One of the largest contributions of public and private funds was for earthquake victims in Messina, Sicily in 1909. As Merle Curti comments in “**American Philanthropy Abroad**”, such responses taught the American people the lessons of giving dimes and dollars for overseas relief, encouraging them with Congressional appropriations through public-private partnerships.

- **1902:** The USG and LAC countries established the **Pan American Sanitary Bureau (PASB)** to extend the new technologies for eradicating yellow fever in the Western Hemisphere, as developed by Army medical doctors, notably Walter Reed and William Gorgas. The discovery of the causes of yellow fever, and how to combat it and other tropical diseases, are some of the most significant health advances in modern history. PASB served as a model for establishing PAHO and the World Health Organization following WW II.
1902: The War Department organized the Bureau for Insular Affairs to provide civilian technical advisors and development and nation-building assistance to occupied territories, such as Cuba, Puerto Rico and the Philippines, and later to others such as the Dominican Republic, Haiti, Nicaragua and Panama. For example, hundreds of teachers and advisors traveled to the Philippines (e.g. Thomases) and other countries to help establish public schools, to improve health services, to carry out public works, to support democratic and electoral reforms, and to develop modern governance, the rule of law and a sense of nationhood. Similar initiatives were undertaken in other countries.

1904: Construction of the Panama Canal is initiated. It is justified not only on strategic and commercial grounds but also as an enterprise that would transform Central and South America and stimulate development projects worldwide. The Canal highlighted how international cooperation could accelerate the economic and social advancement of one of the poorest and most disease infested areas in the world. It became a model for improving other tropical areas.

1904-1908: As Chairman of the American Red Cross, Secretary of War William Howard Taft restructured the ARC to improve its capacity to serve as the lead foreign aid agency, providing international humanitarian and development assistance. It managed both public and private funds and volunteers, especially for responding to the dislocations and crises caused by natural and manmade disasters, as well as the Mexican, Chinese and Russian Revolutions, and World War I. Taft based many of his actions on the needs he observed as Governor in the Philippines and Provisional Governor in Cuba. He also encouraged the YMCA and other groups to expand abroad for youth training and development. Taft became one of the most innovative pioneers of early foreign aid, although his role has not been well understood or appreciated.

1908: The Boxer Indemnity Scholarship Fund is established to provide higher education opportunities for Chinese students at U.S. universities and developed the National Tsing Hua University. It was the most important training initiative for Chinese students in the 20th century and formed a cadre of Chinese leaders who directed its early modernization. The USG used Boxer reparation payments to create this Fund.

1908-1910: As part of his efforts to promote international peace, and in cooperation with the USG, Andrew Carnegie provided a grant to construct the Pan American Union building, three blocks from the White House and across from the Washington Monument to support peaceful resolution of conflicts and encourage regional cooperation. The Pan American Union was the first modern multilateral organization. It served as a model for establishing the League of Nations, the United Nations and the Organization of American States. The PAU encouraged regional development and cooperation, such as formation of a Latin American development bank and measures incorporated in Progressive Pan Americanism, the Good Neighbor Policy and the Alliance for Progress.

1909: President William Howard Taft formulated the policy of using private loans and investment to support economic growth in poorer countries while advancing U.S.
strategic and commercial interests abroad. Theodore Roosevelt pejoratively termed the policy “dollar diplomacy” that discredits it for many, even though Taft saw it as a tool for promoting prosperity in poorer countries. Future aid programs will implement similar private sector development concepts.

- **1910s:** At the request of Persia and Turkey, President Taft authorized technical assistance missions be sent to these countries that helped in reforming their tax, fiscal, banking and governance systems. They were followed by financial missions to Mexico, Honduras, Nicaragua, China and other countries. Many of them led to longer-term cooperation extending over the next 50 years.

- **1910s:** U.S. private voluntary groups and the American Red Cross provided food and humanitarian aid to victims of the Mexican Revolution. U.S. corporations organized and funded the National Mexican Relief Committee of the Red Cross to increase humanitarian assistance.

- **1911:** The Chinese Revolution leads to the establishment of the Republic of China. Sun Yat-sen becomes its first President who saw himself as the George Washington and Abraham Lincoln of China. Sun was greatly influenced by the American Revolution and inspired by its leaders and the economic and social progress they produced. Based on his vision for a new China and his book, *International Development of China*, numerous U.S. technical advisors and missionaries travel to China to support the country’s modernization in agriculture, education, public health, medical care, infrastructure development and other areas.

  For example, Professor Frank Goodnow, a leading Political Scientist at John Hopkins University, served as advisor to the Chinese government, writing its Constitution in 1914, and working to improve its governance. Professor Edwin Kemmerer from Princeton University, a leading Progressive reformer, would advise the country on monetary reforms, establishing its Central Bank. John Dewey would work in China reforming its education system. China and the Philippines became priorities in Asia for Progressive foreign aid.

- **1911:** Andrew Carnegie established the Carnegie Corporation and its philanthropic endowments to encourage international peace and “the advancement and diffusion of knowledge and understanding”. One of its first projects was to fund the Chinese Educational Commission in 1913 to train students at American universities, as a follow-on to the Boxer Indemnity Fund. Carnegie supported a number of major development projects in China and other countries.

- **1913:** John D. Rockefeller organized the Rockefeller Foundation to “promote humanity throughout the world” that focused on improving public health overseas; supporting the eradication of yellow fever, malaria, hookworm; advancing medical education especially in China, and upgrading public health agencies in foreign countries. The Foundation developed the Peking Union College and the China Medical Board to replicate schools modeled after Johns Hopkins Medical Institute in Baltimore. The
Rockefeller Foundation became an incubator for USG foreign aid programs directed by Nelson Rockefeller in the 1940s.

- **1913:** With the election of President Woodrow Wilson, “moral diplomacy” is inaugurated that aims to promote overseas democracy, human rights, social justice and peace. Wilson frequently intervened in Latin America and the Caribbean and became famous for saying that he was “…going to teach the South American republics to elect good men”. His later statement about “making the world safe for democracy” symbolized a dominate theme of the era and encouraged additional foreign aid initiatives from public and private entities.

- **1914:** Based on the enthusiasm with the completion of the Panama Canal, a number of books were published, such as the “Conquest of the Tropics: The Story of the Creative Enterprises Conducted by the United Fruit Company” by Frederick Upham Adams, a prominent Progressive reformer. These books highlighted how the poorer countries in the tropics could be developed through U.S. initiatives, especially by private enterprise. They inspired additional foreign aid initiatives by the public and private sectors that reflected the Progressive era optimism about how U.S. could improve and reform the world. Starting in the 1930s and later decades, such initiatives would come under attack as part of American imperialism, echoing earlier arguments by Mark Twain.

- **1914:** With the outbreak of WW I, future U.S. President Herbert Hoover organized and directed the Commission for Relief in Belgium (CRB), an innovative food aid program for millions of Belgians and French who lived in German-occupied territories during WW I and were dependent on food imports for survival. This effort fed over 9 million people, saving the lives of millions from malnutrition and starvation. Numerous U.S. groups like the ARC played crucial roles in providing food aid and medical attention during the Great War, as described by historian Julian Irwin in “Making the World Safe: The American Red Cross and a Nation’s Humanitarian Awakening”.

- **1915:** The Committee for Syrian and Armenian Relief is established in response to the massive humanitarian crisis precipitated by the breakup of the Ottoman Empire at the outbreak of WWI. Many millions of Armenians, Assyrians, Greeks and other minorities were forced from their homes, executed and starved. The Committee evolved into the Near East Foundation (NEF) that becomes a leader in promoting international humanitarian and development programs in the region.

- **1918:** With U.S. entry into War, the Food Administration was established by the Wilson administration and directed by Herbert Hoover to implement the purchase of foodstuffs for the War effort. It stabilized food prices, made food available to the armed forces and the Allies, and to starving populations in Europe impacted by the Great War. Overseas food aid was one of its priorities. Given the widespread suffering caused by the War, a new humanitarian spirit encouraged the expansion in international aid programs, much like what happened after WWII.
• **1919:** The **American Relief Administration (ARA)** was established by Herbert Hoover as the American aid and reconstruction mission to Europe and to post-revolutionary Russia. It provided food aid and health care to millions and financed development and nation-building activities in the newly established countries of Central and Eastern Europe and other areas. The **ARA** was funded with $100 million in U.S. Congressionally appropriated funds and $100 million in private funds. It also led the effort to aid famine victims in Russia from 1921-1923, saving the lives of millions. The **ARA** implemented many of the type of programs that would later become famous with the Marshall Plan. Hoover emerged from the War as the most prominent American, known internationally as the “Great Humanitarian”, and an important pioneer in foreign aid.

• **1919:** Through the leadership of Samuel Gompers of the American Federal of Labour (AFL), the **International Labour Organization (ILO)** is created as part of the of the Treaty of Versailles ending WWI on “the belief that universal and lasting peace can be accomplished only if it is based on social justice”. It launches a series of international assistance efforts to benefit workers worldwide. While the U.S. did not join the ILO until 1934, U.S. officials maintained regular informal contacts with it to promote international cooperation on expanding education and worker rights initiatives.

• **1919-1922:** Major famines impact Eastern and Central Europe and Russia, killing millions. An estimated five million die in the **Russian Famine** of 1921-1922 in the Volga and Ural River regions. The **ARA** led a major food aid response that is recorded in a PBS video titled the **Great Famine**.

• **1910s-1930:** Expansion of the overseas work of the **Young Men’s and Young Women’s Christian Associations**, the **Unitarian Service Committee**, the **American Friends Service Committee**, and other nonprofit organizations. While they were originally established as relief agencies, they broadened their programs to include long-term rehabilitation. Programs of famine relief, medical service and reconstruction were carried out in Russia, Poland, Serbia and other countries, in partnership with federal funding provided by ARA or other programs in the Philippines, China and Cuba.

• **1920:** Following the Great War, the **Belgium-American Foundation** was organized to rebuild the country’s universities, destroyed or damaged during WW I. An initiative of Herbert Hoover who used funds from the CRB to mobilize additional contributions to reestablish most of Belgium’s leading universities and libraries. For almost a century, Hoover remains one of the most popular Americans in Belgium with many streets and monuments named in his honor.

• **1920s:** Building on earlier initiatives of William Howard Taft, through the Department of Commerce, led by Secretary Herbert Hoover, new concepts were formulated for using trade and investment to promote Latin American growth and development that formed part of “**Progressive Pan Americanism**”. The Division of Foreign Commerce, led by Harvard economic historian Julius Klein, directed this effort, along with the State Department and the Pan American Union. In the LAC region,
American corporations devoted hundreds of millions of dollars to revamping mining and agriculture, developing the petroleum industry, and modernizing the electrical and telecommunications systems. They spurred LAC export economies to unprecedented levels, encouraged the expansion of small businesses, provided higher wages and benefits to workers, and brought modern products and services to millions. These initiatives shaped USG foreign assistance for the next three decades and stimulated major transformations in the LAC region. As described in the “The Revolutionary Mission: American Enterprise in Latin America, 1900-1945” by Thomas O’Brien, U.S. corporations transformed entire economies, especially in Central America, although they generated a wave of resentment that often demonized them as instruments of imperialism.

- **1920s:** State and Treasury departments mobilized Professor Edwin Kemmerer, Chairman of the Economics Department at Princeton University, to stabilize foreign economies and to conduct policy dialogues that could lead to greater economic growth and improve their ability to attract private loans and investments. The Kemmerer missions helped countries to improve their governance and to mobilize international loans through the introduction of modern banking and financial reforms, including application of the gold standard and the establishment of Central Banks, budget offices and national fiscal controllers. The latter were modeled on the Federal Reserve, the Bureau of the Budget, and the General Accounting Office that were centerpieces of the Progressive reform agenda. Kemmerer’s influence extended from the Philippines, Mexico, Poland, Turkey, China to Colombia, Ecuador, Peru, Bolivia and Chile, earning him the title of “Money Doctor in the Andes”. His vision of an internationally interconnected monetary and credit system based on improved governance and similar standards, policies and institutions was a forerunner of the Bretton Woods institutions and modern foreign aid programs.

- **1920s:** China confronts major floods and famines, killing tens of millions. The North China Famine of 1920-21 and Sichuan Famine of 1925 led to the deaths of millions and an outpouring of financial and technical aid through the ARC, faith-based and other overseas groups like the U.S. Committee for China Relief that raised more than $4.6 million. The latter was successful even competing with similar fundraising efforts directed by Herbert Hoover for Central and Eastern Europe and Russia. Through the International Famine Relief Committee for China, U.S. initiatives led to international support for rural reconstruction, agricultural modernization, and activities to improve health care, medical training and primary and secondary education. Some of the new approaches, like popular adult education (non-formal education) and the use of paramedics and barefoot doctors, became models for future development programs in other countries.

- **1920s:** With USG support, Elizabeth Washburn Wright mounts an international crusade against opium by attempting to limit its production and encourage producing countries to carryout crop substitution. She arranged agricultural and financial assistance for specific countries. This early war on drugs reflected the Progressive era prohibition spirit and was not successful, like many subsequent drug efforts.
• **1923**: USG rushed aid and advisors to help victims of the **Great Tokyo and Yokohama earthquake and fire**. President Coolidge ordered the Pacific fleet to speed relief supplies to Japan and urged Americans to donate through the American Red Cross. Over $6.0 million was appropriated by the U.S. Congress to respond to the disaster. Many leading corporations and individuals provided additional grants and in-kind contributions through the ARC and other private groups that totaled over $11.0 million.

• **1924**: The USG provided the **Second Remission of the Boxer Indemnity** of $12.5 million to establish the China Foundation for the Promotion of Education and Culture. It makes available grants to develop Chinese universities and teacher training. It worked closely with the Rockefeller Foundation and other donors on programs to improve Chinese education and science training and continues to operate today.

• **1920s**: Based on the success of the Panama Canal and an earlier initiative to build a Pan American Railroad, the USG proposed the construction of a **Pan American Highway** to advance the development and integration of the Western Hemisphere. It symbolized the priority that the LAC region had during the Progressive era. Construction of the Highway began in the 1930s by the U.S. Bureau of Roads and LAC countries. It came to symbolize the Good Neighbor policy and the New Deal’s commitment to large government-led programs. The Highway was one of the largest foreign aid initiatives up to that time.

• **1920s**: **Rotary Clubs**, originally established in the United States in 1905 as a Progressive action to encourage community service to the less fortunate, are extended overseas to carry out similar activities directed by local business leaders. They grow throughout the period and become a major force in nurturing private philanthropy and local development projects. Thousands of Clubs are created, many in poorer countries. They encourage the formation of local non-governmental organizations, developing civil society and grassroots democracy.

• **1927**: The **Phelps-Stokes Fund** provided support to **Liberia** to establish the **Booker T. Washington Agriculture and Industrial Institute**, modeled after the Tuskegee Institute in Alabama. The Tuskegee Institute becomes a model that philanthropic organizations, such as the Carnegie Corporation, uses to extend education reforms abroad.

• **1920s**: The USG implemented a major effort to defeat the insurgency in **Nicaragua**, end the civil war and bring about elections and democracy in that country. This history is recorded in Thomas Dodd’s, “Managing Democracy in Central America: A Case Study: United States Election Supervision in Nicaragua”. It highlighted Progressive era attempts to extend democracy overseas and the difficulties of achieving such an objective.

• **1928**: With USG support, **American suffragettes** Alice Paul and Doris Stevens advocated for the establishment of the **Inter-American Commission for Women**, as part of the Pan American Union. The Commission leads efforts to remove constitutional and
legal discrimination against women in Latin America and encourages LAC countries to
grant them voting rights.

- **1928:** In a pre-inaugural goodwill trip to Latin America, President-elect Herbert
  Hoover proposed a change in the U.S. approach to the region that he called the “Good
  Neighbor” policy, echoing an earlier term used by Henry Clay in the 19th century. The
  Great Depression interrupts its full implementation but the term is used by President
  Franklin Roosevelt and the New Deal as its policy in the hemisphere. The Good
  Neighbor policy sets the stage for new foreign assistance programs, especially during
  WWII.

- **1930-1931:** The USG responds to a major hurricane in the Dominican Republic,
to devastating earthquakes in Chile and Nicaragua, and continued floods and famines in
  China.

- **1900-1930:** The Progressive era fostered increased international engagement and
  cooperation, especially with Latin America, Asia and in Central and Eastern
  Europe. While there was an emphasis on humanitarian assistance and nation-building,
  Promoting Democratic Governance became a major focus. U.S. technical advisors
  helped countries draft Constitutions and legal codes, organized National Commissions to
  conduct elections, encouraged the rule of law, promoted merit-based civil services and
  police forces, and promoted decentralization to municipalities and community-based
  management of schools and social services. The new international spirit was captured by
  one of the leading Progressive reformers, Woodrow Wilson, in his famous statement,
  “Making the World Safe for Democracy” that referred to WW I objectives but had a
  broader meaning during the Progressive era.

U.S. advisors traveled to numerous countries to promote democratic values, principles
and the institutions to carry them out. Initiatives were undertaken to encourage civil
society, like Rotary Clubs, YMCAs, cooperatives, labor unions and other citizen
groups. They spread throughout the world during this period, stimulating a spirit of
community participation and service among local leaders. An emphasis was placed on
extending women rights, labor rights and the spirit of solidarity overseas. While many of
these efforts failed to produce sustainable democracies, and degenerated into
dictatorships in some countries, they provided important lessons that could have guided
subsequent undertakings if they had been better understood.

- **1900-1930:** Over three decades, the historic achievements of Progressive
  reformers abroad have largely been forgotten and rarely discussed in the history of
  foreign aid, although they pioneered the first systematic approaches to international
  assistance. Their work has been clouded by the Great Depression, the emergence of
  dictatorships in the Caribbean and Central America, the advent of the Cold War and
textbooks that demonize this period as just another chapter in American imperialism.
  However, figures like Walter Reed, William Gorgas, William Howard Taft, Leonard
  Wood, Victor Heiser, Herbert Hoover, Julius Klein, Frank Goodnow, Edwin Kemmerer,
  John Dewey, Alice Paul, Doris Stevens, and many others, were important pioneers of
international cooperation and development. They, and the many volunteers who joined the ARC, missionary groups and other non-governmental organizations, saved the lives of millions while fostering new humanitarian and development models. They demonstrated that foreign aid is not exclusively a post-WW II phenomenon.

**Milestones**

**New Deal Foreign Aid**

**1930 – 1960**

- **1930s:** The Great Depression of the 1930s, the Second World War and its aftermath, and the emergence of the Cold War, defined this period of foreign assistance, setting the stage for modern aid policies and their implementing mechanisms which are still largely in place today. Out of these initiatives, and previous trends, emerged a historic commitment to improve living standards and to accelerate economic and social modernization worldwide, as a way to provide a crucial foundation for international stability and confront the challenges of Soviet communism. For a mix of strategic, economic and humanitarian motives, this important period produced the fundamental rationale and operating approaches that would be used to carry out foreign aid during the Cold War and beyond.
- **1930s:** While the U.S. had not joined the League of Nations, U.S. officials remained engaged informally with the League and its entities, like the International Labour Organization (ILO), to exchange views on multilateral approaches to address the Great Depression and its human suffering through various aid proposals. The U.S. became a member of the ILO in 1934 and used it to provide assistance abroad. The Pan American Union also served as a multilateral incubator for international projects that gave birth to new development approaches that would define the postwar era. They were encouraged by the little-known Director General of the Pan American Union, Leo Staton Rowe, working with Assistant Secretary of Treasury, Harry Dexter White, and Assistant Secretaries of State Adolph Berle and Sumner Wells, and their Latin American counterparts. They formulated comprehensive initiatives to translate the Good Neighbor policy into specific regional proposals, building on the concepts of Progressive Pan Americanism and the hemispheric vision previously articulated by Secretaries of State James Blaine and Henry Clay in the 19th century.
- **1930s:** Despite the Great Depression, the USG continued to assign financial advisors to different countries. For example, Everett Colson served in Ethiopia from 1931-1935, helping that country professionalize its public administration and introduce tax reforms that doubled the size of its budget. He helped it develop new infrastructure investments, improve education and encourage foreign investment. Colson later advised Emperor Haile Selassie in his unsuccessful appeal to the League of Nations after the Italian invasion. Following WWII, Ethiopia again turned to American technical advisors and teachers and brought a Mennonite missionary group to the country.
- **1930s:** Event with the isolationism of the decade, it planted the seeds of a broad change in perceptions by the American public about the country’s role in the world that accelerated during and after WWII. This transformation was shaped in part by a series of publications such as the widely read *The Good Earth* by Pearl Buck that dominated the best seller list for two decades starting in 1932. It won the Pulitzer and Nobel prizes...
for literature and was converted into a Broadway play and a Hollywood movie. As the daughter of American missionaries in China, Buck’s epic description of Chinese peasant life and poverty generated popular sympathy not just for the poor in China but for the dispossessed throughout the world. Her eloquent plea for women’s rights and girl’s education was 50 years ahead of its time.

- **1935:** The New Deal established the Export-Import Bank to help the recovery of the United States economy by stimulating exports. As War in Europe appeared more likely, the EXIM Bank was re-engineered to provide concessional stabilization and development loans to LAC countries to assist them in adjusting to the unemployment caused by the Great Depression and the loss of international markets as a result of WWII. The Bank was also used to facilitate the production and transport of strategic commodities needed for the War effort, and facilitated cooperation among the U.S. and its hemispheric allies. It financed industrial plants, road and infrastructure projects, water and sanitation improvements, and agricultural projects to increase production of commodities like rubber. The Bank continued its lending throughout the 1940s and well into the 1950s. It became the first international development bank to direct loans to economic and social development projects. It pioneered cost-benefit and other analyses that were later adopted by the IMF, the World Bank, the Development Loan Fund, the Inter-American Development Bank and USAID.

- **1937-1939:** Various U.S. labor unions led the way in providing funds to aid victims of the Spanish Civil War, directing them largely to the Loyalist cause. The American-Spanish Relief Fund and the Medical Bureau to Aid Spanish Democracy were organized and raised cash and in-kind contributions totaling over $800,000. The ARC also participated and the Quaker-based American Friends Service Committee (AFSC) provided the largest amount of aid. The USG made available federal surplus commodities to the ARC and AFSC and provided ocean shipping through the Maritime Commission. Numerous Americans volunteered to go to Spain to aid victims, in addition to those who joined the Abraham Lincoln Brigade.

- **1939:** The State Department established the Inter-Departmental Committee on Scientific and Cultural Cooperation to provide technical advisors and grants to education and development projects in Latin America. It funded a network of American Schools and other development-like initiatives to promote models of democratic education and to counter the growing influence of German Schools and similar organizations that were spreading the Nazis ideology in the region.

- **1940:** Based on a proposal from the Pan American Union, Assistant Secretary of Treasury for International Affairs, Harry Dexter White, recommended the creation of an Inter-American Bank to finance development projects in Latin America and the Caribbean to complement the Export-Import Bank and expand its programs. Most LAC countries favored a multilateral rather than a bilateral mechanism for providing such loans. While not approved at that time, it provided the basis for creating the Inter-American Development Bank in 1959. The specific Bank proposal was a forerunner to Dexter White’s initiative at Bretton Woods to establish the IBRD to focus not only on reconstructing war-torn Europe but also to support national development in poorer
countries, as proposed by Franklin Roosevelt in his 1941 Four Freedoms speech (“Freedom from Want”).

- **1940:** President Roosevelt established the **White House Office of the Coordinator of Inter-American Affairs (CIAA)**, naming Nelson Rockefeller to this position. In preparation for WWII, the CIAA promoted cooperation with the LAC countries and became the incubator for new development programs that established the models for delivery of future aid. It was a national security program intended to “win the hearts and minds” of the Latins to support the Allied War effort. Throughout the 1940s and 1950s, Rockefeller was a leading proponent of U.S. assistance to underdeveloped countries and is considered the “Father of Modern Foreign Aid”.

- **1941:** In a major speech to Congress, President Franklin Roosevelt proposed a post-War goal of extending the **Four Freedoms** worldwide, reiterating the **Atlantic Charter** “assurance that all men in all lands may live out their lives in freedom from fear and want”. As scholars have indicated, the extension of the Four Freedoms overseas represented the “internationalization of the New Deal” to inspire countries to support Allied war objectives. It marked the fundamental commitment that led to the modern international development mandate and the establishment of multilateral and bilateral aid institutions following WW II.

- **1941:** Similar sentiments to the Four Freedoms speech were promoted by Henry Luce, born in China of missionary parents, who founded **Time-Life** magazines that altered the reading habits of large numbers of Americans during the 1940s. His **March of Time** newsreels created a sensation, nurturing postwar internationalism and foreign aid. Franklin Roosevelt called Luce “the most influential private citizen of the decade”. In his famous 1941 **Life** editorial, the **“American Century”**, Luce urged Americans to forsake isolationism and to become the Good Samaritan, spreading freedom, democracy and prosperity throughout the world.

In responding to Luce the following year, Vice President Henry Wallace articulated a similar but different vision in his famous 1942 speech on the **“The Century of the Common Man”** that was widely distributed in the U.S. and throughout the world (see below). Both Luce and Wallace fostered the concept of foreign aid that would become so pronounced during the War and represented a growing bipartisan consensus that would emerge in the post-war period.

- **1941:** **Lend-Lease** aid approved and provided $50 billion (over $700 billion today) in food, oil, equipment, supplies and war materiel to Allied countries fighting the Axis, including the United Kingdom, the Free French, the Republic of China, the Soviet Union, LAC countries and others like Liberia. Entire U.S. factories were shipped to the Soviet Union, advancing that county’s industrialization. In the LAC region, **Lend-Lease** supported the construction of military bases, airports and seaports around the region and complementary measures that nurtured economic development. The Office of Lend-Lease Administration became the Foreign Economic Administration in 1943. After 1945 it was merged into the Economic Cooperation Administration (ECA) that implemented
the Marshall Plan. The Lend-Lease and BEW aid experiences (see below) facilitated the success of the Marshall Plan and its ability to deliver large amounts of aid to Western Europe in record time.

- **1941: Board of Economic Warfare (BEW)** established as a secret Wartime agency. It was headed by Vice President Henry Wallace to procure strategic commodities for the War effort, largely in Latin America. Wallace converted the BEW into a development program, conditioning purchases of commodities on actions by recipient countries to improve labor, health and social conditions for their workers. With BEW funding, Wallace financed development projects that facilitated increased production of commodities and increased worker productivity. He argued that rubber workers can produce more if they had improved nutrition, health care and schooling. As a result of conflicts with Secretary of State Cordell Hull and others in the Wartime cabinet, Franklin Roosevelt removed Wallace from the Board in 1943. Countries like Bolivia increasingly complained about BEW conditionality. Roosevelt dropped Wallace from the 1944 ticket leading to the selection of Harry Truman. Later in the 1940s, the BEW along with Lend-Lease, were merged into the ECA that directed the Marshall Plan, building on mechanisms used earlier in the decade.

- **1941:** Franklin Roosevelt appointed a **Committee on War Relief Agencies** headed by Joseph E. Davis that administered a licensing process to made voluntary agencies working overseas prove that they operated efficiently and did not duplicate the Red Cross. During the War it became the **Relief Control Board.** It strengthened the ARC and helped to obtain a $50 million appropriation to aid victims of the War. Following the War, the Board became the **Advisory Committee on Voluntary Foreign Aid.**

- **1942:** CIAA Nelson Rockefeller established the **Institute for Inter-American Affairs (IIAA),** the first modern bilateral aid agency to provide technical assistance, training and grants directed to the LAC region. It supported projects to improve public health, built potable water and sanitation works, combatted malaria and other diseases, increased agricultural production, established extension and research programs, expanded rural education, among others. It modeled its programs after those supported by the Rockefeller Foundation.

The IIAA pioneered the development of local “**Servicios**” to deliver aid in the field. The Servicios were organized as independent non-governmental organizations funded by IIAA and host countries. The Institute created new operating mechanisms, such as “Participant Training” and “Participating Service Agreements (PASAs)” to mobilize technical experts from federal departments to support overseas aid programs. The Servicios required counterpart funding to encourage self-help and national commitment to specific projects. The IIAA served as the model for establishing the Point Four program in 1949 and it’s implementing modalities in the 1950s.

- **1942:** The first IIAA agreement was signed in January with the country of Ecuador to assist with the **Reconstruction of El Oro Province** severely damaged by a
Peruvian military invasion that began in December 1941 and caused a major border war between Peru and Ecuador. With the attack on Pearl Harbor, the U.S. and its South American allies needed to bring the war to a quick resolution so as not to have distractions on its southern flank that could endanger preparations for WWII. IIAA made available technical advisors and grant assistance. The EXIM Bank provided a $5.0 million loan to rebuilt infrastructure and re-establish agricultural production and port facilities. These were some of the first modern bilateral agreements in the history of modern foreign aid. They pioneered some of the techniques that would be later be used to rebuild Western Europe and Japan following WWII.

- **1942**: Based on his experience as U.S. Secretary of Agriculture, Vice President Henry Wallace led an effort to create the Inter-American Institute for Cooperation on Agriculture (IICA) to promote agricultural production and improve rural living standards in the Western Hemisphere. IICA became the model for establishing the post-WWII Food and Agriculture Organization (FAO).

- **1942**: Franklin Roosevelt established the Office of Foreign Relief and Rehabilitation Operations (OFRRO) to use America’s agricultural stocks and medical supplies in areas under Allied control. A year later, it is merged into the United Nations Relief and Rehabilitation Administration (UNRRA). See below.

- **1943**: Through a goodwill trip to Latin America, Vice President Henry Wallace shored up support for the Allied cause by encouraging a vision of foreign aid. Wallace had become famous for his 1942 speech on the “Century of the Common Man” in which he proposed major initiatives that would improve living conditions worldwide. Millions of copies of his speech were distributed worldwide and some came to see it as proposing a “Global New Deal”.

Wallace promoted agricultural and other development programs in the LAC region, as he did with BEW and IICA, and convinced countries to accept labor clauses in BEW agreements that required producers to pay fair wages, provide safe working conditions and to improve nutrition and health conditions of their workers. He committed the U.S. to pay for up to half of the required actions. In his subsequent book, “The Century of the Common Man”, Wallace lays out a vision for how international cooperation would transform the poorest areas of the world following Allied victory in the War. His critics charged him with proposing an “International WPA” and world government. As indicated above, he is subsequently removed from the BEW and the Vice Presidency for conflicts with Cabinet members. As with Franklin Roosevelt’s “Four Freedoms” message to Congress, Wallace’s vision went on to shape post-War foreign aid, especially the establishment of the UN and multilateral development agencies.

- **1943**: United Nations Relief and Rehabilitation Administration (UNRRA) established to provide immediate relief and emergency assistance to countries liberated from Axis control during WW II and suffering from starvation, dislocations, displaced persons and political chaos. UNRRA operated before the formation of the United Nations and the term “United Nations” referred to those countries fighting against the Axis.
powers. From 1943-1947 it planned, coordinated, financed and administered relief supplies, including food, fuel, clothing, medical care, shelter and other basic necessities. It functioned as a multilateral aid agency with directors from a number of countries and implemented over $3.7 billion, working directly and through dozens of charitable organizations, like the ARC. In 1948, the multilateral activities of UNRRA operations were merged into United Nations agencies, while bilateral activities were merged into the Marshall Plan.

- **1944-1945:** Allied Nations convened the “United Nations Monetary and Financial Conference” at Bretton Woods, New Hampshire that established a global financial structure for the post-WWII period and what came to be called the “Bretton Woods institutions”, including the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank). A year later representatives from 50 countries draw up the Charter to establish the United Nations to employ international machinery for the promotion of the economic and social advancement of all peoples” and to improve living standards worldwide.

These actions led in turn to the creation of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Food and Agriculture Organization (FAO) in 1945, the United Nations International Children’s Emergency Fund (UNICEF) in 1946, the World Health Organization (WHO) in 1948, and other UN agencies. The General Agreement on Tariffs and Trade (GATT) was established in 1948 to eliminate trade protectionism and to restore worldwide economic growth after the devastation of WWII.

The creation of these institutions is termed by one historian as “The Majestic Moment” in the history of foreign aid and the birth of the international development and aid structures, as presented by Amy Staples in her “The Birth of Development”. Others see it as the “internationalization of the New Deal” as presented by Eric Helleiner in his “Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order”, and “A New Deal for the World: America’s Vision for Human Rights” by Elizabeth Borguardt.

- **1945:** The Cooperative for Assistance and Relief Everywhere (CARE) is founded by 22 American nonprofits who came together to rush lifesaving aid in the form of CARE packages to European survivors of WWII. Thousands of Americans, including President Harry Truman, contributed to this effort. The CARE initiative, together with the longstanding tradition of private voluntary groups sending aid and volunteers abroad, later expanded to poorer countries. It led to the establishment of other U.S. non-governmental organizations to address humanitarian and development problems worldwide, much like the expansion of American foundations overseas.

- **1946:** After WWII most of the former colonial empires collapsed. The process of decolonization started with the independence of the Philippines and extended to India, Pakistan, Indonesia, Ceylon and other countries. The Dutch East Indies became Indonesia in 1949. Ghana gained independence in 1957 and other African nations followed. What
came to be called the Third World by the 1950s became an ideological battlefield for the Cold War. Promoting Third World development, and containing the spread of communism to these countries, were major U.S. foreign policy objectives, shaping the design and implementation of foreign assistance.

- **1946**: President Truman signed the law establishing J. William Fulbright program to finance international education exchanges for students, scholars, teachers, professionals, scientists and artists. It was designed to increase mutual understanding between the people of U.S. and other countries and promote international development. With USG funding, it became the flagship exchange program for young professionals seeking overseas study and research grants.

- **1947**: The USG prepared a “History of the Office of the Coordinator of Inter-American Affairs: Historical Reports on War Administration”. It is the first comprehensive evaluation of a foreign aid agency and served to guide the development of the Point Four program in the 1950s.

- **1946-1947**: Nelson Rockefeller organized the non-governmental organizations American International Association for Economic and Social Development (AIA) and the International Basic Economy Corporation (IBEC) based on his CIAA/IIAA experiences. The AIA provided grants to spur infrastructure improvements, supported agriculture and rural development and public health activities, and nurtured agrarian reform in Venezuela and Brazil. The IBEC was founded as a private investment bank to upgrade basic economies, lower food prices, build housing, mobilize savings, expand financial services and foster industrialization. IBEC pioneered the concept of investment banks that USAID would replicate starting in the 1960s. Through AIA and IBEC, Rockefeller developed pilot projects that donors could apply on a larger scale.

- **1947**: The Ford Foundation, originally established in 1936, expanded its programs overseas. An advisory committee recommended that the foundation become an international philanthropic organization dedicated to the “advancement of human welfare”. It urges the foundation to focus on “humankinds most pressing problems wherever they might exist in the world” rather than in any one field. This mandate leads the foundation into providing hundreds of grants to support international development.

- **1940s**: The Kellogg Foundation established in the 1930s, expanded its programs overseas. Grants are provided to Latin American health professionals to study in the U.S. Some of the first comprehensive nutrition studies are carried out in LAC countries and funding is provided to war-damage Europe to revive and modernize farm economies. The initiatives of the Kellogg and Ford Foundations encouraged other U.S. foundations and nonprofits to expand overseas in the post-WWII period.

- **1948**: The recipients of Marshall Plan aid sign the Convention establishing the Organization for European Economic Cooperation (OEEC). The U.S. created the Economic Cooperation Administration (ECA) to implement the European Recovery Program (ERP) headed by Paul Hoffman. The ECA was formed based on the prior
experience of Lend-Lease and BEW. The success of the Marshall Plan became the standard against which future aid programs would be judged and it became a major milestone in the history of foreign aid. Its advocates believed that the ERP had saved Western civilization and nothing had ever before been done. Yet, a similar, but smaller, program was implemented by ARA following WWI. The Marshall Plan’s success led some to ignore or downplay the many foreign aid initiatives that preceded it.

- **1948**: The Chinese-American Joint Commission on Rural Reconstruction (JCRR) is established with aid funding approved by the U.S. Congress, based on decades of prior agricultural assistance to China. The JCRR began operations in mainland China and then moved to the Island of Formosa (Taiwan) in the last days of the Chinese Civil War. It supported implementation of a major land reform, formation of cooperatives, rural education, expansion of credit and technical assistance, and major training of Taiwanese agriculturalists. The JCRR is credited with laying the foundation for Taiwan’s significant economic growth in the 1950s and 1960s and its transformation into an international development success story. The JCRR also became a model for shaping rural development programs throughout the world.

- **1949-1950**: President Truman announces in his January 1949 Inaugural Address a foreign aid program that comes to be known as “Point Four” to share with poorer countries U.S. scientific and technical knowledge to increase agricultural production, improve health and sanitation, expand rural education, and develop industries. The program focused on providing technical assistance and training to host country nationals organized into local Servicio development agencies that carried out specific projects to implement agriculture extension and research, introduce new crops and livestock, eradicate malaria and construct potable water and sanitation services, upgrade rural education and youth groups modeled on 4-H clubs, and develop small enterprises and build-up host country institutional and technical capacity.

Like the IIAA model, the Servicios were funded by host countries and the USG, but operated independently of both governments, much like NGOs operate today. In 1950 the Congress approved the establishment of the Technical Cooperation Administration (TCA) to implement the “Point Four” program. It was based on the IIAA experience implemented earlier in the 1940s and extended its successful concepts worldwide rather than just focusing on one region. As Chairman of President Truman’s International Development Advisory Committee on Foreign Aid, Nelson Rockefeller played a crucial role in designing the operational mechanism to carry out “Point Four”.

- **1945-1952**: While Marshall Plan aid for reconstructing Western Europe has attracted most attention in the history of foreign aid, the Reconstruction of Japan and its conversion into an export powerhouse, is one of the greatest successes stories of modern foreign aid. A key factor was the leadership and unique position of General Douglas MacArthur as Supreme Commander for Allied Powers in Japan, and his advisors, who formulated a comprehensive stabilization and structural reform program that revolutionized Japanese society. Its earliest initiatives were modeled after the New Deal in rebuilding national enterprises, empowering labor unions and forming public-private
partnerships. It promoted women and labor rights and implemented a major land reform that dramatically increased local agricultural production.

Of crucial importance was the work of financial and budgetary advisor Joseph Dodge and what came to be called The Dodge Plan to stabilize the economy and generate growth. Another crucial advisor who MacArthur brought to Japan was quality control guru Edward Deming who helped transform Japanese industrial production processes. The aid models used in Japan were extended to Taiwan and South Korea in the 1950s and 1960s.

- **1950:** Concerned about the spread of communism in Asia, the USG organized Special Technical and Economic Missions (STEMS) in the Philippines, Formosa (Taiwan), Thailand, Korea and other countries in Indochina to manage increased flows of technical, economic and military assistance. These evolve into future USAID missions.

- **1951:** President Truman organized an International Development Advisory Committee on Foreign Aid chaired by Nelson Rockefeller and staffed with the leading development consultants of the day. It produced “Partners in Progress: A Report to President Truman”, that shaped the implementation of the Point Four aid program and is one of the first comprehensive USG reviews of foreign development assistance. Many of its recommendations go on to define foreign aid programs in the 1950s and 1960s.

- **1951-1953:** The Mutual Security Act launched a major foreign aid program to bring together military, economic and technical assistance and to use them to support U.S. policy of containing the spread of communism, especially in Europe and Asia. A Mutual Security Agency (MSA) is established to implement the program that replaced ECA and the Marshall Plan. The MSA replicated in Asia programs similar to the Marshall Plan but with a more significant military assistance component. The MSA was abolished and its functions transferred to the Foreign Operations Administration (FOA) that continued until passage of a new Foreign Assistance Act in 1961. The MSA-FOA provided major assistance to European countries and others like South Korea, Taiwan (Formosa), Vietnam, the Philippines, Thailand, India, Iran, Jordan and Pakistan, while TCA focused on Latin America and other countries.

- **1952-1953:** With a Ford Foundation grant, the Massachusetts Institute of Technology (MIT) created the Center for International Studies (CENIS) that evolves into the leading research program on modernization theory and nation-building in developing countries. Led by Max Millikan and Walter Rostow, it attracts the leading thinkers on international development and what came to be called the “Charles River economists”. They produced some of the most important studies that shaped foreign aid policy and programming for next two decades.

- **1953:** President Eisenhower delivered a speech to the United Nations proposing an “Atoms for Peace” program to share technology, equipment and educational resources to help other countries establish peaceful civilian nuclear programs. Assistance was provided to universities, hospitals and research institutes and scholarships made
available to train students at U.S. universities in nuclear physics and engineering. Many countries participated such as Iran, Israel, India, Pakistan, Colombia and Ecuador, among others.

- **1954**: The Agricultural Trade Development and Assistance Act, known as **PL-480 Food for Peace**, established based on successful food aid delivered by the Marshall Plan and other programs. It authorized the President to ship surplus agricultural commodities to friendly nations, either as a grant or as a concessional loan. It also allowed the federal government to donate food stocks to religious and voluntary organizations for use in overseas humanitarian programs. **PL 480** provided the basis for distribution of food aid to foreign countries to expand international trade, support American agriculture and advance U.S. foreign policy and development initiatives abroad.

- **1954**: Publication of "**Prelude to Point Four: American Technical Missions Overseas, 1838-1938**", by historians Merle Curti and Kendall Birr. It provided one of the first histories of foreign aid and urged policymakers to learn from the past. It concluded that "..if American experience in the past is neglected and overlooked and the mistakes of previous missions are repeated, Point Four may turn out to be merely one more grand scheme that failed". Others in the future would make similar recommendations that would be largely ignored.

- **1955**: The **International Cooperation Administration (ICA)** is established to manage non-military foreign assistance. Military and economic/technical assistance are split with the **FOA** implementing military assistance and **ICA** implementing economic/technical aid. In most countries, **ICA** continues with a grant-funded technical assistance/training and institution-building program in agriculture and rural development, public health and sanitation, and rural education through local Servicio-like mechanisms. These programs are similar to those implemented previously by **IIAA** and **TCA**, although they are now complemented by new instruments such as PL-480 food aid and DLF loans. Through the Foreign Assistance Act of 1961, the **ICA** and **DLF** are absorbed into USAID.

- **1957**: As part of the revisions to the Mutual Security Act, the **Development Loan Fund (DLF)** was established as a capital assistance arm of **ICA**. It financed on concessional terms development projects repayable in local currency that could not be financed by the Export-Import Bank or the IBRD. Most funds were provided as a line of credit to India and the loans were influenced by foreign policy consideration. The **DLF** is absorbed into USAID through the Foreign Assistance Act of 1961.

- **1940s-1950s**: Starting in the 1940s, successful New Deal programs, such as the **Tennessee Valley Authority (TVA)**, were extended overseas by its dynamic Chairman, David Lilienthal. In "**The Great American Mission: Modernization & the Construction of an American World Order**" by David Ekbladh shows how depression-era programs, such as **TVA**, shaped development concepts incorporated into postwar aid programs. He describes how **TVA** became a symbol of the ability of the United States to marshal
hydroelectric power and technological advances, regional planning, civil society and social sciences to produce economic and social improvements in depressed rural areas, creating a model for developing countries. Ekbladh’s book shows the important impact that the New Deal and World War II had on post-war international development cooperation.

- **1958-1960**: Publication of two seminal books that shaped foreign aid policy for the coming decade. They led to the restructuring of foreign aid, the approval of the Foreign Assistance Act (FAA) in 1961 and the establishment of USAID and the Peace Corps. The first is *The Ugly American* published in 1958. It is highly critical of Point Four/ICA in Asia, although an ICA rebuttal to the criticism indicates that the book was based on incorrect assertions, half-truths and embellishments. The second is published in 1960, *The Stages of Economic Growth: a non-Communist Manifesto* by Walter Rostow that provided the justification for a new foreign aid approach based on country programming and holistic approaches to promoting economic growth and national development, as opposed to financing smaller disconnected projects.

- **1940s-1950s**: Further demonstrating the connection between the New Deal and foreign aid was the quintessential “Brain Truster”, Guy Rexford Tugwell, who served as the last American Governor of Puerto Rico from 1941-1946. Tugwell put in place the policies that led to the economic and social modernization of one of the poorest islands in the Caribbean. Puerto Rico became a laboratory for the planning concepts that the New Deal had attempted in the 1930s by creating institutions to promote agriculture and industrial development, to implement housing and urban improvements, and community and cooperative development which would influence similar efforts throughout the LAC region in subsequent decades.

  Tugwell supported a group of young Puerto Rican technocrats led by Luis Munoz Marín and Teodoro Moscoso, who formulated *Operations Bootstrap* in the 1950s, converting this poverty-stricken island into what was called the “Miracle of the Caribbean”. It achieved economic and social indicators that exceeded those in most LAC countries at the time. *Operations Bootstrap* would serve as one of the models used by the Kennedy administration in the early 1960s to formulate the Alliance for Progress and to establish USAID. In 1961, Teodoro Moscoso would be named the first Coordinator of the Alliance for Progress.

- **1959**: Inter-American Development Bank: The first regional development bank established with support from the USG and LAC to meet the growing demand from the LAC countries for concessional loans to fund economic and social development projects and regional integration. It was also created as a response to the perceived success of the Cuban Revolution.

- **1960**: The “Development Assistance Group” is established by the Organization for European Economic Cooperation (OEEC) to collect data on foreign aid flows and to begin an international discussion on foreign aid. Over the coming years it evolves into the “Development Assistance Committee (DAC)” of the Organization
for Economic Cooperation and Development (OECD) to provide a permanent forum for coordinating international aid and making it more effective.

- **1961**: Passage of the Foreign Assistance Act (FAA) and establishment of the U.S. Agency for International Development (USAID) that brings together the grant and technical assistance programs of the International Cooperation Administration (ICA) and the concessional loan programs of the Development Loan Fund (DLF). At the same time, the Peace Corps is established. These actions represent a major restructuring of foreign aid and the 1960s begin another distinctive period in the history of U.S. efforts to extend development and democracy overseas.

- **1930-1960s**: While Franklin Roosevelt, Harry Hopkins, Henry Wallace, Leo Rowe, Nelson Rockefeller, Pearl Buck, Henry Luce, Harry Dexter White, George Marshall, Paul Hoffman, Douglas MacArthur, Joseph Dodge, David Lilienthal, Benjamin Hardy and many others played important but little-known roles in pioneering modern foreign aid, one cannot ignore the influence of hundreds of American technical experts who traveled overseas in the 1940s and 1950s to staff IIAA, Point Four and other field programs, especially in Europe, Latin America and Asia. Many of them came from careers in domestic New Deal programs in the 1930s that aimed to improve public health and sanitation, to provide vocational and academic training, and to develop agriculture through land-grant colleges and research, education and extension. Others worked with countries to formulate projects that could be supported by the Ex-Im Bank, the Marshall and Dodge Plans, and Food Aid, providing models of project design for the IBRD, the United Nations and other agencies. Like their earlier Progressive cousins, and the initiatives in the 19th century, they continued the spirit of spreading development and democracy overseas that is deeply rooted in American history. What is unfortunate is how many of these experiences went largely ignored or were deprecated in the development of new programs in the next phase of foreign aid.

*End of interview*