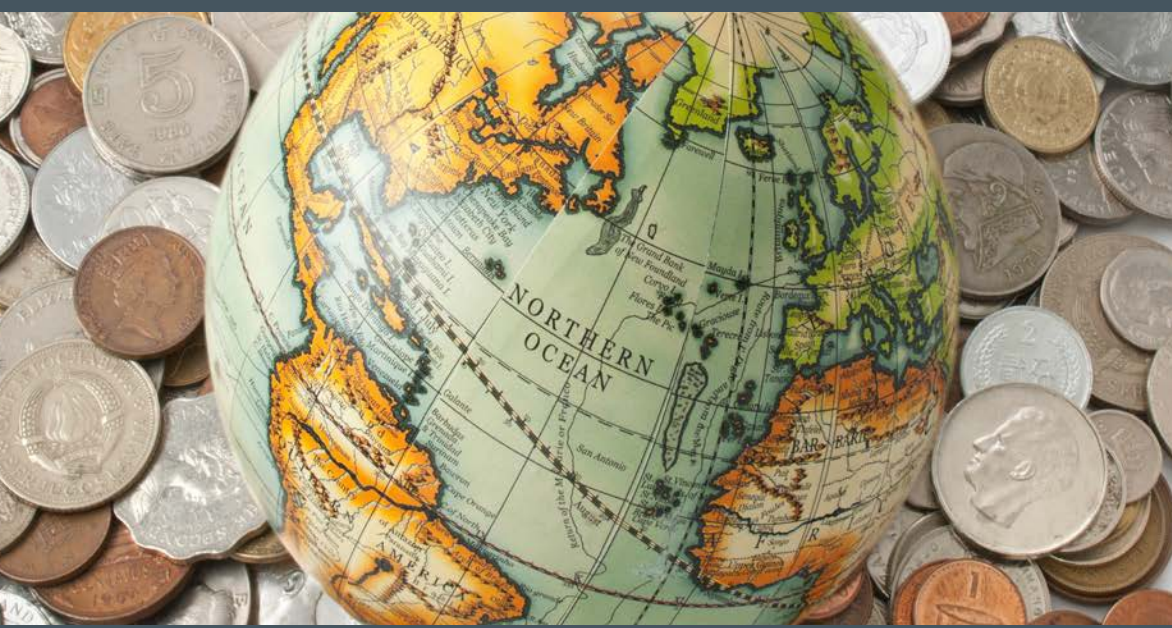


# CEMLA, A Key Institution in Latin America

60° anniversary







CEMLA: A Key Institution  
in Latin America,  
1952-2012

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**Eduardo Turrent Díaz**



***CEMLA: A Key Institution in Latin America, 1952-2012***

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Centro de Estudios Monetarios Latinoamericanos (CEMLA)

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## Preface

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**T**HE SECOND MEETING OF CENTRAL BANK TECHNICIANS of the American Continent was held in 1950 in the city of Santiago, Chile. At this forum the delegation from Banco de México, led by Agustín Luna Olmedo, Head of the Economics Studies Department, presented a project for establishing a body that would be called Institute for Latin American Economic Studies. All indications point to the outstanding influence in the idea for the project of the Deputy Director of that bank, Rodrigo Gómez, and the Spanish economist, Javier Márquez, who had travelled from England to Mexico in 1939 to live in the country for the rest of his productive life.

Although there is no written evidence, there was very strong at the time that the Mexican proposal aroused much concern in the renowned economist Raúl Prebisch, who was then the Secretary General of the Economic Commission for Latin America. He seemingly believed that if the institution proposed by Banco de México was established it would lead to a duplication of functions with the sub continental organization founded in 1948 on the initiative of the Chilean diplomat Hernán Santa Cruz. Perhaps Prebisch's complaints were heard and the project was modified to, in narrower terms, propose the establishment of a research institute sponsored by central banks of Latin America and aimed at providing training and undertaking research in specialized banking and monetary policy fields.

The impetus of Banco de México and growing support from other central banks of Latin America meant the project finally materialized in 1952. The motivation was to study the monetary and banking problems afflicting countries of the sub-continent, but from the perspective of such countries. Another motivation, perhaps a little more ambitious, was that of attempting to create original economic thought in countries of the area regarding monetary and banking issues. Moreover, and at a less abstract level, it also emphasized the advantages of providing effective training at affordable costs for central bank executives and technicians of the zone. Such effort would reduce the costs of training and the education would also be more pertinent and appropriate for the actual problems faced by central banks of the area.

In recognition of his noteworthy professional capabilities and the part he had played in creating the project, Banco de México recommended that the Director of the institution, which would be known as the Center for Latin American Monetary Studies, should be Javier Márquez. Mr. Márquez put his heart and soul into the task from the moment CEMLA opened its doors right up until his retirement, approximately two decades later. At the beginning Márquez's work consisted of ensuring the survival of the institute. In fact, it was crucial it obtained the backing and membership of a growing number of Latin American and Caribbean central banks. It was also very important to recruit, as collaborating central banks, those of the United States, Canada, France, England, and Spain in order for them to contribute financial resources, speakers and students.

In this start-up period it was gradually established that the organization would focus on teaching and training tasks. Later it would have the opportunity to diversify its functions, placing more attention on publishing, organizing events and meetings, and encouraging research.

Given that Banco de México had made the proposal for setting up CEMLA, the founding members of the organization agreed that its head offices should be located in the Mexican capital. In this regard, Eduardo Turrent had been correct in emphasizing the support CEMLA was to receive from its alma mater, as well as

the Mexican government. With respect to the latter point, the decision taken at the start of the sixties to provide the Center with its own premises is particularly noteworthy. This event was very important for enabling development of the Center's tasks, as well as for alleviating the budget restrictions it had had to face in varying degrees throughout its trajectory. Rodrigo Gómez, who headed Banco de México since the end of 1952 until his death in August 1970, deserves special recognition for supporting the Center as much as possible. It is appropriate that the book contains a biographical sketch of his life, even though he was never the Director of CEMLA.

As has been mentioned, budgetary restrictions marked very important stages in the evolution of CEMLA. When these difficulties emerged or when they intensified, the administrations in charge handled them in different ways. During the first stage with Márquez as Director, a special commitment was made to increasing the number of member central banks from Latin America and the Caribbean. More than down to diplomatic efforts, this was achieved because the benefits stemming from the organization's work were becoming more evident. Later, still during Márquez's administration, efforts to recruit new members included institutions that were not central banks. Among these stand out development banks, commercial banks and bank supervisory and regulatory institutions.

As a result of this policy, CEMLA was obliged to diversify the services it offered. During this process it acquired experience and recognition in different fields linked to financial activity.

At that time, the strategy of recruiting members other than central banks was a good way to overcome budgetary restrictions. Nevertheless, later, partly as a result of this strategy, the institutions suffered a serious financial crisis. For many years one important line of activity for CEMLA had been that of assisting bodies responsible for banking supervision in their respective countries. However, when at the end of the nineties the Latin American body for coordinating the so-called bank superintendents was set up as a civil association it caused a significant economic problem for the Center. The administration headed by the economist Sergio

Ghigliazza was therefore given the task of applying a strict austerity policy, which would have to become institutional over time.

The book's author and those responsible for the publishing project were undoubtedly right to include a brief biography of all the skilled economists who at some time headed the Center. Javier Márquez has already been mentioned above, and it is also important to add the other Mexicans Jesús Silva-Herzog Flores and Sergio Ghigliazza. Other outstanding individuals that held the position of Director were the Argentine economist Adolfo Diz, the Guatemalan financier and diplomat Jorge González del Valle, and the economist Kenneth Coates from Uruguay. The list ends with Javier Guzmán Calafell, currently a Deputy Governor of Banco de México. It is important to mention these individuals because they represent something which has been invaluable to CEMLA throughout its existence: its human capital. The organization has performed its activities with such capital, and in this way has contributed to enriching member institutions.

One of the merits characterizing CEMLA at all stages of its development has been the policy of meeting the needs of its members. The implementation of this strategy partly explains the evolution exhibited by the organization over the years. The syllabus of the courses provided and other training activities has always mainly been decided in accordance with the findings gathered from member institutions: central banks or other institutions. Other important activities have also stemmed from this service based approach, including the research tasks that flourished between the middle of the sixties and the start of the nineties, and then reemerged as of 2011; acting as technical secretariat at high-level regional and sub-regional forums; and the multi-year programs that were started during the administration of Sergio Ghigliazza, and that have survived to this day under the new generic name of technical assistance programs.

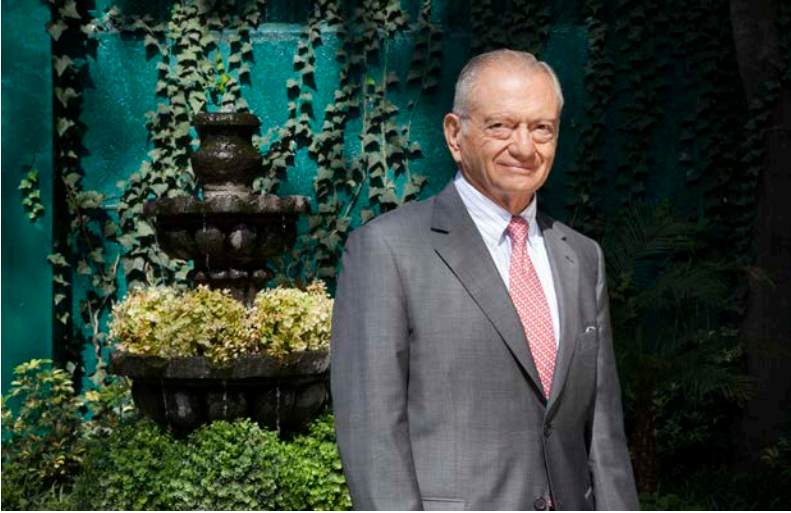
The history of CEMLA has been marked by evolution, and the account of Eduardo Turrent clearly reflects this fact. The latter shows that such evolution has not only occurred in the area of the services and products offered by the Center. It has also taken place in its organization, premises, equipment, administration, and, of

course, as regards its human resources mentioned above. With respect to its premises, the important step of giving the institution its own building, recently the object of a very well-planned refurbishment, has already been pointed out. As for the management of human resources, the significant decision of creating a pension fund for the Center's staff should also be included.

When talking about the different activities CEMLA has performed, the publishing program implemented by the organization since its first stages of development deserves special mention. Its publications have offered an important forum of expression for authors and issues that, in the absence of this resource, would perhaps never have been published. It is also important to point out how the composition and format of these publications adapted over time to the characteristics of the topics, member institutions, authors and availability of information. As for the program for publishing books, studies, pamphlets and other material, it is worth highlighting the perseverance with which it has been pursued. Under this program, important works have been published in Spanish that might not otherwise have been available in that language.

Research activities have been a permanent concern of CEMLA since its early stages. Interest in research can be attributed to the theoretical and practical needs of its members. The ways of meeting these requirements has changed over the years. As already mentioned, at one time the Center hired renowned specialists from different countries to undertake research projects. This approach could not be maintained because of budgetary problems and other difficulties for keeping the researchers at the institution. Later, research work continued to be produced, but based on other formulas, such as carrying out specific projects at the request of, or sponsored by, other institutions. One very wise decision for linking research to publications was the creation of the Rodrigo Gómez Award. Besides encouraging thought on matters of interest to central banks of the region, the prize also provided a way of enriching the publishing program. More recently, another very advantageous formula has been that of supporting the work of the so-called Central Bank Researchers Network of the





Miguel Mancera, at the Center's 60th anniversary conference, 2012. CEMLA's photographic archive.

American Continent. Furthermore, as mentioned previously, as of 2011 a new impetus was given to research activities at CEMLA. This included negotiating agreements with academic institutions, re-launching the main academic journal of the Center, *Monetaria*, starting research internships, mostly financed by the participating central banks, and reinstating the research division.

Cooperation arrangements, which were made with its own members as well as external organizations since the beginnings of the institution, have played an important role in all stages of CEMLA's development. During the initial phases, this was the case with the United Nations and with two private institutions: the Rockefeller Foundation and the Ford Foundation. Important work has been carried out with the support of the International Monetary Fund, the Inter-American Development Bank and the Federal Reserve System. More recently, the extremely valuable support of the Bank for International Settlements has been obtained, particularly in the field of banking supervision. Cooperation efforts have continued, to such an extent that, as explained

in Chapter VII, at present almost half CEMLA's projects are co-organized with *technical associates*, while the existing technical assistance programs at the Center are possible thanks to the budgetary support of some of those members.

During Kenneth Coates's two periods as Director of CEMLA, a series of reforms were implemented that strengthened the institution. The reforms were mainly concerned with redefining the participation of collaborating members in the Board of Governors meetings, reorganizing the structure of the Center and modifying the Statutes, the latter in order to clearly define the Center's governing bodies and define the fields of action of the General Directorate that needed the Board of Governors' approval. After the terms of Coates, CEMLA fully entered the modernization stage that it is still in the process of implementing. It fell to the administration of Javier Guzmán Calafell, begun in 2010, to implement and progress with such process.

Efforts in this context were focused on trying to solve the main difficulties that had afflicted the organization since its initial stages and lay the foundations for forging a stronger and more efficient institution, thereby making it more able to meet the needs of its membership. Thus, a strategic plan was presented for consideration to the Assembly, which it enthusiastically approved. The actions proposed by the Plan included adopting a scheme to ensure a reliable and predictable flow of revenues via a formula for periodically reviewing membership quotas. Application of the Plan also led to other actions that have made it possible to continue with the process of modernizing CEMLA. In general terms, these actions are oriented toward fine tuning, updating and complementing lines of activities that are considered indispensable.

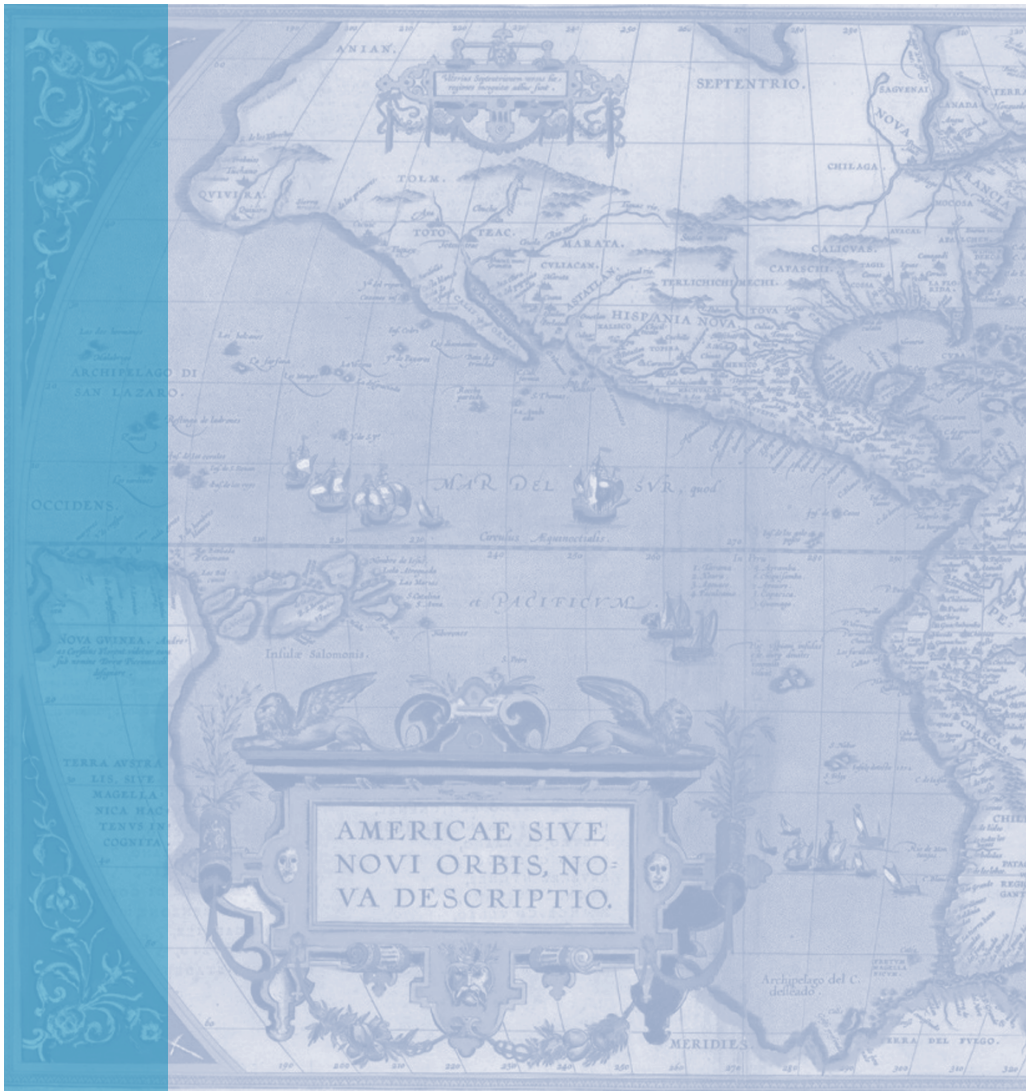
The book ends with a brief section entitled "Assessment and Prospects." What does the future hold for CEMLA? No one can see into the future, but there are some paths to be found in the institution's legacy on which the institution should move forward. One of these is linked to its commitments to continue working on providing better training to the human resources of its members, as well as those of the institution itself. Another path is connected

with the actions required by the new circumstances. As stated in the text, “there will be no room for apathy in the future.” Going forward CEMLA will be particularly influenced by two factors: the appearance of new problems in the field of monetary policy and financial stability, and an environment of constant technological change. The author asks how one can emerge successfully from all this and answers: “The formulas are universal for any organization that operates within a changing environment: display a capacity for innovation, perception and a permanent bias toward proactivity.”

I do not want to end this preface without stressing the value of the meetings of central bank governors and technicians that CEMLA has so enthusiastically promoted and acted as such an effective technical secretariat. These meetings, which I had the privilege of attending and enjoying for many years, have fostered the individual knowledge and friendship of Latin American and Caribbean central bankers and, thereby, a rich exchange of experiences that would have been difficult to achieve any other way.

*Miguel Mancera Aguayo*  
*Mexico City, February 18, 2014*





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## Introduction

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**T**HE DEFEATIST SYNDROME IMPLIED BY THE DISASTER OF the Spanish Armada, the memory of Trafalgar and the slow decline of the XIX century, has overshadowed the grandeur that was Imperial Spain. That is to say, the Spanish Golden Age of Quixote, Lope de Vega and company, and mystical literature. Through different means this great colonial power gave the peoples of Hispanic America the Spanish character. Hispanic America is not Spain, but the Spanish imprint is visible in all forms of the Hispanic American personality. Spain bequeathed to the peoples of Hispanic America language, religion, values, character and a long list of institutions, some of them praiseworthy and useful for constructing modernity. Hispanic America is a heterogeneous unit, not just a geographical reference. This multiple identity has been particularly evident by the contrast with the Anglo-Saxon countries in the north of the continent. The contemporary implications of Hispanic unity are many, which should not be surprising. Countries of the subcontinent have found great mutual advantages in cooperation. And nowadays, a slightly wider group has come under the term Latin America due to the inclusion of Brazil and other countries on the subcontinent that do not necessarily have Hispanic origins.

As is well known, the great predecessor of Hispanic American unity was the hero Simón Bolívar. Even before the Spanish

colonies gained independence in 1815, in his celebrated “Letter from Jamaica,” Bolívar set forth his revolutionary desire “to see America fashioned into the greatest nation in the world, greatest not so much by virtue of her area and wealth as by her freedom and glory.” The idea of Hispanic American unity was clearly already in the thoughts of Bolívar, but there were some ambiguities in the mind of this character regarding how to achieve it. Of course, given that all Hispanic America “has one [common] origin, one language, customs, and one religion, it ought to have a single government to permit the newly formed states to unite in a confederation.” This visionary clearly thought of a kind of confederacy of republics. Based on this idea, in 1824 he called for a conference to be held in the nodal point of the Americas, at that time Panama, which then formed part of Gran Colombia (Great Colombia) governed by Bolívar himself. The meeting was actually held in 1826 and resulted in the drawing up of a Union, League and Perpetual Confederation Treaty that had no further consequences.<sup>1</sup>

The unity of Hispanic America also had its greatest chroniclers in the quills of the Cuban José Martí, but above all in the taciturn Uruguayan writer, José Enrique Rodó. The idea is reiterated in different texts written by Martí during his time in the United States (1880-1895), including those of “Respect for Our America” (1883), “Latin Mind” (1884) and “Mother America” (1889), but its maximum expression was seen in the famous philosophical essay of 1891 “Our America.” In this famous piece, Martí proclaimed: “It is the time of summing-up, of marching together, and we must go forward in close ranks, like silver in the veins of the Andes [...] The present generation is bearing industrious America along the road sanctioned by our sublime forefathers. From the Rio Bravo to the Straits of Magellan, seated on the condor’s back.” In Rodó the moment of Hispanic homily appeared at the turn of

<sup>1</sup> Gustavo Ernesto Emmerich, “Integración latinoamericana y panamericanismo,” in Luis Alberto Reyes et al., *La unidad latinoamericana en el bicentenario de Bolívar*, Universidad Autónoma del Estado de México, 1983, pp. 23-26.

the 20<sup>th</sup> century through the publication of *Ariel*, the book that would change the history of Spanish America's ideology. *Ariel* was published in 1901 in Santo Domingo and Venezuela, and in Cuba in 1905. An edition appeared in Mexico in 1908 with a prologue by Pedro Henríquez Ureña, a young Dominican intellectual who was living in Mexico at that time and whose disciples included Alfonso Reyes and José Vasconcelos, two of the most distinguished men of letters from Mexico and Latin America in the first half of the 20<sup>th</sup> century.<sup>2</sup>

Partly due to the influence of Martí and Rodó, the ideal of Latin American unity was present in the thoughts of the so-called Athenaeum generation in Mexico. In his educational apostolate, Vasconcelos always recognized the proposal of Martí: "Trenches of ideas are worth more than trenches of stone." In the ideas of Vasconcelos the solution for Hispanic American countries did not lie in nationalism but in Latin American unity. Another prominent member of the Athenaeum, the philosopher Antonio Caso, agrees with Vasconcelos on reassessing Latin America as a force that will be crucial in "the destinies of human civilization." Unlike Vasconcelos and Caso, in the work of Alfonso Reyes the unity of the Hispanic American peoples and the awareness of their singularity naturally result in literary expression. In *Vision of Anahuac*, Reyes clearly thinks of the future of Hispanic America as a human fraternity, "a feeling of Indian aristocracy, a feeling of common aims." According to Reyes, it was possible to speak "of American intelligence, its view of life and action in life."

Although there was a link between Pan-Americanism and Ibero-Americanism, they clearly never concerned similar concepts or the same movement. The United States always visibly participated in Pan-Americanism as an integrating force. Ibero-Americanism has been different, and not just because at its extremes it had anti United States imperialism as a common denominator. The defensive factor was always present in the current of thought

<sup>2</sup> Enrique Krauze, "José Enrique Rodó. La homilía hispanoamericana," in *Redentores. Ideas y poder en America Latina*, Debate, Mexico, 2011, pp. 51-54.



we are interested in here, from Martí and Rodó to more modern thinkers. Ibero-American unity was something different because the initiative, motivation and agenda had to come exclusively from Hispanic American countries. After Bolívar's attempts, the antecedents can be traced to the middle of the 19<sup>th</sup> century. The story begins with the Congress of Lima from 1848-1849, which led to the signing of a treaty on union and confederation and another on trade and navigation. Later, in 1856 two similar events were held. The Continental Congress of Santiago, Chile, led to the signing of a Continental Treaty of Alliance and Reciprocal Assistance. Meanwhile, the Washington Congress held in Mexico City resulted in a Treaty of Alliance and Common Defense. The 1864-1865 Congress of Lima had similar motives: it was aimed at defending countries of the Americas from imperialist European interventions. The Lima Congress of Jurisconsult responded to the movement to codify the region's international law. Finally, the Bolivarian Congress organized by Venezuela to commemorate the 100<sup>th</sup> anniversary of Bolívar's birth proposed that disputes in the subcontinent should always be resolved through arbitration.<sup>3</sup>

In the institutional field, the Pan-American movement managed to establish a significant number of bodies that led to the creation of the *Inter-American system*. Thus, at the Second International Conference of American States (Washington, 1901-1902) the decision was taken to transform the Commercial Bureau of the American Republics into the International Bureau of the American Republics, institutional predecessor of the Organization of American States (OAS). In 1910, at the fourth International Conference of American States the aforementioned bureau was substituted by an organization with a broader objective: the Pan-American Union, also with its head offices in Washington. In 1945, the Inter-American Conference on Problems of War and Peace, also known as the Chapultepec Conference, agreed upon the position that countries of the Americas should back in light of the imminent creation of the United Nations Organization. Finally,

<sup>3</sup> Gustavo Ernesto Emmerich, "Integración latinoamericana y panamericanismo," *op. cit.*, pp. 28-29

in 1948, during the Ninth International Conference of American States held in Bogotá, the Pan-American Union was replaced by the Organization of American States (OAS). The latter had a much more solid and permanent structure, and was conceived as a regional body inside the United Nations system.

Before the establishment of the OAS and just after the start of the Second World War, in December 1939 the Inter-American Economic and Financial Advisory Council was set up in Washington by a resolution of the First Meeting of the Ministers of Foreign Affairs of the American Republics. Later, this organization was given its final name, the Inter-American Economic and Social Council (IAESC), at the Chapultepec Conference mentioned above. Year later, in Bogotá in 1948 this body was integrated into the structure of the recently created OAS. Thus, the IAESC became the branch of the OAS responsible for dealing with the region's economic and social problems. In fact, a little over three decades later, it was at the IAESC that president John Kennedy's proposal regarding the Alliance for Progress (ALPRO) was accepted, with the purpose to satisfy "the basic needs of the [Latin] American people for homes, work and land, health and schools."

Establishment of the Economic Commission for Latin America (ECLAC) preceded by a few years the founding of the Center for Latin American Monetary Studies (CEMLA). Unlike many came to suppose, leadership for creating ECLAC did not come from the Argentine economist Raúl Prebisch, who headed the organization for many years, but from the Chilean diplomat Hernán Santa Cruz. Nonetheless, Prebisch had been a great promoter of the idea that Latin America should study its economic and social problems from its own point of view, while developing where possible its own analytical approaches. From such perspective, this professional was undoubtedly, if indirectly, a precursor of both the establishment of ECLAC and the later founding of CEMLA.

Another antecedent in the creation of the Center for Latin American Monetary Studies, of more importance than the establishment of the ECLAC, were the Technical Meetings on Central Banking Problems of the American Continent. In the invitation to the first of these meetings in August 1946 Banco de México very

diplomatically wrote that “the idea for holding this meeting can be said to have emanated from many countries of the continent,” adding that the “proper moment had arrived for holding the private meeting they had proposed.” Thus, Banco de México wished to send out the invitation to the conference that would be held in the capital of the country.<sup>4</sup> This antecedent is crucial, given that it was during the third edition of this forum that Banco de México presented a proposal for creating the body that would become the Center for Latin American Monetary Studies.

Thus, just as the initiative for creating the ECLAC originated in Chile, the one for establishing CEMLA clearly had its roots in Mexico. On an individual level, the key participant in the project was Rodrigo Gómez, Director of Banco de México, followed by other lower-level officials from the institution, such as Víctor L. Urquidí and, in particular, the expatriated economist Javier Márquez. As for the ECLAC, the book states that the United States government opposed its creation, arguing that it would be a duplicate of the IAESC that already existed inside the OAS. The project for establishing the Center for Latin American Monetary Studies did not face such opposition, perhaps because it was a specialized initiative stemming from central banks of the subcontinent. Nevertheless, the common denominator in the impetus to establish both organizations is that it undoubtedly came exclusively from within the environment of Latin America.

It is noteworthy that, from an historical point of view, CEMLA was created several years before some other important regional institutions. The most outstanding case is perhaps that of the Inter-American Development Bank, which opened its doors in 1960 after the meeting of the IAESC in 1957 where its statutes were reviewed and the project was approved. Inside the IDB itself, the proposal for setting up the Institute for the Integration of Latin America (INTAL) with its head offices in Buenos Aires was approved. Shortly after the IDB began to function in Washington, the Montevideo Treaty was signed in the capital of Uruguay,

<sup>4</sup> *Memoria. Primera Reunión de Técnicos sobre Problemas de Banca Central del Continente Americano*, n.p., Mexico, 1946, pp.1-2.

resulting in the emergence of the Latin American Free Trade Association (ALALC). Two decades after the Montevideo Treaty, the Latin American Integration Association (ALADI) was set up, the title of which clearly explains the nature of the body. In 1975, precisely as a result of a motion by the Mexican government, the inaugural meeting took place of the Latin American Economic System (SELA), a body for economic coordination among Latin American countries. Just as integration played an important part in aims of the SELA, other sub-regional institutions were later set up, including the Andean Pact (1969), Central American bodies and the Cuenca del Plata.

Table 1

**CREATION OF MULTILATERAL ECONOMIC AND FINANCIAL COOPERATION INSTITUTIONS IN LATIN AMERICA (1939-1991)**

<i>Institution</i>	<i>Year and place founded</i>
Inter-American Economic and Social Council (IAESC)	1939, Washington D.C., United States
Organization of American States (OAS)	1948, Bogotá, Colombia
Economic Commission for Latin America and the Caribbean (ECLAC)	1948, Santiago, Chile
Center for Latin American Monetary Studies (CEMLA)	1952, Mexico City, Mexico
Inter-American Development Bank (IBD)	1960, Washington D.C., United States
Latin American Free Trade Association (ALALC)	From 1961 to 1980, Montevideo, Uruguay
Central American Monetary Council (CMCA)	1964, San José, Costa Rica
Institute for the Integration of Latin America (INTAL)	1965, Washington D.C., United States
Andean Pact	1969, Lima, Peru
Latin American and Caribbean Economic System (SELA)	1975, Caracas, Venezuela
Latin American Integration Association (ALADI)	1980, Montevideo, Uruguay
South American Common Market (Mercosur)	1991, Montevideo, Uruguay

The narrative of CEMLA's history presented below is divided into seven chapters. The first of these, "Antecedents and Establishment," talks about the founders of the organization among whom Rodrigo Gómez of Banco de México is a prominent figure. The doctrinal and institutional antecedents that determined the idea on which creation of the organization was based are also important from an historical point of view. In the institutional sphere, the direct impetus for creating CEMLA came from Banco de México, and for that reason all the central banks and bodies that contributed to its establishment agreed that the institutions' head offices should be located in Mexico's capital city.

Above all in the administrative and organizational area, tasks carried out during the period from 1953 to 1960 responded to the crucial objective of ensuring the institution's survival and obtaining funding. These topics are dealt with in the chapter entitled "Takeoff." It is important to mention here the support offered by Banco de México and how important they were. In the operational area, efforts during this period focused on promoting training. However, it is also worth emphasizing the interest placed by the Director, Javier Márquez, in diversifying activities, leading to the initialization of tasks related to the dissemination of information, research, answering enquiries and strengthening contacts with international organizations, different types of bodies and academic institutions. The introduction of external audits and the organization's move to new premises outside Banco de México's offices was also very important during that period.

The phase of "Transition" referred to in Chapter III encompasses the period from 1960 to 1972, Director Márquez's last year at CEMLA. If the growth in the number of central banks that joined the Center had played a key role during the institution's takeoff stage (1953 to 1960), in the following phase (1960 to 1972) events were driven by the increase in collaborating members. Recruiting a growing number of collaborating members was one of the solutions to the budgetary crisis that had plagued the Center since the beginning of the decade. Other solutions consisted of raising quotas, searching for sponsors and donors, and the significant step of CEMLA obtaining its own premises. However, the importance



Rodrigo Gómez and Javier Márquez during a meeting. Photographic archive of María Teresa Márquez.

of collaborating members also led to a change in the activities of the institution, within the framework of which parallel topics associated to central banking gained importance. Moreover, during that period, research and publishing tasks were closely linked to CEMLA's role as technical secretariat that it had begun to fulfill since 1962 in various periodic meetings of regional importance.

The chapter entitled "Consolidation" covers the period 1972 to 1985. After Javier Márquez had left, the Argentinean economist Adolfo Diz became the Director of CEMLA for a short time and was succeeded by Jorge González del Valle from Guatemala. The brief management of Dr. Díaz was, however, extremely important for the strategic planning side of the institution. Thus, the significant and comprehensive document *A Project of CEMLA* offered an integral work program for all activities: training, research, meetings,

publications, other services and technical assistance programs. Flexible and mindful of the membership's requirements, the administration headed by González de Valle was guided by the content of this document. The management of Dr. Diz was also particularly concerned with strengthening research activities by bringing together an important group of researchers, which unfortunately could not be permanently maintained. Nevertheless, its members did leave behind an important tradition of professionalism and product generation. Another aspect of CEMLA that had begun to emerge since previous times, and that was later strengthened, was the orientation toward meeting the demands of its members. And the González del Valle administration gave impetus to the activities of training and organizing meetings.

The period 1985 to 2000 referred to in Chapter V entitled "Evolution," covers, successively, the three final years of the administration headed by Jorge González del Valle and the stages when CEMLA's Director General was Jesús Silva Herzog (1989 to 1991) and Sergio Ghigliazza García (1991 to 2000). Thus, while the final phase of González del Valle's administration was a smooth continuation of its previous stage, those corresponding to Silva Herzog and Ghigliazza were marked and limited by budgetary restrictions. Silva Herzog had the insight to comment that the policy of austerity should become permanent at CEMLA and that is what happened, particularly during his successor's administration. The latter managed to reduce expenditures practically to a minimum, but in order to achieve this draconian measures had to be taken, including closing offices abroad, adopting a continuous working day and cancelling dining room services. One particularly effective mechanism for overcoming budgetary restrictions consisted of obtaining external support and co-organizing events and meetings. In fact, it was during Ghigliazza's administration that the so-called multi-year programs, which have provided such positive results since then, were created.

Chapter VI corresponds to the two electoral periods when Kenneth Coates was General Director of CEMLA: 2000 to 2009. The title, "Reform Stage," illustrates exactly what happened in the organization during those years. One option that had in the

past worked as a solution –increase the number of collaborating members and meet their needs– later became difficult and constituted an obstacle for the institution because it distracted CEMLA from its original specialization in central banking topics. This was the trigger for the reforms: the demand that CEMLA focus on its primary vocation of specializing in central banking topics. The decision to reorient CEMLA required many actions, among them reforming its statutes, creating the Alternates Committee and Auditing Committee, redefining the institution’s relationship with its collaborating members, reforming the Pensions Plan, and internal reorganization. Under the reformed framework, one of the main activities concerned continuing the multi-year programs. It is also worth mentioning the impetus given to meetings, the traditional function of training and publications.

CEMLA’s modernization phase started in 2010 with the administration led by Javier Guzmán Calafell. This is the topic dealt with in Chapter VII, “Into the Future” (2010-2013). The key event was the presentation of the Strategic Plan that was approved by the organization’s Board of Governors. Based on the idea that it is impossible to progress without financial and human resources, in 2010 a final solution was approved for the problem of quotas that had hampered the institution’s progress since the decade of the sixties and even before. Thus, the problem of quotas was the foundation that allowed implementation of the Strategic Plan, as well as defining the tasks to be started over the medium-term. In particular, the guidelines contained in the Strategic Plan have found operational expression in the annual work programs. The third section of the Chapter is dedicated to this pivotal subject. The analysis ends with a synthetic outline of what should be the work and efforts of the organization on short and medium-term horizons.

Table 2 summarizes the historical stages described in this book together with the general directorates that led CEMLA in each of them.



Table 2

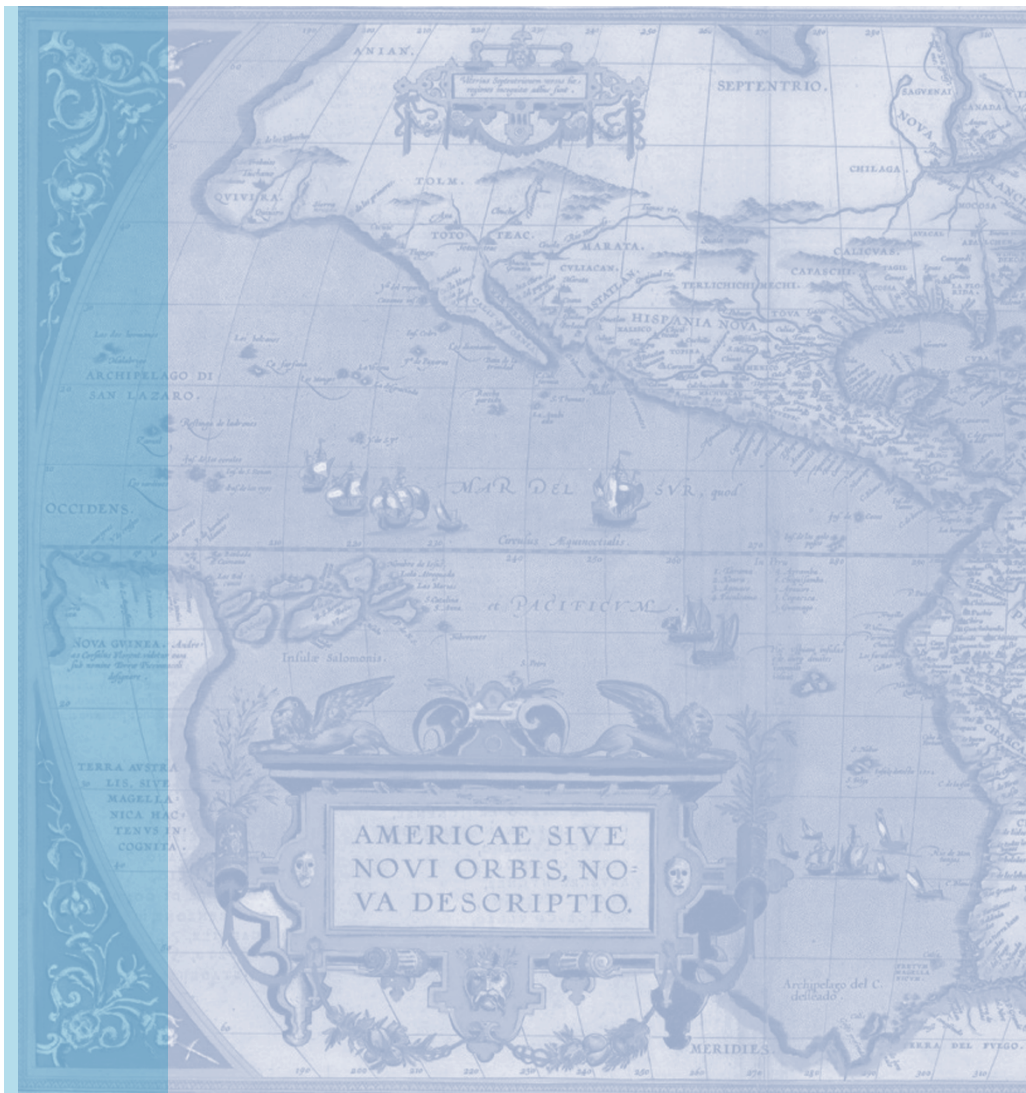
**GENERAL DIRECTORS OF THE CENTER AND THE HISTORICAL STAGES SINCE ITS ESTABLISHMENT (1952-2012)**

<i>Stage</i>	<i>Period</i>	<i>General Director</i>
Antecedents and establishment	1952	Javier Márquez (September 1952 to January 1973)
Takeoff	1953-1960	
Transition	1960-1972	
Consolidation	1972-1985	Adolfo Diz (January 1974 to March 1976) Jorge González del Valle (July 1977 to December 1988)
Evolution	1985-2000	Jesús Silva Herzog (January 1989 to April 1991) Sergio Ghigliazza (November 1991 to December 2000)
Reforms	2000-2009	Kenneth Coates (January 2001 to December 2009)
Modernization	2010-2013	Javier Guzmán Calafell (January 2010 to January 2013)

Source: Own elaboration based on the minutes of the Board of Governors of the Center.







# Antecedents and Establishment (1952)

## 1. Beginnings

WHEN THE DRAFT PROJECT WAS BEING PREPARED FOR the Latin American Economics Institute, a name that later evolved into the final version of Center for Latin American Monetary Studies, Arturo Masche, the highest level official at the Banco Central de Chile, expressed his agreement that the organization in the process of being established should have its head offices in Mexico City.<sup>1</sup> Approval regarding the location of the future *Institute* was a form of tacit recognition for the fact that the project had emanated from Mexico. At the individual level, who had come up with the idea? With his proverbial simplicity and pragmatism, Rodrigo Gómez of Banco de México never proclaimed his authorship of the project. However, several indicators point

<sup>1</sup> Letter from Arturo Maschke, governor of the Banco Central de Chile, to Agustín Luna Olmedo of Banco de México, May 8, 1950. Banco de México Historical Archive.

to the fact that this Mexican official took inspiration for conceiving his seminal idea from different antecedents and intellectual influences. For instance, for some time the Argentine economist Raúl Prebisch had been promoting the idea of the need to forge a Latin American economic thought. In Mexico, since 1939 the Deputy Minister of Finance, Eduardo Villaseñor, had launched the proposal to set up a credit bank for Latin America, institutional antecedent to the present Inter-American Development Bank.<sup>2</sup>

### **Creation of the Fondo de Cultura Económica**

The idea that Latin America should have its own body of economic thought, inspired by its own specific problems and focused on offering effective solutions, stemmed from different sources. It is possible to find a very important one of these in the work of the Belgium economist Robert Triffin. In a noteworthy article of 1944, Triffin showed how in Latin American countries money supply preferably had a foreign origin. This, coupled with the high level of instability stemming from the fact that their export revenues depend on sales of one or very few commodities meant their monetary policy was of a completely different nature than that of advanced countries. In the more diversified economies of advanced countries, money supply had a preferably domestic origin and for many reasons was much more stable. In addition to the aforementioned, financial markets in Latin American countries were not sufficiently developed to allow the application of regulatory mechanisms traditionally used in more advanced countries.<sup>3</sup> Other outstanding foreign economists with this train of thought on periphery economies of the subcontinent who also deserve mention are: Henry Wallick, from the US Treasury, and John S. de Beers and David L. Grove, of the Federal Reserve.

<sup>2</sup> Eduardo Villaseñor, *Memorias-Testimonio*, Fondo de Cultura Económica, Mexico, 1974, pp.128-132.

<sup>3</sup> Robert Triffin, "Central Banking and Monetary Management in Latin America" (1944), reproduced in Seymour E. Harris (ed.), *Economic Problems of Latin America*, McGraw Hill, New York.

It is also possible to find an indirect, if remote, antecedent for these Latin Americanist concerns in the founding efforts of the celebrated Mexican historian Daniel Cosío Villegas. The original impetus can be traced to the founding of the Escuela de Economía of Universidad Nacional Autónoma de México in 1929 prompted by Cosío and backed by Manuel Gómez Morín, Miguel Palacaios Macedo, Eduardo Villaseñor and Antonio Espinosa de los Monteros. Once the specialized economics courses had been officially launched, Cosío and other professors began to notice two very worrisome shortcomings: first, the inability of the students to read in languages other than Spanish; second, an almost total lack of Spanish translations of modern books on the topic. How could this problem be solved? At the beginning, Cosío thought about approaching the most prestigious Spanish publishers with a proposal for translating into Spanish and editing great works on economics. He failed miserably in such attempts, mainly because of the insensitivity and arrogance of those in charge of such firms. Nevertheless, Cosío did not give up on the project and a solution was finally found by creating the Fondo de Cultura Económica: the publisher would be responsible for providing the necessary literature on economics that was not available in Spanish.<sup>4</sup>

Years later, after having been named to head Banco de México, Eduardo Villaseñor invited his friend Cosío to work at the central bank. One day toward the end of 1943 the historian and essayist



Robert Triffin. Photographic archive of CEMLA.

<sup>4</sup> Daniel Cosío Villegas, *Memorias*, Cuadernos de Joaquín Mortiz, Mexico, 1976, pp. 138-152.

burst unexpectedly into the office of Villaseñor to inform him that the regime of Juan Domingo Perón had removed the economist Raúl Prebisch from his high level position at Argentina's central bank. By that time Prebisch was a highly prestigious economist in his native country, and his reputation and thought had begun to cross borders. Why not invite him to Mexico and even offer him a position at the country's central bank? The Argentine economist did not accept the latter offer, but he did visit Mexico. During his stay of several months, he gave some private conferences that aroused much interest. A carefully reviewed shorthand version of these talks circulated in Mexico among influential individuals and was consulted with much intellectual interest and respect.<sup>5</sup>

The Director General of Banco de México, Eduardo Villaseñor, attended these talks as did the third highest level official in the institution, Rodrigo Gómez. Those who were also invited and attended were the Deputy Director Ernesto Espinosa Porset, Raúl Martínez Ostos, Head of the Credit Department, and Gonzalo Robles, Head of the Industrial Research Department, while Daniel Cosío Villegas and the young economist Víctor L. Urquidi from the Economic Studies area were also present. In these conversations Prebisch explained in detail how the central bank that had been developed in Argentina was *sui generis*, and its profile responded to the intention of being able to implement counter-cyclical monetary policy. However, the important point for this story is that it is possible to identify at these talks some general ideas that the Argentine economist would later further develop during his time at the Economic Commission for Latin America (ECLAC) and the United Nations Conference for Trade and Development (UNCTAD).<sup>6</sup> The basic motivation for this intellectual movement was that the economic problems faced by Latin American countries required specialized thought arising from the actual economic and social reality of these nations.

<sup>5</sup> Testimony of Víctor L. Urquidi, 1999.

<sup>6</sup> "Conversaciones de Raúl Prebisch en el Banco de México," mimeo., 1944.

Establishment of the Fondo de Cultura Económica did not only respond to attempts to separate the local publishing industry from its tacit ties to that of Spain, but also to publish works in Spanish with a Latin American point of view. As can be seen, it was an aim not much different from the parallel one of developing economic thought from a sub-continental viewpoint. The arrival in Mexico of exiled Spanish intellectuals gave significant impetus to the publisher Cosío had founded. It was at this time when it was decided to widen the editorial coverage not just to include the field of economics, but also to venture into all the social and human sciences. For instance, the outstanding José Medina Echevarría was made responsible for the Sociology section, the thinker José Gaos that of Philosophy, the musical expert Adolfo Salazar that of Music and Wenceslao Roces and Ramón Iglesia that of History. Importantly, the expatriate lawyer and economist Javier Márquez was made head of the History section and was Cosío's right hand man until leaving the publishing house in 1946 to go and work at Banco de México.<sup>7</sup>

The Fondo de Cultura Económica came even closer to the idea of Latin American having its own economic thought when the head of the publishing house, Cosío, decided to launch a series that would be called *Tierra Firme*. Under this editorial series, original books by Latin American authors were published on the historical, political, social and economic topics of countries in the region. The idea was to publish "short, clear, easy books of no more than 250 pages." It is important to point out that Javier Márquez had already been working for several years at this institution when Daniel Cosío came up with said project, and it probably left a deep imprint on him. In a journey around Latin America, Cosío gave an interview that was published in the Buenos Aires newspaper *La Nación* and which was importantly entitled: "America can and must aspire to having its own culture."

Latin America is a continent of enormous possibilities and great spiritual reserves [...] Without neglecting, of course, its universal culture that has a unique value, but giving tangible form to our

<sup>7</sup> Enrique Krauze, *Daniel Cosío Villegas. Una biografía intelectual*, Joaquín Mortiz (Confrontaciones. Los Críticos), Mexico, 1980, pp. 115-116.



legitimate aspirations of possessing a group of intellectuals that delve into the American psyche, so rich in nuances, and express in the book the exact contours of our true Latin American personality.<sup>8</sup>

## Establishment of the Economic Commission for Latin America

Perhaps a more direct and more recent antecedent stems from the creation of the Economic Commission for Latin America in 1948. To the surprise of many, given the intense imprint that the Argentine economist Raúl Prebisch left on this organization, it was not he, but the Chilean diplomat Hernán Santa Cruz who can be accredited with proposing and encouraging the creation of this body:

Contrary to common belief, I was not involved in setting up the ECLAC. I was still working as a university professor in Buenos Aires and knew nothing of Hernán Santa Cruz. The ECLAC was exclusively his and his collaborators work. After it was created I became aware of it and started to admire Hernán, establishing a very firm and long friendship with him.<sup>9</sup>

The ECLAC was established temporarily in February 1948, although its promoter, the Chilean diplomat Hernán Santa Cruz, wrote that he had begun to think of said organization and its possibilities since his connection with the United Nations as representative of Chile at the organization at the start of 1947. The topic of developing economically backward regions was founded in the charter of the United Nations, which embodied the aim to “foster and assist industrial and general economic development, particularly in those countries which are still in the early stages of

<sup>8</sup> Interview with Daniel Cosío Villegas, published in *La Nación* (Argentina), May 29, 1941.

<sup>9</sup> Raúl Prebisch, preface to Hernán Santa Cruz’s book, *Cooperar o perecer, 1941-1960*, Vol. I, Grupo Editorial Latinoamericano, Buenos Aires, 1984, p. 15. See also Mateo Magariños, *Diálogos con Raúl Prebisch*, Banco Nacional de Comercio Exterior and Fondo de Cultura Económica, Mexico, 1991.

industrial development [...]” However, at the start of his diplomatic position Santa Cruz saw that the moment was not right for presenting a proposal connected with economic impetus for Latin American countries. At the beginning of 1947 the world powers were understandably preoccupied with other serious problems. Latin America “was viewed as a fortunate region that had not suffered the horror of bombardments or mass executions, nor the distress and humiliation of foreign occupation.” Nonetheless, that Chilean delegate did not give up on the idea of promoting something for the benefit of the subcontinent, but did decide to postpone his plans for a later more favorable occasion.

One antecedent with a very important institutional content was connected with the creation of economic commissions for Europe and for South Africa and Asia within the United Nations Economic and Social Council. The establishment of these bodies responded to the aim of procuring the reconstruction of countries that had been damaged or devastated by the Second World War. Reconstruction of these nations became even more interesting for the government of the United States as raging antagonism with the Soviet Union began to emerge over disputes regarding their respective spheres of influence. One particular reason for the US government’s concern was its anxieties regarding the penetration of communism in Western Europe. However, in parallel with all these concerns, was also the previously expressed hope that international organizations take into account the development needs of underdeveloped countries. Although Latin American countries had not suffered war damage, the conflict had led to serious setbacks, and the requirements of progress had become increasingly burdensome for their populations.

Another important antecedent resulted from the invitation sent out by the United Nations Economic and Social Council (Ecosoc) to the International Conference on Trade and Employment that would be held in Havana, Cuba, from the end of 1947 to the start of 1948. The primary objective of this assembly would be to reach agreement among all the countries of the world to promote the trade in goods. Although the signing of an international multilateral agreement on this matter did not occur because it did

not receive approval from the US Congress, the deliberations carried out in the Cuban capital did encourage the call to “benefit industrial development and higher standards of living, especially of those countries which are still relatively underdeveloped, as well as the reconstruction of those countries whose economies have been devastated by war.”

Chile’s representative Hernán Santa Cruz deftly managed to achieve inclusion of the proposal “relating to the creation of an Economic Commission for Latin America” in the program for the fifth period of meetings of the United Nations Economic and Social Council that began on July 19, 1947. It is worth noting here the intense lobbying carried out by the Chilean delegation in the Ecosoc in favor of the proposal, and the opposition it faced from the delegates from the United States, the Soviet Union, the United Kingdom and France. Fortunately, the careful campaign to promote the project overcame all such obstacles. In particular, it managed to defeat the opposition from the United States, whose representatives argued that the Inter-American Economic and Social Council (IASEC) had already been created within the Organization of American States and that the body they were proposing would imply duplicating its functions. This argument was successfully refuted by pointing out that, while the IASEC would have a strictly *hemispheric* view, the Council that was being proposed would respond to a world vision.<sup>10</sup>

The Economic and Social Council approved the project for creating the Economic Commission for Latin America with 13 votes in favor and four abstentions corresponding to the United States, Canada, the Soviet Union and the Belorussian delegation. In honor of the nationality of its promoter, Santiago, Chile, was chosen for the organization’s headquarters. It is also especially relevant to remember the powers given to the recently created organization in three areas: functions related to economic research and thought, purposeful powers oriented toward action, and reporting and dissemination facets. Regarding the first of these, the

<sup>10</sup>Hugo Enrique Sáez A., *La fundación de la CEPAL en México: desde los orígenes hasta 1960*, Estudios y Perspectivas series, CEPAL, October 2009, p. 9.

body could carry out research or request research be carried out on the “economic or technical problems” affecting “Latin American countries.” On the second point, the body could “have initiative and participate in measures designed to facilitate the concerted action” of Latin American countries. The third power, supporting the two previous ones, referred to “undertake the compilation, evaluation and dissemination of economic, technical and statistical data [...]” related to the countries of the subcontinent.

Great impetus was given to the idea that Latin America should have its own bodies for economic thought and for proposing economic policies, resulting in the Economic Commission for Latin America being confirmed as permanent in 1951. The government of the United States had not changed its posture that the functions of the ECLAC were duplicated by those of the IASEC and OAS. Once again lobbying had to be made in a similar way to that deployed by Hernán Santa Cruz and the Chilean delegation in 1947 and 1948 both within the Ecosoc and the United Nations General Assembly. By this time, Raúl Prebisch was secretary general of the Commission and his high prestige lent great support to the survival of the organization. The backing it received from the government of Brazil through its president, Gettúlio Vargas, was also important. Thus, before an overwhelming majority the United States government had no other option than to give its vote, if with *conditions*, to the indefinite survival of the ECLAC.<sup>11</sup>

### **First Meeting of Central Bank Technicians of the American Continent: Beginning of the Idea for CEMLA**

Within Mexico’s domestic organization and the activities of its central bank, the most direct antecedent for the emergence of CEMLA was linked to the starting of Meetings of Central Bank Technicians of the American Continent. Raúl Prebisch attended the first of these meetings as a special guest of Banco de México. As such he was given the privilege of opening, not the protocolary,

<sup>11</sup> Hernán Santa Cruz, *Cooperar o perecer, 1941-1960*, Vol. I, Grupo Editorial Latinoamericano, Buenos Aires, 1984, pp. 454-457.

but the substantive part of the meetings. His introductory speech made significant reference to celebrating the initiative for holding the meeting, the idea for which had also emerged from Banco de México. The invitation memorandum that had been sent in March 1946 cited the historical background of this new forum aimed at fostering cooperation among the central banks of countries of the Americas. Several representatives from these institutions had attended the Inter-American Conference on Economic and Financial Control Systems held in Washington in 1942. The same had occurred at the Inter-American Conference on Problems of War and Peace held in Mexico City in March 1945.

In tacit recognition of the authorship of that initiative and the fact that the event took place in the Mexican capital, being hosted precisely by Banco de México, its General Director Eduardo Villaseñor, was chosen unanimously to chair the meeting and the economist Victor Urquidi was made its general secretary. Significantly, Daniel Cosío Villegas also figured among the participants for Mexico in his capacity as Advisor to Banco de Mexico. As far as our story is concerned, the important aspect is what occurred during the third of the three committees the event was divided into, which dealt with the topic of Cooperation between the Economic Studies Departments of the Central Banks. A very significant proposal emerged from this meeting, leading to the creation of a Permanent Committee of the Meeting of Central Bank Technicians of the American Continent. The functions of this permanent committee would be to facilitate the exchange of information, support training of technical staff and promote studies on central banking in the Americas. Victor L. Urquidi of Banco de México was appointed technical secretary of this body and participated very actively in preparing the program for the second edition of the forum to be held in Santiago, Chile, exactly three years and four months later.

## **2. The Project**

The project for a Latin American Economic Studies Institute was presented for consideration to the Permanent Committee of the

# 1897-1970 **Rodrigo Gómez**

**F**ROM AN INSTITUTIONAL POINT OF VIEW, THE PROJECT FOR establishing the Center for Latin American Monetary Studies originated from Banco de México. From the individual or human angle, the main promoter of its creation was Rodrigo Gómez, General Director of Banco de México from December 1952 until his death in 1970. Born in Linares, Nuevo León, and with little academic training, don Rodrigo, as he was affectionately known to all at Banco de México, had arrived to the highest position in the institution after 19 years of a very successful and upwardly mobile career. It was the year 1933 and the position of Head of Foreign Exchange had become vacant. Agustín Rodríguez, in the highest position at Banco de México, asked: who is the best money changer in the country? Those he was speaking to immediately and unanimously answered “Rodrigo Gómez, who works at the Banco Mercantil de Monterrey.” Thus the link between this sharp, simple and brilliant man from Nuevo León, with Banco de México was forged.



Rodrigo Gómez was a promoter of institutions. This was the first factor for explaining how he came up with founding CEMLA in 1952, then occupying a highly influential post at Banco de México. From this founding temple emerged other institutions that he helped establish. Such was the case for example of the Inter-American Development Bank which opened its doors in 1960, and many other bodies created at Banco de México

aimed at fostering the country's economic progress. Through very skillful use of the public trust fund figure, during the time of Rodrigo Gómez, the Fideicomisos Instituidos en Relación con la Agricultura (Instituted Trust Funds Related to Agriculture) were set up in 1954 and the Fondo para el Fomento de las Exportaciones de productos manufacturados (Fund for Fostering Manufactured Goods Exports) was created in 1960. These were followed some years later by other similar instruments for promoting social interest housing, industrial equipment and for developing areas of tourism.

Another typical characteristic of Rodrigo Gómez was his vocation for Latin America. In honor of this characteristic, since 1958 he was assigned by the Mexican government to participate in sponsoring the Economic Commission for Latin America in work that would culminate in the creation of the Asociación Latinoamericana de Libre Comercio (ALALC). In the specific area of central banking, the parallel idea was to create a multilateral payments system in the region. Since the corresponding work began, the Mexican representative stood out because of his intellectual capacity as well as his great dedication to encouraging economic integration among Latin American nations. He devoted himself to this ideal with great commitment, promoting it at many forums and negotiating platforms.

The other factor explaining why Rodrigo Gómez encouraged the establishment of CEMLA was the interest he always showed in developing human resources at central banks. Being aware of the fact that the soul of these institutions mainly consists of the people who work at them, who give them their political and social dimensions, Rodrigo Gómez always paid great attention to the creation of professional teams at Banco de México. His children, as Rodrigo Gómez affectionately referred to young professionals with the highest potential, received the opportunity to study at the best universities in the country as well as abroad. Subsequently, under his careful guidance they excelled themselves in the performance of their growing responsibilities.

CEMLA was a kind of legacy from Banco de México and Rodrigo Gómez, on an individual level, for the benefit of the central

banks of Latin American countries. It was a task that needed to be carried out with utmost diligence, improving CEMLA in order for it to become stronger and be as useful as possible. That wise and pragmatic Nuevoleonese instigator used to say that once the cart gets moving the pumpkins fall into place (things have a way of working themselves out). This commitment explains all the support CEMLA received from Banco de México, above all during its initial phase. The latter list importantly includes the help it received for obtaining its first premises and later in order for it to have its own head offices. It is also worth mentioning the budgetary support and the willingness to allow technicians from Banco de México to collaborate in teaching and research work.

## §



Meeting of Central Bank Technicians in institutional form “by the delegation from Banco de México, S. A.” The latter consisted of the engineer Agustín Luna Olmedo, Head of the Economic Studies Department, the young economist Ernesto Fernández Hurtado, and an official from the Ministry of Finance, Julián Díaz Arias, who was Head of the Currency and Banks area of that institution. Evidence that this proposal had already been worked on for some time is the fact that, after an introductory presentation, there were draft statutes comprising of two chapters containing 16 articles. Regarding the introductory presentation, it is particularly important to mention the argument that various Mexican government institutions had some time ago set up “a fund designed to serve as a base for sustaining a center for economic studies and research aimed at systematically initiating studies in the economy of Latin American countries.” This entity would also provide *advanced training* in order to create economists that are experts in the problems of countries of the region. Later, this introduction would also state that the organization being proposed would surely be stronger and more functional if it had “the moral collaboration and participation of specialized personnel working at different central banks and financial and fiscal bodies of American governments.”<sup>12</sup>

It was definitely better if the entity being proposed were shared, i.e., belonging to all the central banks of the continent, instead of just to Banco de México. In the best spirit of collaboration, the Mexican government, besides making the proposal, also offered to “cover the expenses for organizing the Institute,” using the profits from the previously mentioned fund, as well as obtaining other contributions. The aims that this institute would pursue, and which deserve to be cited in full, clearly show the influence of the thinking of Prebisch and other authors in the way that it was necessary to study “the economic phenomena of Latin American countries” from its own perspective:

<sup>12</sup> “Establecimiento de un Instituto de Estudios Económicos Latinoamericanos,” Segunda Reunión de Técnicos de los Bancos Centrales del Continente Americano, Vol. II, Chile, 1950, pp. 233-240.

Efforts to understand the economic problems of Latin America led Banco de México to become convinced that they could not be solved using the same tools as those employed in more advanced economies. During the first meeting of Central Bank Technicians this opinion was reinforced when the experiences on this particular topic were expressed by the attendees, while the present meeting seems to confirm the same judgment. All the countries of Latin America regularly send economics graduates or specialized personnel abroad to familiarize them with the techniques and experiences it is not possible to obtain in Latin American countries due to the lack of proper centers providing this type of services. The results are usually not satisfactory because specialized teaching on these countries is not given abroad, and when it is provided it is usually only a complement to studies focused on solving problems in industrialized countries. Furthermore, the personnel commissioned normally have to overcome the difficulties of foreign languages and adapting to local customs. All of this is in addition to the extra expenditure involved in sending staff to countries with higher living costs and the fact that students frequently do not have enough experience to determine from the training they receive what is immediately applicable to their own country or to others with similar economic conditions.<sup>13</sup>

The proposal was discussed and approved at the Second Meeting of Central Bank Technicians of the American Continent. Apparently no participant questioned the idea that, undoubtedly, “Latin America lacked an institution where different economic problems could be studied, and experts on economic and fiscal matters could be trained that would be able to advise on the policy of central banks and fiscal bodies.” However, concerns that functions which had already been assigned to other national and international organizations might be duplicated at the new institution were clearly voiced at this meeting. In fact, the new entity would have to cooperate with their “general economic research” activities. Once the proposal had been approved, it was recommended

<sup>13</sup> *Ibid.*, pp. 233-234

that a commission should be formed in order to study the draft project, fine tune and improve it. Importantly, one of the most noteworthy members of this commission was Raúl Prebisch, who was at that time serving as General Secretary of the ECLAC.<sup>14</sup>

What had happened inside Banco de México with respect to this topic during the time between the first and second meeting of Central Bank Technicians of the American Continent? Through the invaluable testimony of Victor Urquidi it was made known that the expatriated economist Javier Márquez, who had started to work at Banco de México precisely in January 1943, had been extremely influential in the idea for creating the referred Institute of Latin American Economic Studies. Apparently, Rodrigo Gómez, who had been thinking along similar lines to Márquez's ideas for some time, agreed with them and they helped him to make his own judgment. Moreover, Urquidi revealed in his testimony that Prebisch had become personally annoyed with Márquez as a result of these ideas and that this had made them grow apart to such an extent that their friendship never recovered.<sup>15</sup> Given that Urquidi never revealed the actual cause of this confrontation it is worth doing some guesswork. One very plausible reason is that in the proposal Banco de México had presented Prebisch feared a duplication of functions with that of the ECLAC, a body that had been so difficult to set up and make survive.

### Establishment of CEMLA

Nevertheless, with or without the consent of Prebisch, the proposal, which was ultimately sponsored by Banco de México as an institution and not individually by some of its officials, survived. The ad hoc commission formed to study the draft project of Banco de México worked hard, if slowly, on its task. It was over two years before the duly reviewed and modified proposal was presented and discussed again at the following Meeting of Central Bank Technicians of the American Continent convened in Havana during February and March 1952.

<sup>14</sup> Ibid., pp. 241-242

<sup>15</sup> Víctor L. Urquidi, "Ensayos sobre economía," in Saúl Trejo Reyes (ed.), *Obras escogidas de Víctor L. Urquidi*, El Colegio de México, Mexico.



Fernández Hurtado (third from left to right), VII Operational Meeting, 1962.

The greatest success of the ad hoc commission consisted in reducing the horizon or scope of the activity of the proposed institution. That decision was based on an overbearing fact: the specialization that central banks are necessarily subject to. Thus, if the institutions called to create and sponsor the research and teaching body that was proposed to be created were central banks of the continent, its scope would logically be limited to the specialization of such entities. It was therefore definitely a wise decision that instead of suggesting the establishment of an Institute of Latin American Economic Studies, a Center for Latin American Monetary Studies was proposed. In line with this, the Center's aims were laid down as "to promote a better understanding of monetary and banking matters, as well as aspects related to the economy in general." Incidentally, the bounds of the new entity's field of activities also mostly solved the problem of a possible overlap with the functions of the ECLAC, which Prebisch had seemingly feared since the beginning.

The first thing that stands out in the Charter of the Center for Latin American Monetary Studies granted in September 1952 is that Mexico's Minister of Foreign Affairs had declared that the creation of this institution was exempt from the provisions in the 2<sup>nd</sup> Article of the Organic Law of Section I of Constitutional Article 27 and in the 2<sup>nd</sup> Article of said law's regulations. These rules were designed to protect national sovereignty by preventing foreign firms operating in the country from acquiring property on the coast or in border zones, as well as making them refrain from requesting the protection of their embassies during legal disputes and accept their referral to Mexican courts. Thus, the response of this office laid down in writing that the Center for Latin American Monetary Studies was exempt from fulfilling such demands given that "the proposed association does not wish to be able to acquire real estate on national territory or carry out any industrial, agricultural, farming and forestry activities for profit or commercial reasons." It was natural that the Ministry of Foreign Affairs acted in this way because an international organization was being created under the legal figure of a civil association.<sup>16</sup>

Although the organization was born under good auspices, during its creation it seemed to have suffered from a certain lack of continental support. The call to join the new Center, and therefore become *members of the institution*, had only been answered by the central banks of Colombia, Cuba, Ecuador, Guatemala and Honduras, besides its promoter, Banco de México. The ceremony for granting the Charter had therefore only been attended by the aforementioned central banks. The omissions were noteworthy. In particular, the absence of the institution of various countries from the continent's southern cone, such as Argentina, Chile, Uruguay and Venezuela stood out. Perhaps the absence of Brazil could be explained by the fact that at that time said country still did not have a central bank because the central bank of Brazil did not open its doors until

<sup>16</sup>Civil association named "Center for Latin American Monetary Studies," Notary No. 22, Rigoberto Landa Guth, Mexico City, September 9, 1952.

1964. Some compensation could be taken from the fact that the Economic Commission for Latin America joined, although not as an associate member, because only central banks of the continent could be so, but as a *collaborating member*. It was also to be expected that in the future “other bodies that provide or promote teaching and research and offer, in some regular way, their help to the Center”<sup>17</sup> would join under the latter category.

The document “Constitutive Basis for Organizing a Center for Latin American Monetary Studies” was the first to be presented in 1952 –obviously after the acts of protocol– for consideration to the Third Meeting of Central Bank Technicians of the American Continent.<sup>18</sup> Stemming from the ad hoc Committee that had been created for this purpose during the previous edition of said forum, the document proposed that the desired institution should be organized based on eight rules. The first outlined the abovementioned objectives that the organization being set up would respond to. The second of these rules included a veiled gesture to the ECLAC by stating that the Center would maintain close relationships with national or international organizations dedicated to carrying out research on “the Latin American economy.” In honor of the country from where the draft project had emanated, the third pillar stated that the Center’s head offices would be in Mexico City. The fourth and fifth rules were dedicated to defining the associate and collaborating members that the organization would have and the powers they would be given within its highest governing body: the Assembly. The sixth rule precisely concerned the organization’s governing bodies (the Assembly, the Governing Board and the General Director) with their respective powers. Meanwhile, the seventh and eighth rules referred to the very important topic of the Center’s funding. It was proposed that the annual member quotas would be four, eight and twelve thousand US dollars as determined by the Assembly for the three types of members according to a definition yet to be decided on.

<sup>17</sup> *Ibid.*, 6th Art., Section *b*.

<sup>18</sup> Banco Nacional de Cuba, *Memoria. Tercera Reunión de Técnicos de los Bancos Centrales del Continente Americano*, Havana, 1952, pp. 81-86

One crucial matter for continuing the process of setting up the Center for Latin American Monetary Studies was writing that statutes according to which it would organize and operate. For this point, rule eight, the session of the Third Meeting of Central Bank Technicians of the American Continent decided on creating a special commission. The latter body would be made up of the following countries' central banks: Chile, Colombia, Costa Rica, Cuba, Ecuador and Mexico. It was also decided that the Economic Commission for Latin America (ECLAC) and the Inter-American Economic and Social Council of the Organization of American States could also take part in the referred commission. Besides writing the Center's statutes said body would also assign an organizing institution –a choice which inexorably fell to Banco de México– to prepare the initial work programs, receive provisional contributions and report on its activities to central banks and similar institutions of the American continent. A deadline was set for the inaugural meeting of the Assembly of the Center for Latin American Monetary Studies to be held during the next meeting of governors of the International Monetary Fund that would take place five months from then, in September 1952 in Mexico City.

Recognition of the work completed by the ad hoc committee was proposed at the third meeting of central bank technicians by the delegation from the United States, among the members of which stand out David L. Grove, of the Federal Reserve in Washington, and Eugene Schlesinger, of the Federal Reserve in New York. According to this proposal, central banks attending that meeting should express their points of view and suggestions on the project being discussed to the recently created Special Commission. A similar motion was put forward by the delegations from Colombia, Costa Rica, Cuba, Chile, Ecuador and Mexico. The declaration lent backing to the document that had been presented by the ad hoc committee, as well as to the composition of the special commission along with the responsibilities that had been assigned to it, especially that related to writing the statutes.

There was little in the final wording of the statutes that had not already been stated in the document of Constitutive Rules presented by the ad hoc Committee in Havana during February

Table 3

### FIRST MEETINGS OF CENTRAL BANK TECHNICIANS OF THE AMERICAN CONTINENT

<i>Participating institutions</i>	<i>Special guests</i>	<i>Comments</i>
<p style="text-align: center;">First meeting. Held in Mexico City, from August 15 to 30, 1946. Hosted by Banco de México</p>		
<ul style="list-style-type: none"> <li>• Banco Central de la República de Argentina</li> <li>• Bolivian Consul General in Mexico</li> <li>• Bank of Canada</li> <li>• Banco de la República (Colombia)</li> <li>• Banco Nacional de Costa Rica</li> <li>• Banco Nacional de Chile</li> <li>• Banco Central de Ecuador</li> <li>• Banco Central de Reserva de El Salvador</li> <li>• Board of Governors of the Federal Reserve</li> <li>• Federal Reserve Bank of Dallas</li> <li>• Federal Reserve Bank of New York</li> <li>• International Monetary Fund</li> <li>• Banco de Guatemala</li> <li>• Banco de México</li> <li>• Nacional Financiera (Mexico)</li> <li>• Banco Nacional de Nicaragua</li> <li>• Banco de Paraguay</li> <li>• Ministerio de Finanzas (Paraguay)</li> <li>• Banco Agrícola e Hipotecario de la República Dominicana</li> <li>• Banco de la República Oriental de Uruguay</li> <li>• Banco Central de Venezuela</li> </ul>	<ul style="list-style-type: none"> <li>• Raúl Prebisch</li> </ul>	<p>The rules for this type of meeting during what can be considered the first stage were established. It was decided that :</p> <p><i>a.</i> activities would be carried out every two or three years;</p> <p><i>b.</i> the meetings would be “of central bank technicians of the American continent;”</p> <p><i>c.</i> a permanent Committee would be appointed consisting of representatives from six central banks;</p> <p><i>d.</i> important individuals should be invited as special guests of the host central bank;</p> <p><i>e.</i> the meeting should function through opening and closing plenary sessions, and three commissions;</p> <p><i>f.</i> each participating central bank should present a “Summary of the financial events, and innovations in banking, monetary and exchange legislation,” minutes would be prepared and presented at the end of each meeting; and</p> <p><i>g.</i> meetings would last for two weeks.</p>



Second meeting. Held in Santiago, Chile, from December 2 to December 15, 1949. Hosted by the Banco Central de Chile

- Banco Central de Bolivia
  - Central Bank of Canada
  - Banco Central de Chile
  - Banco de la República (Colombia)
  - Banco Nacional de Costa Rica
  - Banco Nacional de Cuba
  - Banco Central de Ecuador
  - Banco Central de la Reserva de El Salvador
  - Board of Governors of the Federal Reserve
  - Federal Reserve Bank of San Francisco
  - Federal Reserve Bank of New York
  - International Monetary Fund
  - Banco de Guatemala
  - Banco de México
  - Banco Nacional de Nicaragua
  - Banco de Paraguay
  - Banco Central de la República Dominicana
  - Banco Central de la Reserva del Perú
  - Banco de la República Oriental del Uruguay
  - International Bank of Reconstruction and Development
- Eugenio Castillo, Assistant Secretary, and Raúl Prebisch, Head of Economic Research at the ECLAC
- Flavían Levine, Financial Advisor, Compañía de Acero del Pacífico
- Sergio Fajardo, Corporación de Fomento de la Producción
- Carlos Oyarzún, Technician, Ministerio de Finanzas, Chile
- This was a technical meeting. The main topics were:
- a. studying inflationary issues in American nations;
  - b. analyzing the reports presented by each delegation on the development of this phenomenon in their countries and the measures adopted by each government to stop the inflationary process;
  - c. discussing the countercyclical policy principles and measures, and their relationship with monetary policy;
  - d. foreign exchange problems considering the means existing at that moment, particularly the difficulties created by the lack of dollars, the multiple exchange system, balances in non-convertible currency and other obstacles appearing on a daily basis for larger and more profitable interchange of goods and capital; and
  - e. considering the economic development programs sponsored by American governments and the effects they might have on the economic stability of the respective countries, dealing with the topic from the point of view of whether economic development is possible or not without inflation.

(continues)

Third Meeting, Held in Havana, from February 25 to March 7, 1952. Hosted by the Banco Nacional de Cuba

- Banco Central de la República Argentina
  - Superintendência da Moeda e do Crédito do Brasil
  - Bank of Canada
  - Banco de la República (Colombia)
  - Banco Central de Costa Rica
  - Banco Nacional de Cuba
  - Banco Central de Chile
  - Banco Central de Ecuador
  - Banco Central de Reserva de El Salvador
  - Governing Board of the Federal Reserve
  - Federal Reserve Bank of Atlanta
  - Federal Reserve Bank of New York
  - International Monetary Fund
  - Banco de Guatemala
  - Banco Central de Honduras
  - Banco de México
  - Banco Nacional de Nicaragua
  - Banco de Paraguay
  - Banco Central de la República Dominicana
  - Economic Commission for Latin America
  - Inter-American Economic and Social Council
  - International Bank of Reconstruction and Development
- The topics at this meeting were:
- a. the study on economic development;
  - b. promoting economic development of a country or region by increasing the exploitation of its natural resources;
  - c. creating new industries, crops;
  - d. increasing the productivity of its labor force by improving production techniques, increasing the driving force, mechanical equipment and production facilities;
  - e. the development programs that adopt economic, technological, administrative, educational and social measures and solutions; and
  - f. coordinating fiscal, social, foreign trade and public works policies.
- In addition, it was established that an association entitled Center for Latin American Studies would be set up with the sponsorship of central banks and similar institutions of the American continent.*

Source: Memorias de las Reuniones de Técnicos, CEMLA.

and March, 1952. The guidelines mentioned in the statutes were expressed in an article comprising exactly 28 provisions that were divided into the following nine chapters:

- Establishment, address and duration of the Center
- Purpose and functions
- The members
- The governance of the Center
- The Assembly
- The Governing Board and director
- Budget
- Dissolution of the Center
- Transitory provisions

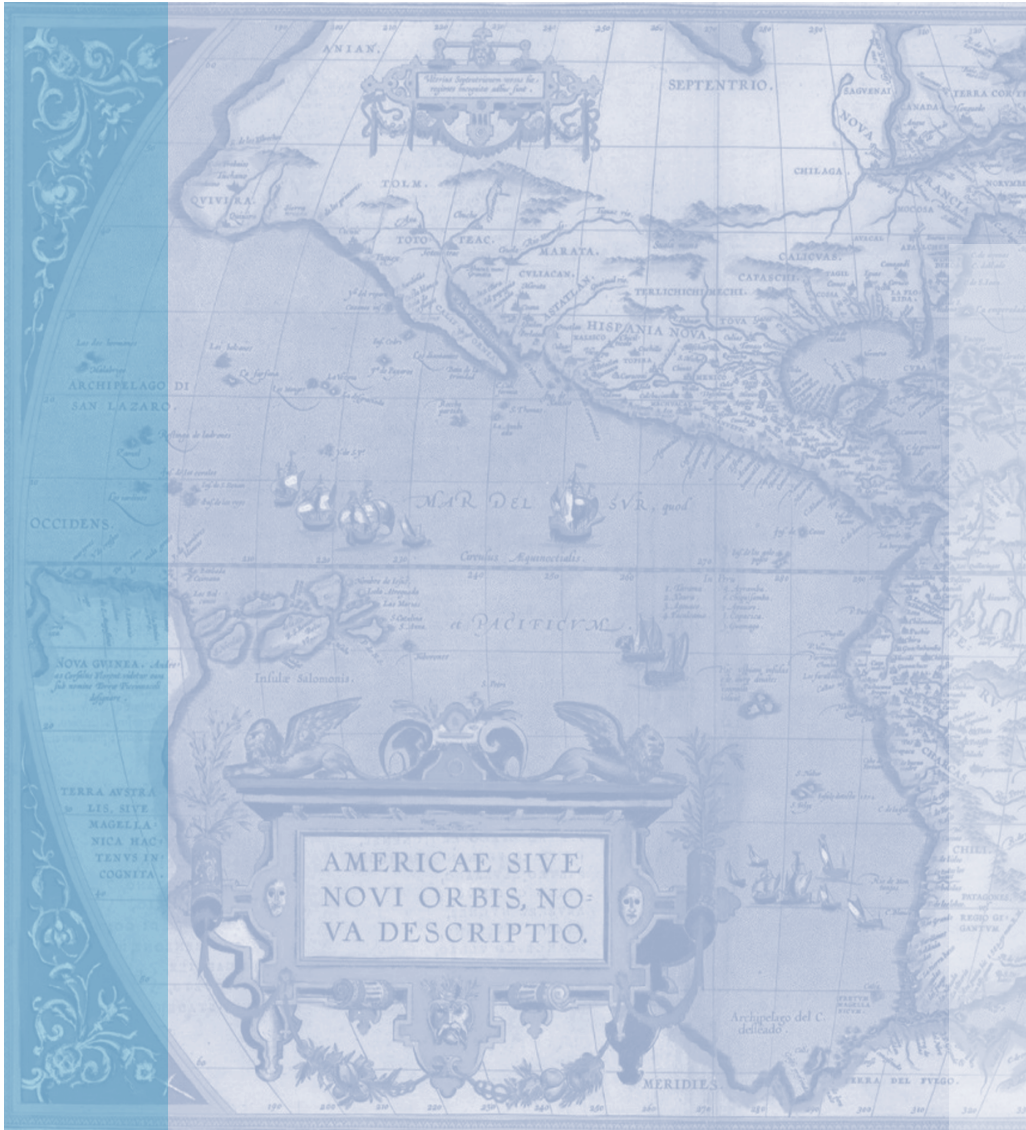
The aims of the Center were included in the fourth Article and worded identically to those laid down in the Constitutive Rules and other previous proposals. The important point regarding the latter aspect is how the activities that the organization would carry out in the pursuit of its objectives were defined in the fifth Article:

- Undertake research, using its permanent staff and the temporary collaboration of other economists and experts, as well as from central banks.
- Gather the experiences related to its objectives and systematize the teachings derived from them.
- Assist, using the means at its disposal, in improving the qualifications of officials and technical staff at central banks and similar institutions of the American continent.
- Inform its members in a timely manner on important developments in the field of monetary, banking and fiscal policy.

- Maintain close ties with national and international bodies that promote knowledge on topics of interest to the Center, in order to support its work and avoid unnecessarily duplicating tasks.
- Where its means allow it, carry out studies and answer enquiries made by members themselves or in representation of their governments.
- Participate at national and international technical meetings on the topics mentioned in Article four.
- Generally do everything within its powers to promote greater understanding of the monetary, banking and fiscal issues facing Latin American countries, both internally and externally.

One particularly important matter in the chapters of the Charter was that concerning the budget the Center for Latin American Monetary Studies should have. The statutes implied that a budget should exist, but did not specify which authority would be responsible for its preparation. As for the revenues for covering the budget, it specified that they should come from two sources: from the quotas paid by the associate members and *other possible income*. Further on, the temporary provisions stated that the quotas would be fixed during the first three years of the organization (as had been suggested in the Constitutive Rules documents) “at twelve thousand, eight thousand and four thousand United States dollars” for the three types of members. Another Article (the 13<sup>th</sup>) specified that classifying associate members in each of these three categories would be the exclusive and non-delegable responsibility of the Center’s Assembly. The statutes did not make any mention of the quotas that could eventually apply to *collaborating* members.

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## Chapter II

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# Takeoff (1952-1960)

### 1. Overview

**J**UST FOUR DAYS AFTER THE CHARTER OF THE CENTER FOR Latin American Monetary Studies had been signed, the first meeting of the organization’s Assembly and Board of Governors took place. As was required by the statutes, after choosing Banco de México to chair the Board of Governors for the following four years, the corresponding agenda proceeded with designating who should act as Director of the Center. The issue had obviously already been negotiated and agreement was a mere formality. The minutes of the meeting state that “after having discussed the matter of the Director of the Center, the Board of Governors” had agreed “to offer the position to Mr. Javier Márquez,” followed by mention of his annual salary. The appointive then gave thanks for his nomination “and agreed to accept it on condition that it did

not imply dissociating himself from Banco de México,” the institution he wished to remain actively linked to. In response to this, Banco de México’s representative at this meeting, who was none other than its General Director, Carlos Novoa, offered to make the necessary arrangements “to favorably resolve Mr. Márquez’s request.”<sup>19</sup>

Chapter VIII of the Charter, incorporating Articles 24 and 25, referred to the possible or eventual “Dissolution of the Center.” Although the latter was in some way just a legal formality, the possibility of institutional failure was undoubtedly present, and such outlook was unacceptable for the country where the project emerged and the institution (Banco de México) which had promoted it. Thus, it should not be surprising that CEMLA’s founding documents include evidence of the support that the Mexican government and the central bank were willing to provide to the organization in order to guarantee its survival. One example of this interest was precisely the presence of the Director of Banco de México, at that time Rodrigo Gómez, at the first five meetings of the Board of Governors, in spite of the fact that the last four of them were held, respectively, in Washington D.C., in 1953, 1954 and 1956, and in Istanbul, Turkey, in 1955. Although the presence of this high ranking official at said meetings may only look like a formality, it is important to mention the demonstrations of real support that Banco de México offered CEMLA to ensure its sustainable development.

At the second joint meeting of CEMLA’s Assembly and Board of Governors, when the budget and the economic difficulties of the institution became evident –given that the expenditures for the following months were higher than *the resources of the Center*–, an important declaration was made by the representative of the country where the organization’s head offices were located: “the General Director of Banco de México (Rodrigo Gómez) mentioned the offer made by that Bank to cover any deficits that might be produced.”

<sup>19</sup> CEMLA, “Minutes of the First Meeting of the Board of Governors,” September 13, 1952, pp.1-2.

During the following years, Banco de México continued to provide different types of crucial support to CEMLA, among which it is important to emphasize those related to its premises. The organization had originally started operating in the Guardiola annex with furniture and equipment belonging to the referred central bank. A short time later, the authorities of Banco de México helped the organization move to the Torre Latinoamericana, where it remained until the start of the next decade, when its permanent premises were built on Durango Street in the Roma district of the country's capital city. All of these facts are confirmed in a declaration that was made during the meeting of the Assembly and Board of Governors held in September 1952:

The Board of Governors recorded its gratitude to Banco de México for the contribution it had made to CEMLA, both in reference to the expenditures defrayed by Banco de México in connection with the premises it occupied in the Guardiola Building and the contribution that Banco de México continues



The Guardiola Building. From the Collection of Luis Márquez Romayca, 1950. Manuel Toussaint photographic archive, Instituto de Investigaciones Estéticas, UNAM.



to make to CEMLA in its current premises. It also recorded that CEMLA's Board of Governors is very grateful to Banco de México for the free services it is providing to the scholarship holders who attend CEMLA's course.<sup>20</sup>

When in September 1953 Rodrigo Gómez offered additional support to cover any budgetary deficits the organization might incur, the members of the Board of Governors unanimously insisted that "it would make an effort to obtain new members in order to make it unnecessary to take up the offer that was made." They were clearly correct. Increasing the membership was the key, not only for making the organization financially solvent, but also for ensuring its survival and consolidation. Thus, efforts for gaining new members became extremely important during the first years of CEMLA. In fact, such task was among the priorities assigned to the Director General. The legal procedure for completing new membership by formalizing this act before a public notary was cumbersome and very slow. For this reason, at the meeting of the Board of Governors of September 1953, Director Márquez proposed and accepted "that for all intents and purposes, payment of the corresponding quotas would be taken as formal adhesion in order not to hinder the memberships that were desired."<sup>21</sup>

At the meetings of September 1954, Director Márquez made reference to two important matters related to the campaigns that were being made to recruit new members for CEMLA. Firstly, regarding the fact that such efforts were not only the responsibility of the Center and, in particular, its Director, but that central banks which were already members of the organization should also directly participated in the task. He also recommended at the same meeting that central banks of the region be invited to CEMLA activities even if they had not become members. This was perhaps a way of convincing them to acquire that category. Regarding the first of the referred proposals, agreement was made in the sense

<sup>20</sup> CEMLA, "Minutes of the Assembly and Board of Governors Meetings," September 1957, p. 1.

<sup>21</sup> CEMLA, "Minutes of the Second Board of Governors Meeting," September 1953, p. 3.

“that some member central banks should directly contact some other central banks that are not members in order to suggest they join.” As for the second, “the Assembly decided to extend an invitation to the representatives of non-member central banks to attend the second meeting” of the organization planned to be convened in September 1954. “In this regard, it was reported that some non-member central banks actually did participate at that meeting and made enquiries about the Center for Studies, which were answered.”<sup>22</sup>

## Growth of the Membership

When exactly did the takeoff or consolidation phase of the Center for Latin American Monetary Studies end? Perhaps the best criteria for answering that question would have been precisely that of adherences or memberships. At the meeting of the Assembly and Board of Governors of 1957, the recently obtained membership of Brazil and Bolivia was announced, and this was said to have significantly contributed to strengthening the Center’s budgetary situation. Moreover, the overall membership improved notably with adherence of the Banco Central de la República Argentina in 1958. As mentioned, CEMLA had begun with just six *associate* members and one *collaborator*. During the following years new members were successfully recruited as shown in Table 4.

Particularly empowering were the memberships of two large South American countries: Brazil and Argentina. The case of Brazil was a little peculiar because the country did not have a central bank when it joined CEMLA, and the link was established with its precursor institution: the Currency and Credit Supervisor. Membership of the Banco Central de la República Argentina, obtained a year later, was particularly significant. An important precedent to this undertaking were the students from that country who had enrolled in CEMLA’s training programs and had studied with outstanding results. It is worth mentioning the case of the economist Egidio Lanella, who after completing a CEMLA scholarship in

<sup>22</sup> CEMLA, “Minutes of the Second Assembly Meeting and Third Board of Governors Meeting,” September 1954, pp. 2-3.

1953 held the highest position at his country's central bank on three occasions.

Thus, once this institute was properly associated and officially represented in the Assembly and the Board of Governors, toward 1959 the delegate of that country gave his own opinion:

The representative of the Banco Central de la República Argentina states that their Bank is very interested in effectively assisting CEMLA and suggests that some of the Center's activities, such as operational meetings, working groups or seminars, could be organized in Buenos Aires. He also states the interest of his Bank in CEMLA sending groups of experts to



Egidio Ianella (1922-2001) was a student of CEMLA in 1953, while serving as Deputy Manager of the Banco Argentino del Comercio. He was President of the Banco Central de la República Argentina in 1969, 1981 and 1989. CEMLA's photographic archive.

**Table 4**

**CEMLA: GROWTH OF THE MEMBERSHIP**

<i>Institution</i>	<i>Year</i>
Banco Central de Chile	1952
Banco Central de Venezuela	1955
Banco Central de Paraguay	1956
Banco Central de Bolivia	1957
Superintendência da Moeda e do Crédito (Brazil)	1957
Banco Central de Costa Rica	1958
Banco Central de Reserva del Perú	1958
Banco Central de la República Argentina <sup>1</sup>	1958

<sup>1</sup> CEMLA, *El Centro de Estudios Monetarios Latinoamericanos, 1952-1985: el camino recorrido*, Mexico, 1987, pp. 75-76.

study problems such as the structure of Argentina's monetary system. Moreover, he also points out that he is aware of the possible difficulties CEMLA might have to fulfill the latter request, given that it might receive criticism from international organizations such as the International Monetary Fund, which provides technical assistance in this field to member countries. Nevertheless, the Bank wishes CEMLA to collaborate on establishing a program which generally improves the quality of its technical staff [...] The representative of the Banco Central de la República Argentina proposes that the Assembly and Board of Governors authorize the Director of CEMLA to delve deeper into the assistance required by his Bank and develop an adequate collaboration program. This proposal [was] unanimously approved.<sup>23</sup>

As has been seen, the solution to the budgetary challenge faced by CEMLA mainly depended on two variables: the membership that could be obtained for the organization and the quotas applied to them, and how much they were willing to pay. As should be remembered, this very important matter was addressed in a temporary provision of the Charter, establishing that the annual quotas for associate members would be fixed, respectively, at twelve thousand, eight thousand and four thousand US dollars.<sup>24</sup> This document did not, however, determine the criteria that would be used to decide which of these quotas corresponded to each associate member. The matter was clarified during the first meeting, in its history, of the Assembly, using the balance of the international reserves of each member central bank as a reference. "The reserves will be calculated on June 30 before the date on which approval is given to the budgets" of the Center. The members of the Assembly probably did not imagine that another question would emerge: what method or formula would be used to calculate members' international reserves? The dilemma came up at the meeting of the Board of

<sup>23</sup> CEMLA, "Minutes of the Assembly and Board of Governors Meetings," September 1959, p. 7.

<sup>24</sup> CEMLA, "Charter," twenty-sixth Article.

Governors of September 1953 during discussions on the case of the recently joined Banco Central de Chile:

The Board approved the proposal of the Director [Javier Márquez] as regards the quota of the Banco Central de Chile [...] that the international reserves of member central banks be used as a reference for fixing the annual contributions to the Center for Studies, those that the banks themselves consider as such.<sup>25</sup>

The experience of the first years surely suggested that it was convenient to clarify the classification employed for determining member quotas. The topic was discussed at the joint Assembly and Board of Governors meetings held in September 1955. Without fully explaining the reasons for supporting the proposal, it was decided to broaden the corresponding classification by creating two new categories. Although due to the passage of time and inflation, the nominal balances do not mean much today, *for the three following years* the maximum annual quota of 12,000 US dollars would apply to members with international reserves of over 150 million US dollars and the penultimate of 2,000 US dollars when the balance was between 5 and 25 million US dollars. The last category, which was considered *contractual*, would apply to members with international reserves of below five million US dollars. For those in the latter category:

It was decided that the central bank in question negotiate the contribution it was able to make with CEMLA's management, authorizing the Directorate to accept merely nominal or symbolic contributions.<sup>26</sup>

The Center for Latin American Monetary Studies started its activities following a prudent strategy of gradual progress. Given the budgetary restrictions and prevailing uncertainties, it was a proper and logical strategy. The 1993 edition of an intuitional

<sup>25</sup> CEMLA, "Minutes of the Second Board of Governors Meeting," Washington, September 1953, p. 3.

<sup>26</sup> CEMLA, "Minutes of the Assembly and Board of Governors Meetings," September 1955, p. 1.

document stated: “The authorities of CEMLA appropriately planned the development of its activities gradually.”<sup>27</sup> It was actually a selective gradualism that gave priority to training tasks over those of research and information. Perhaps the main reasons for this decision were the broad education and academic experience of Director Márquez, and the needs and requirements presented by member central banks. In line with this approach of successive approximations and respect for priorities, the aim would be to drive the organization forward until it reached its institutional maturity: slowly promote and diversify training, information and research activities, and when possible link training with achievements in research area. The latter idea was expressed with great emphasis at the meetings of the Assembly and Board of Governors held in Washington during September 1954.<sup>28</sup>

The broad support offered by Banco de México to CEMLA was not just rhetoric, but took the form of tangible acts and hard cash. Of course, Banco de México had paid its quota to the organization punctually since 1953. Although said quota remained fixed at 12,000 US dollars until 1960, the devaluation of the Mexican peso in April 1954 meant the corresponding amount expressed in local currency increased from 102,200 to 150,000 pesos a year. In fact, in 1955 Banco de México offered to compensate CEMLA for the damage caused by the devaluation of the preceding year by almost 47,000 pesos, a significant amount if we consider that in that year a new automobile could be purchased for around 1,500 US dollars ( $1,500 \times 12.50 = 18,750$  pesos). Moreover, from 1953 to 1956, Banco de México paid a subsidy to the Center for covering its rent that amounted to 12,600 pesos per year. Later, as of 1957 a complementary contribution that included the subsidy for paying rent appears in the organization’s accounts amounting to almost 45,000 pesos, which increased to 71,000 pesos from 1957 to 1960.<sup>29</sup>

<sup>27</sup> CEMLA, *El Centro de Estudios Monetarios Latinoamericanos, 1952-1992: el camino recorrido*, fourth edition, 1993, p. 21.

<sup>28</sup> CEMLA, “Minutes of the Assembly and Board of Governors Meetings,” September 1954, p. 1.

<sup>29</sup> CEMLA, *Annual Report*, editions from 1953 to 1960.

## Biographical Sketch

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1909-1987 Javier Márquez

WHEN JAVIER MÁRQUEZ BLASCO ARRIVED IN MEXICO IN 1939 along with other Spanish expatriates that had been expelled from their mother country because of the civil war, he was already a professional with a very solid and diversified education. He had first studied Law at the Universidad Central of his native Madrid and then postgraduate studies at the Free School of Political Science in Paris, followed by the very prestigious London School of Economics (1934-1935). Once living in Mexico, his adopted country, Javier Márquez established a relationship that would be fundamental in his life with Daniel Cosío Villegas, founder of the Fondo de Cultura Económica and El Colegio de México. The latter institution had been founded to offer refuge and a workplace for intellectual Spanish republican exiles. The country undoubtedly benefitted a lot both culturally and humanly from the arrival of the so-called *trasterrados* (expatriates).

The ties of friendship and work between Cosío Villegas and Márquez explain the latter's link with Banco de México and the Fondo de Cultura Económica. As the Deputy Director of this publishing house and editor of the journal *El Trimestre Económico*, the first official contact of the economist Márquez with the central bank occurred when, in the midst of World War, the Economic Studies Department of Banco de México began to invite prestigious technicians to give speeches on previously agreed topics of interest. The general idea was to study in depth the economic problems that could arise in Mexico when the conflict ended. The prestige of Javier Márquez as an expert on international trade

had been growing. As a result, in 1943 he was invited to Banco de México to give a conference on economic blocks and export surpluses, which was published as a book by the central bank. During the final years of the war, this expert continued to work with the Fondo de Cultura Económica and El Colegio de México. Finally, in 1946 he was hired by Banco de México and joined the team of economists and researchers working at the institution.

The professional prestige of Javier Márquez had crossed borders and in 1947 he was invited to work at the International Monetary Fund with its head offices in Washington. The new official joined the economic research department and later occupied the post of Head of the Division for North America. From that position he became alternate executive director precisely in the seat representing Mexico and other Central American countries. In this role Márquez had to participate in the sensitive negotiations that started in the middle of 1948 to authorize changing the parity of Mexico's currency. In 1951 he was invited by the Argentine economist Raúl Prebisch to take charge of the economic research area at the Economic Commission for Latin America, which had been established recently in 1948.



When at the start of the fifties the idea for creating a “Center” for studying the monetary problems of Latin America ultimately took shape, Rodrigo Gómez and the promoters of the organization had a relatively wide range of options for selecting the individual that could head the newly created body. They required a well-educated technician who should also be widely recognized in Mexico, as well as in Latin America and the United States.



Candidates would preferably have many contacts in the academic and institutional environments, besides possessing good diplomatic qualities: people person, internationally sensitive and constructive negotiating skills. Although some internal documents of Banco de México speak of initially considering the possibility of offering the position to the Cuban economist Felipe Pazos, the final choice was unanimously in favor of Javier Márquez. According to references, Pazos himself decided to recommend the naming of Márquez to be the first Director of the Center for Latin American Monetary Studies.

Javier Márquez took up this charge not only with his characteristic professional standing, but also with real personal devotion. His children still remember how students of CEMLA's technical training programs would often sit as guests at the family table to share a meal, and Director Márquez made innumerable friendships amongst their ranks. As can be seen in the pages of this commemorative work, this first director of the institution had the enormous responsibility of getting the Center underway and ensuring its improvement and continuity. The fact that there had been nothing before meant everything had to be started from scratch.

The first technical training programs, which achieved wide recognition, were designed under this environment of constructive adventurism. Publishing, research and other similar activities were also started in the same spirit. A very important part of this takeoff stage was the call for new associate and collaborating members. Thus, the role of CEMLA was gradually strengthened as a key institution for the central banks of Latin America. In sum, Javier Márquez carried out long-term constructive work in which he gradually included new tasks. It was thanks to all these pioneering efforts that CEMLA acquired greater *strength and prestige*.

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Table 5

**LECTURES GIVEN DURING THE TECHNICAL  
TRAINING PROGRAM OF 1958**

<i>Author</i>	<i>Lecture</i>
	International Monetary Fund
Harold Knight	The Monetary and Banking Mechanism
Edison Zayas	The International Payments Mechanism
Irving B. Friedman	Exchange Controls
	Federal Reserve Board
Frank L. Tamagna	Saving and Economic Development
Robert Sammons	Federal Reserve System
	Federal Reserve Bank of New York
John J. Clark	Legal Problems
Horace L. Sanford	Correspondent Relationships
	Economic Commission for Latin America
Juan F. Noyola	Economic Development in Mexico and Central America
Oswaldo Sunkel	Economic Development in Chile
David Pollock	Influences of the European Common Market on Latin America
	World Bank
Arthur Karash	International Financing Institutions
	Bank of America
David L. Grove	US Influence on Latin American Economies
	United Nations Organization
Samuel Lurie	General Economic Development
	Bank of England
Robert Lambert	The Bank of England
	Bank of France
Jean Francois Mazer	The Bank of France

	Chase Manhattan Bank
Michael Bernard	Letters of Credit
	Banco de México
Octaviano Campos Salas	Balance of Payments
Ernesto Fernández Hurtado	Central Banking
Mario Ramón Beteta	Banco de México
Alfonso Quiroz Cuarón	Staff Problems
Francisco Pratt	Central Bank Branches and Monetary Policy
	National Economic Council –Brazil
Octavio de Bulhoes	Fiscal Policy

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With the support of Banco de México, although mainly through its own devices, CEMLA can be considered to have performed successfully during its takeoff stage. The evolution was tangible and evident in all types of revenues the organization collected, mainly in the form of quotas from its associate members. From 1953 to 1960 the latter item grew continuously driven by three factors: a growing number of members, the increase of some quotas and the impact of the devaluation of the Mexican peso in 1954, which raised the amount of that member country expressed in said currency. Thus, CEMLA's revenues from quotas rose from 420,000 to 1,182,000 pesos in just eight years. In this regard, the contributions it started to receive in 1957 from the Rockefeller Foundation and a United States Government institution named the International Cooperation Institute (ICA) were very important. The total amount from these two contributions increased from 468,000 pesos in 1957 to 697,000 pesos in 1960. Finally, it is important to mention, if not for their size but their rapid growth, revenues from the sale of publications since 1955 and also from subscriptions to *Boletín* since 1958, a periodic publication of which we shall talk more about later.

It was at the meetings of the Assembly and the Board of Governors convened in September 1954 when “it was stressed that the Center for Studies should begin to publish the series of



David L. Grove giving classes to a group of students in 1960 in the Torre Latinoamericana. CEMLA's photographic archive.

conferences given in its courses and that merit it.”<sup>30</sup> This seed fell on fertile ground and by the end of the following year a book had been published, while two others were in the process of being

<sup>30</sup> CEMLA, “Minutes of the Assembly and Board of Governors,” September 1958.



Visit of Technical Training Program participants to the offices of the World Bank 1958. CEMLA's photographic archive.

printed. The publication program continued to grow over the next few years, reaching eight publications in 1958 and another nine books the following year. In sum, by 1960 it was reported that issues of 26 publications had been sold, among the highest sellers were those entitled: *Problemas de un mercado común en América Latina*, by Sidney Samuel Dell; *El control de cambios*, by Irving Sigmund Friedman; *Las fluctuaciones económicas con EUA y América Latina*, by David L. Grove, and *Introducción al análisis monetario*, by Harold M. Knight.

## 2. Training

The spearhead of CEMLA's operations during its takeoff period were training activities, with what years later became known as the Technical Training Program acting as an axis within them. Looking back, the wisdom of that program's original format stands out because it lasted such a long time and, according to many testimonials, the courses were always so successful. From the start, all the annual editions of the Technical Training Program were accompanied by a very rewarding training trip to the United States. In parallel to the Technical Training Program, CEMLA undertook other complementary education and training programs. The latter

led to the operational meetings, the annual holding of which also became institutionalized and by 1960 had been carried out five times. With respect to training, it is worth mentioning other courses and events on different topics that were also very well received.

At the Meeting of CEMLA's Board of Governors convened in September 1953 great emphasis was given to the quality of the students that had been recruited for the first edition of the Technical Training Program, stressing the advantages of being particularly careful with this fundamental aspect.<sup>31</sup> The topic was touched on again in a celebratory tone in the *Annual Report* for 1955, mentioning that "the quality of the students was, as in previous years, excellent, which has been the main reason behind what we truly believe to be a successful program." The fact is that it was not just the quality of the students that lay behind the success CEMLA's Technical Training Programs. Other equally important factors were: the professional quality of those giving the courses, the great institutional support obtained since the beginning for CEMLA, not only from Banco de México and other central banks, but also from a very important group of international bodies and operational agencies mainly belonging to the United States government. This matter obviously deserves to be explained in more detail.

Since the promotions of 1953, 1954 and 1955 CEMLA already had the basic nucleus of the institutions that would support the Technical Training Program for many years: the United Nations Organization (UN), the International Monetary Fund (IMF), International Bank of Reconstruction and Development (IBRD, currently the World Bank), the Economic Commission for Latin America (ECLAC) and, from the United States, the Board of Governors of the Federal Reserve, the Federal Reserve Bank of New York and the International Cooperation Administration. In the case of the UN and the ICA help was received in monetary terms for funding scholarships and also by providing teachers that travelled to Mexico to give the program's courses and seminars, while the other institutions mentioned expressed their support by

<sup>31</sup> CEMLA, "Minutes of the Board of Governors Meeting," September 1953, p. 1, and CEMLA *Annual Report*, 1955, p.5.



Director Márquez at breakfast with participants of the Meeting on Internal Operational Control Problems held in April 1955 in Havana, Cuba. Photographic archive of María Teresa Márquez.

sponsoring lecturers and speakers. The latter was particularly seen in the support given to the program of 1955 by the central banks of France, England and Italy, as well as the Bank of America, which sponsored a visit of the renowned economist David L. Grove, who gave a course on central banking. After its establishment in 1960, the Inter-American Development Bank (IBD) also became an important collaborator of CEMLA.

To a great extent, the quality of the lecturers that gave the Technical Training Program courses was due to the strength and prestige of the institutions they worked at, which decided to collaborate with CEMLA in its education and training programs. It is important to stress that such institutional support was offered on a permanent annual basis, above all for the Technical Training Program. This can be confirmed by simply looking at the 1958 edition of the Program.



Operational Meeting, held in 1958 in Rio de Janeiro, Brazil. CEMLA's photographic archive.

The United States institutions mentioned above, especially the ICA and the Rockefeller Foundation, were particularly useful not only for supporting the courses of the Technical Training Program given on CEMLA's premises, but also for the complementary program that included an observation and working field trip to the capital Washington, and the city of New York. Although not all the students normally visited the United States, the idea was that all or most of them went. During the two-week visit to Washington the students received on-site intensive courses on the Board of the Federal Reserve, the International Monetary Fund, the World Bank and some other Federal Government branches. In the remaining week, they toured New York, visiting the city's Federal Reserve Bank and other private institutions. The travelling expenses of many of the visitors were covered by the ICA.

The main strategic and logistical details of the Technical Training Program were hammered out during the first few meetings of CEMLA's Assembly and Board of Governors:



We can confidently state without contradiction that this first course has been very successful. During the first year, training having been almost the only activity of the Center for Studies, it is obvious that if general expenditures are added to those of training the total is high. However we believe this is not legitimate. Training expenditures totaled around 10,000 USD. We think that in the months that our program lasts the students will leverage the time better than they would have done that year in a university outside Latin America. Six months expenses for over twenty five students in such universities would have been higher than 10,000 USD, and it would have been necessary to add to them course registration fees, which can sometimes be more than 500 USD per student.

Besides the above, we contend that no university in the world provides specialized training in topics of interest to officials from Latin American central banks and that, as a consequence, the banks would not have been able to obtain anywhere else, or in a year, a similar result to that achieved in six months at the Center for Studies, especially if the fact that the gathering of these interns in the same location, the exchanges of their ideas and the contacts they make between themselves, and the opportunities and facilities that such contacts allow for future consultations, must result in benefits for their institutions that are not today available anywhere else. This might not be measurable in terms of money, but this factor should not be ignored when judging the cost of the program.<sup>32</sup>

The proposal relating to the *broadening of training tasks* was presented by Director Márquez for consideration to CEMLA's Board of Governors in September 1953. The idea was to organize specialized courses on specific topics, such as balance of payments calculations, index numbers or "given their urgency, central bank administrative organization topics."<sup>33</sup> This proposal led to the operational meetings that were such a very important antecedent to the meeting of "auditors on central bank operating control problems" organized

<sup>32</sup> CEMLA, *Report to the Board of Governors*, 1953, p. 4.

<sup>33</sup> *Ibid.* p. 9.

in 1954. Meanwhile, the so-called Meeting on Internal Control Operations was held in April 1955 in Havana, Cuba, and was *hailed a success* given the reports received from all three participants.<sup>34</sup>

The Center, in line with the wishes expressed by its Board of Governors regarding the preparation of annual meetings on operational topics, is studying in detail the program for a new meeting on the second item of interest emerging from the investigation made by the Director two years ago, i.e., mechanization, a topic that was also suggested by, among others, the participants at the meeting on internal operational control problems.

The idea of operational meetings had been institutionally decided upon, not just as an additional CEMLA Technical Training Program, but also as an institutional project. Thus, the first edition of the Operational Meeting was held in September 1956 in Mexico City on the topic of “different aspects of the Federal Reserve Banks of Chicago and New York, the Banco Central de la República Argentina, the Banco de Guatemala and Banco de México.” The next Operational Meeting was convened in Rio de Janeiro on the topic of “Problems of Issuing Paper Currency and Cash.” The fifth edition was held in Bogotá, Colombia, in 1960 with the participation of 43 from central bank and other official monetary bodies, 13 representatives of private banks “and another ten from paper and check related equipment manufacturing firms.”<sup>35</sup>

Without ever really becoming an official program, CEMLA’s courses on specific topics started to be planned in September 1956 at the joint Meetings of the Assembly and the Board of Governors, when “a program for helping national income assistants or calculators” was proposed.<sup>36</sup> The course began to be carefully planned at the end of that year and in the *Annual Report* for 1957 it was reported that in July “CEMLA’s first specialized course had

<sup>34</sup> Ibid., p. 6.

<sup>35</sup> CEMLA, *Annual Report*, 1956, 1957 and 1960.

<sup>36</sup> CEMLA, “Minutes of the Assembly and Board of Governors,” September 1956, p. 2.

been held” on calculating national accounts. Moreover, a report on the advantages of improving education on agricultural credit, an issue that would become very important to CEMLA over the following years, was also presented for consideration to the organization’s governing bodies in that year. This interest led to implementation of the Agricultural Credit Training Program. Something similar also occurred with another topic even more connected to the original reasons for establishing CEMLA in 1958, the Specialized Program on Statistics and Monetary Analysis in 1958. The two previously mentioned programs were set up in parallel to the core project of the Technical Training Program.

### **3. Information**

The governing bodies of CEMLA consisting of the Assembly and the Board of Governors, as well as Director Márquez, made great initial efforts to ensure that activities related to information and research were implemented. Márquez obtained the approval of the Board of Governors in the Work Program for 1953 regarding the advantages of “starting within the following months the information services that the statutes of the Center for Studies entrusted it with.” Besides being a task assigned by the statutes, “providing this service makes more evident the institution’s advantages and the real savings that can be made by contributing to its operation.” As was natural, progress should be made gradually, and Márquez proposed “beginning with a monthly report, which could be extended to a fortnightly report within a short space of time, on developments in the North American economy and their impact or possible impact on Latin America.” This function was obviously useful given the enormous importance of economic events in the United States for countries of the region.

Our long-term goal should not be to provide Latin American monetary authorities with opinions, but a summary of the opinions of the most appropriate individuals and institutions on a particular subject. This would mean the most prestigious opinions would be given, and not those of the Center for Studies.

The initiative of the Center for Studies would lie in selecting the news and choosing what it considered to be the most reliable sources of information or the most worthy opinions to be taken into account. Undoubtedly, the Center for Studies should at all times consider the opinions of the central banks of Latin America regarding the content of the reports and as far as possible adapt them to the needs of the different banks, as well as their budgets budget because the reports would be made for them.<sup>37</sup>

The *Annual Report* for 1954 stated that CEMLA had already provisionally implemented two information services. First, the abovementioned fortnightly report on developments in the United States economy that might be of interest to Latin American central banks. It also started a report, also on a fortnightly basis, “on the situation in the markets for the most important imports in Latin America and the outlook for them.” In order to enrich the former of the referred documents, in August 1955 a section was added that included summaries of articles published in foreign journals “on three general topics related to monetary problems, economic development and Latin America.” In 1957 a new section on economic books and articles published in Latin America was included in the bulletin, and plans were started for another section of brief articles “describing different kinds of techniques in monetary and banking fields that might offer new benefits.”

In 1958 significant progress was made in the area of services. First, the content of the fortnightly bulletin was made substantially larger with a new section on “current events in Latin America,” while the section on the economy of the United States was also extended. The most important change was that “the increase in the amount of current information in CEMLA’s bulletin” led to the creation of the *Suplemento Mensual* in order to allow inclusion of material that was not published before.

CEMLA began to publish “original articles on monetary and financial techniques employed inside and outside Latin America” in the *Suplemento Mensual*. It was also decided to include two more

<sup>37</sup> CEMLA, *Annual Report*, 1953, pp. 10-11.

sections. The first dealt with reviews of new important books on monetary and financial issues, as well as summaries of articles. A quarterly bibliography of books, articles and information with respect to CEMLA's activities was also added.

A great innovation in information services matters took place with the creation in 1958 of the *Boletín sobre actos delictuosos*. This topic had awoken great interest among interns on the technical training courses, which had led to the creation of said report.

However, problems soon emerged with this publication. At the meeting of the Board of Governors of September 1959, the representative of the Banco de la República de Colombia raised concerns about the advantages of said bulletin. The reason was linked to the growing difficulty for obtaining material, given the confidential nature of the topics for the corresponding authorities in member countries of the organization.

## 4. Research

It would be much more difficult to set in motion research tasks than those related to information services. One aspect in particular was a major challenge: the difficulty for hiring specialized staff that was able to properly fulfill such dedicated tasks. The first work program that Director Márquez presented for consideration to the Board of Governors emphasized that:

The results of the Center's work would benefit from having, for a considerable time, a few very high quality staff without a lot of medium level personnel. The task of managing medium-level staff, on top of the Director's daily organizational and administrative work, would be too much for him and the result would be a large volume of mediocre work that nobody desires. However, high quality staff are expensive given that the Center would have to compete for them with an innumerable amount of institutions. Nevertheless, we believe that the Center for Studies should start to get involved in the other fields of activities that its members have requested from it, starting on a small scale but at a steady pace.

Thus, the Director of the Center for Studies requests the Board of Governors approval for hiring, if the opportunity arises, an internationally recognized economist with an annual salary (tax free) of 12,000 USD and another with an annual salary of 9,000 USD. These two economists, if (we reiterate) the opportunity of hiring them arises, would be in charge of initiating the work of the Center on monetary policy and techniques, which should become a permanent task together with other research on specialized monetary issues to be undertaken with the Board of Governors' approval.<sup>38</sup>

The agenda for the research tasks had been defined in general terms. The corresponding *Annual Report* announced that the Center's payroll had increased considerably that year as a result of hiring the prestigious Cuban economist Felipe Pazos and another professional, Mr. Rodrigo Vidal. Thus, under their, but mostly Pazos's, leadership the research tasks began slowly with just three projects. The first of these was to improve methods for interpreting and analyzing monetary and financial statistics. This project had been encouraged in order to "take advantage of the presence in Mexico of Dr. George Garvey from the Federal Reserve Bank of New York." The second project referred to "a methodology for the statistical research of different financial conduits for channeling and transferring national savings, with particular reference to the banking system." Perhaps another short-lived project comparing banking legislation in all Latin American countries should also be added to the research agenda of these first few years.

The economist Pazos left CEMLA at the start of 1955 after having been named by his country to take up a high level position. The vacuum was partly covered by hiring the economist Gustavo Polit, whose services were partly paid for by Banco de México. Research work was extended that year with another project, which in the judgment of Director Márquez, was the "first research task with some scope on the advantages or disadvantages of commercial banks making long-term loans and investments."

<sup>38</sup> CEMLA, *Annual Report*, 1953, p. 10.

Nevertheless, CEMLA continued without finding the key for finally managing to get its research activities off the ground. The sudden resignation of Pazos had confirmed this. The solution also appeared unexpectedly within a short space of time among the Center's contacts with international organizations that it had managed to establish a productive collaborative relation. The first signs derived from contact made with the International Economic Association aimed at implementing a proposal, which did not come about in the end, "for a meeting on economic development in Latin America."<sup>39</sup> The solution finally emerged the following year as a result of previously mentioned very beneficial link with the Rockefeller Foundation and a United States government institution, the International Cooperation Administration.

Everything began with the idea, approved by the Assembly and the Board of Governors, "that CEMLA could seek external funding for hiring experts to collaborate on the research projects it had at hand." The relation with the Rockefeller Foundation was much more significant for research activities than that made with the ICA. In this regard, it is worth mentioning the important contact with Yale University, also in the United States, that was significant in the purely educational field. The agreement with the latter institution was that it would offer one or two scholarships through its Economics Department for ex-interns of CEMLA to complete the postgraduate courses it gave. Meanwhile, in 1956 the funding offered to CEMLA by the ICA of the United States was fully allocated to financing a report on the possibilities of "technical cooperation that had been carried out at the Center for Latin American Monetary Studies," the preparation of which was entrusted to the renowned expert from Yale University, Robert Triffin. According to Triffin there were possibilities of cooperating "on matters of staff training, exchanging and disseminating information and specialized research." With respect to the latter this advisor wrote:

The project that led to the greatest general agreement and interest among those consulted is a joint current study of modern

<sup>39</sup> CEMLA, *Annual Report*, 1955, pp. 4 and 15.

monetary policy tools that is adapted to the needs and situation of Latin America (i.e., the urgency of economic development, the large dependence on exports of just a few products and commodities, and the lack of developed markets).<sup>40</sup>

The project proposed by Triffin was not implemented until 1957 with the help of an outstanding economist from the Federal Reserve named Frank M. Tamagna. Tamagna had been hired in 1956 to carry out research, which we will speak about in more detail later, on the methodology for calculating saving and this was the main task he had fulfilled in Mexico. However, Tamagna's efforts and productivity also led to the already mentioned "Estudio sobre los instrumentos de política monetaria y su aplicabilidad relativa en América Latina." An initial draft of this work had already been prepared by the start of 1960 and the final version was expected to be ready by the end of that year. The final review of this work and attention to the suggestions was entrusted to a working group consisting of five experts, including the Deputy Director of Banco de México, Ernesto Fernández Hurtado.

The story of CEMLA's relation with the Rockefeller Foundation is simple given that the support obtained from this organization was channeled to just one goal; implementing the project, as well as achieving its institutionalization, of the *Informe Anual sobre Aspectos Monetarios de las Economías Latinoamericanas*. The proposal for this recurrent research was put forward by Javier Márquez in the work program for 1956, which was approved by the Assembly and the Board of Governors. "This idea is viable and a good monetary economist should be hired to carry it out for up to 9,000 USD per annum." The individual hired for this task with the support of the Rockefeller Foundation was "the renowned economist Theodore A. Sumberg" (an academic from the United States who was at one time in charge of research tasks at the central bank of Guatemala). Thus, the first edition of the *Informe anual sobre acontecimientos monetarios en América Latina* was published in 1957 and the second in 1958, both being produced under the leadership of professor Sumberg. After

<sup>40</sup> CEMLA, *Annual Report*, 1956, Annex 5.



completing the third edition of this important publication, professor Sumberg decided to return to the United States and CEMLA had to face the problem of his replacement. The Argentine economist Dr. Juan Marcos Brcich was hired to carry out this task in November 1959, under whose leadership the fourth edition of the referred document was published.

Special mention should be made of the principal research project of this period that was entrusted to Dr. Frank Tamagna, hired by CEMLA in 1958. The expectations caused by the hiring of this economist for the Methodology for Estimating Saving project were so high that both Banco de México and the Nacional Financiera decided to contribute four economists to carry out a pilot study on said topic for Mexico. Great importance was given to this matter in CEMLA's *Report* of 1959, which mentioned that "the preliminary study on Concepts and Methodologies for Estimating Saving, including the general part and that consisting of the pilot study on Mexico" had been completed. The corresponding document was presented at a Seminar on National Income that had been organized jointly with the Government of Brazil, the United Nations Organization and the International Association for Research in Income and Wealth, where it received an "overwhelmingly positive" response.<sup>41</sup> However, no mention of this research project can be found in CEMLA's *Annual Report* of 1960.

Among the education items, or *training* activities as Director Márquez referred to them, provided by CEMLA, the topic of agricultural credit became very interesting for the Center. Everything began in 1956 as a result of a study requested from the expert, Dr. Mervin G. Smith, who travelled extensively for the project, visiting over ten Latin American countries. Based on Dr. Smith's study it was decided that the Center could collaborate on solving the problem of agricultural credit in two ways: improving the training of personnel working in agricultural credit banks and increasing the availability of technically trained personnel for these tasks in each country. Thus, the Work Program for 1958 included a proposal for organizing an Agricultural Credit Training

<sup>41</sup> CEMLA, *Annual Report*, 1959, p. 16.



From left to right Juan M. Bricch, Miguel S. Wionczek, Roberto Ibarra Benítez, Javier Márquez Blasco, Fernando Rivera Arnaiz and Victor L. Urquidi, during a meeting of the Center's Directorate in the Torre Latinoamericana, 1960. CEMLA's photographic archive.

Program. In September that year CEMLA took part in the meeting on agricultural credit convened by the United Nations Organization for the Food and Agriculture Organization (FAO), and presented “a speech suggesting the establishment of an agricultural credit research and training center, which was very well received.” However, the *Annual Report* for 1960 shows evidence of the difficulties the creation of said financial body was facing. Regarding the first attempt, “the financial resources available to the OAS do not allow the organization to initiate the activities for creating the CELCA (sic).”<sup>42</sup>

<sup>42</sup> CEMLA, *Annual Report*, 1960, p. 10.



Group of interns at the offices in the Torre Latinoamericana. CEMLA's photographic archive.

## 5. Other Activities

Besides training, information services, research and publications, CEMLA was also involved in other important complementary activities during its takeoff stage. It gradually became involved in them in the same way as with its priority areas of activity. Some of these activities, such as attending the enquiries presented by central banks or participating at international meetings, began to be carried out as early as 1954. The trips of Director Márquez, preferably to South America, also started during the early years, firstly, in order to obtain new members and then to promote the courses and other services CEMLA offered. In sum, the main items in the category of *Other Activities* were as follows: enquiries to CEMLA, attending and participating in international meetings, promotion trips, financing scholarships and contacts with public and private international organizations. Four other administrative and organizational matters should be added to these activities: the implementation of external audits and moving the institution to its new premises.

Financing for the scholarships that were offered was, since the early years, a matter of the utmost priority for the institution's governing bodies. Although at the start concern centered on scholarships for the Technical Training Program, it was extended over time to the new programs. One very important step in this

area was the contact made at the beginning of 1955 with the UN's Technical Assistance Program, for many years the main source of funds for financing scholarships. At the meetings of the Assembly and the Board of Governors held in September that year, the Directorate *was encouraged* to insist in its efforts to make national and foreign institutions increase the number of scholarships they granted.<sup>43</sup> The strategy continued over the following years and by 1959 it was not just the UN, through its Technical Assistance Programs, that made contributions for the scholarships CEMLA offered its interns, but also the Organization of American States (OAS) and the International Cooperation Administration of the United States. The *Annual Report* corresponding to 1960 stated that there had been "numerous enquiries to CEMLA from economists and technicians of the region about the possibility of obtaining scholarships from the Organization of American States," but these applicants were always informed that it was "an essential requirement to be designated by the central bank of their country."<sup>44</sup>

The enquiry service for central banks of the region, whether or not they were CEMLA members, was also an activity on which the organization's governing bodies placed great emphasis. The activity of Special Enquiries became official in 1958 and the matter received relatively significant attention in the annual reports of the following years. Thus, "worth mention due to the significance it might have for the development of this type of services in the future," was the request of "a CEMLA member central bank" for a recommendation on "a technician to reorganize its issuance department." By 1960 it was stated that the "number of special enquiries made to CEMLA by its member banks" had grown significantly. The theme of these enquiries was very broad, although it always referred to central bank, currency and financial system matters.

During the first few years of the takeoff stage Director Márquez's trips, mainly to South America, were particularly important for

<sup>43</sup> CEMLA, "Minutes of the Assembly and Board of Governors Meetings," September 1955.

<sup>44</sup> CEMLA, *Annual Report*, 1960, p. 6.

being able to recruit new CEMLA associate members, which, as has been seen, was a fundamental matter for the survival of the institution. However, Márquez was not the only official from the organization that made business trips to recruit new members, nor was this the only reason for his journeys. For instance, a trip that Márquez made in 1955 was interrupted by the request to participate on a commission that had been formed “to write the statutes for the proposed Inter-American Bank.”<sup>45</sup> As the years passed and the Center evolved, an additional motive for travel was to participate at different types of international meetings, an activity that became more important among CEMLA’s functions. One interesting piece of information in this regard is that the creation of the organization did not lead to the suspension of the Meetings of Central Bank Technicians, on the contrary, CEMLA became a regular and compulsory participant at that forum.

In the administrative sphere, it is worth remembering three important processes that took place between 1953 and 1960. The first of these stemmed from the idea that the activities and financial statements should be reviewed by an external auditor. The related proposal of Director Márquez was welcomed enthusiastically by the Board of Governors and this was another of the occasions when support was received from Banco de México given that its auditors were made responsible for carrying out this task from then on.<sup>46</sup> The second matter concerned changing CEMLA’s legal status from being a civil association into that of an international organization. The *Annual Report* corresponding to 1956 stated that the relative processes had been initiated with the Ministry of Foreign Affairs. However, the text is very vague regarding the reasons for this, only mentioning that the motive was to “facilitate our management.”<sup>47</sup> Although the mention of this project was never again included in later editions of the *Annual Report*, other references point to the fact that the project for changing CEMLA’s

<sup>45</sup> CEMLA, *Annual Report*, 1955, p. 9.

<sup>46</sup> CEMLA, “Minutes of the Assembly and Boards of Governors Meetings,” 1957, p. 3.

<sup>47</sup> CEMLA, *Annual Report*, 1956, p. 4.

legal status remained pending for decades awaiting a final solution. In sum, what can be said about this matter is that, despite the many operational, budgetary and fiscal advantages that the Center would obtain by changing into an international organization, the diplomatic and political obstacles for achieving it must have been very large. The third important administrative issue was connected with CEMLA moving to new more comfortable premises where it would be able to expand its offices. Thus, CEMLA finally moved its offices from Banco de México's Guardiola Building to the Torre Latinoamericana in 1958.<sup>48</sup>

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<sup>48</sup> CEMLA, *Annual Report*, 1958, p. 15.





## Chapter III

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# Transition (1960-1972)

### 1. Overview

**B**Y 1960, I.E., EIGHT YEARS SINCE ITS INAUGURATION, CEMLA had evolved considerably: it had grown, changed and managed to substantially diversify its activities, as well as having increased its membership. With respect to the latter, in 1960 a very important approach, that would become even more so, was made to an international organization that had been recently established that year, the Inter-American Development Bank, whose president (Felipe Herrera) had been consulted “to examine the possibilities of collaboration between the two institutions.”<sup>49</sup> Also during the visit that official made at CEMLA, “to give a lecture at the Eighth Technical Training Program, queries for better understanding and cooperation between the two agencies continued.”

The Table below presents a summary of CEMLA’s program of activities for 1960. The Table shows the work program divided

<sup>49</sup> CEMLA, *Annual Report*, 1960, pp. 6-7.



into the four categories that the organization grouped its activities into: Training, Information and Publications, Research, and Complementary Activities.

Table 6

**CEMLA'S PROGRAM OF ACTIVITIES FOR 1960**

Training

- Technical Training Program
- Program in the United States
- Specialized Program on Statistics and Monetary Analysis
- Training Program on Agricultural Credit
- Fifth Operational Meeting

Information and Publications

- *Boletín Quincenal del CEMLA*
- *Suplemento Mensual*
- *Boletín Prevención de Actos Delictuosos en el Sistema Bancario*
- *Boletín sobre Mecanización y Sistemas*

Research

- Fourth Report on Monetary Aspects of Latin American Economies
- The Use of Monetary Policy Tools in Latin America
- Report on Foreign Currency Deposits
- Education and Training of Bank Executives

Other Activities

- Special enquiries
- Attending international meetings
- Conferences and speakers

*Membership*

Associate Members

- Banco Central de la República Argentina
- Banco Central de Bolivia
- Banco de la República, Colombia
- Banco Nacional de Cuba
- Banco Central de Chile
- Banco Central del Ecuador
- Banco de Guatemala
- Banco Central de Honduras

- Banco de México
- Banco Nacional de Nicaragua
- Banco Central del Paraguay
- Banco Central de Reserva del Perú
- Banco de la República Oriental del Uruguay
- Banco Central de Venezuela
- Superintência da Moeda e do Crédito (Brazil)

Collaborating Members

- Nacional Financiera (Mexico)
- Inter-American Development Bank

Source: CEMLA, *Annual Report*, 1960.

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Toward the end of 1960 a serious budgetary crisis appeared on the Center's horizon. This led to an important watershed in the evolution of the organization. The problem became evident when the budget of the organization for the following cycle showed that the expenditures were slightly more than 10% higher than revenues. Director Javier Márquez clearly outlined in his report to the Board of Governors the causes that had led expenditures to increase much more than revenues. In particular, the behavior of three items explained the increase in revenues. First of all, expenditures on furniture and equipment because of CEMLA's move to the 22nd floor of the Torre Latinoamericana, a space "so necessary for better managing the research and training programs." On top of this, logically, was the item for rent and leases, as well as, predictably, the higher expenditures that the technical training program and book printing would absorb due to a 15% increase in costs "resulting from the wage increase granted to workers by the Mexican government."<sup>50</sup>

The problem was presented for consideration to the Board of Governors in September that year. After the usual formal introductions, Director Javier Márquez addressed the second point of the agenda in detail, "immediately referring to the financial problem represented by having insufficient means to sustain CEMLA's level of activities." The functions of the Center

<sup>50</sup> CEMLA, *Annual Report*, 1960, p. 23.

and, therefore, also its expenditures, had grown faster than revenues. Without the speaker actually saying so, one possible way out of the crisis resided in reducing the number of activities and, in this way, also the outlays. However, this possibility was not even suggested by anyone else present at the meeting, which included 14 representatives of Latin American central banks.

At that moment, Director Márquez made particular reference to one possible solution that consisted of recruiting a greater number of collaborating members. In addition, facing the problem required other ways out that specifically included three types of measures: increasing the quotas of associate members, committing these institutions to purchasing a significant number of CEMLA's publications and seeking other revenues preferably from contributions and donations.

At the V Operational Meeting held in Bogotá during February and March 1960 the door was opened to allow a significant increase in the number of collaborating members. The latter was important for budgetary reasons, given that the universe of central banks eligible for becoming associate members was limited as compared to the possible number of collaborating members. Nonetheless, this potential increase in collaborating members did not only have implications for the budget, but also, and very importantly, for the activities and programs of the organization. At the meeting of September 1960, Director Márquez clearly pointed out that "the active participation of Latin American commercial banks" in CEMLA's activities implied an important change of direction. The motive was simple: "financial institutions, including commercial banks, represented the channels through which central banks apply their monetary policy and influence the economies of countries." For the latter reason it was advantageous to "extend CEMLA's ties to the general financial apparatus of countries" of the region.<sup>51</sup> This proposition would therefore open up a wide and new range of activities for the institution.

<sup>51</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1960, pp. 2-3.

Just as recruiting new associate members had been crucial during the start-up phase, throughout the transition period it was also essential to obtain a significant number of new collaborating members. Thus, when the topic of the financial crisis that threatened CEMLA was discussed, Director Márquez “requested authorization from the Assembly and the Board of Governors to allow collaborating members to be obtained from among the official and commercial banks of Latin American countries.” Márquez also requested the support of Assembly members in order for them or the central banks of their respective countries to be able to obtain new collaborating members. The representative of Argentina, Julio González del Solar, commented that in his country at least there was great potential for “more deeply exploring the entry of official banks and banking associations.”<sup>52</sup> The corresponding agreement was endorsed at the Assembly and Board of Governors meeting of the following year, and in that same year three new collaborating members joined CEMLA: the Banco de la Provincia de Buenos Aires (Argentina), the Instituto de Fomento Industrial (Colombia) and the Corporación Venezolana de Fomento.

Over the next few years CEMLA was very effective in its mission to recruit new collaborating members. In 1962 such membership was joined by: from Mexico, the Bankers Association and Nacional Financiera; the Banco Industrial de la República Argentina; the Banco Centroamericano de Integración Económica; the Banco Gubernamental de Desarrollo para Puerto Rico; and from Colombia, the Caja de Crédito Agrario, Industrial y Minero. The next three years also saw good results from this campaign. During 1963 the Asociación Bancaria de Bolivia; the Banco Ganadero (Colombia); the Banco Nacional de Fomento and the Comisión Nacional de Valores from Ecuador; and the Federal Reserve System of the United States joined CEMLA. More progress was made in the task of recruitment during 1967 with the memberships of the Banco del Estado of Chile, the Banco de España (Spain), the Banco Nacional de Panamá (Panama), the Banco Nacional de Fomento from Paraguay and, very importantly, the Inter-American

<sup>52</sup> Ibid.

Table 7

## CEMLA'S MEMBERSHIP AT THE END OF 1970

<i>Associate members</i>	<i>Collaborating members</i>
<ul style="list-style-type: none"> <li>• Banco Central de la República Argentina</li> <li>• Banco Central de Bolivia</li> <li>• Banco Central do Brasil</li> <li>• Banco de la República, Colombia</li> <li>• Banco Central de Costa Rica</li> <li>• Banco Central de Chile</li> <li>• Banco Central del Ecuador</li> <li>• Banco Central de Reserva de El Salvador</li> <li>• Bangko Central ng Pilipinas</li> <li>• Banco de Guatemala</li> <li>• Banco Central de Honduras</li> <li>• Bank of Jamaica</li> <li>• Banco de México</li> <li>• Banco Central de Nicaragua</li> <li>• Banco Central del Paraguay</li> <li>• Banco Central de Reserva del Perú</li> <li>• Banco Central de la República Dominicana</li> <li>• Centrale Bank van Suriname</li> <li>• Banco Central del Uruguay</li> <li>• Banco Central de Venezuela</li> </ul>	<p><b>Central banks from outside the region</b></p> <ul style="list-style-type: none"> <li>• Bank of Canada</li> <li>• Banco de España</li> <li>• Banca d'Italia</li> <li>• Federal Reserve System (USA)</li> </ul> <p><b>Regional funding organizations</b></p> <ul style="list-style-type: none"> <li>• Banco Centroamericano de Integración Económica</li> <li>• Inter-American Development Bank</li> <li>• Economic Commission for Latin America and the Caribbean</li> </ul> <p><b>National financial institutions, superintendents and similar institutions</b></p> <ul style="list-style-type: none"> <li>• Banco de la Nación Argentina</li> <li>• Banco Industrial de la República Argentina</li> <li>• Superintendencia de Bancos (Ecuador)</li> <li>• Institut de Science Économique Appliquée (France)</li> <li>• Nacional Financiera, S. A. (Mexico)</li> <li>• Banco Nacional de Panamá</li> <li>• Banco Nacional de Nicaragua</li> <li>• Banco Gubernamental de Fomento para Puerto Rico</li> <li>• Banco de la República Oriental del Uruguay</li> <li>• Corporación Boliviana de Fomento</li> <li>• Caja de Crédito Agrícola, Industrial y Minero (Colombia)</li> <li>• Banco del Estado (Chile)</li> <li>• Banco Nacional de Fomento (Ecuador)</li> <li>• Comisión de Valores Corporación Financiera Nacional (Ecuador)</li> <li>• Instituto Español de Moneda Extranjera</li> <li>• Banco de Fomento Agropecuario del Perú</li> <li>• Corporación Venezolana de Fomento</li> <li>• Asociación de Banqueros (Mexico)</li> </ul>

Source: CEMLA, *Boletín Mensual*, vol. XVI, No. 12, December, 1970.

Development Bank. Thus, the statistics show that by the end of the sixties CEMLA had 21 collaborating and 20 associate members. Nevertheless, despite the similar numbers, the quotas received from each group was very different, it being higher for the associates. In 1970 associate member quotas totaled 2.6 million pesos, while those of collaborating members amounted to 1.4 million.<sup>53</sup>

One financial solution that was used on at least three occasions during CEMLA's consolidation period, which spanned from 1960 to 1972, was that of increasing the quotas applicable to associate members. Since the key meeting of 1960 when the budgetary crisis was openly addressed, Director Márquez had already mentioned how it was to be expected "that central bank members make some effort to help to solve this situation." Two years later a 50% "increase in quotas for CEMLA associate members" was submitted for consideration to the Assembly and the Board of Governors, and was accepted by all the representatives at the meeting. This recourse was used again in 1966 when an additional quota was approved that resulted in a 38% increase in total contributions from associate members, an increase that came into force during the following year. Indications of financial crisis had reappeared on CEMLA's horizon by 1970 when three alternative increases of 100%, 70.71% and 40%, respectively, were submitted for consideration to the Assembly. The third of these options was unanimously approved on the recommendation of Argentina's representative.<sup>54</sup>

One factor that might have contributed to the budgetary crisis that emerged in 1970 was the fall in revenues from sponsors and donors that had been taking place since 1957. As explained in the previous chapter, this policy started with different arrangements that the organization managed to obtain with the Rockefeller Foundation and the International Cooperation Administration (ICA) of the United States government. Up until 1960 these were the only two institutional sponsors CEMLA had, but

<sup>53</sup> CEMLA, *Annual Report*, 1970, pp. 15, Annex 3-B.

<sup>54</sup> CEMLA, "Minutes of the Assembly and Board of Governors," 1960, 1966 and 1970, pp. 3-4, 4-5 and 8-9.

in 1961 additional funding was obtained from the Ford Foundation and very importantly from the Inter-American Development Bank that had opened its doors just one year earlier. Thus, in 1961 CEMLA had four donor institutions, and this budget item reached its highest level in 1963, when it amounted to 195,000 USD. In that same year additional support was obtained from the Economic Development Institute of the World Bank, but the largest single contribution, for a total of 100,000 USD, came from the International Cooperation Administration.<sup>55</sup>

Although the number of donor institutions was never that high, the amount of revenues obtained through this channel was very important, if only during the years of the greatest boom in this mechanism. In 1963, income from this item was 34% higher than total associate member quotas, although in the immediately preceding year it had amounted to 89% of the referred item. The International Cooperation Administration of the United States government only collaborated with CEMLA in 1965 and 1966, and the separation deprived the institution of a very substantial source of revenues. Meanwhile, the Inter-American Development Bank acted as a sponsor of CEMLA only up until 1968, when said organization decided not to renew the agreement related to financing the IBD-CEMLA Technical Training Program. One favorable aspect for the Center was the offer made by the IBD's authorities for the body to acquire the category of collaborating member with the maximum quota defined for that type of member. In general terms, as shown in Table 8, CEMLA began having sponsors in 1957 and this option finally came to end 11 years later.

Eduardo Villaseñor, Director of Banco de México from 1940 to 1946, had been one of the founders of the Inter-American Bank. Sometime later, once CEMLA had been established, its head, Javier Márquez, possibly along with other officials, had participated at the preparatory meetings for setting up that regional body. It was logical that once set up and in operation the IBD would establish a very close and productive relation with CEMLA.

<sup>55</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1960, p. 6.

During the meeting of the Assembly and the Board of Governors convened in Washington in September 1960:

The representative of the Inter-American Development Bank requested the floor in order to send greetings to the president of his institution, who unfortunately was not able to attend the meeting. He went on to say that the Inter-American Development Bank was now using its collaboration with CEMLA and wanted to tighten the relation probably through the organization of training programs aimed at educating executives and professionals of the different development institutions that would be intermediaries between the IBD and its borrowers, given that this activity will present problems of coordination, project evaluation etc. The IBD is convinced that CEMLA could organize these programs and represent for the Bank what the Development Institute is for the IBRD.

CEMLA's *Annual Report* for 1961 announced the collaboration agreement that had been signed with the IBD in order for the Center to organize training programs for the benefit of "Latin American development institutions." A year later it enthusiastically stated the success that had been achieved by the first IBD-CEMLA Training Program and the corresponding contract was made multi-year. Up until that point the regional body had supported CEMLA in three ways: sponsoring the abovementioned training program, granting scholarships to students, and having a section for the IBD in the *Suplemento Mensual* of the *Boletín Quincenal*. In 1964 an IBD-CEMLA support and advisory mission was organized for Ecuador.

As of 1966 the IBD-CEMLA programs began to diversify with other courses in addition to the Technical Training Program for Development Institutions, which was held without interruption until 1968 when it was decided to change the terms of collaboration between both organizations. The corresponding report stated that the IBD had decided not to renew its agreement with CEMLA that had made "the IBD-CEMLA Technical Training



Table 8

**CEMLA: DONATIONS AND CONTRIBUTIONS, 1957-1965**  
(thousand USD)

<i>Year</i>	<i>Sponsors</i>	<i>Donations or contributions</i>
1957	2	37.4
1958	2	35.8
1959	2	56.0
1960	2	21.0
1961	4	59.2
1962	2	126.5
1963	3	194.9
1964		
1965	2	115.9
1966	2	115.9
1967	1	22.0
1968	1	22.0

Source: Board of Governors minutes.

Programs possible.”<sup>56</sup> The relation with this body had entered a new phase, and it was at this point that, as mentioned previously, the IBD became a collaborating member of CEMLA. However, the links between the Center for Latin American Monetary Studies and the Inter-American Development Bank continued over the following the years, mainly taking the form of three activities: a “joint imf-IBD-CEMLA project for preparing and distributing 200 Financial Libraries;” basic material for the “IBD Activities” section of the *Boletín Quincenal*; and the services of an official from the body that had visited Mexico to give training on development funding issues.<sup>57</sup>

<sup>56</sup> CEMLA, *Annual Report*, 1968, p. 1.

<sup>57</sup> CEMLA, *Annual Report*, 1970, pp. 1-2.

## Building the Current Premises of the Center

When the problem of the budgetary crisis threatening CEMLA was analyzed at the meeting of the Assembly and Board of Governors of September 1960, one expenditure item that drew particular attention from those present was that pertaining to rent for premises. With respect to the budgetary deficit, the representative of Argentina commented “that one of the most important expenditure items that had caused it was outlays for renting offices in the Torre Latinoamericana, and in this regard he suggested the possibility that a Mexican financial institution provide the necessary funds to construct a building [...]”<sup>58</sup>

The most important point of the rent for premises item was the speed at which it had grown since CEMLA started to operate up until the beginning of the following decade. In just nine years the corresponding amount had increased over 17 times, rising from 17,300 to 298,000 pesos between 1954 and 1961. The large increase had stemmed from the move from the Guardiola Building to the previously mentioned premises in the Torre Latinoamericana, which had caused the relative share of this item in total expenditures to increase from 4% in 1957 to almost 10% in the following year.

The motion of the Argentine delegate was echoed by the organization’s governing bodies. Thus, two years later Director Márquez was in a position to present the Assembly and the Board of Governors with a draft proposal for constructing a building for CEMLA. At the important meeting held in September 1962, Javier Márquez referred to “having received the generous collaboration of Banco de México and the Federal Government of Mexico” in the form of a plot of land “for constructing CEMLA’s building.” The Mexican government would provide the plot by setting up a trust fund at Banco de México. The draft that had been prepared for the building contemplated a cost of around two million Mexican pesos, of which the organization was able to provide 40 per cent.

<sup>58</sup> CEMLA, “Minutes of the Assembly and Board of Governors,” September 1960, p. 4.



View of the Torre Latinoamericana in the fifties. CEMLA's photographic archive.

Banco de México's proposal consists of granting CEMLA an advance equal to eight years of the rent it had been paying

for premises since the institution moved to the Torre Latinoamericana building, which amount to approximately one third of the cost of the current premises. Banco de México will also entrust special research and advisory tasks, and will pay the estimated 10 year cost of them in advance. The latter will be paid annually with services and it is estimated that it will cover a substantial part of the cost of the building.<sup>59</sup>

The annual reports for 1963 and 1964 give a detailed description of the way in which the proposal for constructing a building was implemented. Based on the requirements set out by CEMLA's governing bodies, the project was given to the architects Taracena and Calderón. The tender for contractors held by Banco de México was answered by seven construction companies, the most attractive proposal was that of the firm Arquitectónica Nacional, S. A. In addition, at the request of the contractors the architect Enrique Taracena was made responsible for supervision. The entire construction process was supervised by Banco de México's Legal and Real Estate Departments "which were involved in drawing up and executing the corresponding contract." Because the budget submitted by the contractors surpassed the amount originally forecasted, the financial problem was overcome thanks to another favorable intervention by Banco de México. It was therefore possible to obtain "total financing of \$4,100,000.00 Mexican pesos (USD \$328,000.00), of which \$2,800,000.00 are held in trust by the Federal Government at Banco de México, while the remaining \$1,300,000.00 was provided by the latter institution." After including all the necessary changes to the original project, the contractors were able to deliver the building "with a list of exceptions," on July 27, 1964.<sup>60</sup>

In the administrative sphere, one very important advance at CEMLA was connected with setting up a pension fund for the institution's officials and technical staff. Retirement benefits for employees had previously been resolved through affiliation to

<sup>59</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1962.

<sup>60</sup> CEMLA, *Annual Report*, 1963 and 1964, pp. 2 and 3.

the Mexican Social Security Institute (IMSS). One very important antecedent of this project took place during the meeting of the Assembly and Board of Governors held in September 1962. On that occasion, Director Márquez had presented a study on the administrative issues the organization faced, emphasizing “the difficulty in making the Center for Studies competitive against other regional or international bodies for obtaining competent technical staff.”<sup>61</sup> The challenge not only for hiring highly trained specialists but also of being able to keep them at the institution, was linked to the level of wages it could offer them, as well as other important additional benefits. The latter category included the possibility of having a retirement plan that would make CEMLA more attractive as a place to work. This matter had probably not been discussed previously due to the young age of the institution as well as the short time its personnel had been working there. Nonetheless, the lack of a retirement system began to become more evident over time.

Five years later, i.e., in 1967, the report presented by the auditors recommended that the “management, technicians and executives of the Center for Studies”<sup>62</sup> become affiliated to the Mexican Social Security Institute. On the financial side, implementing this measure required the contribution of overdue quotas for such personnel in the branches of severance, old age, disability and death. Finally, the project for setting up CEMLA’s pension fund started to come together in 1968:

The Director referred to the problem represented by the absence of a proper retirement system for CEMLA’s executive and technical staff, which causes constant pressures on the wage level and a lack of motivation to stay at the institution due to uncertainty regarding the future. The Assembly considered that the problem was very real and instructed the Directorate to present a concrete proposal for solving it at the next Board of Governors meeting.<sup>63</sup>

<sup>61</sup> CEMLA, “Minutes of the Assembly and Board of Governors,” September 1962.

<sup>62</sup> CEMLA, *Annual Report*, 1967

<sup>63</sup> CEMLA, “Meeting of the Assembly and Board of Governors,” October 1968, p. 7.

An annex of the Annual Report of 1969 contains details of the plan presented by Director Márquez regarding CEMLA's pension system. Although the mechanism was not finally approved until 1970, and implemented in 1971, the detailed project is an example of all the factors and mechanisms that a coherent and sound institutional pensions system requires. According to that document, the proposed scheme of benefits and contributions followed "the principles generally accepted in national and international institutions, adapting them to the conditions of CEMLA." One of its main conclusions was that it was more expensive to organize the system by hiring an insurance company. The proposals received from such firms, besides being more costly, "did not fulfill the minimum objectives being pursued either." The crux of the matter lay in the contributions that would be requested from associate members and that would obviously be in addition to the annual quotas they already paid. In proportional terms, this additional contribution equaled exactly 205% of the annual quotas. Thus, for instance, the annual quota paid by Mexico at that time was 27,000 USD, while its contribution to the pension fund amounted to 55,242.97 USD.<sup>64</sup>

## 2. Training

During the period 1960 to 1972 the core of CEMLA's teaching or training activities continued to be the so-called regular technical training program that in 1964 changed its name to Technical Training Program in Central Banking and Monetary Policy. This name change was mainly connected with the advantages of differentiating this course, which had always and continued to be the basic one, from other more important courses that the institution developed and implemented during the period. One of the factors that determined the launch of these parallel courses stemmed from the commitment CEMLA acquired to topics related to development banks and economic development in general. Another significant fact was

<sup>64</sup> CEMLA, "Program of Activities and Budget for Financial Year 1969-1970," 1969, pp. 9-21.

the important cooperation links established between CEMLA and the Inter-American Development Bank. The latter connection led to the IBD-CEMLA Training Program for Latin American Development Banks that lasted from 1961 until 1968, and was replaced by other promotional activities the body requested from the Center.

There are reasons to suppose that, while they were being given, the IBD-CEMLA training programs were very useful for many specialists and institutions aimed at fostering development. Moreover, in parallel to the basic Program and the IBD-CEMLA Program, during the period the institution managed to successfully implement other complementary education and training programs. In particular, this was the case of three programs on the following topics: Integrated National Accounts, Financial Analysis and Policy, and Financing Economic Development. The first of these, which was implemented in three editions from 1963 to 1972, had an important antecedent in another previous course organized in 1962 and that was called Technical Training Program on National Accounting and Analysis. Then, later in the decade, the first edition of the program on Financial Analysis and Policies was held in 1968. Meanwhile, although the first edition of the Technical Training Program on Development Financing had been planned to take place in the referred year, mainly as a result of budgetary problems it could not be carried out until the year after. Finally, in parallel with these courses, CEMLA occasionally organized other programs that were often motivated by the economic environment. Two examples of these were the Program on Central Banking it prepared for the Dominican Republic and another set up with the Central American Monetary Council on “Integrated National Accounts adapted to the needs of the five central banks of the region.”<sup>65</sup>

Between 1961 and 1972 CEMLA organized the ninth to the eighteenth edition of its basic technical training program without interruptions. The existence and continuity of this course could only be down to one important reason: the relevance and usefulness of said program for CEMLA member central banks and their

<sup>65</sup> CEMLA, *Annual Report*, 1969, p. 9.

officials. The training program became a regular feature, but there are no indications to suppose this meant it was resistant to change. As Director Márquez had said, the activities of the Center had progressed “with continuous work and without falling into bureaucratic routines.”<sup>66</sup> As had also occurred during the Center’s takeoff phase, like the other programs the basic course was adapted for two reasons. First, the need to incorporate new topics that were in vogue or related to the current environment, which were on many occasions suggested by member central banks or their officials. The surveys collected from interns upon completing each edition of the basic program also influenced this process of updating the programs and the topics to be analyzed. Another factor of change for the basic program was the willingness of the Center’s authorities to include suggested technological innovations.

In particular, a change of methodology was introduced in the program of 1965. This primarily consisted of reorganizing “some subjects in order to improve their logical sequence.” Interns were also required to carry out intensive reading and resolve problems in the series of economic theory, monetary analysis, balance of payments and tools for economic analysis. Other courses required “the forming of working groups to elaborate joint presentations on specific problems,” or the practice of organizing seminars “at which each participant had the opportunity to present the experiences of their own institution.” CEMLA’s library provided the facilities necessary for students to have access to recommended reading.<sup>67</sup> The work report of the following year contained some very favorable testimonials on the methodological changes included in the basic course’s design. In this regard:

the most important feature was a more active participation of interns in the different phases of the course, be it through a greater number of laboratory sessions, via seminars where the students presented cases of their countries and preparing final

<sup>66</sup> CEMLA, “Minutes of the Meeting of the Assembly and the Board of Governors,” September 1964, p. 3.

<sup>67</sup> CEMLA, *Annual Report*, 1965, p. 10.



tasks by multinational groups. These works were submitted for discussion by the whole group and, in general, they reflected the effort of the speakers and their progress during the Program.<sup>68</sup>

Evaluating the interns was a matter that always concerned the members of the Assembly and the Board of Governors. It was an issue it could never find a satisfactory solution for. At the meeting of these bodies in 1966, one representative “expressed his concern about the performance of participants on the programs” and suggested that CEMLA should establish a system “for evaluating the progress of interns either through exams, grades or some other means.” This intervention led to an interesting exchange of viewpoints on three questions: the quality of the interns that participate in CEMLA’s programs, the need to regularly review “the content and scope of the programs” and the sensitive issue of evaluating interns:

During the discussion of these aspects, the Directorate gave some opinions on the advantages and disadvantages of the suggestions, even though, with respect to the possibility of introducing exams, it considers this might be difficult due to the diversity of the participants. Moreover, it presents diplomatic problems given the level of officials that participate on the programs. However, this does not mean to say that the participants’ progress is not continuously assessed by CEMLA’s Directorate or the officials of the Center that are directly in charge of administering the programs. As in previous meetings of the Assembly, the Directorate reiterates that it has always confidentially and fairly reported interns’ performance to any individual bank that requests it.<sup>69</sup>

One fundamental factor for the positive progress of the Technical Training Program over the years was the scholarships offered to the individuals –mostly officials from member central banks– that enrolled on such courses. The very name given to them confirms this fact: interns. The Annual Reports of the period always

<sup>68</sup> CEMLA, *Annual Report*, 1966, p. 11.

<sup>69</sup> CEMLA, “Minutes of the Assembly and Board of Governors,” September 1962, pp. 8-9.

contained a section on the matter of scholarships. During the consolidation phase the most important source of funding for scholarships was the Technical Assistance Office of the UN that collaborated with CEMLA in this area continuously from 1961 until 1968. That body not only granted scholarships for attendees of the basic course, but also for other programs that were implemented, such as those related to the IBD-CEMLA project and the Technical Training Program on Integrated National Accounts. In the period, the ICA continued to be an important source of funding for scholarships. The latter was also the case of the IBD, while the agreement was in force for the IBD-CEMLA Technical Training Program, which will be discussed below. The IBD scholarships were granted precisely to those taking said program.

The United States Program, the twin project of the basic course, also deserves brief mention. Just as the Technical Training Program, the visit to the United States was made successfully in every year of the period. One of the reasons for the success of all these visits was the support always given by bodies and institutions based in Washington and New York. These included the International Monetary Fund, International Bank of Reconstruction and Development (nowadays the World Bank), Inter-American Development Bank and Federal Reserve System. In New York the role of host was fulfilled by the Federal Reserve Bank based in that city. On these trips interns were offered conferences, seminars and guided visits to the referred institutions. In respect to this program, the Annual Report of 1967 mentions that “once again” the “the collaborating financial institutions in charge of organizing these activities should be thanked for their effectiveness, thoroughness and the high quality of the program.”<sup>70</sup>

The IBD-CEMLA Technical Training Program for Latin American Development Institutions kicked off under the best of auspices resulting from the signing of a collaboration agreement between the two institutions. Everything began when at the meeting of the IBD Governing Board held in San Salvador in 1960, Director Márquez asked that a representative of this institution attend

<sup>70</sup> CEMLA, *Annual Report*, 1967, p. 10.

the meetings of the Assembly and Board of Governors to be held the same year. It was there that the idea emerged for the Center to organize a Technical Training Program “focused on officials from Latin American development institutions.” Based on this decision, a working group was set up for planning the program. Among others, the latter included the Director of CEMLA and a representative from Nacional Financiera. Such was the urgency for implementing the program that, even though its first edition had been programmed for 1962, it was actually held at the end of 1961. The task of organizing it was “gradually facilitated by the officials of CEMLA member central banks in different countries, who collaborated unconditionally with officials from the Center for Studies on the task of obtaining qualified candidates to participate on the program.”<sup>71</sup>

What were the IBD-CEMLA Training Programs like? First of all, it is important to highlight the difference between them and the basic course, as well as other programs, given that in the referred case priority was given to “practical training,” i.e., “great attention was placed on the fact that government officials taking part in these courses should acquire knowledge of the operations carried out by the Inter-American Development Bank, as well as its functions and policy as regards loans for the different projects presented by countries for financing.” Thus, the first two editions of the IBD-CEMLA course was divided into two parts: the first for theoretical training and the second with “an observation and study visit” to a country of the region where the organization had supported the implementation of industrial or agricultural development projects.<sup>72</sup> In 1963, said program started to include three stages and in 1965 and 1966 it increased to four parts. During the first of those years, the third part consisted of a visit to Colombia made with the support of the Instituto de Fomento Industrial, the Banco de la República and the Financing Corporations of Medellín and Cali. Meanwhile, the third and fourth parts of the program of 1966 consisted, respectively, of the complementary

<sup>71</sup> CEMLA, *Annual Report*, 1961, pp. 10-11.

<sup>72</sup> CEMLA, *Annual Report*, 1962, pp. 8-9.

courses in basic subjects such as mathematics and statistics, and a trip to the United States.

During the period analyzed, the Center implemented other training programs besides the basic and IBD-CEMLA courses. Among these it is worth mentioning the Technical Training Program on National Accounting and Economic Analysis, which was given by “Doctors Richard and Nancy Ruggles.” In later years the Program on Integrated National Accounts was launched, which was given in up to three editions by a distinguished professional, Dr. John P. Powelson, an economist from the United States who worked at CEMLA for several years. In addition to that course, in 1967 the Center organized two more important programs: Technical Training Program on Financial Analysis and Policies and the Technical Training Program on Central Banking, which was given in the Dominican Republic. The synoptic table below provides a general overview of CEMLA’s training tasks during the period 1961-1970.

### **3. Meetings**

After the training programs, the CEMLA activity that grew most in importance during the period 1962 to 1972 was that related to organizing meetings or participating at them. Under this item, a particularly important chapter was that of the operational meetings. Significant progress was achieved in this area in 1962 as a result of CEMLA acquiring the status to act as Permanent Secretary of three important meetings: those of Central Bank Technicians of the American Continent; Governors of Central Banks of the American Continent and of Governors of Latin American Central Banks.

How did CEMLA become Permanent Secretary of the referred meetings? The proposal was presented by Director Márquez for consideration to the Assembly and Board of Governors in September 1962. According to him, the possibility of CEMLA fulfilling such a role had been suggested at the Meeting of Central Bank Technicians held in Guatemala in 1961. On that occasion the Sumoc (superintendent of currency and credit) of Brazil had

Table 9

**CEMLA TRAINING PROGRAMS, 1961-1970**

<i>Program name</i>	<i>Years when it was given</i>
Technical Training Program on Central Banking and Monetary Policy	1953 to 1970 (18 editions)
Program in the United States	1961 to 1970
IBD-CEMLA Technical Training Program for Development Institutions	1961 to 1969 (10 editions)
Technical Training Program on Integrated National Accounts	Between 1963 and 1967 (three editions)
Technical Training Program on National Accounting and Economic Analysis	1962
Technical Training Program on Financial Analysis and Policies	1967
Technical Studies Program on Financing Economic Development	1969
Technical Training Program on Development Financing and the Capital Market	1970

been given the task of preparing a program for the next edition of said forum and “it drew up a draft resolution requesting that CEMLA act as Permanent Secretary.”

During his last visit to Rio de Janeiro the Director explained to the Sumoc what the work of Permanent Secretary might involve and the aspects that CEMLA could be responsible for, having prepared an estimate of the likely cost of the Permanent Secretary for each meeting [...] In view of the fact that there are central banks of the American continent (especially the United States) that participate at all CEMLA’s operational meetings and other activities, the Director thought it would be pertinent to ask the Board of Governors of the Federal Reserve System if it could



Opening session of the VII Operational Meeting. Mexico, September 1962. From left to right: Antonio Ortiz Mena, Minister of Finance and Public Credit, Mexico; Alejandro Frers, Vice-President of the Banco Central de la República Argentina; Javier Márquez, General Director of CEMLA; Raul Prebisch, Director of the ECLAC.

contribute to CEMLA in the same way as associate members and, depending on its answer, make the same request to the Bank of Canada. This would allow most of the funds for financing the Permanent Secretary to be collected. Even though a final decision from the Federal Reserve has not yet been received, the Directorate would like to request authorization from the Assembly to accept the role of Permanent Secretary at these meetings on condition that its cost can be financed with resources other than those of associate member quotas to ensure that their cost does not affect CEMLA's normal revenues.<sup>73</sup>

In this role, the Center very successfully organized many meetings of the referred forums. During the period studied, this

<sup>73</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1962, pp. 10-11.

occurred in three editions of the Operational Meeting, ten editions of the Meeting of Governors of Latin American Central Banks, seven of the Meeting of Governors of Central Banks of the American Continent and five of the Meeting of Central Bank Technicians of the American Continent. It is also important to mention the holding of other meetings of this type, such as the three Special Technical Committees, the creation of which had been decided in 1966 and that were held over the next few years on the following topics: Legal Provisions Related to Holding and Placing Reserves (1967), Payment Mechanisms (1968), Support Mechanisms for the Balance of Payments of Latin American Countries (1969) and Creating a Latin American Travelers Cheque. Funding for holding these forums was always obtained, as proposed by Márquez at the Meeting where the function was approved, from host countries and not from CEMLA's normal revenues. By way of illustration, evidence of this practice can be seen in the revenues budget for every year from 1963 to 1970.

#### **4. Research**

The sixties decade was actually a time of transition for the Center for Latin American Monetary Studies. The transition was felt in all areas of the organization's activities, including training, but was more noteworthy in the fields of research and publications. There were several reasons behind this development, all of them pushing in the same direction. One very important factor that has already been mentioned above was connected with CEMLA's role as Permanent Secretary in at least three forums: the meetings of governors of central banks of the American continent, and these same meetings for Latin American central banks, as well as the technical meetings in central banking. This was also the case for the operational meetings, although this forum would cease to be organized after 1968. The obvious and very important fact is that since approximately the middle of the sixties a large amount of the research undertaken at the institution responded to the objective of supporting the development of these meetings or more directly to be presented at them in the

form of papers. Many of such documents were also published as part of the Center's publications.

However, it was not just CEMLA's role as Permanent Secretary that contributed to the transformation of research activities. Another influential factor was the loss of contact with sponsor institutions that had provided significant support in the past. For instance, this was the case of the Rockefeller Foundation and the International Development Agency (previously under the acronym ICA and then AID). Another factor was the unstable employment of the technical staff required to carry out quality research or to sustain periodic research publications. In some cases CEMLA's separation from some of its sponsoring institutions led to budgetary restrictions that had repercussions for research activities. Director Márquez referred to the latter point in a report prepared for the Assembly and the Board of Governors.

One additional problem faced by CEMLA's Directorate concerns the conditions under which organizations such as the aid (originally ica) and foundations grant partial financial assistance to research activities. Although funds obtained in this way are sufficient for hiring the services of the technicians required, the Center has to provide the services of typing, premises, general services and printing the resulting works, i.e., each specific project for which external financial support is received leads to an increase in CEMLA's regular budget.<sup>74</sup>

I have in front of me an example of the annual publication *Monetary Aspects of Latin American Economies*. It is an impressive volume of over 300 printed pages in small letterpress. Structurally the publication is divided into four long chapters. The first of these is on the theme "The World Economy." The text then deals with the subject properly over the next three chapters that are entitled: "Internal Monetary Trends," "External Monetary Trends" and "Monetary Analysis and Output." The sections of the first of these referred to "Monetary Regulation Tools" and "Stabilization Programs;" the second, to "Balance of Payments,"

<sup>74</sup> CEMLA, "Special Report," 1962, p. 5.



“International Financing” and “Exchange Rates.” Finally, “Monetary Analysis and Output” presented particular cases of countries of the region, including Mexico. This publication was issued annually in the editorial series Studies.

At the start of the sixties writing that annual publication must have required a great effort from the economist Juan Bricich and the collaborators who helped him. *Monetary Aspects of Latin American Economies* was published without interruption from 1957 until 1963, the year it was seen by the public for the last time in its eight edition. The *Annual Report* for 1965 therefore reported somewhat enigmatically:

Just as in other years, the studies have proceeded for preparing the annual volume on Financial Aspects of Latin American Economies that, once again as a result of the workload from research tasks aimed at specific objectives and with deadlines, have been delayed with respect to the intentions and wishes of CEMLA.<sup>75</sup>

It was in 1963 that the policy of “research focused on specific objectives,” as well as that with general aims, proved most successful. That year CEMLA not only managed to publish the VII edition of the study *Financial Aspects of Latin American Economies*, but also other works that gained it much prestige. It is worth pointing out that these publications had been in the making for years. In 1963 the important work prepared by Dr. O. Ernest Moore entitled *Evolution of Financial Institutions in Mexico* was published and was very well received. That year CEMLA was also able to start other research that appeared very encouraging at the time. An expert, Marco Antonio Durán, was hired to carry out an investigation into agricultural credit. His mission would be to “prepare, for our Meetings series, a volume that contained, in an orderly and illustrative form, the substance of all the documentation and discussions of different Latin American meetings on agricultural credit.” The undertaking of research on the speed of bank deposits by economic sector was also put forward that year as an extremely valuable analysis tool for monetary authorities.

<sup>75</sup> CEMLA, *Annual Report*, 1965, p. 28.

The work of the economist O. Ernest Moore on the case of Mexico was part of the project that included carrying out similar research on the evolution of financial institutions for the remaining countries of Latin America. For this purpose Dr. Alejandro Kafka was hired to be in charge of the volume on Brazil; Julio González del Solar for that of Argentina; the Colombian economist Jorge Franco for that corresponding to his own country; and the expert Carlos Leónidas Acevedo for four Central American countries. Unfortunately, such wonderful plans could not be brought to fruition. The first to jump off the train was the Argentinean González del Solar because he was offered a high level position at the IBD. The corresponding work on four Central American countries could not be completed either. Only the one for Colombia was finished and published in 1966. Thus a project with such great scope and that seemed so attractive when it was proposed became diluted.<sup>76</sup>

The trend toward linking CEMLA's research to other activities, above all to organizing meetings, started to become fully evident in 1965. One very important antecedent to this approach took place when, with the support of the Ford Foundation, three experts were hired from abroad (Robert Triffin, Claudio Segré and Alendre Lamfalussy) to present their works as lectures at the VII Operational Meeting to be held in September 1962. As a result, recommendations emerged from that meeting for undertaking studies on the following topics:

[...] to determine procedures that facilitate, in addition to the already existing systems, the simplification, consistency and, eventually, the elimination of the exchange restrictions that are still in place in Latin America.

[...] the advantages of creating mechanisms that facilitate payments in the region of Latin America [...]

[...] possible formal methods and proper mechanisms that allow better coordination of monetary and exchange policies.<sup>77</sup>

<sup>76</sup> CEMLA, *Annual Report*, 1962, p. 21.

<sup>77</sup> CEMLA, *Annual Report*, 1962, p. 21.



Work session during the I Meeting of Central Banks of the Cartagena Agreement held at the Banco Central del Ecuador from June 15 to 29, 1970. CEMLA's photographic archive.

The trend had been set in place. Out of the 25 lectures that were presented at the II Meeting of Governors of Central Banks of the American Continent held in 1965, in Uruguay, five were prepared and given by CEMLA. At the same meeting, the organization presented a study, the undertaking of which had been agreed by the Board of Governors in 1964, on “a common reserve fund for the central banks of Latin America.”<sup>78</sup> In the Meeting of Governors of Latin American Central Banks held in 1966 (Jamaica) all the four papers presented on the topic of a common reserve fund and payment mechanisms had been written by CEMLA, and the same occurred at a second edition of that forum also convened that year. At the Meeting of Central Bank Technicians that took place in 1967 in Buenos Aires, CEMLA presented two papers on the topics “Structure of Latin American Central Bank Coordination” and “Discussions on the International Monetary System: Latin American Political Economic Comment.”<sup>79</sup>

CEMLA effectively became established as Permanent Secretary of the meetings of governors of central banks of Latin American

<sup>78</sup> CEMLA, “Meeting of the Assembly and Board of Governors,” 1964, p. 5.

<sup>79</sup> CEMLA, Annual Meeting, 1965.

and of the American continent. A decision that strengthened this position even further was that the Center also became the organizer of special committees that had been decided would take place at such meetings. Such was the case in 1966 of two committees set up to undertake the previously mentioned study related to “a common reserve fund” for the region and the “liquidity support for IBD bonds.”<sup>80</sup> A logical consequence of all this is that many of the papers and lectures prepared by CEMLA and presented at these forums would end up being published by the Center. As will be seen below, this occurred for both its periodic publications and series of books.

## 5. Publications and Other Activities

The process of transition CEMLA underwent during the decade of the sixties was also evident in the area of publications. To begin with, in 1961 two periodic publications that CEMLA had been producing for several years ceased to exist. The first was the *Boletín para Prevención de Actos Delictuosos en el Sistema Bancario*, which was stopped because the topic of the publication was too narrow. The same decision was made, and for similar reasons, regarding the *Boletín sobre Mecanización y Sistemas*. In order to increase the number of topics covered, including matters touched on by these two publications, it was decided to create a new journal entitled *Técnicas Financieras*. This publication would focus on “publishing articles on operational matters of interest to central banks, as well as to official and private ones.” In order to promote it, “financial institutions operating in Latin America” were offered the opportunity to advertise within the pages of *Técnicas Financieras*.<sup>81</sup>

Over the following years two more CEMLA publications also ceased to exist. The first of these was the *Boletín de Materias Primas*, discontinued in 1963. Information for this publication had been supplied by the Bank for International Settlements (BIS) based

<sup>80</sup> CEMLA, *Annual Report*, 1966, p. 19.

<sup>81</sup> CEMLA, *Annual Report*, 1961, pp. 15-16.

on an agreement signed with CEMLA at the beginning of 1961. At that time the BIS bulletins were considered “one of the best sources of information” on the current situation in the international commodity markets. The publication was cancelled due to the suspension of the corresponding service by the BIS in 1963.<sup>82</sup> The second of these publications, entitled *Legislación Financiera*, had originally responded to the idea of “creating a well-organized archive of financial legislation in a standardized presentation that would serve as a source of easy enquiry for professionals, students and those interested, and would help solve the fact [...] that these documents are difficult to obtain.” It was also believed that preparing this publication would lead to “a new permanent task for CEMLA” given the breadth of the subject and the constant changes in legislation. Nonetheless, this did not take happen and the referred publication was cancelled in 1966.

CEMLA’s *Boletín Quincenal* had been published without interruption from 1954 until the middle of the sixties. The same can be said of the *Suplemento Mensual* that had also been published continuously since January 1958. However, these tools needed to be reorganized in 1966. In the strict sense, neither of the two referred publications disappeared, but were, so to speak, merged into just one publication: the *Boletín Mensual*.

Importantly, CEMLA’s participations at meetings and other activities eventually became the main source of information for the *Boletín Mensual*. Evidence of this can be seen in all the issues of this publication from 1970. The *Boletín* published that year included the minutes and documents from the IX and X editions of the Meeting of Governors of Latin American Central Banks. Said publication also contained the minutes of the VIII Meeting of Central Bank Technicians of the American Continent, as well as various studies that were presented there. Another source of documents was the VIII Extraordinary Meeting of the ministerial level CIES that was held in 1970. The same occurred with the lectures that were discussed at the I Meeting of Central Banks of the Cartagena Agreement and at the Extraordinary Meeting of the Special

<sup>82</sup> CEMLA, *Annual Report*, 1961, p. 14, and 1963, p. 29.

Commission for Latin American Coordination (CECLA). Furthermore, the *Boletín* continued to include the section that since 1960 had been reserved for the IBD to report on its activities and publicize important documents. Finally, the Italo-Latin American Institute based in Rome began to collaborate with *Boletín* in 1969.<sup>83</sup>

Book publishing continued to be an important part of CEMLA's activities. One aspect that is worth mentioning was the interlinking of training and research activities with the publishing program. Several of the books CEMLA published during 1961 and 1962 stemmed from the conferences that had been given in the Technical Training Program. Such was the case of the volume *Ensayos sobre el desarrollo económico*, whose author was the renowned English economist Nicholas Kaldor. Up until 1963 all CEMLA's books had been published as part of the Studies series. That year the institution's authorities decided to create two new series: Essays and Meetings. Henceforth, the later series published works emanating from the conferences given during the training programs. A similar decision was taken in 1969 when the Programs series was created. The publications area was very prolific that year, with 10 books being produced, five of which were published in the Studies series, three in Essays and one in Programs. By 1972 CEMLA had published a total of 144 books, producing 122 titles from 1961 to the referred year.

Just as with subscriptions to periodic publications and, to a lesser extent, the advertising in them, book sales gradually constituted a growing source of revenues for CEMLA. With this fact in mind, Director Márquez promoted the idea to the Board of Governors, which it accepted, that associate members "purchase a considerable number (50 or more copies) of each book published by CEMLA." One year later, Márquez himself dared to predict within the Board of Governors that "the opportunity would very soon arise for CEMLA to be able distribute its books directly." Another measure to drive book sales was the decision to reprint volumes that had sold out. Although revenues from book sales were always small as compared to contributions from quotas and other donations,

<sup>83</sup> CEMLA, *Annual Report*, 1970, pp. 21-22.



Javier Márquez, Director of CEMLA, with participants of the XV Meeting of Governors of Latin American Central Banks and of the IX Meeting of Governors from Latin American and the Philippines at IMF and IBRD, in Managua, September 17-23, 1972. Photographic archive of María Teresa Márquez.

it is worth mentioning how much this item grew throughout the period, increasing 2.7 times from 1960 to 1972. Meanwhile, book sales, subscriptions and advertising in the periodic publications generated smaller revenues.

## 6. Other Activities

CEMLA also continued to carry out intensive consulting work in its fields of specialization. For reasons of order and information, these tasks were divided into three categories. Special Enquiries included all the different types of support provided to CEMLA's associate members, i.e., Latin American central banks. Collaborations encompassed the services provided to collaborating members, economic development institutions of the region, international organizations and official or commercial banks. The category of Technical Assistance contained the support CEMLA offered that required trips or visits

by its staff with a preferably technical background. The topics of these three service areas were very wide ranging. As for Technical Assistance, many of the collaborations provided took the form of training where CEMLA's staff gave courses or conferences. In 1966 the institution's governing bodies agreed that the Special Enquiries category should also include the support offered to associate members.

In order to illustrate the nature of these activities it is worth mentioning some specific projects that were implemented during the period. In 1967, CEMLA's Directorate supervised the first special training program on a national scale that was hosted and carried out at the request of the monetary authority of the Dominican Republic, and entitled Technical Training Program on Central Banking and Monetary Policy. The proposal was presented to CEMLA's highest governing bodies and their members who, after having heard from the Dominican representative regarding the objectives they wished to pursue with the course and that their institution was "in a position to fully finance the expenses implied by the program," gave their unanimous approval. Three years later two similar courses were prepared and given to support the central banks of Bolivia and Nicaragua respectively.

Another project that was submitted for consideration to the Assembly and the Board of Governors was connected with an agreement that was signed with the Bolivian Development Corporation for CEMLA to prepare a study on the policy and activities of said institution for the purpose of preparing a reform plan.<sup>84</sup> One case that is also worth remembering was connected to a research program proposed to the Special Commission for Latin American Coordination of the IBD (created in 1964) on the topic "Debated Aspects of the International Monetary System. Possible Positions of Latin America." Said document was later included in the file that was at that time presented jointly by countries of the region at the X Meeting of Governors of Latin American Central Banks held in Viña del Mar, Chile, in April 1970.

<sup>84</sup> "Minutes of the Assembly and Board of Governors," 1965, 1968 and 1970, pp. 6, 4-5 and 5.



Under the category of Special Enquiries, another three projects, all of similar nature, were implemented. The first stemmed from an agreement that was signed in 1963 between CEMLA and the International Bank of Reconstruction and Development to implement a program of Libraries on Economic Development, 200 of which would be donated by that body to “academic and research institutions on the field that they requested.”<sup>85</sup> The plan was repeated again the following year, on that occasion with the promotion and financing of the IBD. The latter body also supported CEMLA’s preparation of another program for donating 200 libraries on Latin American Economic Integration, a topic that was of great interest in the region during the sixties. It would seem that the model provided good results and in 1962 another similar project was implemented. The aim was to create a system of libraries on monetary and financial matters. In the case of the latter, the sponsoring institutions were the IBRD and the IBD, as well as the IMF approach was employed again in 1970 with a plan promoted by the IBD for a chain of Economic Development Libraries.<sup>86</sup>

One process that was achieved successfully contributed substantially to strengthening the participation of CEMLA in international meetings. The Assembly and the Board of Governors authorized the presentation of a request to the Economic and Social Council (Ecosoc) of the United Nations aimed at granting the Center the category of non-governmental consultative body. The Ecosoc happily accepted said request on April 12, 1967. This status would allow the institution to officially participate as a consultative body at many international forums. Judging by the content of the annual reports, this was a topic of great importance at CEMLA.

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<sup>85</sup> CEMLA, *Annual Report*, 1963, p. 12.

<sup>86</sup> CEMLA, *Annual Report*, 1963, 1965, 1967 and 1970, pp. 17, 29, 22 and 20.







## Chapter IV

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# Consolidation (1972-1985)

### 1. Overview

AT THE END OF 1971, CEMLA'S DIRECTOR, JAVIER MÁRQUEZ, was 62 years old, having arrived in Mexico 32 years before as an expatriate from his native Spain and having occupied the highest management position at CEMLA for exactly 18 years and three months. Mr. Márquez considered that the time had come for him to embrace the benefits of retirement. Indications of his desire to dedicate himself to other activities had already been seen in 1968 when he requested a one-year license from the Board of Governors to undertake some research projects and "studies in the field of finance."<sup>87</sup> During that period of license the economist Márquez

<sup>87</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1968, p. 8.

engaged himself in carrying out research of his choice. Fortunately, CEMLA did not end up losing Márquez completely. In light of his past achievements and his undoubtable skills and experience he was appointed as a part-time advisor of the organization.

Due to his great people skills, Javier Márquez had managed to make many lasting friendships during his years at the head of CEMLA. He also enjoyed a high level of professional prestige as a result of his achievements throughout his career firstly as an official at the Fondo de Cultural Económica, and then at Banco de México and CEMLA. The institution's epistolary archive contains a revealing package of letters all lamenting the retirement of Márquez, who left behind a vacancy that would prove very difficult to fill after his long trajectory of successes at the Center. For instance, Gustavo Magariños, executive secretary of the ALALC, wrote "Latin America owes a lot to you for your pioneering and important work to strengthen the ties between our countries in monetary and banking fields." At least half of the 20 or so letters are from the heads of central banks of the continent, with the noteworthy inclusion of those who occupied at that time the highest level position in the IMF and the Federal Reserve of the United States. The latter does not mean to say that Márquez had been on a permanent honeymoon with the members of CEMLA's Assembly and the Board of Governors. This can be seen when in September 1970 one representative on these governing bodies had referred, with a hint of mistrust, "to the advantages of the Board of Governors intervening more actively in CEMLA's management." He went on to "state the need for that body to know and analyze the reports prepared by the Directorate, presenting them to the Assembly with an opinion." The Board of Governors should also oversee the fulfillment of the resolutions adopted by the Assembly and collaborate with the Directorate on steering the activities of the Center for Studies.<sup>88</sup>

Although Javier Márquez presented his resignation in November 1972, it did not take effect until January the following year. The task of temporarily filling the position while a successor was

<sup>88</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1970, p. 9.

found fell to the man who had been Deputy General Director of the institution since 1962: Fernando Ribera Arnaiz. The choice of a new Director was complicated for statutory reasons, but above all because of the lack of agreement among associate members on who should be appointed. One first opportunity, that was not taken advantage of, came up as a result of the meeting of the Assembly held in Curaçao, Dutch Antilles, in May 1973. It appears that during the preceding months the members of said body had taken on the task of gathering proposals on a candidate that would receive unanimous or at least majority support. Neither of these two options were obtained, and for that reason Mr. Alfredo Lafée, president of the Banco Central de Venezuela, who acted as president at that meeting, explained with respect to the naming of the Director that:

member central banks had been contacted in due time with a request for them to present candidates for the position. Nevertheless, given the difficulties of reaching an agreement by correspondence [...] there was no proposal in the hands of the Chairman of the Board of Governors that had the consensus of the members. In light of this, Mr. Lafée proposed that the Assembly decide what procedure should be followed [...] The expectations and stress that central banks have experienced during the last few months as a consequence of the serious problems in the international system –the United States had recently de-linked the dollar from the official parity of Bretton Woods– have made reaching an appropriate choice complicated. Taking the lack of consensus into account, it is best to postpone the decision until the Assembly meets again in September.<sup>89</sup>

It was therefore agreed. Everything suggests that during the following months work intensified in order for white smoke to emerge from the chimneys at the meeting of September. Thus, it was in Rio de Janeiro where, with Alfredo Lafée as chairman, CEMLA would finally have a new Director General. The post was given to the prestigious Argentine economist Adolfo César Diz.

<sup>89</sup> CEMLA, “Minutes of the Assembly,” May 1973, pp. 6-7.

With respect to the appointment, Chairman Lafée explained the procedure that had been followed:

Various central banks had contacted him to express their interest in the candidature of Dr. Diz. However, these gestures began just when the deadline of three months before the meeting of the Assembly where the matter would be addressed was due to expire. In light of this, the Chairman instructed CEMLA's interim Director to request the opinion of the members on the advantages of extending the time limit for presenting candidatures until July 31, 1973. Having made the enquiry, 17 positive answers were received with only one member (Colombia) expressing doubts on the matter. Nevertheless, given the proposal of the representative from Banco de la República, the Chairman decided that there had not been any objections to the procedure and declared that the candidature of Dr. Diz had been presented by the Banco Central de la República Argentina inside the new time limit [...] The representatives from the central banks of Brazil, Costa Rica (on behalf of the five Central American central banks), Mexico, Peru, Dominican Republic and Venezuela, expressed their support for the candidature of Dr. Diz and proposed that the appointment be approved by acclamation.<sup>90</sup>

## Modifying the Statutes

The resignation of Javier Márquez prompted the Assembly to propose a change in CEMLA's statutes as regards the rules for naming the Director. It therefore asked Márquez to present a proposal for a specific procedure for said nomination that defined renewable terms for those who occupy the position. Incidentally, at the Board of Governors meeting where this task was entrusted to the outgoing Director, Márquez had expressed in a slightly veiled manner one of the possible reasons that had led him to leave the organization, stating "that in the past he had thought about

<sup>90</sup> CEMLA, "Minutes of the Assembly and Board of Governors," September 1973, p. 93.

mentioning the fact that some central banks preferred CEMLA not to do certain things.” It appears that this stemmed from the fact that “the Center for Studies provides the opportunity to carry out many activities at the Latin American level as compared to those implemented on a sub-regional scale” (i.e., for areas such as the Caribbean or Central America).<sup>91</sup>

The terms under which the statutes would be modified had already been specified in detail at an extraordinary meeting of the Assembly held in Trinidad and Tobago in May 1972. It had been approximately one year since the respective project had been requested from Director Márquez and it appears that he had presented a draft version to which the Assembly had asked for some changes to be made. These adjustments were to be applied to Article 21, which laid down the procedure for naming the Director, as well as Articles 18 and 2 that referred, respectively, to the obligations and powers of the Board of Governors and the functions of the Center’s Director. Another reason for reforming the statutes was in order for such rules to recognize the figure of the Deputy Director and allow some of the powers of the Director to be delegated to the individual occupying that position:

After a long exchange of ideas, the Assembly instructed the Directorate to prepare a new Project for Modifying the Statutes, including the reforms approved and others that they suggested were necessary to improve the current text. The new Project should be reviewed by a lawyer in order to avoid any disputes with the host country.<sup>92</sup>

The modification to the statutes of 1972 required the inflexible and traditional support that the organization had always obtained from Banco de México. The latter central bank received an official letter on the topic in June. The explicative part of the letter stated that before submitting the modified text for consideration to the associate members, the Assembly had decided to seek legal advice in order to ensure the project was in line with the law in Mexico, the host country. The fact that Banco de México

<sup>91</sup> CEMLA, “Minutes of the Board of Governors,” May 1971, p. 5.

<sup>92</sup> CEMLA, “Minutes of the Board of Governors,” May 1971, p. 5.



had a well-qualified team of lawyers meant that this matter could be concluded swiftly. Moreover, although it was not laid down by any document, this type of enquiries could be made to Banco de México free of charge, which would not have been the case with a private law firm.

The affidavit formalizing the modification of the statutes contains the details of the antecedents and the changes that were finally approved.<sup>93</sup> Although there were other less important changes, the main ones referred to the following matters: powers of the Assembly and obligations and powers of the Board of Governors; functions of the Director and the capacity granted to him for delegating some of his responsibilities to the Deputy Director and other officials. In addition to the aforementioned, it is worth mentioning two more specifications on the functions of the Deputy Director, particularly regarding the way they should manage the organization's budget, a topic on which nothing had been mentioned in the statutes. The most important change concerning the powers of the Assembly was that this body alone would be responsible for appointing and dismissing the Director (Article 18, Section *i*), while it would also be in charge of determining associate and collaborator members quotas, a power it could not delegate. As has been mentioned, the new version of the statutes included the figure of the Deputy Director (Article 25), whose appointment would be the sole responsibility of the Board of Governors (Article 28, Section *i*).

It has already been seen how sudden and painful the resignation of Javier Márquez was, while naming his successor also proved to be a complicated task. Thus, one of the main additions to the statutes had been a detailed procedure for appointing the Director, the official who from that moment on would take up the post for an extendable period of five years (Article 21). What can be understood from reading the corresponding provisions is that the aim was to make the election process as transparent and democratic as possible. As for the first of these, associate members

<sup>93</sup> *Testimonio. Acta de Asamblea del CEMLA para modificar sus Estatutos*, Notary Robert Landa, 1973, No. 24187, Vol. 447.

would be requested to nominate candidates during the three months prior to the appointment and their proposals would be made known to all. With respect to the election, associate members in the Assembly, which would be convened by its chairman, would meet to decide on the appointment. This would require a majority of at least two thirds of the conclave.

### **A Strategic Project for CEMLA**

Another important project was approved by CEMLA's Assembly after the decision to appoint Adolfo Diz had been made. The idea was to set up an Assessment Committee that together with Mr. Diz would propose a strategic framework for the five-year term he would have to complete in line with the statutes. The idea of Diz, which was accepted by the members of said Committee, was that his work should focus on "formulating a specific and detailed work project" rather than carrying out a retrospective assessment of CEMLA's development over more than 20 years. The Assessment Committee was composed of Miguel Urrutia, from Banco de la República (Colombia), Manuel Uribe Castañeda, from Banco de México, Augusto Louge, from Banco Central de Venezuela and, significantly, the Guatemalan economist Jorge González del Valle, who at that time was executive secretary of the Central American Monetary Council. The records state that, with the support of these individuals and the Deputy Director, Fernando Rivera, Dr. Diz drew up a document entitled *A Project of CEMLA*, which was very well received and approved by the Board of Governors at its meeting held in Caracas in May 1974.<sup>94</sup>

The most noteworthy aspects of that document refer to the strategic visions that were agreed for the organization's basic lines of activity. With respect to training, the idea was to establish an area of basic programs and other complimentary activities that would include "other courses and seminars." The outlook would be completed with programs of Internships at CEMLA, Scholarships and Training Abroad and Technical Assistance in Training Matters. One fundamental aim since that moment had been to choose

<sup>94</sup> CEMLA, "Meeting of the Board of Governors," May 1974, pp. 2-4.

“participants from a larger number of proposed candidates.” As for *research*, the proposal was to strengthen this activity through greater coordination of the projects that would be implemented with “the research departments of member central banks.” It also suggested more closely linking research to CEMLA’s other activities related to training, participation at international meetings and publications. Research activities would be divided into three lines of work: Basic Research Program; Other Research Tasks; and Technical Assistance in Training Matters to central banks that requested it for projects they wish to start themselves or were already implementing. As for publications, greater links were promised with the research carried out at the Center, and with respect to meetings, “performing a more active role as regards topics, organization, etc.”

The second part of the document was entitled “Necessary Resources” and covered three important issues: information, personnel and budget. The aim of the first of these matters was to ensure “a flow of information –relevant and timely– from associates and collaborators.” As for Personal, it is worth mentioning the four aims that were proposed: *i)* “gradually incorporating a stable group of specialized economists;” *ii)* hiring specialists “of the highest possible technical level” for periods of two or three years; *iii)* creating the Office of Research Assistants, and *iv)* obtaining the participation of professors and researchers from central banks and international bodies via a newly created program that would be called Internships at CEMLA. On the central point of the Budget, the document emphasized that application of the new strategy would require “a parallel budgetary effort” and for that reason it proposed a gradual increase in quotas to be applied over a period of five years. The proposal was to take the financial year 1972-1973 as a base for the budget and increased it by 200% over five years. The latter would mean the administration headed by Director Diz would have to begin once again with the sensitive subject of increasing quotas.

One new item in the document *A Project of CEMLA* was concerned with adopting a new method for calculating quotas applicable to associate members. As should be remembered, the reference for the latter had originally been the level of international reserves. Under different historical circumstances, after the Bretton Woods model

of fixed exchange rates was abandoned, the reference proposed was that of respective countries' contributions to the International Monetary Fund. Based on the idea that "the restructuring of quotas should not mean changing the relative value of any of them," Dr. Diz submitted for consideration to the Board of Governors three possible scenarios, the third of which best fulfilled the planned increases explained above. The document therefore shows "the possible annual evolution of the level and structure of quotas that associates and collaborators as a whole should pay to CEMLA in order to double the budget by the year 1977-1978." The proposed increase in quotas and the document *A Project of CEMLA* therefore became official policies of the organization, and were to steer its development over the following years.

It also appears that the administration headed by Director Diz proposed the idea of modifying the start and finish dates of CEMLA's financial year "in order for it to coincide with the calendar year (January to December) instead of the method that had been applied (August to September) since the start of the institution in 1952."<sup>95</sup> To make this transition possible, it was agreed to firstly follow a short year of just four months from September to December 1974. As a result, the next full year would start on January 1, 1975. The official documents of the organization are not clear on why this measure was adopted, but it is not difficult to guess what they might have been. First, to be consistent with the financial and fiscal year of other institutions that CEMLA had relationships or collaborated with. Second, experience had demonstrated "the affinity of said decision, given that besides avoiding certain budgetary and accounting difficulties, it has meant activities can be programmed in accordance with the annual cycle and, as a consequence, allowed reporting in a more coherent and timely manner to the Board of Governors and the Assembly."<sup>96</sup>

Implementation of the strategic plan set forth in the document *A Project of CEMLA* was in full sail, when in 1976 two events took place that "had disruptive effects on the life of the Center for

<sup>95</sup> CEMLA, *Annual Report*, 1975, p. 1.

<sup>96</sup> CEMLA, "Report to the Board of Governors," Financial Year 1975, May 1976, p. 1.

## Biographical Sketch

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# 1931-2008 Adolfo César Diz

**T**HE KEY INSTITUTIONAL ANTECEDENT FOR APPOINTING the economist Adolfo Diz as director of CEMLA was the adhesion of Banco Central de la República de Argentina as associate member of the organization in 1958. The event was announced in a clearly satisfactory tone in the *Annual Report* for that year. Doctor Diz was chosen unanimously at a session of the Assembly held in September 1973, after his candidature was put forward by the Banco de la República of Colombia and by the Banco de la República Argentina itself.

The appointment is explained by the outstanding career of Adolfo Diz as a professional economist. His curriculum vitae lays emphasis on the quality of his work as a teacher, renowned researcher and as an official who reached high level positions. His acts as a representative at international forums and bodies were particularly important. It is also worth underlining his work as a prestigious speaker and lecturer.

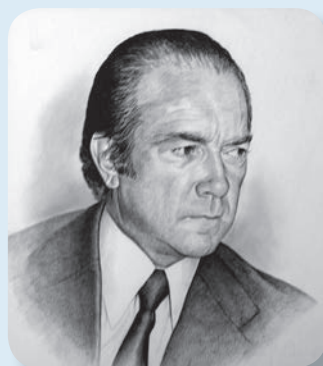
Dr. Diz began to stand out while he was a student at the University of Buenos Aires where he qualified as a national public accountant and obtained a Bachelor's degree in Economics. The next phase in his professional education was at the University of Chicago, where he obtained a Master's degree and a Ph. D. Diz's talents also attracted the attention of the celebrated professor Milton Friedman, and he became one of his favorite disciples. He subsequently returned to his native Argentina and taught at his original alma mater, the Universidad de Buenos Aires, and the Universidad Nacional de Tucumán where he specialized in the

subjects of Statistics, Economics and Monetary Theory. It was there in Tucumán where he founded the Instituto de Investigación Económica that he headed brilliantly for some time.

Adolfo Diz was one of the first Argentine students to obtain a Ph.D. in Economics from the University of Chicago. During the rest of his professional career he managed to maintain very close ties with other professionals of the country of the pampas who had graduated from that university. Among the latter it is important to mention Ernesto Fontaine, Roque Fernández, Carlos Rodríguez and Fernando Santibanes, all followers of professor Arnold Harberger.

Doctor Diz always exhibited particular preference for teaching tasks, which he gave a lot of importance to and enjoyed enormously. El Vasco, as his close friends referred to him since he was very young because of the origin of his mother, whose surnames were Aristizabal Iparraguirre, was an ardent trainer of professionals. His disciples always remembered him with deep affection, admiring him for his characteristics as a dedicated teacher, meticulous, detail-oriented, deep and reserved.

In 1966 Adolfo Diz began his career as an official at international organizations by being named executive director representing Argentina, Bolivia, Chile, Ecuador, Paraguay and Uruguay at the International Monetary Fund. When his two-year period at the IMF came to an end he was named financial representative of Argentina in Europe and was based in Geneva, Switzerland. In that position he had the opportunity to take part in several official delegations that acted before bodies such as the World Bank, the Economic Commission for Europe and the UNCTAD. During the same period, the Banco Central de la República Argentina took advantage of Doctor Diz's presence on the old continent, as well as his prestige, in order for him to act as a delegate at the annual assemblies of the European Association



of Financial Institutions and the Bank for International Settlements based in Basel. At that stage Dr. Diz also actively participated in the process for reforming the international financial system as alternate in the Intergovernmental Group on International Monetary Matters (Group of 24). Furthermore, the countries that had appointed him as executive director at the International Monetary Fund also named him representative on the IMF Board of Governors Committee with respect to the reform of the International Monetary System and similar matters (Committee of 20).

It was precisely while he was working as Argentina's financial representative in Europe when Doctor Diz was chosen to take up the post of Director of CEMLA. The time that Dr. Diz was at the helm of CEMLA only lasted two years and two months, from January 1974 to March 1976. The brevity of his mandate is explained by the fact that in April 1976 he was named President of the Banco Central de la República Argentina, a post he held for just under six years until March 1981. History tells us that Adolfo Diz was the fifth longest serving head of that Central Bank. Only the terms of Ernesto Bosch, Martín Redrado, Alfredo Gómez Morales and Pedro Pou were longer.

The performance of Adolfo Diz at the head of the organization was fruitful despite its brevity. One of his main achievements was to promote research work, which received a significant boost. At the head of CEMLA, Diz used his prestige and convening power to attract researchers of specific gravity to the Center. Such was the case of the economist, also from Argentina, Mario Bléjer, Antonio Gómez Oliver and others.

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Studies.” The first was the unexpected resignation of Adolfo Diz at the start of 1976. Once again, and based on the statutes, the Deputy Director Fernando Rivera was appointed as interim head of the organization, while the position of second in command was temporarily handed to the economist, also from Argentina, David Konzevik, who had been working as Chief of the Training Department since 1976. As stated in his biographical sketch, Adolfo Diz had received the distinction of leading the central bank of his native country, occupying the position from 1976 to 1981. During his interim appointment Mr. Rivera did not only have to take charge of the work for choosing the next Director of the Center, but also needed to face and solve the difficulties stemming from the traumatic devaluation suffered by the Mexican peso in September that year. That event was the other one that had a *disruptive effect* on CEMLA during that year of difficulties.

The main consequence of the devaluation of the Mexican peso was financial. The damage derived from the fact that CEMLA continued the financial practice of maintaining reserve assets in the currency of the host country. Although in 1954 the organization had already suffered exchange rate damage when the value of the local currency shifted from 8.60 to 12.50 pesos per US dollar, 22 years of exchange rate stability had led to the idea that CEMLA did not face any exchange rate risks. According to the corresponding *Annual Report*, the organization’s Directorate had always considered “it a gesture against the spirit of the institution to use the foreign exchange market to change these holdings to dollars in the speculative environment that prevailed during the months from September to November.” In any case, such action would have been useless. The appropriate measure would have been to convert the organization’s reserves into foreign currency before the date of the devaluation, i.e., in August or the preceding months. In sum, by December 1976 the damage from exchange rate losses amounted to around half the balance of the corresponding item, which totaled, also approximately, 6.4 million pesos.<sup>97</sup>

<sup>97</sup> CEMLA, *Annual Report*, Financial Year 1976, May 1977, p. 25.



Adolfo Diz had been in the highest position at the central bank of Argentina since the start of 1976. His final and irrevocable letter of resignation was submitted for consideration to the Board of Governors in September that year and the body took the decision of recommending the Assembly to begin the procedures specified in the statutes for naming a new Director. The appointment had to be decided at an extraordinary meeting of the Assembly, which was programmed for May 1977.<sup>98</sup> In the meantime, the members of the Board of Governors began the task of collecting recommendations for candidates to succeed Mr. Diz. We do not know what other names were mentioned to fill the vacancy during that time, but by May 1977 a candidate had been unanimously decided on. It was very significant, or perhaps prophetic, that the corresponding meeting of the Assembly was to be held precisely in the capital of Guatemala. In this regard, the following was recorded in the minutes:

The Board of Governors unanimously recommends the candidature of Mr. Jorge González del Valle, distinguished Guatemalan economist and well known individual in Latin American and international central banking circles, to fill the post of Director of the Center for Latin American Monetary Studies, A.C., from the time of his formal appointment until the period for which Dr. Adolfo Diz had originally been designated is completed, i.e., until December 31, 1978.<sup>99</sup>

Continuing on this theme, the reappointment of González del Valle for the period 1979-1983 began to be put forward during the meeting of the Assembly that was held in April 1978 in Santo Domingo, Dominican Republic. At that forum, independently of the procedure specified in the statutes for such ends, a movement in favor of reelecting the successor of Alfredo Diz was very clearly voiced. However, in order to comply with that laid down in the regulations, it was agreed that the Assembly would gather proposals for other candidates from member central banks. Apparently, no other candidates were nominated over the following months.

<sup>98</sup> CEMLA, "Minutes of the Board of Governors," September 1976, pp. 5-6.

<sup>99</sup> CEMLA, "Extraordinary Meeting of the Assembly," May 1977, p. 5.

Thus, when the meeting of the Assembly took place in Acapulco in September 1978, it was a mere formality for it to carry out the pending appointment. The delegate for the host country played a leading role at that meeting:

Mr. Gustavo Romero Kolbeck, representative of Banco de México, stated that, given that the requirements laid down in the statutes had been fulfilled, he proposed unanimously approving the election of Mr. González del Valle, which was accepted by the representatives of the 20 members attending the Assembly.<sup>100</sup>

The performance of Director González del Valle must obviously have been satisfactory for all CEMLA's associate and collaborating members. It is otherwise difficult to explain why there was no opposition to the proposal for him being the Director of the organization for another five years, i.e., for the period from 1983 to 1988. According to reports, by June 21 that candidate already had 14 of the 16 vote minimum needed to have two thirds of the Assembly's vote. The chairman at that time, Juan César Pacchiotti of the Banco Central del Uruguay, tabled a motion in favor of the proposed candidature receiving the unanimous vote "of all the 24 member institutions represented at the session." There were no objections to the proposal and Jorge González del Valle was named as Director of CEMLA for another five-year term: 1984 to 1988.<sup>101</sup>

## 2. Training

The document *A Project of CEMLA* laid down a very clear organizational strategy for training activities. In this regard, four general areas of operation were decided on: basic training programs, programs of other courses, program of internships at the Center, and training abroad and technical assistance for central banks and other institutions in education and training matters.<sup>102</sup> It is noteworthy that this classification of activities had remained practically unchanged for a decade. Another important feature was the

<sup>100</sup> CEMLA, "Minutes of the Assembly," September 1978, p. 9.

<sup>101</sup> CEMLA, "Minutes of the Assembly," September 1983, p. 8.

<sup>102</sup> CEMLA, "Minutes of the Board of Governors," May 1974, pp. 2-3.

fact that basic programs would no longer be just one course, a decision that allowed greater flexibility for programming training activities. When the document *A Project of CEMLA* was being discussed three courses had made up the basic program, and over the following years the number and specific decisions on the topics to be addressed continued to adapt with ease according to the circumstances, needs, proposals received and the availability of instructors and funds for covering scholarships, paying teachers and other expenditures. The new model therefore provided a margin for change and innovation.

One important historic event for implementing this approach took place in 1976, when the program laid down in *A Project of CEMLA* was finally set in motion. It is noteworthy that the basic training program proposed for 1976 included three courses given in succession during the first two quarters and autumn dedicated to the key topic of central banking and monetary policy. Another new feature of the program was giving the same course, but in English for Caribbean countries. Thus, the calendar for that year was completed with another three courses: a new one that was very successful and entitled “Operational Aspects of Central Banking;” another on the topic of “Capital Markets and the Saving and Investment Process;” and one more newly created course: “Economics and Statistics for Central Banking.”

Another important aspect of the training activities in 1976 was the program of Interchanging Officials from Central Banks and Other Institutions. Under this program arrangements were made for 16 officials from the central banks of six Latin American countries to carry out work and observation exercises at institutions and bodies of five countries on the continent: Argentina, Brazil, Colombia, Mexico and the United States. Participants on the program were from Bolivia, Colombia, Costa Rica, Guatemala, Mexico and Ecuador. The latter country also provided eight of the 16 candidates originally enrolled on said program.

Although the overall framework of CEMLA’s training activities did not undergo any significant changes over the following decade, the specific courses included on the programs did. Moreover, in response to requests made at that time by associate



Inaugural session of the course on Development Financing and Capital Market, Bolivia, 1970. CEMLA's photographic archive.

members, two national programs were implemented in 1985, one on Development Financing in Nicaragua and another in Colombia on the topic of Auditing Information. In that same year CEMLA also organized three seminars for specialists on the topics of The Question of External Debt in Central America and Proposed Solutions; Computer Auditing; and Designing, Constructing and Using Short-Term Indicators. The seminars that were organized for students should also be added to the aforementioned.

In general terms, it can be said that CEMLA's training activities in 1985 followed the approved programs, but adjustments and changes had to be made along the way. One reason for this was to meet the requests made by associate members, as was the case of the course on "Computer Auditing" mentioned above. It was also necessary to postpone a course on "High-level Management" and a seminar on "Agricultural Credit" that had been programmed to take place in Mexico City during the fourth quarter. The reason for the postponements were the powerful earthquakes that hit the Mexico's capital city during September that year. As was usual, the courses included on the basic program were held at CEMLA's offices and many of the subjects were given by officials or researchers attached to the institution. Finally, it is important to emphasize that many instructors were provided by central banks of the continent or by other regional (ECLAC and OEA) and international (IMF and PNUD) bodies and organizations.

The administration led by Adolfo Diz introduced two important changes in the organization of training activities. A short time after taking up his post in 1973, he adopted the “weeks per participant” unit of measure to calculate this key function. Thus, starting with the *Annual Report* for 1975, the quantitative performance of training activities began to be recorded, providing a breakdown of the programs and courses given. A short time later, in 1978, a new criteria was agreed for dividing the relative courses and activities into four categories, the previous ones having been basic programs and special programs to which were added seminars and internships at CEMLA. Table 10 shows the general evolution of training during the decade from 1975 to 1985. It is possible to identify three clear trends in the data. The first is the expansion of the weeks-participants indicator, which increased from 1,064 in 1975 to 1,875 in the last year of the decade; the second, relative to the growing importance of special programs as compared to the most basic programs; and the third, regarding the weakening and disappearance of the Internships program by the start of the eighties decade.

The authorities’ policy continued to be one of adapting training programs to the needs and requests of both associate and collaborating members. For this reason many courses that were successful at the time ended up being only temporary, and the specific courses included on the basic program, as well as the special programs, varied continuously throughout the period. Meanwhile, the basic programs were permanently changed as regards the number of courses and the topics they addressed. In 1976 and 1977 as many as six and seven *basic* courses were programmed, a number that was reduced to just three starting in 1979.

The four main courses in the special programs category were: “Central Bank Administration” –that began to be given in 1977–, “Banking Regulation and Supervision” –that started in 1979–, “Economic Indicators” –also introduced in 1979–, and “Financing Economic Development.” The latter course was not included in the basic programs category until 1982, but the following year CEMLA’s governing bodies decided to change it to special programs based on the argument that it was mainly aimed at officials from development banks and specialists in matters of financing for development

Table 10

**CEMLA: TRAINING, 1975-1985  
(WEEKS-PARTICIPANTS)**

<i>Program</i>	<i>1975</i>	<i>1977</i>	<i>1979</i>	<i>1981</i>	<i>1983</i>	<i>1985</i>
Basic Programs (courses)	908 (4)	1,449 (7)	1,331 (3)	1,137 (3)	678 (2)	801 (2)
Special Programs (courses)		216 (1)	480 (3)	1,093 (4)	690 (4)	648 (4)
Seminars	96	66	217	245	273	385
Internships	60	83				
<i>Total</i>	1,064	1,710	1,907	2,475	1,680	1,875

and progress. In addition to the aforementioned courses, which were given continuously each year since they started right up until 1985, other courses were organized during the period that were statistically classified in the *Others* category. In particular, this item included the courses and seminars that were developed in answer to the requests presented by associate members. These demands led to the so-called national programs that were held on many occasions during the period. By way of example, in 1981 three of such courses were organized: one on national accounts for Venezuela, another on financial programming and policy, and the third on banking regulation and supervision, given at the request of the central bank of the Dominican Republic.

### 3. Research

The document *A Project of CEMLA* included a proposal by the recently appointed Director, Adolfo Diz, to give basic and applied research tasks “a considerable boost.” This official also recommended that research tasks be more closely coordinated with the Center’s other functions in the fields of training and education, as well as

## Biographical Sketch

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1929-2003 **Jorge González del Valle**

**T**HE GUATEMALAN ECONOMIST, PUBLIC ACCOUNTANT AND financial expert, Jorge González del Valle, served as Director General of the Center for Latin American Monetary Studies (CEMLA) for a whole decade, from 1977 to 1988, except for a brief period. While attempting to write a biographical portrayal of this figure, one of his closest friends, Justo Ugarte, remembered him as a versatile individual, a dreamer, good conversationalist, wry, a teacher, and wise, intelligent, controversial, noble, passionate human being and friend, subversive and provocative... All these characteristics were surely present in the personality of González del Valle and a look over his professional curriculum reaffirms the conviction that he was an individual with outstanding intellectual skills.

González del Valle, born in Mazatenango, department of Suchitepéquez, Guatemala, came from a poor family. The latter had moved to the capital of the country and because of the economic hardship faced by the family he had to start work as an accounting assistant at the age of 13. With great personal effort he completed his basic and high school education.

With respect to education, González del Valle enrolled at the Universidad de San Carlos in Guatemala where he obtained a Bachelor's degree in Economics and Public Accounting with a specialization in Auditing. After that his talent and ambition took him to the prestigious Columbia University in the United States where he received a Master's degree in business administration. His next step as a graduate student was developed at the also renowned Yale University, where he obtained another Master's degree this time in Economics.

González de Valle then took this sound education and started a brilliant career as a national and international official, professor and agent, actively participating in the politics of his country. The first appointment was in his country at the Consejo Nacional de Planificación Económica, where he reached the post of general secretary. This experience served as a springboard for living and working in Washington as an economist at the International Monetary Fund (IMF). It was in his second position that González del Valle took up a managerial position and, as will be seen below, he would occupy many more throughout his career. Thus, on his return from the IMF, he served as Director of the Cámara de Compensación Centroamericana during the two-year period 1961-1962. His next post was at the Banco Centroamericano de Integración Económica, acting as its founder, Director and Vice President, in that order. His professional success continued, and in 1964 he was asked to serve as executive director before the International Monetary Fund in the seat representing Mexico, Venezuela and the countries of Central America. After completing that assignment he remained in the capital of the United States and served for a further two years as Advisor on Economic Affairs at the Guatemalan Embassy. His next position was at the Consejo Monetario Centroamericano with its headquarters in San José, Costa Rica, where he worked as Executive Secretary from 1968 to 1978.



It was the outstanding professional career described above that made it possible for Jorge González del Valle to be nominated and elected to manage the Center for Latin American Monetary Studies. In particular, his stepping stone to the candidature was the Consejo Monetario Centroamericano, a collaborating member of CEMLA. In the same way as in the Consejo Monetario Centroamericano, González del Valle was at the head of the organization based in Mexico's capital city. Upon completing his position at CEMLA, the



Guatemalan's professional career continued to go from strength to strength. For a brief spell during 1982 he had the honor of serving as interim president of the Banco de Guatemala. Later, after his return from Mexico he acted as president in his native country of the Banco Inmobiliario, S.A., and then participated as founding partner of a private consulting firm, Consultores Económicos y Financieros. He returned to Mexico City from 2002-2003 in order to serve as First Secretary and Trade and Investment Attaché in his country's Embassy.

Jorge González del Valle took advantage of the positions he filled in Guatemala City, Tegucigalpa, San José de Costa Rica and Mexico City to give classes at prestigious universities and schools. Among the latter it is important to mention the Universidad de San Carlo, the Universidad Nacional de Costa Rica, the Colegio de Economistas y Contadores Públicos de Guatemala and, of course, the Center for Latin American Monetary Studies. In the same way as with teaching, González del Valle also took advantage of the different stages of his career to give technical advice. He carried out this type of work with the UNCTAD / IBD / SELA in 1978-1980, the Organization of American States (OAS) in 1988, the Fondo de Inversión Social de Honduras (1989), the Programa de Monitoreo de Planificación (1991), the Grupo de Evaluación de Actividades (1993) and the Empresa Guatemalteca de Comunicaciones (1993). Two commitments stand out on González del Valle's record as a technical advisor. First, with the creation of the Latin American Export Bank in 1976-1977. Second, with the ECLAC where he worked as an external advisor and consultant shortly before his sudden, and perhaps slightly premature, death in 2003 at the age of 73.

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the projects implemented by the research departments of member central banks. The document suggested dividing research activities into four categories: basic research, applied research, other tasks and assistance to central banks requesting it in this field of activity. Efforts in the first branch would focus on “the study of monetary, banking and financial problems; monetary policy and programming; capital markets; monetary problems of the external sector; monetary integration; international monetary problems, etc.” Additional research tasks would be carried out at “the request of member central banks,” including those that originated from the governors meetings. Finally, technical assistance on the projects member central banks wished to implement, or were in the process of doing so, would be provided at their request. The Center would also offer to organize “national or regional research” seminars or forums.<sup>103</sup>

Over the following years with the support of Director Diz the organization was able to gather together a team of researchers in order to crown the attempt to give research activities “a considerable boost.” The problem was, just as throughout the period of Javier Márquez, it would prove difficult to keep truly valuable and prestigious researchers at the institution. However, these realistic considerations were not tabled when the new administration got down to the very successful work of recruiting and hiring high quality researchers. In accordance with this approach, during 1975 six top-level professionals were hired to join the Research Division, headed at that time by Pedro Pou Canet from Argentina. These were the economists, all of whom possessed or were candidates for a Ph.D.: Mario Bléjer (Argentina), Jorge Cambiaso (Chile), Moisés Lejavitzer (Uruguay), Arturo Porzecanski (Uruguay) and Permishwar Ramlogan from Trinidad and Tobago. The following year (1976) this group of economists was joined by Antonio Gómez Oliver (Mexico), Valeriano F. García (Argentina) and Carlos Manuel Peláez (USA).

This effort to strengthen CEMLA’s human capital was very profitable. It is important to point out that all the researchers the institution hired also participated in the training and teaching

<sup>103</sup> CEMLA, “Minutes of the Board of Governors,” May 1974, p. 3.

activities, although their main mission was obviously to carry out projects that would result in papers worthy of being published or presented at meetings or seminars. For instance, in 1977 seven studies were completed that had been personally requested from the specialists attached to the Research Division.<sup>104</sup>

### Dissemination of Research

An important link was forged between the papers produced by CEMLA's Research Division and another two key activities: organization and participation at international meetings and the publications program. Thus, since 1978 the practice was established that the annual paper, *Síntesis de la evolución financiera de América Latina y el Caribe*, would be presented at the autumn Meeting of Governors of Latin American Central Banks. According to that approach, out of the 10 research papers produced at CEMLA during 1978, three were presented as lectures at the aforementioned meetings of Latin American governors, while one more was set aside for the Meeting of Central Bank Technicians held that year, and another three were used as the basis for seminars organized by the Center, which included an event on external debt; one more was channeled to the publications program and the remaining one served as a contribution to a program on economic development led by the PNUD and the ECLAC.

The top level researchers did not stay long at CEMLA for different reasons. Some resigned because they were offered important positions in their home countries, others were attracted by research institutions or universities with the incentive of higher salaries, while some were simply beckoned by the nostalgia to return to their countries of origin. In sum, the prospect of making a permanent career at CEMLA was attractive to only a very few specialists. The stampede began in 1978, the same year as González del Valle became head of CEMLA, with the resignations of Valeriano F. García and Antonio Gómez Oliver. They were followed in 1980 by the Mexican economist Manuel Cavazos Lerma, who had been hired in 1978, and then Luis Valdivieso (Peru) and Jorge Cambiaso

<sup>104</sup> CEMLA, *Annual Report*, 1977, p. 10.



Mario Bléjer, CEMLA's 60<sup>th</sup> Anniversary Conference. CEMLA's photographic archive.

(Chile). The year after that the same route was taken by the recently hired economists: Manuel Chavarría (El Salvador) and Stella Maris (Panama).

CEMLA's authorities addressed the problems of high turnover among research staff by means of temporary contracts. In 1977 the US economist Richard M. Barret had been hired for one year, and in light of the positive results obtained, this practice was continued over the following years. Evidence of such results, at least regarding quantity, is the continuous increase in the number of papers produced by CEMLA's Research Division. In fact, during the last few years of the period production rose significantly from 10 papers in 1982 to 13, 18 and 17 during the three subsequent years. In 1985 CEMLA's research papers began to be grouped into four categories: Money and Prices (with four papers that year), External Sector and International Finance (seven papers), Financial Policy (four papers) and Other Studies (with two papers).<sup>105</sup> Table 11 shows the details of this information.

<sup>105</sup> CEMLA, *Annual Report*, 1985, pp. 10-11.

Table 11

**CEMLA: RESEARCH PAPERS (1985)**

Money and Prices

- *A Framework for Analyzing Stabilization Programs in Latin America*
- *The Abundance of Currency and Monetary Instruments in Latin America*
- *Analyzing the Behavior of the Monetary Multiplier in Chile, Mexico, Uruguay and Venezuela*
- *Real GDP and Unexpected Changes in Monetary Policy*

External Sector and International Finance

- *Variation of International Reserves and Exchange Rate after Substituting Assets*
- *Obstacles to Intra-Latin American Trade and Efforts to Revitalize It.*
- *Financial Policies for Boosting Manufacturing Exports in Latin America and the Caribbean*
- *Domestic and External Factors affecting Latin American External Debt Servicing*
- *Evolution of Exchange Rate Policy in Latin America and the Caribbean*
- *The Demand for International Reserves: The Case of Latin America in the period 1952/82*
- *Terms of Trade and Balance of Payments Monetary Approach*

Financial Policy

- *Considerations on a Savings Policy*
- *Monetary Policy and Control in Central America*
- *Latin America and the International Monetary System*
- *The Burden of Real Interest on Latin America's External Debt*

Other Papers

- *Summary of the Financial Evolution of Latin America and the Caribbean 1984*
- *Short-term Indicators: Three Alternative Methodologies for Empirical Operations to Solve the Short-term Problem Applied to Four Countries of the Sub-Continent*

Source: CEMLA.

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## The Rodrigo Gómez Award

In particular, one new research program was linked to the Rodrigo Gómez Award founded in honor of the man who had been Director General of Banco de México for 18 long and very

successful years. Following his sudden death at the beginning of 1970, the Meeting of Governors of Latin American Central Banks at its autumn session that same year made a resolution to establish an award in memory of this distinguished central banker and Latin Americanist that would also recognize his prestige and human qualities. As Permanent Secretary for these meetings, it was CEMLA's task to design the regulatory foundations of the prize that since then has been known as the Rodrigo Gómez Central Bank Award. These rules were prepared by the institution's authorities and were submitted for consideration to the Board of Governors at its meeting in the autumn of 1970. Based on the approved rules, an invitation to the first edition of the Award was sent to associate and collaborating members. To achieve greater dissemination, the invitation was also published in the February 1971 issue of *Boletín*. The launch of the Rodrigo Gómez Award attracted great interest, and in response to the invitation CEMLA received "correspondence from different Latin American countries requesting additional information, enquiries, etc. which have been duly answered."<sup>106</sup>

The Rodrigo Gómez Award had been created, and CEMLA would from then on be responsible for organizing it. As stated in the *Annual Report* of 1972, the administrative arrangements for holding the contest stemmed from the instructions that had been "given to CEMLA by the Meetings of Governors of Latin American Central Banks." For the first edition of the contest, 15 papers by authors from 10 Latin American countries were received within the deadline for the call-for-papers that expired on January 15 1972. Copies of these papers were then sent to the Panel of Judges, which in accordance with the regulations consisted of five members of CEMLA's Board of Governors. The winner of the first edition of the Rodrigo Gómez Award was a study entitled *Economía monetaria* by Aldo Arnaudo from Argentina. CEMLA's *Annual Report* for 1971 announced that this paper was in the process of being printed as part of the organization's publications program.<sup>107</sup>

<sup>106</sup> CEMLA, *Annual Report*, 1971, p. 30.

<sup>107</sup> CEMLA, *Annual Report*, 1972, pp. 25-26.

The original idea, which survives up until today, is for the Rodrigo Gómez Award to be held annually. However, the records reveal that during the period 1972-1985 no papers won the prize in 1974, 1975, 1980, 1982 and 1984 until 1989. What happened to this event in each of those years? In 1975, for instance, there were “several incidents beyond CEMLA and the Board of Governor’s control” that prevented the jury from reaching a final verdict. In 1979 the Panel of Judges decided to declare the first place empty and grant honorific mention of second place to the two best papers in the contest. Meanwhile, in 1984 the problem was that no papers were received for the contest and the following year the decision was declared empty again due to the fact that only one paper was entered.<sup>108</sup>

#### 4. Meetings

During the period when Dr. Diz was at the helm of CEMLA, and throughout the term of his successor, Jorge González del Valle, the organization’s participation at international meetings remained an extremely important activity. The meetings were classified into three types: those CEMLA organized and fulfilled the role of Secretariat; those where it acted as co-organizer and shared the role of Secretariat, and many others it participated in or simply attended. The meetings CEMLA organized were basically composed of the one held annually for the Governors of Central Banks of the American Continent and the biannual Governors of Central Banks of Latin America meeting. The latter was convened twice a year in order for it to coincide with the spring and autumn meetings of the International Monetary Fund and the World Bank. The Meeting of Central Bank Governors of the American Continent was also held in spring and nearly coincided with the date of that for the Governors of Latin American Central Banks.

The Meeting of Central Bank Governors of the American Continent was held without fail every year from 1974 to 1986, from its eleventh (XI) to twenty third (XXIII) edition. The difference

<sup>108</sup> CEMLA, *Annual Report*, 1975, 1979, 1984 and 1985, pp. 21, 18, 24 and 19.

between this forum and the parallel one of the Governors of Latin American Central Banks was reiterated when, within that conclave, it was pointed out to CEMLA that in its role as Secretariat and when planning the subject matters, “it should take into account the more political and less technical level of these meetings.” The approach was therefore established: these continental sessions were diplomatic and for conceptual negotiations with the aim of determining the important topics on which concerted decisions would eventually have to be made. This forum became mostly political in nature due to the participation of the central banks of the United States and Canada. The format of these meetings was finally defined in 1976 when it was agreed that the program would always consist of two formal sessions and one informal one. The former would be carried out according to a predetermined program, while at the latter the governors would spontaneously exchange “ideas and opinions on diverse topics within their field of action.”<sup>109</sup>

The three years from 1975 to 1977 were extremely important for the meetings of governors of Latin American central banks as regards the planning and discussion of two very ambitious projects of regional significance that are addressed in the following paragraphs. Moreover, during the meeting of autumn 1977 the Banco de España finally became a formal member of this forum, and two years later (1979) it acquired the same status in another important forum, the Meeting on Systematization of Central Banks of the Americas, which had been held every year since 1971. With respect to the case of Spain, it should be mentioned that the governor of its central bank had always been a guest of honor at the Meeting of Governors of Latin American Central Banks since its session of spring 1975. The formal incorporation of Spain to these two forums took place at the Meeting of Governors held in Madrid in autumn, hosted precisely by the Banco de España. It was not by chance that this central bank gave the speech that would serve as the basis for the first point of the topic: “Monetary and Financial Aspects of European Integration and its Repercussion for Spain.”<sup>110</sup>

<sup>109</sup> CEMLA, *Annual Report*, 1975 and 1976, pp. 15 and 17.

<sup>110</sup> CEMLA, *Annual Report*, 1979, p. 17.



Table 12

**RODRIGO GÓMEZ CENTRAL BANK AWARD WINNERS,  
1972 TO 1985**

<i>Year</i>	<i>Title</i>	<i>Authors</i>
1972	<i>Economía monetaria</i>	Aldo A. Arnaudo
1973	<i>Análisis del mercado de eurodólares: origen, desarrollo y consecuencias</i>	Luis Raúl Seyffert
1976	<i>Dinero, precios y la balanza de pagos: la experiencia de México, 1950-1973</i>	Mario I. Bléjer
1977	<i>La estrategia del Estado en el desarrollo financiero. El problema del financiamiento no inflacionario en México</i>	Julio Alfredo Genel
1978	<i>Acumulación de capital y crecimiento económico. Perspectivas financieras en México</i>	Guillermo Ortiz Martínez
1981	<i>Programación monetaria. Aspectos teóricos el caso brasileño</i>	Edilson Almeida Pedrosa
1983	<i>Posibilidades de optimización del crecimiento económico y de la deuda externa en Brasil</i>	Reynaldo de Souza Motta

At the autumn 1975 edition of the Meeting of Governors of Central Banks of Latin America, the ECLAC, through its Executive Secretary, presented a project regarding a “financial security network” for countries of the region. In response, those attending agreed to set up a Special Technical Committee for studying the project. The available documents do not report any of the recommendations that might have emerged from that body. Neither are there any explanations on the ECLAC’s proposal for “the possible establishment of a financial network for Latin America.” However, judging by the results, the project must not have aroused much enthusiasm among central bankers of the subcontinent. As a consequence, at its session of spring 1976 the Meeting of Governors of Latin American Central Banks decided to entrust that “same Committee of governors with periodically reviewing the status of

Latin American economies in the international context assisted by a Joint ECLAC-CEMLA Secretariat.”<sup>111</sup>

The project that was initially discussed and approved by CEMLA’s Assembly of 1975 for “creating a funding arrangement for Latin American exports” had a different outcome. Apparently, the idea had originally been proposed by the president of Panama’s Comisión Bancaria Nacional. The Assembly decided to entrust the first project to the Guatemalan economist Jorge González de Valle and the consulting firm of Kearns International. The idea took off and its progress required three subsequent meetings: two of a Special Technical Committee that was created purposely for that aim and a Committee of Governors that presented a proposal which was discussed at the XXIII Meeting of Governors of Latin American Central Bank in September 1976. Work on the topic continued to make progress and a decision was finally made at the autumn meeting of that forum held in Cartagena, Colombia:

the President of Panama’s Comisión Bancaria Nacional informed the Governors of the completion of the necessary studies for finally founding the Latin American Export Bank (Bladex) with its headquarters in Panama.<sup>112</sup>

The meetings where CEMLA acted as co-organizer and Joint Secretariat mainly consisted of three forums. The first were the previously mentioned Meetings of Central Bank Technicians of the American Continent that Adolfo Diz’s administration managed to hold every year without interruption from 1975 to 1986, when the twenty third edition of the meeting was held. The administration of Dr. Diz, as well as that of his successor, Jorge González del Valle, also proposed and achieved the uninterrupted continuity of another conclave that had been created in 1972: the Meeting of Systematization of American Central Banks. This forum was in parallel to the course “Central Bank Operational Aspects,” which was always of utmost importance among the Center’s training programs. Finally, another forum emerged that only survived for five years (from 1981 to 1985): the Meeting of Bank

<sup>111</sup> CEMLA, *Annual Report*, 1976, p. 18.

<sup>112</sup> CEMLA, *Annual Report*, 1977, p. 15.

Superintendents of Latin America and the Caribbean. The latter topic had become very important and the following year the forum changed its name to Meeting of Bank Supervisory and Oversight Bodies of Latin America and the Caribbean.<sup>113</sup> Furthermore, the Meeting of Bank Superintendents of Latin America and the Caribbean was created at the 1981 edition.

As stated above, the Meeting of Central Bank Technicians of the American Continent was held without interruption throughout the period studied. During that time, several events took place at the forum that are worth mentioning. At the edition for 1976, the researchers CEMLA had hired recently participated as speakers: Jorge Cambiaso, Antonio Gómez Oliver, Mario I. Bléjer and Valeriano F. García. Later, at the session held in San José de Costa Rica in November 1979, a key reform was approved for the forum. The records reveal that at a previous meeting held by the delegation heads “new regulatory standards were approved for these meetings.” According to the new format, debates would be tabled “at two plenary sessions, opening and closing, and seven sessions for each of the commissions the topics to be addressed were divided into.” The corresponding specializations were defined as follows: monetary and financial programming, monetary and financial policy, financial sector, external sector, economic and financial statistics, econometric models and other topics.<sup>114</sup>

## 5. Other Services

CEMLA’s operating strategy was framed since the beginning by two guidelines: flexibility and service orientation. The combination of these two principles, and the very understandable fact that the services required by associate and collaborating members had been changing over time, explains the temporary nature of many programs. Such was the case during the period 1972-1985 of a program that at one time had been very successful and apparently very popular among associates and collaborators: the Exchange

<sup>113</sup> CEMLA, *Annual Report*, 1981, p. 18.

<sup>114</sup> CEMLA, *Annual Report*, 1976, 1972 and 1979, pp. 20, 16 and 17.

Program for Central Bank Officials. How did it work? CEMLA acted as a type of labor exchange or placement agency receiving requests from associate and collaborating members in order for their officials to be able to visit other institutions linked to the Center, mainly to receive training, but in some cases also for research reasons. In response to these requests the Center would, so to speak, channel the beneficiaries to destinations where they would receive the appropriate attention.

To illustrate exactly what this service consisted of it is worth quoting what was said on the subject in the *Annual Report* for 1982:

The use of this service that CEMLA places at the disposal of its associate and collaborating institutions depends, more than the other training programs, on their decision to channel their requirements through the Center instead of making the exchange via bilateral arrangements. During 1982 it appears that the latter had occurred, i.e., that central banks have at least solved consultation visits of their specialized officials by direct arrangements between these institutions.

On the other hand, it is likely that the austerity measures referred to in the introductory chapter influenced the fact that only three requests were received for using this service. The participants came from Bolivia, El Salvador and Guatemala and they made studies and observations at the Banco de México and other financial institutions of CEMLA's host country. The subjects of the studies included public relations, budgetary control systems and staff training.

The Exchange Program of Officials from Central Banks and Other Institutions began in 1975 by agreement of the Board of Governors. With respect to quantity, from 1975 to 1985 there were exactly 62 beneficiaries, beginning with 22 in the first year and ending with four in 1984. The aforementioned means this program stopped operating in 1985 and was most active and successful from 1978 to 1981, with the number of users in each of these years amounting to 27, 26, 11 and 25. Another topic of interest is the countries where such users came from and the destinations where they were received. Although the exchange services tended to be

concentrated in the same countries from the point of view of the origin and destination, the former group included 19 countries and the latter 10. With respect to the destination countries, Mexico received 60% of users, followed by Argentina (9.3%), Colombia (8%) and the United States (5.6%). The countries of origin on the other hand were more diversified, although Ecuador (34.6%), Bolivia (16%) and Guatemala (14%) predominated.

## 6. Publications

The comprehensive approach that inspired the document *A Project of CEMLA* also included reference to the subject of publications. The general strategy was for publications to be a vehicle “for disseminating outside the institution four types of materials: those that resulted from the research made there, [...] papers on monetary matters produced in the region [...] works on the region’s monetary problems produced outside the Center” and those that would serve to “promote the exchange of monetary and financial information between institutions of the region.” This task would be implanted via three main publishing mediums: the monthly *Boletín*, books and a publication that was to be named *Memoria Anual*, which appears never to have been published. With respect to books, it was set forth that CEMLA should seek “all the advice deemed necessary” for selecting them. It should also examine “in detail the aspects of their sale and distribution in order to broaden their dissemination and reduce costs.” As for *Boletín*, it was established that it would be generally restructured “as regards the volume and content of its material, as well as the way it was distributed.”<sup>115</sup>

To be precise, the main change applied to *Boletín* was to publish it every two months instead of monthly. This decision was taken in 1976 with the approval of the Board of Governors. The period of transition occurred during the second half of 1975 “with three issues being published in the period from July to December of that year.”

<sup>115</sup> CEMLA, “Meeting of the Board of Governors,” May 1974, pp. 4-5.

The above was considered as a transition period for achieving the aim of converting this journal into a less frequent publication stated in *A Project of CEMLA* and ratified the preceding year by the Board of Governors. Thus, as of January 1977, the *Boletín Mensual* (Monthly Bulletin) became *Boletín* and was published every two months.

Table 13

CEMLA: BOOKS PUBLISHED							
<i>Series</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1984</i>	<i>1985</i>	<i>Total</i>
Essays	3	3	2	1		1	10
Meetings and Seminars	2	1	1	1	3	1	9
Research Papers			4	2	3	5	14
Provisional Texts			1		2		3
Conferences						1	1
Studies				2	3		5
Others				1			
<i>Total</i>	5	4	8	7	11	8	42

The easing of pressure for obtaining publishable material every month will allow, among other things, more human and financial resources to be dedicated to publishing the Center's own research work, which it is proposed to be published within the Essays series and, if the quality and coverage of any of them merits it, as a CEMLA book. It is still not possible to measure the impact that this change in the frequency of *Boletín* will have on the number of paid subscriptions. During 1976 said subscriptions were 221, i.e., the same as the year before.<sup>116</sup>

<sup>116</sup> CEMLA, *Annual Report*, 1977, pp. 12-13

Bimonthly issues of *Boletín* were published without exception every year from 1977 to 1985. In addition, and without there being any mention of the matter in the document *A Project of CEMLA* from 1974, in 1977 CEMLA created a new quarterly journal entitled *Monetaria*. This publication was born with the aim of disseminating “unpublished high quality technical articles on different topics of interest in the financial and central banking fields.” Its content would mainly consist of research papers produced at the Center, as well as lectures presented at the Meetings of Central Bank Technicians of the American Continent and Systematization of American Central Banks and that of Spain. This approach therefore reveals the intention to strengthen the ties inside the Center between research activities, the attendance of its officials at international meetings and the institution’s publishing programs. The *Annual Report* for 1977 stated that the launch of *Monetaria* had led to an almost 50% increase in the work of the Publications Division.<sup>117</sup>

Book publishing had always been a fundamental part of CEMLA’s publication activities and in the period 1975 to 1985 the institution produced 72 works with an average of 6.5 books per year. Although by the second half of the seventies the publications program already included various series of publications (Studies, Essays, Meetings and Seminars), it was not until 1979 that the *Annual Report* announced the total amount of books published without specifying which series they belonged to. As can be seen in the following table, this approach changed in 1980. In fact, significant progress was made in this area in 1982 when a new series of publications entitled Research Papers was formally created. In addition, the Provisional Texts series appeared without mention. Another aspect worth remembering is the reprints that were made: three in 1983 and two in 1985.

The document *A Project of CEMLA* also refers to selling and distributing the books published in order to “broaden their dissemination.” This line of activity was the source of many problems stemming from the announcement in 1978 that “due to changes in the internal administration of the Fondo de Cultura Económica

<sup>117</sup> CEMLA, *Annual Report*, 1977, pp. 12-13.

responsible for the sale of CEMLA's books for more than 20 years," said firm was forced to suspend such services during the second half of the year and had to return its warehouse inventory to CEMLA. A difficult search therefore began to find another firm with which a permanent and efficient arrangement could be established for distributing the publications. The first to be hired was the firm Centro de Publicaciones de Organismos Internacionales, S.A., which had representation in Spain, as well as "almost all the countries of Latin America."<sup>118</sup> Difficulties regarding the services of this firm had emerged since the beginning, and in 1980 the Board of Governors decided to request the support of member central banks for distributing the Center's books in their respective countries. The problems continued over the following years and a short time later CEMLA also separated from the firm Blume Ediciones Mexicanas, which had replaced that of Centro de Publicaciones. The next decision made in 1985 was to hire an "expert in marketing publications to work from the institution to boost sales in Mexico, Latin America and other countries that demanded CEMLA's publications."<sup>119</sup>

## 7. Other Issues

Other CEMLA activities that deserve mention were concerned with three matters. First, the large donation the Center received from the Ford Foundation in 1975, which despite having been programmed for three years was actually extended for two more years until 1981. The second was connected with the successful conclusion of the Financial Libraries program CEMLA had started in 1967 with sponsorship from the International Monetary Fund and the Inter-American Development Bank, and that ended satisfactorily in 1979. Finally, it is important to mention the Technical Cooperation service for the benefit of associate and collaborating members that started in 1979 and became very important among CEMLA's activities.

<sup>118</sup> CEMLA, *Annual Report*, 1978, p.13.

<sup>119</sup> CEMLA, *Annual Report*, 1985, p. 13.



With respect to the donation from the Ford Foundation, it is worth mentioning that the resources were used to fund scholarships and purchase books and, it was therefore, mainly linked to training and research activities. It is important to emphasize however, the importance that this donation had with the aims set forth in the document *A Project of CEMLA*, which proposed “broadening CEMLA’s Library in line (sic) with the needs of training and research programs.”<sup>120</sup> How financially important was the donation of the Ford Foundation? The amount agreed in 1975 for a period of three years amounted to 60,000 US dollars or 7.5 million Mexican pesos at the current exchange rate of 12.50 pesos per US dollar. In 1976 the total expenditure budget of CEMLA for Training Programs totaled 19,700 US dollars, one third of the total Ford donation was therefore sufficient to cover that amount. The same item for the years 1977, 1978 and 1979 amounted to 34,900, 66,900 and 67,300 US dollars, respectively. It is not possible to deduce from the available information exactly what proportion of the funds from the Ford Foundation was used to purchase books and other publications for CEMLA’s library.

There is really little else to add with respect to the CEMLA-IMF-IBD Financial Libraries Program except that in the end “210 research institutes had decided to donate to said collection” and that the host entities considered “the project successfully completed.”

The Technical Cooperation function that started enthusiastically in 1979 does deserve more detailed explanation. As regards volume, three cases of technical cooperation were addressed in 1979 and over the following six years there were another 21 requests. What did this function of CEMLA consist of? Of meeting requests for advice, enquiries or training from Latin American institutions.<sup>121</sup>

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<sup>120</sup> CEMLA, “Minutes of the Board of Governors,” May 1974, p. 5.

<sup>121</sup> CEMLA, *Annual Report*, 1979, pp. 13-14.







## Chapter V

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### Evolution (1985-2000)

#### 1. Problems to Be Solved

**I**N 1985, CEMLA PUBLISHED AN IMPORTANT DOCUMENT recounting the history of its performance over a period of 23 years. However, besides that publication there are no other references that identify that year as a watershed or milestone in the development of the organization. In 1988, Dr. Jorge González de Valle was in the tenth year of his term as Director of CEMLA and his second term in the position would soon come to an end. Thus, the Mexican economist Jesús Silva-Herzog, who had been the Minister of Finance of his country from 1982 to 1985, was named as a replacement for González del Valle. Silva-Herzog led the institution until April 1991 when he was appointed by President Carlos Salinas de Gortari as Mexico's Ambassador to Spain. In

accordance with the provisions laid down in the statutes, Deputy Director Juan Ramón Lecuona took up the post of interim Director while a replacement was found for Silva-Herzog. The appointment eventually fell to another Mexican economist, Sergio Ghigliazza García, who had served a long professional career at Banco de México and had been a CEMLA intern in 1957. Here was the ideal candidate; a full-blooded central bank official.

The replacement of the economist Jorge González del Valle as Director of CEMLA was particularly important at the time. His elected term was coming to an end and Enrique Iglesias, President of the IBD, offered him the opportunity to head a Technical Cooperation Program of that bank in Central America. It was therefore González del Valle himself who at the September 1978 meeting of the Assembly suggested the very-well-known figure in international financial circles, Jesús Silva-Herzog Flores, as his replacement. When presenting this proposal he “made it known that he fervently wished CEMLA to continue being an eminently non-political Latin American institution,” going on to express “his conviction that the new Director [Silva Herzog] would produce excellent work to ensure the institution adequately fulfills the duties entrusted to it by the central banks of Latin America and the Caribbean.”<sup>122</sup>

One might think that appointing a new Deputy Director would have been a merely insignificant process for the Board of Governors and Director of CEMLA. However, this was not so in the case of Fernando Rivera Arnaiz, who had occupied the post since September 1962 and had acted as interim Director of the organization on two occasions after the resignations of Javier Márquez and Adolfo Diz. The case began in April 1985 when Director González del Valle asked the Board of Governors for an extension to Mr. Rivera’s term as Deputy Director beyond the legal retirement age of 65. Months later, when this official had left, the failures in the wording of the statutes relating to the position of Deputy Director became evident. Only the Assembly had the powers to modify the statutes and the corresponding proposal was submitted for

<sup>122</sup> CEMLA, “Minutes of the Assembly,” September 1988, p. 8.

consideration to that body at its meeting of September 1986. The argument supporting the approval for the reform was as follows: if, according to the statutes, the Director was appointed for a term of five years and it was within his powers to name the Deputy Director, it was statutorily inconsistent that the appointment of the latter official corresponded to the Board of Governors. Thus, Articles 18, 22 and 25 of the statutes were changed in order to remove this contradiction, leaving the Director in a position to appoint the Deputy Director.<sup>123</sup> As a consequence, in line with the new regulations Juan Ramón Lecuona Valenzuela was named by the head of the Directorate to replace Mr. Rivera in the post of Deputy Director.

Since its establishment, CEMLA had been evolving toward becoming a mature institution. It was logical that once the Pension Fund had been set up, employees and officials would be continuously taking advantage of the benefits offered by retirement. One key year might have been 1983, when staff linked to the institution since it was established reached three decades of service. Later, in 1986 during the administration of González de Valle the problem of handling the taxes applicable to CEMLA's pensions emerged. The solution favored by the Board of Governors consisted of asking the Ministry of Finance to exempt these pensions from income tax, "taking into account CEMLA's characteristics as an international body." That official was then entrusted to take the corresponding actions.<sup>124</sup> The attempt was not successful. One year later it was reported to the same governing body that a decision had still not been received from the Ministry of Finance and Public Credit, although *unofficial information* had been obtained that *cast doubt* on the possibility of obtaining a favorable response.<sup>125</sup>

CEMLA had evolved continuously since its beginnings. Such development had of course encompassed the key functions of the institution in the areas of courses, research, publications, technical cooperation, organizing meetings and liaison work among

<sup>123</sup> CEMLA, "Minutes of the Assembly," September 1986, p. 7 and Annex I.

<sup>124</sup> CEMLA, "Minutes of the Board of Governors," September 1986, p. 5.

<sup>125</sup> CEMLA, "Minutes of the Board of Governors," September 1987, p. 5.

associate and collaborating members. It took place in such way that a mismatch eventually emerged between operational and administrative tasks. This imbalance finally had to be addressed still during the administration of González del Valle in 1988. At the Board of Governors it was “explained that the expansion of CEMLA’s activities during recent years had led to changes that are still not reflected in the administrative structure of the institution.” Thus, in order to update the operational structure it was “necessary to make changes in the accounting, administrative and computer systems of CEMLA to adapt to the new situation.” To this end, it was decided to ask to the Comptroller of Banco de México “collaboration for a report of the required modifications.” It was then announced that the corresponding document would be presented in a timely manner to the members of the Boards of Governors.<sup>126</sup>

Another key aspect in the life of CEMLA from 1985 up until the start of the next decade was external support. The most of important source of such support –that Mr. González del Valle reported with great satisfaction to the Board of Governors in September 1987– was a donation by the Ford Foundation that would provide funding “in the period from August 1987 to July 1988 for various specific economic and financial research programs in Mexico and Central America, as well as scholarships for holding seminars.” At that meeting it was also reported how approaches were being made for obtaining an extraordinary contribution from a Spanish institution, the Instituto de Cooperación Iberoamericana, “with the aim of celebrating the fifth centenary of the Discovery of America.” The corresponding funds “would also be channeled to economic and financial research programs” with wider geographical scope than those of Ford.<sup>127</sup> In sum, two years later CEMLA would be managing four special programs with the following organizations: IDB, Ford Foundation, Agencia Española de Cooperación Internacional and CEMLA-Banco de Bolivia Agreement. By 1992 a new agreement had been made

<sup>126</sup> CEMLA, “Minutes of the Board of Governors,” September 1988.

<sup>127</sup> CEMLA, “Minutes of the Board of Governors,” September 1987, p. 4.

with the IBD for obtaining additional support from that subcontinent body.<sup>128</sup>

During the administration of Ghigliazza another significant support program was arranged with the IBD for slightly over one million US dollars. This collaboration program, named IBD-CEMLA, was implemented during 1993 and 1994 and included training activities, as well as the production of important material for publication. The theme of the Project, obviously of interest to the IBD, concerned development financing. With respect to the negotiations that led to the creation of the program, Deputy Director Juan Ramón Lecuona reported somewhat cryptically at the meeting of the Board of Governors of September 1992 on “progress made in the negotiations with the IBD,” pointing out that “a favorable result” was expected “very soon.” The corresponding program was finally reported in detail to the members of that governing body in May 1993.<sup>129</sup>

Silva-Herzog and Ghigliazza arrived at the helm of a very solid institution. The problems –which unavoidably reoccur– had not disappeared, but were no longer difficulties regarding survival or institutional definition. The Board of Governors of CEMLA held its two annual meetings by default in spring and autumn. The main topic of the program for the Board held in March was reviewing the report of the preceding year, to which was later added a complementary one on the institution’s Pension Fund that was handled and supervised by a Committee. The main topic at the autumn meeting was the work program for the following year that the Director submitted for consideration to that governing body. In 1989, Silva-Herzog’s first year as Director, and perhaps at his suggestion, it was decided to add a report on the institution’s progress during the period from January to August. This decision allowed the members of the Board of Governors to monitor the progress of the institution more closely. At the start of the administration headed by Sergio Ghigliazza, administrative matters began to stand out among the topics at the Board of Governors meetings due to the financial problems that had to be addressed.

<sup>128</sup> CEMLA, “Minutes of the Board of Governors,” September 1992, p. 6.

<sup>129</sup> CEMLA, “Minutes of the Board of Governors,” May 1993, p. 3.



CEMLA's progress and its specific problems can largely be deduced from the additional topics that were included on the agenda of the Board of Governors. For instance, in 1987, while the economist González del Valle was still head of CEMLA, the Mexican peso experienced a severe devaluation. As a consequence, because the salaries of the Center's staff were set in US dollars they grew very substantially in real terms. The matter caused concern among the organization's authorities, mainly due to the political implications it might have. In particular, the news that salaries at CEMLA were much higher than those at Banco de México could have unleashed a flight of many high-level technical staff. A well-founded decision would have to be made. For this reason a survey was conducted on the real wages earned by technical staff working at all CEMLA member central banks. The problem resided in the fact that the sample of the survey was relatively small due to the fact that out of the 27 institutions surveyed only nine answered the questions. It appears that no action was finally taken on the matter, although it is worth mentioning what was said regarding the survey at the Board of Governors:

The sample of 33% of the population surveyed shows that salaries at CEMLA are generally above average, but below the maximum at the central banks that answered. Meanwhile, out of all the different benefits granted by central banks of the area, CEMLA only provides a subsidized canteen service.<sup>130</sup>

The importance of the distance between the offices or headquarters of an international organization and the countries furthest away from it is unescapable. It was undoubtedly with the aim of getting closer to its areas of service that in 1987 the administration led by González del Valle decided to set up the first regional representative office. The Director informed the Board of Governors that since 1987 CEMLA had obtained "from its representative office in Buenos Aires broad support for promoting its activities (training, distributing publications and cooperation with other Latin American institutions)." He went on to say that

<sup>130</sup> CEMLA, "Minutes of the Board of Governors," September 1987, p. 4.

the success obtained through the “project for the regulated decentralization of CEMLA’s activities,” had led to “the establishment in 1988 of a similar regional office in the Caribbean based in Port of Spain in Trinidad and Tobago.” Regarding this matter, he mentioned that the extraordinary results obtained by that office during the first few months of its operation revealed the advantages of strengthening its operations during 1989, after all it was “the perfect medium for facilitating the use of the Center’s services to the 10 CEMLA member central banks of the English speaking Caribbean.” It was also hoped in the future to establish another regional office in Brasilia, “with the support of the Central Bank of Brazil and the Ford Foundation.”<sup>131</sup>

As far as is known, the regional office in Brasilia was never set up. Years later, after Jesús Silva-Herzog had resigned as head of the organization, in 1991 CEMLA opened another regional office with its offices at the Banco Central de Venezuela to attend to Andean Pact countries. A Venezuelan economist who had held important positions in the country’s banking and financial sector was appointed to lead it.<sup>132</sup> Later, during the administration headed by Sergio Ghigliazza García, the program of regional offices lost impetus for two reasons: the budgetary crisis the institution faced during those years and the fact that another less costly formula was found that allowed the organization to have direct and permanent contact, according to zones, with its member central banks.

Mr. Ghigliazza suggested [...] that in order to make more efficient use of the budget, the possibility of eliminating CEMLA’s representative offices in Argentina and Venezuela was being considered, and that the study of their performance has not provided proof that they have been useful for CEMLA’s operations. Perhaps such resources could be better leveraged in other areas.<sup>133</sup>

The trend had been set. The closure of the office in Caracas was agreed in September 1993. The administration had finally

<sup>131</sup> CEMLA, “Minutes of the Board of Governors,” September 1987, p.4.

<sup>132</sup> CEMLA, “Minutes of the Board of Governors,” October 1991, pp. 5-6.

<sup>133</sup> CEMLA, “Minutes of the Board of Governors,” May 1993, p. 4.

### Jesús Silva-Herzog Flores

JESÚS SILVA-HERZOG FLORES WAS NAMED DIRECTOR General of the Center for Latin American Monetary Studies in January 1989 after a very stressful and turbulent time as Mexico's Minister of Finance and a calm and indifferent phase when he worked as a speaker, professor and researcher. The anticlimax could not have been greater: after being in the limelight and his absence from the political scene came this academic interlude that gave some relief to an official who had had to participate in solving very serious problems. In his memoirs Silva-Herzog tells that it was in 1988 when the Director General of Banco de México, Miguel Mancera, called him regarding the possibility of seeking the appointment as head of CEMLA, which was about to celebrate the 50<sup>th</sup> anniversary of its founding.

I was in the post for a little over two years. It was a magnificent experience. An opportunity to get to know the problems of Latin America better, from an extraordinary viewpoint. The clear orientation of the new position toward the exterior, with limited attention to Mexico's domestic problems, meant that the appointment attracted little attention from Mexico's political class.

Silva-Herzog had never worked at CEMLA, but his career as an economist had started at Banco de México where he stood out as an official with potential. That central bank granted him a scholarship in 1960 to carry out postgraduate studies at the

prestigious Yale University for two years. After his brief spell at the Inter-American Development Bank he began his upwardly mobile career by being appointed to the important position of head of the Technical Office at Banco de México. Shortly afterwards, while he was waiting to be named Deputy Director of the central bank, he found out from the television that he had been appointed to the Ministry of Finance's General Directorate of Credit. Said institution was very important inside the federal government administration at that time because it was responsible for financial policy, not only for banks, but for all the other intermediaries as well, besides managing the external public debt. The next step was becoming head of the recently created Instituto del Fondo Nacional de la Vivienda de los Trabajadores in May 1972.

At the start of the next presidential administration he returned to Banco de México for some time and one and a half years later he was named once again to lead the General Directorate of Credit of the Ministry of Finance. From there he was promoted to the position of Deputy Secretary of that branch of the same ministry from May 1979 to March 1982. Thus, the appointment for becoming the head of the nation's finances, i.e., Minister of Finance, came in the spring of 1982 after Mexico had started to experience severe financial problems and substantial macroeconomic difficulties. Among these extremely serious problems it is worth mentioning "the external debt crisis, bank nationalization and the establishment of exchange controls, the change of government, economic adjustment programs, negotiations with international financial organizations and foreign commercial banks, the good news and new setbacks, the 1985 earthquake, and the oil price crash." Silva-Herzog presented his irrevocable resignation as Minister of Finance in June 1986.



As has been seen, a parenthesis of university work and relative academic tranquility opened up in the life of Jesús Silva-Herzog after his resignation as Minister of Finance until he was chosen to lead CEMLA. In the meantime there was an attempt to confer a diplomatic position on him – the embassy of Mexico in Spain – but the rhetorical way in which it was offered made it impossible for him to accept. Silva-Herzog’s relatively brief time at CEMLA stood out mainly because of two achievements: the generation of a comprehensive institutional diagnosis and the budgetary austerity measures that were implemented. The Director left CEMLA to this time accepts the position of Mexican ambassador to Spain. Silva Herzog held that diplomatic appointment for approximately 30 months, going on to serve as Minister of Tourism and later as ambassador in Washington.

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found a solution to the need for maintaining permanent contact with the different geographical zones where member central banks were located. The latter consisted of replacing the regional offices located in Buenos Aires and Caracas with “liaison officials named directly by the Presidents of the central banks” of those locations. Given “the excellent results obtained” with this measure, it was later deemed convenient to close, as of April 1995, the office for the Caribbean that operated out of Florida, USA.<sup>134</sup>

## 2. Budgetary Crisis

The closure of regional offices was one result of the serious budgetary crises that had to be faced and addressed by the administrations of Jesús Silva-Herzog and Sergio Ghigliazza. Jesús Silva-Herzog took up the post of Director General of CEMLA in January 1989 and prepared a report on the situation in which he found the institution. The latter was submitted for consideration to the Board of Governors at its spring meeting that year. The document contained a detailed diagnosis of the budgetary crisis affecting CEMLA. Based on the details of that document, and at the suggestion of Mr. Silva-Herzog, the main objective of his administration would be to ensure “recovery from the failing financial situation of the institution.” The strategy included measures for increasing revenues, as well as for reducing costs. As a consequence, “requests for the payment of quotas were intensified, the policy for investing funds was reviewed with the aim of increasing its yields, several posts were kept vacant, travel and representation expenditures were strictly streamlined and spending on all items was generally monitored.” When at the meeting of the Board of Governors of March 1990 one of those present enquired about the continuation of the austerity program,

CEMLA’s Director expressed his opinion that it would be advantageous to make austerity a permanent policy, pointing out that due to the fact that 1990 would still [be] a year of transition for correcting the current imbalances; CEMLA’s program [would

<sup>134</sup> CEMLA, “Minutes of the Board of Governors,” October 1995, p. 7.

continue] to include secondary activities such as, for instance, attending meetings on topics that were only marginally related to the work of CEMLA.<sup>135</sup>

Although Silva-Herzog was only at the head of the organization until March 1991, his austerity program undoubtedly yielded results. In the three years from 1989 to 1991 the budgetary deficit was reduced from 249,227 to 63,000 US dollars, respectively. Nevertheless, during the following administration led by Sergio Ghigliazza the budgetary crisis appeared once again as a consequence of two factors: “the fall in interest rates and the appreciation of Latin American currencies in real-terms, particularly of the Mexican peso.” The decline of interest rates affected the yield of the organization’s financial reserves. As for the appreciation of the exchange rate, according to Director Ghigliazza that factor alone meant that in 1991 the purchasing power of CEMLA’s revenues in Mexican pesos had decreased 16% as compared to its level in the previous year. In 1992 CEMLA took the first step toward addressing the budgetary crisis by adopting a full-time work schedule, cancelling the canteen service benefit that had been offered to staff and interns for almost 30 years, and reducing its number of staff to just 53 employees. During the following years it was necessary to reconcile the budgetary consolidation by solving three pending problems: correcting the deterioration of salaries of those working at the organization, hiring qualified technical staff and providing maintenance to the institution’s premises.<sup>136</sup>

Under the lead of Director Ghigliazza the budgetary crisis was averted with a series of measures that were basically oriented toward increasing revenues and reducing expenditures. During that period of difficulties, the organization once again benefitted from the intervention of Banco de México. On the one hand, during the most critical years of 1992 and 1993, the host country’s central bank made extraordinary contributions to CEMLA equal to 11.4% and 9.8% of the organization’s total revenues. Moreover, in order to carry out the urgently needed maintenance to the institution’s

<sup>135</sup> CEMLA, “Minutes of the Board of Governors,” March 1990, p. 4.

<sup>136</sup> CEMLA, “Minutes of the Board of Governors,” May 1992, pp. 4-5.

premises, Banco de México offered a soft three-year loan for “almost 210,000 US dollars.” Regarding the latter, it was explained to the Board of Governors that “CEMLA’s building had not received any complete maintenance since the middle of the seventies mainly as a result of budgetary restrictions.” Finally, during the critical period of 1989 to 1993, associate member quotas were raised only once in 1992, when an increase of 5% was applied.

### 3. Training

From a strictly quantitative point of view, training activities during the period of González del Valle, Silva-Herzog and Ghigliazza expanded considerably from 14 events in 1985 to 45 in the year 2000. This indicator did not grow steadily throughout the period, experiencing two peaks in 1993 and 1998 with figures of 44 and 57 events, respectively. Said growth was in line with the objectives adopted for training tasks, which had been set in 1986 and 1987. At the meeting of the Board of Governors held in September 1986 it was proposed that the main objective for the following years would consist of widening “the professional training and technical cooperation services offered to Latin American central banks without having to increase the number of permanent staff.” The *Annual Report* for the latter year stated that in the area of training there had been a significant increase in the number of programs and seminars (79% as compared to the previous year, taking the weeks-participant indicator as a reference), besides attempting to “maintain the process of orientation toward medium and high level officials in the organizational chart of the institutions.”<sup>137</sup>

From the point of view of their classification, during the period studied training activities were divided into three well-defined stages. With respect to the first of these, up until 1992 events of the area were classified into basic programs and special programs. It was in the following year that they entered a new phase, when changing their classification was no longer just a mere formality. Moreover, as of 1999 training events began to

<sup>137</sup> CEMLA, *Annual Report*, 1987, p. 1.



be classified into regular programs and programs that had been requested by associate or collaborating members. The appearance of the latter category should not be surprising given that the institution had for many years followed the approach of directing its activities toward the needs of its members. Regardless of the quantitative aspects, the key change took place in the years 1992-1993. The redirection was explained in the *Annual Report* for the year 2000:

As of 1993 CEMLA's training activity focused more on developing national or regional programs, organized directly in the host countries of associate or collaborating central banks, and not as much on developing programs at the Center's head offices, which were mainly carried out in cooperation with the Bank for International Settlements, the International Monetary Fund and the World Bank. Thus, between 1993 and 1999 around 400 courses and seminars were given that provided training in different technical areas of central banking to almost 9,500 officials from the CEMLA member countries.<sup>138</sup>

Up until 1992 the amount of basic courses given remained at the magic number three. From 1985 from 1988 the courses in this category had been on "Central Banking," "Financial Policy and Programming" and "Central Banking and Monetary Policy," the latter for English-speaking Caribbean countries. By 1989 the program had been modified to include the courses "Economic and Operational Aspects of Central Banking," "Financial Policy and Programming" and "Economic Aspects of Central Banking" for the English-speaking Caribbean. These courses were still being given in the key year of transition, together with two others in the branch of financial policy and programming. The latter two courses were on financial deregulation and monetary policy, and "touched on topics related to the reform of the financial system and its relation with structural adjustment, the behavior of financial intermediaries and legal aspects of the financial market and the intermediation process, as well as those of central banking under the new context."<sup>139</sup>

<sup>138</sup> CEMLA, *Annual Report*, 2000, p. 5.

<sup>139</sup> CEMLA, *Annual Report*, 1992, p. 6.



Participants of the course “Financial Policy and Programming” at the Center’s premises, 1996. CEMLA’s photographic archive.

The training approach in force until 1992 included courses created by CEMLA under two categories that deserve mention. The first was entitled Courses at Universities and was totally new among the organization’s programs. During the first year of this category three programs were given; one at the Universidad de Honduras on economic policy and the others at the Instituto Politécnico Nacional based in Mexico City, on the specialization of national accounts. Meanwhile, the series Higher Studies appears to have started in 1988. With respect to the latter, the *Annual Report* for 1992 stated that the Higher Education program jointly sponsored by CEMLA and the Banco de Guatemala had been implemented for the fourth time that year:

These programs, one on Higher Education in Economics and the other on Higher Education in Administration, lasting one year each, were attended by 30 officials from different Central American countries and from Haiti.<sup>140</sup>

<sup>140</sup> CEMLA, *Annual Report*, 1992, p. 6.

The number of basic programs remained constant until 1993. The quantitative expansion of training activities during that period therefore resulted from the growth of special programs and seminars. The diversity of subjects and geography of CEMLA's courses that were set as an objective in the years 1985 and 1987 found particular expression in the so-called special programs. Importantly, ten years after 1977 the proportion of courses given on CEMLA's premises had decreased from 88% to 9% of the total.<sup>141</sup>

The objective of thematic and geographical diversification was also pursued for the program of seminars. This point is illustrated by the program of seminars implemented in 1988, given that, out of a total of 16 events, all except one were held in Central or South America. The pattern of decentralization was maintained, but with a new marginal trend during 1992.<sup>142</sup>

The practice of classifying training courses into basic, special, seminars and courses at universities was abandoned in 1994. The tabular format used to present them from then on had four columns dedicated, respectively, to the type of event, date of execution, co-sponsor institution (along with CEMLA) and country where it was held. As for the table of activities for 1994, out of the 31 events organized, 22 were courses, four were seminars and four were workshops. In the case of almost 84% of the events described, the sponsor and host institution was a central bank of the Americas (since the Federal Reserve participated as sponsor of one event) and only three of these courses were co-sponsored by institutions such as the IBD, the Universidad Andina Simón Bolívar and the Consejo Monetario Centroamericano.<sup>143</sup>

What were the topics of the training events CEMLA organized individually or jointly during the period from 1994 to 1998? According to the institution itself, out of the events held in the latter year, 30 corresponded to the subject categories of money and banking, open market operations, monetary policy, international reserves management, financial programming and exchange rate

<sup>141</sup> CEMLA, *Annual Report*, 1994, pp. 6 and 9-12.

<sup>142</sup> CEMLA, *Annual Report*, 1992, pp. 9-11.

<sup>143</sup> CEMLA, *Annual Report*, 1994, pp. 11-12.

### Sergio Ghigliazza García

THE MEXICAN ECONOMIST SERGIO GHIGLIAZZA WAS THE fifth Director General of CEMLA. In the simple and direct language that he used to express himself with, Mr. Ghigliazza explained that shortly after he left Banco de México he was approached and asked if he might be interested in managing the institute that had existed since 1952. The acceptance of said proposal led to an endearing working relationship that lasted for a whole decade. The official documents state that the appointment of Ghigliazza was agreed at the Assembly of the Center held in Santiago, Chile, in October 1991, at the same time as the meetings of central bank governors. Moreover, the ceremony of inauguration took place in November of that year at the CEMLA's premises. The ceremony was presided over by Miguel Mancera, Director of Banco de México, who was accompanied at the event by Mr. Francisco Borja Martínez, Deputy Director General of said central bank. Several members of CEMLA's Assembly were also present, along with the Deputy Minister of Finance, Guillermo Ortiz, and the interim Director and Deputy Director of CEMLA, Ramón Lecuona.

Mr. Ghigliazza used to recall how during his youth he had thought about the possibility of studying engineering. However, while at high school he had presented an essay on silver which he had prepared with the help of his father who worked at Banco Nacional de México. The essay turned out to be very good and

the teacher of the course recommended that he study economics. The student followed that advice and entered the School of Economics at Universidad Nacional Autónoma de México in 1952, two years before the institution moved to Ciudad Universitaria. Later, with the support of Banco de México, he took a Master's degree in Public Finance at the prestigious Yale University in the United States. The curriculum of Sergio Ghigliazza also shows that he carried out postgraduate studies at Columbia University.

The professional link of Sergio Ghigliazza with Banco de México was made in 1960, but he only worked at the institution for two years. Gustavo Romero Kolbeck who had been his chief at Banco Nacional de México invited him to work at the Centro de Estudios Económicos del Sector Privado. A short time later someone who enjoyed a lot of influence at Banco de México contacted the young economist Ghigliazza. Said individual was Mr. Ernesto Fernández Hurtado, a very close friend of the Director General, Rodrigo Gómez. The latter offered him the opportunity to return to Banco de México as head analyst in the area of Economic Studies.



Sergio Ghigliazza's professional work at Banco de México was outstanding and his career at the institution went from strength to strength. He entered in 1960 and began working as an analyst in the Economic Studies area. He worked for two years with the head of that department, Mr. Romero Kolbeck. Later, Mr. Ernesto Fernández Hurtado invited Ghigliazza to work at Banco de México again and he re-entered in 1965 as an analyst working in the Economic Research area. He then began an upwards trajectory in that department and in just nine years was promoted from supervisor (1966) to deputy head (1968), head (1969), deputy manager (1971) and manager (1974) of Economic Studies, finally reaching the position of Deputy Director. During his last 12 years of service

at Banco de México, Ghigliazza held very high positions in the institution. He subsequently moved from being Deputy Director of Monetary Regulation and Credit (1978-1982) to the post of Deputy General Director (1982-1985), ending up as assistant Director General during the period 1985 to 1990.

Among the stories that Mr. Ghigliazza is most fond of recalling about his professional career, the one regarding how the flow of funds methodology arrived at Banco de México through him stands out. One of the pioneers in developing this approach was the renowned economist Frank Tamagna, who at that time was working at the Federal Reserve. Ghigliazza had the opportunity to meet Tamagna and learn about his methodology when he was an intern of CEMLA in 1957. There at CEMLA he developed all the calculations with data from the Comisión Nacional Bancaria, Banco de México and the Ministry of Finance. No one was surprised when they saw the large discrepancy that existed between the fiscal deficit calculation and that estimated by the Ministry of Finance based on revenues and expenditures. This led Rodrigo Gómez to request for allowing all information on the public account to be reviewed in the greatest detail.

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policy. The field of central bank operational aspects included holding events such as “Central Bank Organization,” “Central Bank Accounting,” “Economic and Operational Aspects of Central Banking” and “Central Bank Accounting and Budgeting.” As for supervision and regulation of financial institutions, examples of some of the course that were given are: “Regulating and Supervising Financial Groups (summary),” “Prudential Supervision and Risk Analysis” and “The Role of Central Banks in the Regulation and Off-site Monitoring of the Financial System.”<sup>144</sup>

#### **4. Research, Publications and Meetings**

Since the beginning there had always been a causal relation between research and publications at CEMLA, both in the form of a deliberate strategy and concrete results. The reason was natural and very obvious: so that research tasks undertaken at the institution or produced as a result of agreements made through its interventions were published in its periodic publications or under its imprint in the institution’s different series. Years later, more precisely by the decade of the sixties, this interconnection was developed in a bipartite and tripartite way as a result of CEMLA’s role in organizing international meetings. In fact, this three-way interconnection between research, international meetings and the publishing program was particularly strengthened during a time of relatively plentiful resources. Nevertheless, due to unexpected events that generally occurred outside the Center, this situation could not be sustained. The budgetary outlook became complicated in 1992 and mainly affected the progress of research activities. By the second half of the nineties the situation had become substantially more complicated due to the influence of two factors. First, the weakening of research work for budgetary reasons. Second, as a result of the changes that took place in the activities of organizing and participating in international meetings.

CEMLA’s research work during the period 1985 to 1990 can be divided into three stages. As can be seen in this history, research

<sup>144</sup> CEMLA, *Annual Report*, 1999, pp. 6-8.

activities had always faced more difficulties than the organization's other functions. In the middle of the eighties an attempt was made to strengthen them through a strategy for promoting productivity –doing more with the same resources– and reorganizing the area. This was agreed in 1986, even though in that year the “restructuring of the Research Division implied keeping some posts vacant.”<sup>145</sup> In the referred period, not only the number of studies produced at the Center was reported, but also their classification according to subject and, even more importantly, their destination with respect to the publications program and the program of international meetings. This scenario began to change rapidly toward the middle of the next decade as a consequence of the decentralization policy adopted for research activities. Documents of the organization point to the important fact that in 1991, 31% of the studies were made by external researchers and in 1992 this percentage was 40%. However, as mentioned above, this approach could not be maintained.

In 1986, 25 research papers were produced at CEMLA and in 1992 and 1993 the number was 25 and 20, respectively, with an average of almost 24 papers per year during the period as a whole. Nonetheless, the figure decreased to nine studies in 1994, after which the topic ceased to be mentioned in the annual reports. Up until 1986 the research works produced were classified under the following four subjects: money and prices, external sector and international finance, macroeconomic and financial policies and other studies. However, from the following year until 1990 only the last three of the aforementioned categories were presented in the documents of the Center. Table 14 illustrates that situation.

From the end of the eighties until 1990 the average number of employees at CEMLA decreased from 73.5 in the four year period 1987-2000 to 65 in 1991, reaching the minimums of 43 and 41 in 2000 and 2001, respectively. As can be seen, a considerable drop took place in 1989 and 1992, and had a direct impact on research activities. That event partly allows for explaining the decline of those functions. In the referred hiring period, the strategy

<sup>145</sup> CEMLA, *Annual Report*, 1986, p. 12.



proposed for the research activities at the Meeting of the Board of Governors held in Curacao in September 1972 was based on decentralization, i.e., on a methodology “for carrying out research tasks where CEMLA, through its studies area, would coordinate the preparation of documents made by officials from member institutions and by external consultants.” This approach was in line with the one that had already been followed for some time by the training programs as regards “adapting to the priorities of Latin American central banks.” One year later, in 1993, a significant event took place that allows for understanding what happened later to research. Thus, with respect to the “methodology of decentralization for undertaking our research work [...] up until now it has not been possible to find an official from a central bank of the region who can be commissioned to work at the head offices in Mexico in order to manage this new approach in research matters.”<sup>146</sup>

Interconnecting research activities with the meetings and publications programs was certainly promising. The approach would be particularly advantageous during the mid-eighties when funds were not so highly limited. Thus, the 17 research papers produced in 1985 had the following destinations. Two were presented as speeches at the spring and autumn editions of the Meeting of Governors of Central Banks of Latin America and Spain. One more was presented at a seminar on short-term economic indicators that was held in Montevideo, Uruguay, and the summary of a fourth study was published in CEMLA’s *Boletín*. Out of the remaining ones, three works were given as speeches at the Meeting of Central Bank Technicians of the American Continent, while “the other five continued to be prepared for being published in the Research Notebooks series.” It can be supposed that, as had already been customary for some time, the work *Síntesis de la Evolución Financiera de América Latina* would continue to be presented at all the editions of the first of the referred forums.<sup>147</sup>

The international meetings CEMLA organized could generally be analyzed from two standpoints: the program of such events and

<sup>146</sup> CEMLA, *Annual Report*, 1993, p. 11.

<sup>147</sup> CEMLA, *Annual Report*, 1985 and 1986, pp. 11 and 14-15.

Table 14

**CEMLA: RESEARCH PAPERS PRODUCED, 1985-1990  
(NUMBER PER YEAR)**

<i>Classification</i>	1985	1986	1987	1988	1989	1990
Money and Prices	4	4	-	-	-	-
External Sector and International Finance	7	10	13	10	10	7
Macroeconomic and Financial Policy	4	7	9	13	7	11
Other Studies	2	4	5	4	4	4
Total	17	25	27	27	21	22

Sources: CEMLA, *Annual Report*, various years.

their evolution throughout the period studied. The meetings at which CEMLA fulfilled the role of Technical Secretariat were of utmost importance in the program. The core function of Technical Secretariat continued to take shape with the Meeting of Governors of Central Banks of the American Continent, which was convened annually in spring, and the meetings of Governors of Central Banks of Latin America and Spain that, as has been explained, took place twice a year at different locations. For instance, in 1999 these forums were organized, respectively, in Santiago, Chile, and Washington D.C., USA. The core of that activity also included three other slightly less important forums that deserve mention: the Assembly of the Association of Bank Supervisory Bodies of Latin America and the Caribbean, the Meeting of Systematization of American and Iberian Central Banks and the now very familiar Meeting of Central Bank Technicians of the American Continent.

Mainly in response to the requests and needs of associate members, collaborators and other bodies of the continent, the organization of meetings exhibited an interesting evolution

throughout the period studied. From 1985 to 1993 the number of forums at which CEMLA fulfilled the role of permanent technical secretary remained at an average level of 7.4 events per year, increasing substantially in 1994. From the latter year until 2000 the annual average number of such meetings rose to exactly 20. CEMLA's *Annual Report* for 1994 explained this change of trend by emphasizing:

That the increase in the number of meetings organized indicated the growing need for exchanging experiences in practically all areas of institutional duties and between hierarchical levels that are responsible for making, as well as implementing decisions.

The program of international meetings tended to change as regards the number of events and their qualitative composition. For instance, the Meeting of Central Bank Technicians of the American Continent that was held for the last time in 1996, turned into the Central Bank Researchers Network that is still held to this day. Moreover, in 1998 the Association of Bank Supervisory Bodies of Latin America and the Caribbean ceased to be held, while the Meeting of Systematization of American and Iberian Central Banks became the Meeting of Central Bank Systematization. Meanwhile, other forums were created and held where CEMLA acted as technical secretariat, but none of them managed to achieve continuity. Such was the case of the Meeting of Bank Supervision Technicians of Latin America and the Caribbean that was held annually on just five occasions from 1988 to 1993.

Despite the disappearance of the meetings related to Systematization and Commission of Bank Supervisory and Regulatory Bodies, the number of meetings where CEMLA acted as technical or permanent secretariat did not decrease in the period from 1995 to 2000. During that time another six forums of that nature were created, all of which were held at least three times per year. One that was organized on more occasions (held seven times per year without interruption from 1993 to 2000) was the Meeting on Central Bank Accounting and Budgetary Aspects. It was followed by the Meeting of Internal Auditors that had four sessions per year



XX Meeting of Systemization of American and Iberian Central Banks, 1992, Havana, Cuba. CEMLA's photographic archive.

during the period 1995 to 1998 and the Annual Meeting of the Central Bank Researchers Network of the Americas that was organized on three occasions from 1997 to 1999. Finally, it is worth mentioning three other events: the Meeting on International Reserves Management (1997-1999), the Meeting on Managing Central Bank Human Resources (1995 to 2000) and the Meeting on Central Bank Communications (1996 to 1998). In addition to the aforementioned, the meetings of Treasurers (1996-2000), Central Bank Legal Advisors (1998 to 2000) and Open Market Operators (1999) stand out. The research programs also had an important link to CEMLA's publications, although the latter were never fundamentally dependent on the former. The latter was so true that CEMLA's publications continued to operate even after budgetary limitations led to a reduction in the organization's research activities. As for the publishing program, on the one hand were the periodic publications and on the other the books that were produced to be sold in different series, among which the following stand out: Studies, Essays, Research Notebooks, Conferences, Meetings and Seminars, and Provisional Texts. In

the period 1985-2000, CEMLA's authorities created two new periodic publications. The bi-yearly journal *Money Affairs* was established in 1988 for publishing the lectures that were presented at the Meetings of Central Bank Technicians of the Continent in English; the publication continued until 2012. Meanwhile, the *Boletín de Supervisión Bancaria*, which only existed from 1992 to 1998, responded to the advantages of publishing the materials presented at the different forums where this important topic was discussed. With respect to the coverage of the book publishing program, in 1990 it was decided to start the series Text Compilation and in 1996 the series Research Notebooks.

During the first few years of the period studied much emphasis was laid on the link between the research program and the publishing programs. That link weakened as budgetary restrictions began to have an impact on research activities, a trend that also weakened the organization's interest in reporting such matters. In this regard it is important to emphasize the multiple destinations of documents produced by the Research Division: they were presented as lectures at forums and ended up being published in the organization's periodic or non-periodic series of publications.<sup>148</sup>

The link between the international meetings CEMLA organized and its publishing program was much longer-lasting and perhaps also more fruitful. With respect to this matter, first of all it is important to underline the connection between the annual Meetings of Central Bank Technicians of the American Continent and CEMLA's journals, *Monetaria* and *Money Affairs*. All or most of the lectures presented at that forum were published in Spanish in *Monetaria*. Meanwhile, as has already been seen, the main reason for setting up the journal *Money Affairs* was to publish the papers presented as lectures at these meetings in English. As mentioned above, the creation of the magazine *Boletín de Supervisión Bancaria* in 1992 responded to a similar objective: allowing publication of papers and lectures presented at the different meetings CEMLA organized on this topic of growing importance throughout the

<sup>148</sup> CEMLA, *Annual Report*, 1986, pp. 14-16.



III Meeting of Central Bank Internal Auditors, 1997, in Fortaleza, Brazil. CEMLA's photographic archive.

decade of the nineties. The forums were mainly the Commission of Bank Supervisory and Regulatory Bodies of Latin America and the Caribbean and the Meeting of Bank Supervision Technicians of Latin America and the Caribbean. Finally, when at the end of the decade the Meeting of Governors of Central Banks of the American Continent decided to replace the meetings of central bank technicians, its role as a source of papers worthy of publishing in the journals *Monetaria* and *Money Affairs* was covered by the previously mentioned Central Bank Researchers Network of the American Continent.

As for the publications series, for some time—at least up until the mid-nineties—these imprints were closely associated to either research activities at the organization or the holding of international meetings. In particular, this was the main purpose of the Research Notebooks series. For instance, the six papers published as part of this series in 1988 were elaborated at CEMLA's Research Department. In the context of the link between the meetings and the publications program, the same reasons led to publication of the Meetings and Seminars series. In terms of numbers or quantity, in the period studied the following were published within

the latter series: 1985, one edition; 1986, two, 1988, one; 1990, two volumes; 1991, two; 1992, two; 1993, one; 1999, three, 1996, five and 1997, one.<sup>149</sup>

The strategy for the publications program was changed and adapted throughout the period. In a somewhat schematic format it might be said that each of the Directors that served during that period—González del Valle who ended his term in 1988, Silva-Herzog from 1989 to 1990, and Sergio Ghigliazza until the year 2000—put their own stamp on the publishing policy. During the term of the first of these officials, focus was placed on three objectives: achieving quantitative progress that the periodic publications fully complied with their publishing calendars and that close links were maintained between research, meetings and publications. Under Silva-Herzog the publishing strategy attempted to make a distinction between periodic publications and books. As regards the former, continuity was given to the approach of fully covering the calendars, adding the objective of raising the quality of the texts that were published. Regarding the program for books, the new proposal was much more precise and ambitious:

As regards book publishing, in 1989 the publications policy underwent important changes as regards the work being carried out in previous years. First, it is worth pointing out that it was decided to mainly promote papers by authors dealing in depth with general monetary and financial topics that are considered appropriate for our region [...] Finally, it should be emphasized that a new Editorial Committee was also set up in 1989 in order for it to be able to hold its meetings more frequently and in that way ensure all the institution's publishing policy is designed and approved within said Committee.

During the economist Sergio Ghigliazza García's long period at the helm of CEMLA, the intention was not really to change the publishing strategy, but gradually adapt it pragmatically and skillfully to the emergence of new central bank issues in the region and

<sup>149</sup> CEMLA, *Annual Report*, 1996, p. 5.

contribute to the debate on money and central banking matters. As for periodic publications, 1991 confirmed that “the publishing policy started in 1989, focused on publishing, in CEMLA’s three magazines, articles whose subject quality and topicality allow for following the evolution of the technical debate on financial questions that has been going on intensively for some years under the framework of globalization and financial liberalization.”<sup>150</sup> Later, the principles that would guide the publishing strategy were fine-tuned and laid down in 1994. Thus, both the periodic publications and books had to follow a policy of meeting “the dual objective of disseminating, on the one hand, the work of officials from CEMLA member institutions” and, on the other, presenting and explaining in depth “the most up to date and influential topics on the workings of central banks, supervisory bodies and financial intermediaries.”<sup>151</sup>

## 5. Other Functions

Since its very beginnings CEMLA had always undertaken technical assistance work. Although these tasks were preferably made with associate members (central banks), it also offered the service to collaborating members and other institutions. The latter trend became more and more pronounced, particularly as functions related to the regulation and supervision of banks and other financial intermediaries grew in importance. CEMLA sought to meet the requests for support it received, until budgetary restrictions once again threatened such tasks at the end of the eighties.

In 1989 budgetary difficulties at CEMLA reached crisis level and the technical assistance program had to be redesigned. It was decided only to deal with short-term technical cooperation requests and those with specific scope unless external financing could be secured for the projects proposed. Thus, from that year on, a large proportion of technical assistance efforts were connected with attempts to obtain donations and support. In that same

<sup>150</sup> CEMLA, *Annual Report*, 1991, p. 19.

<sup>151</sup> CEMLA, *Annual Report*, 1994, p. 4.



year the administration led by Silva-Herzog started negotiations to obtain funding from the Inter-American Development Bank, the Agencia Española de Cooperación Internacional, the Ford Foundation and the Asociación Mexicana de Casas de Bolsa. Fortunately, except in the cases of the IBD and the Spanish institution, these negotiations produced results, and the following year joint support was obtained for a total of 200,000 US dollars, as well as a further contribution of 170,000 dollars from Mexico's Ministry of Finance and Public Credit for studying the effects on Latin America of the transformation of socialist economies.<sup>152</sup> The negotiations with the IBD were not completed until 1993, when an agreement for Returnable Technical Cooperation was signed.

Over the following years several technical assistance projects would be carried out thanks to support from the IBD. For instance, in 1993 said approach seems to have paid off, given that at least four technical assistance projects were implemented with the support of external institutions. That same year, sponsorship from the World Bank and the Bank for International Settlements led to implementation of a broad program on Payment and Securities Settlement Systems. A similar project was requested by the Assembly of the Commission of Banking Supervisory Bodies of Latin America and the Caribbean with respect to compliance with the Core Principles for Banking Supervision issued by the Basel Committee. In the same way, the Consejo Monetario Latinoamericano and the IBD proposed a group of technical tasks for promoting the harmonization of monetary and financial regulations among the seven countries of that region. Projects aimed at promoting transparency in financial and monetary statistics were also started with sponsorship from the International Monetary Fund. In addition to the aforementioned, in 1999 another eight technical assistance projects were implemented for the benefit of the following institutions: Paraguay's Superintendencia de Bancos, Banco Central de Cuba, Central Bank of Trinidad and Tobago, Centrale Bank van Suriname, Banco Central de Venezuela and Banco Central de Reserva de El Salvador.<sup>153</sup>

<sup>152</sup> CEMLA, *Annual Report*, 1990, p. 29.

<sup>153</sup> CEMLA, *Annual Report*, 1999, p. 27.

## 6. CEMLA, Banking Regulation and Supervision, and Creation of the ASBA

CEMLA's participation in matters related to banking regulation and supervision goes back a long way. The Center started to be involved in such matters in 1978, when under the framework of technical cooperation it received a request for advice from Ecuador's superintendent of banks regarding its need to restructure and modernize. The service must have been beneficial, and four years later, in 1982, CEMLA reported it was providing similar advice to the bank supervisory bodies of Peru, Dominican Republic, El Salvador and Ecuador, which had been the pioneering case.<sup>154</sup> Inclusion of banking regulation and supervision as topics for CEMLA's work was also reflected in training activities. Thus, it was 1979 when CEMLA's courses included one on "Banking Regulation and Supervision," with a total of 204 weeks-participants that year.<sup>155</sup> Since then until 2000, the year when, as will be seen, organizational and institutional questions regarding this subject changed drastically, educational events on the topic continued to be offered in different formats.

These matters become particularly important when talking about the functions CEMLA fulfilled as technical secretariat at international meetings. The institutional website of the body currently known as the Association of Supervisors of Banks of the Americas (ASBA) explains how it originated in 1979 during the first International Conference of Bank Supervisors held in London, where participants from Latin America and the Caribbean expressed the advantages of meeting periodically to address topics of interest to them. Importantly, CEMLA became operationally linked to this proposal in 1981 when it acted as organizer and host of the I Meeting of Superintendents of Banks of Latin America and the Caribbean.<sup>156</sup> The following year, also under the auspices of CEMLA at its head offices in Mexico City, it was decided to set up a formal body, and it was thus that

<sup>154</sup> CEMLA, *Annual Report*, 1978, p. 12, and 1982, pp. 14-15.

<sup>155</sup> CEMLA, *Annual Report*, 1978, p. 4.

<sup>156</sup> CEMLA, *Annual Report*, 1981, p. 18.



XIV Assembly of the Association of Bank Supervisory Bodies of Latin America and the Caribbean, 1997, in Santiago, Chile. CEMLA's photographic archive.

the Commission of Bank Supervisory and Regulatory Bodies of Latin America and the Caribbean came into existence in 1982. CEMLA's *Annual Report* for 1982 makes reference to the II Meeting of the Commission of Bank Supervisory and Regulatory Bodies of Latin America and the Caribbean mentioning the following revealing information:

During the first meeting of "Bank Superintendents" (Mexico, July 1981) it was decided that at the second of these events the draft statutes would be discussed for making this arrangement permanent. Thus, under the sponsorship of the Superintendence of Banks and Insurance of Peru, the II Meeting was held, now under the title of the item as proposed by its Board of Directors in the city of Lima from August 16 to 18.<sup>157</sup>

Although the name of the organization was changed to Commission of the Association of Bank Supervisory Bodies of Latin America in 1991, its relationship with CEMLA did not undergo any changes. The institution was an important collaborating member of CEMLA for 11 years under the acronym CSBA, and that of ASBA

<sup>157</sup> CEMLA, *Annual Report*, 1982, p. 18.



From left to right: Sergio Ghigliazza G., Andrés Bianchi, Jesús Silva-Herzog F. and Miguel Mancera during the Conference of 60<sup>th</sup> Aniversary. CEMLA's photographic archive.

from 1991 until 1999. The Center acted as technical secretariat at the annual assembly of the organization on all 15 occasions until it was held for the last time in 1998. In addition to its annual assembly, during the referred years CEMLA was also the location and host of many other forums and courses promoted by ASBA. As an example of this, during 1996 CEMLA acted as technical secretariat at six meetings of the ASBA Board of Directors that was convened successively in Miami and Santo Domingo, as well as the Assembly held at the end of July and beginning of August. It is worth adding to the aforementioned two other meetings of working groups of that body that were held in San Salvador and Colombia. Meanwhile, in 1998 CEMLA acted as technical secretariat at two meetings of the ASBA Board of Directors that were held in Miami, and of the organization's Assembly that was convened in Porto Alegre, Brazil.<sup>158</sup> However, things changed abruptly after the legal status of the ASBA was modified in May 1999 and it became a civil association. This transformation meant ASBA ceased to be an associate

<sup>158</sup> CEMLA, *Annual Report*, 1996, 1998.

member of CEMLA and that it stopped paying the corresponding quota. As will be seen, these events had an important impact on the role some central banks of the continent's southern cone played as CEMLA's associate members.

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## Chapter VI

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# Reform Phase (2000-2009)

### 1. Winds of Change

**T**HE TRANSFORMATION OF THE ASSOCIATION OF BANK Supervisory Bodies of Latin America and the Caribbean (ASBALC) into the Association of Supervisors of Banks of the Americas (ASBA) in May 1999 had important implications for the future of CEMLA. And the latter did not just stem from the fact that reform of the referred institution meant it stopped being a collaborating member and that CEMLA would no longer be involved in the events promoted by the ASBA. All these developments unleashed an internal crisis at CEMLA that resulted in two key events: the resignation of the Director General and a wide ranging reorganization of the institution. Two factors played a significant part in the emergence of this crisis. Firstly,



the budgetary restrictions commonly affecting CEMLA member central banks and, secondly, the very important fact that in some countries the central bank is responsible for bank supervision, while in others it belongs to a different institution. Thus, when the ASBA was created and the central banks of Argentina and Brazil found themselves faced with the need to pay quotas to that organization as well as to CEMLA, they decided to request a reduction in the contributions to the Center given that they would no longer require its services regarding the topic of bank regulation and supervision. The minutes of the meeting of the Central Bank Committee on Institutional Matters held in March 2000 stated that:

In matters of quota analysis, the representatives from the central banks of Argentina and Brazil expressed that, in light of their budgetary limitations the creation of the Association of Supervisors of Banks of the Americas (ASBA) could not imply an increase in the contribution their institutions had been making to CEMLA and that the contributions originally requested by ASBA to the Banco Central de la República Argentina and the Central Bank of Brazil amounted to 50,000 and 75,000 US dollars, respectively. In the case of Argentina said quota reduction would amount to 18.66% of the current amount and in that of Brazil, 22.55%. The representatives of the central banks of Mexico and Chile stated that the position of the central banks of Argentina and Brazil implied reducing the quotas they paid to CEMLA, meaning that, in order to preserve the proportional structure of present quotas, the contributions of the other member central banks should be decreased by equal percentages so as to not distort the proportional scheme referred to above and maintain the criteria of equality.<sup>159</sup>

As can be seen, the winds of change were blowing through CEMLA. An agreement made by the Assembly probably in the autumn of 1999 was aimed at setting up the Central Bank

<sup>159</sup> CEMLA, "Minutes of the Central Bank Committee on Institutional Matters," Mexico City, March 30 to 31, 2000, p. 1.

Committee on Institutional Matters of CEMLA.<sup>160</sup> This working group produced a report that when presented would lead to a very important change of direction in the life of the organization through its decision to set up a collegiate body with the responsibility of “redefining the functions of CEMLA.”

The referred report resulted in the Assembly making three key decisions. The first was budgetary in nature, and consisted of an agreement to ensure that by the year 2000 associate member quotas reached 85% of the level they would have had for that year. Due to the fact that from then on the Center would only focus on central bank tasks, leaving to one side all its activities related to bank supervision, the measure was justified by the fact that it was logical the budget of the organization would decrease in line with the reduction in its functions. To support this budgetary decision it was also decreed that member central banks that had already paid their quotas for the year 2000 “by covering 20% of the year’s contributions,” could opt for “requesting the 5% excess payment be returned, or that such amount be deducted from the contribution for the following year of 2001.” Moreover, given that Director Sergio Ghigliazza had expressed his disagreement with the report mentioned above, he decided to present his resignation from the position as of May 22, 2000. The Assembly agreed to ask him to continue in the post until December that year, a request which “Mr. Ghigliazza had accepted.” Finally, the Assembly decided that another working group should be set up in the form of a committee entrusted with carrying out a detailed review of the organization in order for the corresponding document to be used as a base for its future reorganization. Said committee would be:

composed, firstly, of members of the Directorate, managers of Economic Studies and other high-level officials from CEMLA member central banks. This Committee, that would be coordinated by the Chairman of the Board of Governors, would carry out a detailed review of CEMLA and draw up guidelines regarding the role the institution should fulfill in the future, proposing functions, objectives, quotas, creation and operation

<sup>160</sup> CEMLA, “Minutes of the Board of Governors,” September 23, 2000, p. 2.

of the Board of Governors and the Assembly, decision-making arrangements, defining the profile and characteristics that candidates for the post of Director General should fulfill and the arrangements for their election, and all the other aspects that in its opinion need to be studied or reformed.<sup>161</sup>

The most important work of the Committee for Redefining the Functions of CEMLA focused on making recommendations regarding what should be “the proper and basic functions of a Center for Monetary Studies.” The main criticism was that CEMLA had been performing “many different activities” and in order to “achieve greater efficiency and effectiveness” priority should be given to “the specific activities of a monetary authority” avoiding as far as possible tasks that were already being performed by other national or regional institutions. It was clearly a call for the organization to specialize more on “exclusively central banking” matters. The proposal therefore recommended that activities should be linked to three areas: monetary stability, financial stability and other similar topics such as “international monetary coordination, international coordination on financial stability, international financial architecture, debt and reserves management, harmonization of statistics and banking practices, etc.”

It went on to outline the principles that should be followed for redefining the mission of the organization “in order to transform it into a coordinator, a forum for discussing and debating the common problems of associate members.” In line with the approach of greater specialization, the tasks of technical assistance and exchange of experiences would be limited to “key central banking topics” and there would need to be greater “efforts to work with other multilateral bodies.” As for research, CEMLA should abandon its attempt to become an institution with such aims and concentrate instead on acting as a “hub of important information in order to then fulfill the function of disseminating it.” With respect to training, given the development of universities of the region during recent decades, CEMLA’s courses should be oriented “toward specialized and not basic training” and be “restricted to just

<sup>161</sup> CEMLA, “Minutes of the Assembly,” May 18, 2000, pp. 4-5.

the main functions of the Center.” The document was kind to the publications policy, issuing the recommendation that it should be given *continuity*, although the relevance of each of the current publications should be validated by means of a survey. Regarding new functions, two recommendations were made: strengthen the tasks of “compiling statistics” and create “a homogeneous and standardized database due to the importance of bilateral relationships in the region.” To implement this new strategy:

a round of enquiries is recommended with associate members to establish a multi-year program of specific courses on topics included in the main functions in order to achieve a broader regional impact. Specific requests should be made with the necessary notice in order to allow time for members to be able to express their interest in participating and should give priority to topics of regional interest. A detailed program of courses for at least the next two years should be submitted to the Board of Governors for its approval.<sup>162</sup>

## Reform of the Statutes

Approval of the document for redefining the functions of CEMLA unavoidably required wide ranging changes to the organization’s statutes. The new version of Article 4 specified the three priority topics for CEMLA’s functions, already mentioned above, and Article 5 the work that the organization would have to undertake. Articles 10, 11 and 12 laid down the changes to the operations of the Assembly, including that concerning voting capacity, and Articles 15, 16, 17, 19 and 20 stated all the required changes regarding the composition and functioning of the Board of Governors. The new contribution that had not been included in the Committee’s original document concerned the details of the organization’s activities (Article 5 along with its eight sections). This states that the Center shall:

<sup>162</sup> CEMLA. “Minutes of the Board of Governors,” September 23, 2000, pp. 2-6 and Annex A, “Document of the Committee for Redefining the Functions of CEMLA.”

- Coordinate the discussion and debate of topics and problems common to its associate members. In this regard, the Center may engage in strategic studies and prepare position papers, combining in-house and external resources so as to centralize and disseminate relevant information.
- Gather such experience as is related to its objectives and systematize the derived learning for purposes of dissemination. In this context, its tasks with regard to technical assistance and the promotion of the sharing of experiences shall be restricted to substantive issues in central banking, with care given to complementing the efforts of other international organizations.
- Seek the further training of central bank officials and technical staff, as well as those of other institutions in its field of competence. The courses offered by the Center shall be focused on central banking core activities, and designed to provide specialized preparation in their partial or integrated aspects.
- Promote the knowledge and dissemination of those matters of interest to its associate and collaborating members.
- Establish a regional information Center in monetary and financial affairs, with access restricted to associate members, which shall include the compilation of central banking laws and regulations, and a homogeneous and standardized statistical data base. The Center may coordinate, subject to the approval of associate members, the undertaking of research programs which access said information.
- Maintain relationships with national and international organizations that promote knowledge in the subject areas of interest to the Center, with a view to complementing its work and avoiding the unnecessary duplication of tasks. The Center may agree to regional training and dissemination programs with these organizations in substantive

central banking topics.

- Organize and participate in national and international meetings of a technical nature dealing with central banking topics such as those mentioned above.
- In general, carry out to the extent of its capabilities all activity leading to a better understanding of monetary, banking and fiscal issues, both domestic and external, in Latin American and Caribbean countries.

By the autumn of 2000 the Committee entrusted with redefining CEMLA had produced a document from which the Assembly took the guidelines or roadmap that should be followed for reforming the organization. Approval of these guidelines would lead directly to changing the statutes. As can be seen, the guidelines initially concerned the rules for determining voting rights in the Assembly and the composition of that body. With respect to these matters it was agreed:

- To link voting rights to the amount of an associate's quota.
- To establish that 20% of voting rights be distributed equally among all the members, applying the criteria of quota amounts to the remaining 80 per cent.
- That very important budgetary decisions would require special majority voting.
- That the main reference for determining associate member quotas would continue to be the criteria that the IMF uses for defining the contributions of its members.
- To suggest an optional minimum annual quota of 3% of the highest current quota.

As for the Board of Governors, three main recommendations were made: increase its number of members, change the criteria that should be applied for electing member, and finally, rethink the term of their appointments:

- Increase the size of the Board of Governors from five to seven members.

- Decrease the term that members are appointed from four to two years.
- That the host country (Mexico) should continue to have a permanent seat on the Board of Governors and that the other six members be elected by the membership; each country having the option to vote for just one candidate.

One important recommendation included in the document for redefining the functions of CEMLA concerned the advantages of creating *an executive body* (the Alternates Committee) to participate in defining and supervising compliance with the guidelines issued by the Assembly and the Board of Governors, i.e., a body that would act as a kind of “nexus between the Board of Governors and CEMLA’s Directorate.” This guideline was discussed at the key meeting of the Board of Governors held in Rio de Janeiro in May 2001. The reasons for creating said body were clearly stated at that meeting: the operation of the body would “pass on the knowledge, experience and wishes of the governors of central bank members of the Board of Governors.” The body would allow “the governors of central banks to continue participating very actively” given that said Committee would “liaise between CEMLA’s General Directorate and the governors of member central banks.” Its aims responded to the interest of strengthening “the participation of governors in CEMLA, however, it would not have executive functions.”<sup>163</sup> One interpretation of this measure was that associate central banks wished to strengthen supervision and control arrangements by using the methods of delegating functions and representation.

The Governor of the Banco Central de Venezuela, Diego Luis Castellanos, requested that the topic be included on the agenda of the Board of Governors meeting of spring 2002. At the latter, after the functions that the body should have “as a means of communication between CEMLA’s General Directorate and the governors” had been confirmed, it was requested that its meetings should

<sup>163</sup> CEMLA, “Minutes of the Board of Governors,” May 25, 2001, point 3 of the agenda.

be formal and take minutes to allow its work to be monitored. In this regard, the Director of the Banco Central de la República Argentina, Roberto Antonio Reyna, reiterated the fact that it had been suggested “the Alternates Committee hold a minimum of two meetings per year.”<sup>164</sup> The launch of said body was not finally agreed until the Board of Governors meeting of autumn 2002. At that important session, based on a note prepared by the Director of the organization, it was agreed that the Alternates Committee would meet twice a year between four and six weeks prior to the meetings of the Board of Governors and that short minutes of such meetings would be prepared. Regarding the question of whether regulations should be approved for that body, it was explained that although the Committee would not take decisions, but would rather make recommendations to the Board of Governors, it was still necessary that it functioned according to some terms of reference that should be explicitly approved. As for the format of the minutes, the Governor of the central bank of Colombia added “that the Board had traditionally operated on the basis of consensus and adopting regulations could be interpreted as evidence of conflicts, which was clearly not the case.” Thus, “the governors decided that the formal sessions of the Alternates Committee should have consensual minutes that reflect its most important positions.”

## **2. The New Administration and its Actions**

The economist Kenneth Coates was the General Director who was lucky enough to participate in all the reforms that were implemented as a result of the document for a comprehensive review of CEMLA. In fact, years later, in September 2003 to be specific, the Assembly took the decision to reappoint Mr. Coates to that post for the period from December 2004 to December 2008. The appointment for his first term had been discussed and agreed at the meeting of the Board of Governors of September 2000 and

<sup>164</sup> CEMLA, “Minutes of the Board of Governors,” May 9, 2002, pp. 3 and 7.



### Kenneth Gilmore Coates

THE URUGUAYAN ECONOMIST, KENNETH GILMORE Coates, was named Director of the Center for Latin American Monetary Studies by the organization's Assembly on September 23, 2000. The latter meeting was held in Prague, Czech Republic, in parallel to the Meeting of Central Bank Governors from Latin America, Spain and the Philippines at the International Monetary Fund and the World Bank. Dr. Coates was originally elected as Director of CEMLA for the period from January 2001 until December 2003, but he was reappointed to the post on two more occasions, staying at the Center until 2009.

Although born in Uruguay, for reasons of ancestry Kenneth Coates also held British nationality. Dr. Coates studied all of his university education at institutions in the United States. He firstly took a Bachelor's degree in Economics on the Honors Program of the University of Long Island, based in Brooklyn, which granted him the distinction *magna cum laude*. His next university degree, now postgraduate, was a Master's in Economics with a specialization in Macro, Micro and Econometrics at the prestigious Stanford University. He went on to continue his studies at the same West Coast institution, located in California, and received a Ph.D. in Economics in 1981 with a specialization in the areas of international trade, finance, development and labor.

Most of Dr. Coates's professional career, although as will be seen later not all of it, was spent working for international

institutions and bodies. Before obtaining his Ph.D., from 1977 to 1979 he worked as an economist on the Program for Young Professionals of the Western Hemisphere attached to the Exchange and Trade Relations Department of the International Monetary Fund. He left this job to join the World Bank and took up a position as technical assistant to the Executive Director representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay. In 1981, Dr. Coates returned to his native country of Uruguay to hold two important posts. He firstly worked as head advisor at the Ministry of Finance and his second appointment was at the Banco Central del Uruguay where he joined a working group in 1982 to prepare a strategy for renegotiating the external debt of that country.

In hierarchical terms the major professional leap for Kenneth Coates took place in 1985 when he was appointed Executive Director at the World Bank representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay. In that position he performed an important role in managing the debt crisis that affected all Latin American countries, promoting the granting of loans to drive structural change. Coates lasted just two years in that position and in 1987 he was appointed to two simultaneous posts in the government of Uruguay representations based in the capital of the United States. He started that period of his career by establishing and heading Uruguay's Financial Office in Washington. From that position he coordinated the team that renegotiated the external debt of his country with creditors, allowing Uruguay to return to the voluntary credit markets. Dr. Coates worked simultaneously as Vice Minister at the Uruguayan Embassy in Washington during the period 1987-1989. His next appointment led him to return to Montevideo and consisted of acting as Coordinator of



the Bank Restructuring Program launched by the *Corporación Nacional para el Desarrollo*. He resigned from that post in 1989 as a result of his disagreement with the proposal for privatizing the *Banco Comercial*.

Then, from 1982 to 2000, Dr. Coates devoted himself to economic and financial advisory tasks as lead partner in a firm he headed: *Coates & Co.* The consulting work specialized in feasibility studies and arrangements for financing new investment projects, and had customers that included, among others, *Pepsi Cola*, the *Bank of Boston* and *Credit Lyonnais*. It was during that period when he gave classes for the second time—the first was from 1982 to 1985 at the *Universidad de la República* on the subject of *Economic Development*—at the *Universidad Ort*, also in Uruguay. His specialized area of teaching was *International Economics and Finance*. Dr. Coates was working at his consulting firm and giving classes at the *Universidad Ort* when he was named *Director of CEMLA*. He was then 49 years old and married with four children.

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the procedure went ahead after the Deputy Director, Luis Alberto Giorgio, “requested permission to leave the meeting room due to the fact that he was personally involved in the matter.” The candidature of Mr. Giorgio had been among the proposals that the Board of Governors analyzed before arriving at their final decision of naming Dr. Coates:

In that regard, the members present expressed that after analyzing the four CVs that had been submitted, they felt extremely honored to have such high-level candidates for the referred position, mentioning that because only one of them could be chosen they had anonymously made the decision to propose that the Assembly offer the appointment to the Uruguayan Mr. Kenneth Coates due to the advantages of having his experience at a decisive moment for the Center.<sup>165</sup>

The new team was completed by appointing the individual who would replace the economist Giorgio as Deputy Director of the organization. The matter was aired at the meeting of the Board of Governors held in Rio de Janeiro in May 2001. The Governor of Banco de México, Guillermo Ortíz, who acted as Chairman of the meeting, explained that two candidatures had been received: Carlos Alberto Reis Quiroz put forward by the Central Bank of Brazil and Javier Comboni nominated by the Central Bank of Bolivia. After emphasizing the high-quality of both proposed candidates at that conclave, the floor was given to Mr. Linaldo Gómez de Aguilar, the representative of the Banco Central do Brasil, who pointed out that the candidature of Quiroz “obeyed the Bank’s long standing wish to participate in the administration of CEMLA in order to contribute to meeting the visualized goals.” The appointment fell to the Brazilian candidate and as compensation Mr. Comboni was offered the position of Coordinator of the Project for Heavily Indebted Poor Countries (HIPC), a post he did not end up taking.<sup>166</sup>

Once in his position, Director General Coates presented his proposals at the meeting of the Assembly of May 2001 in line with the task he had been assigned “to report to the governors on the

<sup>165</sup> CEMLA, “Minutes of the Board of Governors,” September 23, 2000.

<sup>166</sup> CEMLA, “Minutes of the Board of Governors,” May 25, 2001.

current condition of the Center and the program of activities to be implemented during the rest of this year, given the resources available.” The document prepared by the official already included news from the first studies of interest to the governors with respect to the issue of “macroeconomic convergence” in the region of Latin America, without specifying what those studies were. In addition, it is mostly worth highlighting the proactive part of that document. In that regard Coates suggested to the Assembly:

creating a regional Database, as well as accepting the role of coordinator for the Center in the Western Hemisphere Payments and Securities Settlement Initiative, which includes setting up a Working Group on Payment Systems Issues of Latin America and the Caribbean (WGPS-LAC). On the latter point, those present expressed recognition for the work of the World Bank in coordinating the first phase of said initiative.<sup>167</sup>

### **The Search for Collaborating Members**

The process of reforms implemented while Kenneth Coates was serving as General Director included, almost out of necessity, the topic of collaborating members. The agreed objective of deepening the specialization of CEMLA in central banking matters necessarily implied adopting a policy that the group of collaborating members should preferably be made up of central banks from outside the region of Latin America. For this reason, in December 2001 the Board of Governors had given the General Directorate instructions to start procedures for obtaining new collaborating members. The Director proceeded with the latter and a few months later he was able to report that measures had been undertaken to recruit as collaborating members the European Central Bank, the Bank for International Settlements, based in Basel, Switzerland, and the central bank of the Netherlands (Nederlandse Bank N.V.). In this regard, Mr. Coates suggested to members of the Board of Governors that “it would be extremely beneficial that the governors of member central banks, if the opportunity arose, mention to the referred institutions the advantages and

<sup>167</sup> CEMLA, “Minutes of the Assembly,” May 24, 2001.

importance of becoming collaborating members of CEMLA.”<sup>168</sup>

In general terms, during those years of reform CEMLA’s authorities had to deal with three matters related to collaborating members. One of them, already mentioned above, was the interest in convincing central banks of the world and the international organizations to join CEMLA as members. Another connected topic was the quotas these members should pay, while a third one referred to their participation in the composition and functioning of the Board of Governors. With respect to quotas, in December 2001 the Board authorized the General Directorate “to negotiate on a case by case basis the quota levels of collaborating members, taking into account the restriction that such quotas should amount to no more than 50% of those paid by associate members.” As for their participation on the Board of Governors, the decision was to continue with the current tradition of them having voice but no vote. The matter was one of the most important of those dealt with at the meeting of the Board of Governors of May 2002. In this regard, the Chair of that body, the Governor of Banco de México, pointed out that:

it was important to define what would be the mechanism for selecting the collaborating members that could participate in the meetings of the Board of Governors. The criteria to be considered were: *a)* the number of collaborating members on the Board and *b)* if the decision would be made based on geographical representation and if so, what would be the mechanism for such decision, and *c)* if access would only be given to collaborating central banks [...] After deliberating, the members of the Board of Governors agreed the following: *a)* that it is the right of the Board of Governors to decide which collaborating members should be invited; *b)* that a maximum of two collaborating members would be invited; *c)* that the invitation should for now only concern central banks. Furthermore, due to the expressions of interest from Banco de España, the Board of Governors decided to invite said institution to the next meeting.<sup>169</sup>

<sup>168</sup> CEMLA, “Minutes of the Board of Governors,” May 9, 2002.

<sup>169</sup> CEMLA, “Minutes of the Board of Governors,” May 9, 2002, second point on the agenda.

## Changes to the Pension Plan and the Statutes

Another important chapter in the process of reforms mentioned above was written with respect to CEMLA's pension plan. The issue was reported at the Board of Governors of September 2003, explaining that an actuarial study applied to the system had revealed the emergence of a deficit in the future or "although there were no liquidity problems over the short-term, it would be very wise to increase the contributions that are made annually in order to prevent a liquidity problem in the long-term."

To address the problem advice was requested from Banco de México's auditors and a proposed solution was studied during 2005 within both the Board of Governors and the Assembly. At the suggestion of Banco de México, two consulting firms (Deloitte and the law firm De Buen) had been hired, which issued the recommendation that the Center attempt to emigrate from a defined benefits model to one based on defined contributions by offering beneficiaries an economic incentive and the option to choose freely between the two options. The proposal implied that the deficit would be covered "in approximately equal parts by CEMLA (via greater contributions) and the employees (via the modification of the current plan and its benefits), meaning it seemed like a balanced solution."<sup>170</sup>

Reform of the Pension Plan entered its final phase in 2006 when both the Board of Governors and the Assembly were informed on the progress achieved. In this regard it was reported that the only significant change that had been made to the Pension Plan's regulations on the suggestion of the lawyers had been "including compensation for food stamps to the item of integrated net salary." Apparently no exceptional difficulties arose in the employees accepting the new model or in choosing one of the systems offered. Thus, the problem would finally be settled by preparing a manual of procedures for managing the resources deposited in the pension fund.

By the middle of the decade the need to update the statutes became evident once again. The motion was approved by the Assembly at its meeting of September 2005. Besides the need for

<sup>170</sup> CEMLA, "Minutes of the Board of Governors," September 19, 2003, September 23, 2005, and May 19, 2006.

updating, it was judged indispensable to include in that legislation “the principles of transparency that nowadays guide central banks as a counterpart to their greater autonomy.” The governing principle should be “the greater the autonomy, the greater the transparency.” The main objectives of that reform were including the Alternates Committee and a newly created Audit Committee in the text of said legislation, as well as “defining the areas of action of the General Directorate that required the approval of the Board of Governors.”

The proposal for including the Alternates and Audit committees in the text did not cause any difficulties, but the same could not be said of the complementary matter that affected the General Directorate’s field of action. Finally, the suggestions made by Mr. Coates were answered in such a way that the figure of Director General remained “a governing body of CEMLA” and maintained its powers for participating in the appointment and dismissal of the Deputy Director. There was also the obligation to “submit for consideration to the Board of Governors the Program of Activities and the Income and Expenditures Budget on an annual basis,” besides reporting twice a year to that body on the institution’s financial results and progress “in implementing the program and budget.” On the other hand, it was decided to eliminate the proposal for a provision according to which “any associate member [would be able to] report irregularities directly to the Audit Committee.”<sup>171</sup>

The reformed text of the statutes was approved by the Assembly at its ordinary meeting of 2007. A new chapter was written into the Statutes, chapter VI, related to the “Alternates and Audit Committees.” The former of these two collegiate bodies has already been discussed above, and regarding the latter it is important to highlight its duty to collaborate with the Board of Governors on overseeing the Center, besides including the rules for integrating it with those “representatives appointed by each central bank member of the Board of Governors to participate in

<sup>171</sup> CEMLA, “Minutes of the Board of Governors,” May 17, 2007, point 5 of the agenda.



the Alternates Committee.” The new version of the statutes also set out the type of governing bodies of the Center that would be granted to those committees and their respective obligations as regards the Assembly and the Board of Governors. Moreover, for the sake of symmetry, it also detailed the obligations imposed on the General Directorate concerning these collegiate bodies with respect to providing the information for the performance of their duties.<sup>172</sup>

One final chapter in the process of reforms concerned the project for internally reorganizing CEMLA. The administration headed by the Director General Kenneth Coates was one of reforms and reorientation. Coates himself promoted a reorganization of the institution, work that mainly consisted of modifying the structure by making some important changes in the personnel area. The key year was 2005:

Given the evolution, growth and change in the operational activities of CEMLA, with the recommendations of the consultants referred to and in view of the decision of two out of the four directors (International Relations and Administration) to leave the Center, as of June 2005 the General Directorate announced changes to the organizational structure and new staff appointments. At the same time, and after a selection process, three new technical officials will be hired (from the central banks of Bolivia, Costa Rica and Venezuela) to be responsible for coordinating the multi-year technical assistance programs.<sup>173</sup>

The General Director’s proposal was to create on the second level of the hierarchy three coordination areas, respectively, for education and training, information services and an “Institutional Coordination Area for Programs.” The management of teaching activities—courses, seminars, workshops, round tables—would obviously be the responsibility of the coordination area for training. Meanwhile, the Institutional Coordination Area for Information Services would focus on managing “the three activities directly related to information products and services offered to CEMLA

<sup>172</sup> CEMLA, “Minutes of the Assembly,” May 12, 2007, pp. 5-16.

<sup>173</sup> CEMLA, *Annual Report*, 2005, p. 15.

members: publications, library and electronic communication methods (websites and newsletter).” Finally, the body whose creation implied the greatest changes was the Institutional Coordination Area for Programs. The latter was given two important duties: handling the organization of various forums where CEMLA acted as Technical Secretariat and managing “the different multi-year programs.”<sup>174</sup>

### 3. Multi-year Programs

One of Director Sergio Ghigliazza’s last interventions in the Board of Governors of CEMLA concerned the programs that had been implemented with the collaboration and support of international organizations, and which required special oversight given their multi-year scope. The outgoing official made particular mention of the Hemisphere Payments and Securities Clearance and Settlement Initiative that had been set in motion with the support of the World Bank; a project on financial stability with backing from the Bank for International Settlements, and the training programs that had been carried out with an affiliate institution of the BIS: the Financial Stability Institute. That official also referred to the program on financial statistics that had been set up with the International Monetary Fund, besides another project related to external debt management and macroeconomic forecasting for poor countries.<sup>175</sup>

The corresponding annual reports for the period very much highlight the fact that the multi-year programs were partly financed with extra budgetary revenues contributed, logically, by the referred bodies that sponsored them. However, no complete statistic for the period was found regarding these contributions and their breakdown by program. In the speech mentioned above, Mr. Ghigliazza explained that “the governments of Austria, Denmark, England, Switzerland and Sweden through Debt

<sup>174</sup> Ibid.

<sup>175</sup> CEMLA, “Minutes of the Board of Governors,” September 23, 2000, pp. 7-8.

Relief International (a not-for-profit organization funded by those countries) had contributed resources amounting to 1.4 million US dollars in 2001 and 2002 for financing the program for helping heavily indebted poor countries, and that such support required a complementary contribution from CEMLA of 70,000 US dollars. An exception to such a lack of information was the *Annual Report* for 2004, which showed the origin of the external funds along with a breakdown of the activities, payment of permanent staff and the consultants hired. It is worth mentioning that out of the 2.7 million US dollars of total budgetary revenues for that year, just 25.4%, i.e., 690,000 dollars, originated from the referred source.

The menu of the Multi-year Programs did not remain unchanged throughout the period when Kenneth Coates served as Director General. In 2001, four of such programs, which, as has been seen, had started years before, were implemented: Financial Stability, Payment Systems, Databases and Statistical Methods, and External Debt Management. The following year, with sponsorship from the BIS under the framework of its Regional Technical Collaboration project, the Macroeconomic Convergence Program (MCP) was launched, placing particular emphasis on the data bank component of that program. It was 2004 when CEMLA's authorities decided to divide the Multi-year Programs into two categories. On the one hand, were the Topical Programs designed to provide up to date knowledge in the referred areas "in response to new circumstances, concerns or methodological advances." It was also in 2004 when the theme of the Financial Stability program was changed to Macroeconomic and Financial Stability. On the other hand, the Technical Cooperation Programs were focused on "current aspects of the financial sector infrastructure with the aim of helping to improve the practices and systems in question." That year the latter classification included three new programs on Credit Reporting Systems, External Private Capital Management and Remittances. The following year the Savings Cooperatives program was implemented under the Topical category and Payment Systems Program under the Technical Cooperation category.

CEMLA's Multi-year Programs were directly linked to training and technical cooperation activities. With respect to the former,

the programs included giving courses, seminars, workshops and round tables. Technical assistance missions were also sent to provide services to some associate members and their respective countries. Tables 15 and 16 provide a very detailed overview of the dual purpose of the programs.

Later, in April 2005, a project on information for workers' remittances with support of the Fomin (Multi-lateral Investment Fund) of the Inter-American Development Bank was submitted for consideration to the Board of Governors. Director Coates explained "that the format of the project was similar to the multi-year programs CEMLA was already implementing on payment and credit reporting systems." The official added that the program planned to be executed over three years would require the following contributions: CEMLA, 35,000 US dollars per year; the 23 participating central banks, 714,000 US dollars and Fomin 1,065,999 US dollars. Moreover, it would be necessary to hire three officials for said program: a coordinator, a manager and an accountant, who would be provided by the Center.<sup>176</sup>

Finally, at the meeting of the Board of Governors of May 2009, it was explained that the program entitled Inter-American Payments Framework devised with the intention of replicating the Direct to Mexico Program on a regional scale. That Program consisted of an interconnection between the Federal Reserve Bank of Atlanta and Banco de México aimed at reducing the cost of sending low value cross-border transfers. In 2009, CEMLA organized a workshop to define the scope of the so-called regional interconnection project.<sup>177</sup>

#### **4. Training and Meetings**

Training activities, composed of courses, workshops and seminars, continued to occupy a very important place in the functions

<sup>176</sup> CEMLA, "Minutes of the Board of Governors," September 23, 2005, third point of the agenda.

<sup>177</sup> CEMLA, *Annual Report*, 2008, p. 19, and "Minutes of the Board of Governors."

Table 15

**CEMLA: COURSES, WORKSHOPS AND SEMINARS UNDERTAKEN  
BY MULTI-YEAR TECHNICAL ASSISTANCE PROGRAMS, 2001-2009**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Western Hemisphere Payments and Securities Settlement Forum (WHO)	2	4	3	3	1	2	3	2	1
Debt Capacity Program (DCP- AED)	2	2	2	2	3	0	3	3	6
Private External Capital Capacity Building Program	na	na	na	2	3	4	4	3	1
Credit Reporting Systems Program	1	1	1	2	1	1	3	3	-
Remittances Programs	na	na	na	1	1	2	1	2	3
Total	5	7	6	10	9	9	14	13	11

na: not applicable. These programs started at a later date.

Source: CEMLA, *Annual Report, 2009*, pp. 11 and 12.

Table 16

## CEMLA: TECHNICAL ASSISTANCE MISSIONS, 2001-2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Western Hemisphere Payments and Securities Settlement Forum (WHO)	2	4	3	3	1	2	3	2	1
Debt Capacity Program (DCP-AED)	2	2	2	2	3	-	3	3	6
Private External Capital Capacity Building Program	na	na	na	2	3	4	4	3	1
Credit Reporting Systems Program	1	1	1	2	1	1	3	3	-
Remittance Programs	na	na	na	1	1	2	1	2	3
Total	5	7	6	10	10	9	9	14	11

na: not applicable. These program started at a later date.

Source: CEMLA, *Annual Report, 2009*, pp. 11 and 12.



Participants of the course “Modern Central Banking: A Comprehensive Approach” at the Center’s premises, 2001. CEMLA’s photographic archive.

of CEMLA. Out of the 67 annual events classified as courses and workshops, seminars and technical meetings that were held in 2009, a little over half, 52, corresponded to the first two categories. In 2001, the number of courses, workshops and seminars increased to 28 out of a total of 43, and by 2005 there were 27 training events out of a total of 52. The general range of the organization’s activities and the position of training tasks within them were enriched by the number of events, which grew substantially during the period, increasing from 43 in 2001 to 67 in 2009.<sup>178</sup>

In general, CEMLA’s events, including training activities, multi-year programs, meetings of governors, alternates and technicians, and technical assistance work, dealt with 11 central banking topics and related events. The latter topics were: Statistics, Payments Systems, Credit Reporting, Remittances, Financial Stability and Financial Markets, Debt Management and Capital Flows, Macroeconomic Aspects and Monetary Policy, International Reserves and Treasury, Communication, Legal Issues, Systems

<sup>178</sup> CEMLA, *Annual Report*, 2009, pp. 4-5.

and Human Resources, Internal Auditing, Accounting and Security, Comprehensive Aspects, Planning and others. In 2001, the number of events devoted to such matters was 39 and by 2009 it had increased to 62. The range was completed by the meetings of governors and of the Alternates Committee.

The general overview is accompanied by an analysis of the events by their source of financing. Event funding was divided into four categories: CEMLA itself, financing from associate and collaborating members, with external funds or co-financed events. In the latter case, co-financing was carried out with members, international organizations or both of these at the same time. The statistics show that taking into account all the events during the period studied the majority were co-financed (70.7%) and out of that figure most (64%) were funded by members of CEMLA. Meanwhile, relatively few events were financed with external funds, with an average of five being recorded during the period, and those with their own financing recorded an average of eight.<sup>179</sup>

In the nine-year period from 2001 to 2009, CEMLA organized exactly 272 events, including courses, seminars and workshops, while the annual total of that indicator rose from 28 events in 2001 to 32 in 2007 and 39 in 2009. One very revealing statistic regarding the approach that courses and workshops responded to during the period corresponds to those given to meet the need for training in central banking. It was such training work that continued the legacy of the basic programs given since the beginning of the Center. Table 17 provides the details of these activities with a breakdown by theme area.

The seminars CEMLA organized can also be classified by theme area: Monetary and Financial Stability, Savings and Credit Cooperatives, Payments Systems, Credit Reporting and Remittances, Statistics and Aspects of Central Banking. What were the courses, workshops and seminars organized by CEMLA during the period like qualitatively? One illustrative example is offered by the activities carried out in both fields during 2008. Tables 18 and 19

<sup>179</sup> CEMLA, *Annual Report*, 2009, pp. 4 and 6.



Table 17

**CEMLA: COURSES AND WORKSHOPS  
ON CENTRAL BANKING  
(number)<sup>1</sup>**

<i>Theme areas</i>	<i>2001</i>	<i>2005</i>	<i>2008</i>
Monetary policy and international reserves	2	1	3
External debt and private capital flows	2	2	7
Systems, communications, treasury and legal	–	–	2
Statistics	2	6	7
Macroeconomic and financial stability	7	4	8
Payment systems	1	1	1
Central banking aspects	3	6	1
Total	17	20	29

Source: CEMLA, *Annual Report*, 2008, p. 11

<sup>1</sup>The *Annual Report* for 2009 does not show the corresponding information in the format indicated.

list the names of courses and seminars, as well as the institutions that cosponsored them, without showing the dates the events were held or their location.

As has been seen, organizing international meetings had been an important activity for CEMLA since the sixties. In the period 2001 to 2009, the meetings organized by the Center can be divided into four types. First, the meetings of governors of central banks where the organization not only acted as organizer, but also fulfilled the role of technical secretariat. These meetings had started with those convened by the governors of central banks of Latin America, which years later were also joined by the Banco de España. The second type consisted of the meetings of CEMLA's governing bodies, the calendar of which was made up of eight events per year as of 2002: two meetings of the Assembly, two of the Board of

Governors and another four of the Alternates Committee. That program remained unchanged every year, except perhaps one extraordinary meeting of the Assembly that was convened in 2002. The third category was composed of technical meetings that the Center also organized, fulfilling the role of technical secretariat. The range was completed with the meetings that started to be organized for the Multi-year Programs referred to above.

The Meeting of Central Bank Governors of Latin America and Spain had two editions (spring and autumn) and was held without interruption every year of the period, from its LXX edition in May 2000 to the LXXXVI meeting in autumn 2009. The meetings of Governors of Central Banks of the American Continent and that of Central Bank Governors from Latin America, Spain and the Philippines at the International Monetary Fund and the World Bank were also held without interruption in that period. In the latter two cases the event took place only once per year. The account closes with a forum that was created in 2006 and held its first meeting in the same year: the Meeting of Central Bank Governors of Asia, Latin America and the Caribbean. With respect to this meeting, the corresponding *Annual Report* stated that it had been held:

on September 15, 2006, in Kuala Lumpur, Malaysia, hosted jointly by the Bank Negara Malaysia and the Banco Central de la República Argentina and organized by CEMLA and SEACEN (The South East Asian Central Banks Research and Training Centre). The meeting was very successful thanks to the level of exchange of experiences on topics of interest for both regions. The sessions addressed monetary and exchange rate policy topics in Asia and Latin America, as well as experiences of financial cooperation in both regions, besides an informative meeting on the objectives and scope of the Central Bank Governability Forum of the Bank for International Settlements.<sup>180</sup>

The third category, technical meetings, included all such forums that had been held continuously for decades and have

<sup>180</sup> CEMLA, *Annual Report*, 2006, p. 6.

Table 18

**CEMLA: COURSES AND WORKSHOPS  
ORGANIZED DURING 2009**

<i>Cosponsor</i>	<i>Name of event</i>
<b>Courses</b>	
1 Banco Central del Ecuador	National Accounts
2 Federal Reserve Bank of New York	Modern Central Banking: A Comprehensive Approach
3 Banco Central del Uruguay	Auditing the Investment of International Reserves
4	Payments Systems: A Comprehensive View
5 Banco Central de Venezuela	Central Bank Internal Control and Corporate Governance
6 Banco Central do Brasil	Monetary Models (professor Lawrence Christiano)
7 Banco de España	Course on Accounting and Valuing Central Bank Financial Instruments
8 Banco de España	VI Course on Management of Cash
9 Banco Central do Brasil	Macroeconomics at the European Central Bank
10 Banco de España	Financial Instruments and International Financial Reporting Standards
11 Deutsche Bundesbank	Auditing Information Technologies
12	Credit Derivatives
13 Central American Monetary Council	Payment System Management Modelling and Management
14 Banco Central do Brasil	Expectations (professor Klaus Adam)
15 Banco Central del Paraguay	Macroeconometrics for Monetary Policy
16 Banco de México	Dynamic Stochastic General Equilibrium Models with Bayesian Techniques
17 Banco Central de Reserva del Perú	Introduction to the New Keynesian Framework and its Applications to Monetary Policy
18	Monetary Policy and Open Market Operations

19	Banco Central de Venezuela	System of National Accounts
20	Central American Monetary Council	Legal Issues
21		Financial System and Central Banking
22	Banco Central de Venezuela	Satellite Accounts
23	Banco Central de la República Argentina	Financial and Legal Issues of Financial Derivatives
24	Banco Central de la República Dominicana	Monetary and Financial Statistics
25	Bank for International Settlements	Course for Preparing Financial Stability Reports
26	International Monetary Fund and Association of Central Bank Supervisors of the Americas	Financial Markets and New Financial Instruments
27	Banco de España	Analyzing Central Bank Financial Statements
28	Banco Central de Bolivia	Balance of Payments
29	Banco Central de Costa Rica	Flow of Funds

### **Workshops**

1	Government of Honduras	National Workshop on Updating Debt Strategy and New Financing (Honduras)
2	Government of Nicaragua	National Workshop on Updating Debt Strategy and New Financing (Nicaragua)
3	Government of Guyana	Guyana: National Workshop on Debt Strategy and New Financing
4		Bolivia: Subnational Program
5	World Bank and the International Monetary Fund	Regional Training Workshop for Trainers on Debt Sustainability for Low Income Countries
6	DRI	On-site Workshop of the Distance Learning Program

**Total events** **35**

Table 19

## CEMLA: SEMINARS ORGANIZED DURING 2009

	<i>Cosponsor</i>	<i>Name of event</i>
<b>Seminars</b>		
1	Federal Reserve Bank of Atlanta	Cross-border Retail Payments
2	Banco Central Bank do Brasil	International Seminar on Combatting Banknote Counterfeiting
3	Development Finance International (DFI)	Regional Seminar on Financial Crises and Private Capital Flows in Latin America
4	Banco de España	Business Continuity
5	Banco Central de la República Argentina	Reporting Regime
6	Bank for International Settlements	Joint BIS-CEMLA Seminar
7	Deutsche Bundesbank and Bank of Jamaica	Seminar on Modelling and Forecasting
8	Fomin (IBD Group) – Remittance Measurement Program	V Remittances Seminar 2009
9	NCEE and Banco de la República (Colombia)	First Conference on Economic and Financial Education in Latin America and the Caribbean
10	Banco Central do Brasil	Strategic Planning
11	German Confederation of Cooperatives	Microfinance and Supervising Saving and Credit Cooperatives
12		Process Management
13	Banco de España	Central Bank Operational Risk
14	Banco Central del Uruguay, World Bank, IBD, BIS	Payments Week 2009
15	FSI	Financial Regulation and Basel II after the Financial Market Crisis
	<b>Total events</b>	<b>15</b>

Table 20

**CEMLA: MISSIONS UNDERTAKEN BETWEEN 2000 AND 2009**

<i>Program</i>	<i>Number of missions</i>
Western Hemisphere Payments Forum	21
Debt Capacity Program	29
Private External Capital Capacity Building	17
Credit Reporting System	13
Remittance Program	10

already been mentioned several times in this book. The main feature of this activity was its continuity, although during the last few years of the decade some new forums emerged. For instance, the XXXII Meeting of Central Bank Systematization was held in 2009, while the meetings on Central Bank Communication and those of the Central Bank Researchers Network of the Americas did not reach their XIV edition. Three more technical meetings were about to start that same year: Central Bank Accounting and Budgetary Issues, Central Bank Legal Advisors, Central Bank Treasurers and Human Resources Management. In the same category it is important to highlight the cases of the Meeting on International Reserves Management, Meeting of Central Bank Heads of Security and the Meeting of Central Bank Internal Auditors. In addition to the aforementioned the meetings of Monetary Policy Advisors, Open Market Operators and the Conference on Economic and Financial Education should be mentioned.

## **5. Publications, Technical Assistance and Others**

In the field of publications, the most noteworthy aspect of the period 2000-2009 was the publications that resulted from the Multi-year Programs. From 2002 to 2009, CEMLA produced 52 of such publications out of a total of 200, including the organization's periodic publications. This publishing effort started in

2001 with four publications, a number that grew every following year until it reached nine in 2006. What were the topics and titles of these publications? For purposes of illustration, it is possible to answer these questions based on the publications produced in 2008. Thus, taking the example of the Western Hemisphere Payments and Securities Settlement Initiative, a report with reference to such topic was published that year in Spanish and English on Costa Rica. A similar publication was made, also in both languages, for Chile. Meanwhile, the Multilateral Investment Fund of the IBD published, also in Spanish and English, a volume on workers' remittances in Honduras.<sup>181</sup>

Among the periodic publications, the journals *Boletín*, *Monetaria* and *Money Affairs* continued to be produced throughout the period. The periodic publications of CEMLA benefitted enormously from the institution's contacts with the Central Bank Researchers Network of the Americas. Many of the articles published were contributed by members of that Network or arrived at CEMLA on their recommendation. In a similar way, the program of non-periodic publications also benefitted substantially from the cooperation agreement signed with the Bank of England's Center for Central Banking Studies, whose works were published in Spanish by CEMLA.

In addition, it is important to mention among the program of non-periodic publications the papers that won the Rodrigo Gómez Award and were published under the Studies series. It should also not be surprising that the Cuadernos de Investigación series would only be published until the year 2000, when the decision was made to implement a comprehensive reorganization of the Center.<sup>182</sup>

CEMLA launched its internet website in April 1997. The tool has developed extremely fast since then as the number of users has grown and the amount of websites managed by the Center and the services offered have increased. This topic was still only given the briefest of mentions in the Publications chapter of the

<sup>181</sup> CEMLA, *Annual Report*, 2008, pp. 32-33.

<sup>182</sup> CEMLA, *Annual Report*, 2007 and 2008, pp. 26 and 33.

institutional reports for 2001 and 2002.<sup>183</sup> CEMLA's webpage entered a second stage of development in 2006. The latter mainly took place as a consequence of the creation of individual pages for the Multi-year Programs, which CEMLA began to operate in the role of website manager.

Activities related to Missions, Technical Assistance and the Officials Exchange program developed considerably during the period from 2000 to 2009. This evolution mainly consisted of compacting the technical missions, the Multi-year Programs and the disappearance of the Officials Exchange program as of 2006. As late as 2002 a technical assistance event was held on the topic "Inflation Targets" and in 2004 and 2005 five officials' exchange visits were made on the topics "Managing and Auditing Central Bank Risks," "Exchange Rate Regulations and External Capital Controls," "Inflation Forecasting Models" and "Open Market Operations." As of 2006, technical missions were only carried out as part of the Multi-year Programs, although this type of services had been offered since the previous decade. The table summarizing the technical assistance missions shows that in the period 2001-2009, 55 missions were completed with an average of almost six per year. Only the Western Hemisphere Payments and Securities Settlement Forum was in force throughout the whole period. The programs on Debt Capacities, Private External Capital Capacity Building, Reporting Systems and Remittances were launched, respectively, in 2003, 2004 and 2006, which explains why the number of missions was higher as of 2004. In the period 2000-2009, all the missions were part of these five programs.

Finally, as of 2005 the Documentation Center and Library topic was granted its own place in the table of CEMLA's official activities. The reason for this change was given in the *Annual Report* for 2005:

During 2005 progress was made on two important projects for making all CEMLA's publications from 1954 onwards available electronically. The first regarding the automation that will allow

<sup>183</sup> CEMLA, *Annual Report*, 2004, p. 8.



information from this archive to be accessed by author, title, note and abstract [...] At present there are 7,507 index files comprising books, CEMLA's *Boletín*, Cuadernos de Investigación, Ensayos, *Monetaria*, *Money Affairs* and *Técnicas financieras*. This service is currently only available on CEMLA's internal network and it is possible to make enquiries through the "Fernando Rivera Arnaiz" Documentation Center and Library. A project is being implemented to link this service to the internet in order to enable, with the proper security, the officials of associate and collaborating members to have access to this catalogue.

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## Chapter VII

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### Going Forward (2010-2013)

#### 1. Overview

**T**HE CENTER FOR LATIN AMERICAN MONETARY STUDIES needs to improve and offer products and services that are useful to its members by adapting to their demands. Today's rapidly changing world means institutions must become more flexible. The administration led by Javier Guzman since 2010 was particularly aware of that fact. Thus, the speed of the transformation, the appearance of new monetary and banking phenomena on the subcontinent and the availability of modern planning techniques have allowed reorientation of the programs implemented by the new administration. The aim has been to direct the Center toward optimizing its current activities and preparing an efficient plan for the future. The philosophy implied by the aforementioned served

as inspiration for the Strategic Plan that the new administration prepared as a basis for its management of the institution.<sup>184</sup>

## 2. The Strategic Plan

CEMLA's 2010 Strategic Plan was an unprecedented document in the history of the organization due to its depth and proactive potential. Perhaps the greatest strength of the Strategic Plan is that it was prepared based on a strengths and weaknesses approach. Thus, by accurately defining these at the functional level, the proposals for action were put forward with two complementary objectives: consolidate the advantages and solve the shortcomings. On the basis of this methodology, the Strategic Plan was divided into three sections. The first analyzed the mission, the vision and the values that govern the organization. The second section identified the strengths and weaknesses of the products and services "as a launching pad for the actions aimed at fulfilling its mission." Finally, the third section consisted of the proposals for action that would ensure the sustained future development of CEMLA.

Written in accordance with the Spanish writer Baltasar Gracián's famous phrase "what is good is doubly good if it is brief," the Strategic Plan laid down the essence of CEMLA. From an historical point of view, recounting the mission, vision and values of the organization constitutes a kind of a posteriori validation for those who devised its establishment. The specific ways for fulfilling the Center's mission, "as permanent justification for its creation and existence" based on the fundamental values, have varied over time and according to the circumstances. The driving principle has been, is and will continue to be, that of "supporting central banks" in line with their founding values of service orientation, ethical commitment, professional excellence, promoting of innovation, and commitment to openness, diversity and teamwork. Another contribution of the Strategic Plan

<sup>184</sup> Center for Latin American Monetary Studies, *Strategic Plan*, mimeo., 2010.

### Javier Guzmán Calafell

**J**AVIER GUZMÁN CALAFELL WAS THE FOURTH MEXICAN official to receive the honor of being appointed Director General of the Center for Latin American Monetary Studies. As will be remembered, the previous ones were Javier Márquez (Mexican by naturalization), Jesús Silva-Herzog Flores and Sergio Ghigliazza who headed the organization in the periods from 1963 to 1972, 1989 to 1991 and 1992 to 2001, respectively. In addition to his outstanding professional career and his time as a student at one Mexican and two foreign universities, the appointment of Javier Guzmán to lead CEMLA had important antecedents in his participation on the Center's governing bodies. On the one hand, there is the significant precedent of the fact that as an official of Banco de México he was given the task of acting as alternate (the holder was Guillermo Ortiz, Governor of Mexico's central bank) on CEMLA's Board of Governors. Guzmán held this assignment for a period of eight years, from 2001 to 2009, and in the five-year period 2006-2009 he also served as a member of the organization's Audit Committee.

Javier Guzmán studied a Bachelor's degree in economics at the Universidad Nacional Autónoma de México, graduating as the most outstanding student of the class of 1973-1976 and passing the professional exam with honors. He then applied and was accepted on the Master's degree program of the prestigious University of Lovaina based in Belgium. His third and final location as

a postgraduate student was at Yale University in the United States, where he completed a Master's degree in Economics during the period 1979-1980.

Javier Guzmán Calafell's teaching experience was relatively brief, having taken place from 1983 to 1986 while he was an official of Banco de México. The organization where he gave classes was the Instituto de Estudios Superiores de Monterrey, Mexico City Campus, as a professor of Economics and International Finance in two postgraduate programs: the Master's degree in Administrative Economics and the Master's degree in Business Administration. These academic activities began just three years after he had been hired to work at Banco de México, where he began in the middle of 1980 and was appointed to his first leadership position in the Office of International Economics.

Javier Guzmán obtained a very important professional achievement in 1986 when he was promoted at Banco de México, serving firstly as Manager of External Financing and then as Manager of International Economic Affairs. Another key event took place in 1994 when he took advantage of the opportunity to live in Washington and work at the International Monetary Fund, which led to three subsequent important promotions. He firstly worked as an advisor and was then promoted to the post of alternate executive director, and during the period 1998-1999 of his residence in the capital of the United States he was appointed executive director in the seat representing Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain and Venezuela. On his return to Mexico, Guzmán subsequently held the positions of Director of Foreign Relations (1999-2001) and Director of International Affairs (2001 to 2009).

All the extra assignments that Javier Guzmán took on while he was working as an official at the central bank are particularly important on his professional resume. In this regard, it is worth



highlighting his performance as alternate executive director for Mexico at the Caribbean Development Bank from 1987 to 1990. Moreover, from 1989 to 1991 he joined a working group at the International Monetary Fund with the mission of studying the measurement of international capital flows. Between 1999 and 2009, Guzmán also performed the role of alternate governor of Banco de México in the G20, the Asia Pacific Economic Cooperation forum (APEC) and in the Group of 24. In addition, it is important to mention his role as alternate governor of Banco de México on a Committee of Notables that was set up by the International Monetary Fund to Study Sustainable Long-term Financing. Later, from 2006 to 2009 he worked as an advisor of the governor at three very important bodies: the Administrative Council of the Bank for International Settlements, the Central Bank Governance Group of the same bank, and the Governance Structure Reform Committee of the International Monetary Fund.

In 2010, the economist Javier Guzmán Calafell decided to embrace the pensions system of Banco de México and retired from the institution after 30 years of service. It was then that he was appointed to lead CEMLA. It is also worth adding that throughout his professional career he has published different articles on the areas of trade and international finance, external debt, capital flight, monetary and exchange rate policies, and international organizations.

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consisted of laying down in writing the pursuit of excellence as the bedrock of the institution:

Taking into account the reasons for the creation of the Center and its trajectory over the years, the vision that CEMLA should aspire to be primarily that of become a center of excellence for the fulfillment of its mission, seen as an authority on disseminating knowledge on central bank topics, sound and efficient in the achievement of its objectives, and considered as one of the foremost centers of training on monetary and financial matters, to which its members and staff feel proud to belong.<sup>185</sup>

To a large extent the quality of the Strategic Plan was the result of the understanding that its authors managed to achieve of the different perspectives from which it is possible to analyze the organization. These perspectives are the market environment in which the Center operates, assessment of the products and services CEMLA offers, its organization and structure, the human resources at its disposal and, finally, a review of the organization's operational areas studied in the document from the viewpoint of its strengths, weaknesses and challenges. The areas of CEMLA referred to in the Strategic Plan were: training, central bank technical meetings, information services, multi-year programs, administration and finance, and general management.

The Strategic Plan gave special consideration to the market environment CEMLA operates in nowadays. The Center has had to compete more and more with international organizations (IMF, World Bank, ECLAC, IBD, BIS, etc.), academic institutions and other central banks. In this competitive environment CEMLA must permanently bolster its comparative advantages and fight to overcome its weaknesses. Several of the challenges that the organization faces going forward stem from these competitive circumstances. The fact that the services are offered at cost, are backed by many years of institutional standing and have the support stemming from the cooperation of its members, means CEMLA is the most advantageous source of training and technical

<sup>185</sup> Center for Latin American Monetary Studies, *Strategic Plan*, mimeo., 2010.

assistance for central banks of the subcontinent. The Strategic Plan also stipulates that “the Center should know its market well.” It is a segmented market where central banks require services in different languages and diverse levels of complexity, and therefore “requires diversified supply.”

It has already been mentioned how the Strategic Plan employed a strengths and weaknesses approach to analyze the different areas of the Center: training, central banks technical meetings, information services, multi-year programs, administration and finance, and management.

Prestige and capacity, both based on a trajectory of 60 years of continuous operation, stand out amongst the strengths of the organization. The document then emphasized the wide network of contacts CEMLA has available at central banks and international organizations, besides its sound capacity for organizing events and “continuing efforts to offer quality services to its membership.” CEMLA has had and still has a strong commitment of support and cooperation from central banks of the region, which share the deep rooted idea that it is an institution “belonging to them.” Finally, the list of strengths particularly emphasized CEMLA’s successful inclusion “in the international circle of central bank training providers” through strategic alliances.

A careful look through these pages reveals that many of the weaknesses and challenges, such as a lack of promotion, insufficient human resources and their training, and limited financial resources, were common to all the operational areas. A full and balanced overview is provided in the section “Diagnosis for CEMLA,” which mentioned the following weaknesses and challenges:

- The work programs had given priority to the number of events and on increasing them, without placing equal importance on striking a balance between quality and quantity.
- The limited budget the Center had to work with had repeatedly prevented it from effectively meeting its objectives.

- Another problem had been the lack of mechanisms for identifying the members' needs and assessing the quality and relevance of the products and services.
- Inadequacy and lack of human resources in the institution for attaining its objectives and aspirations.
- The lack of a proper working environment, an unsatisfactory internal management and control model and a management approach overly oriented toward reducing costs.
- Serious deterioration of the organization's premises, furniture and operational infrastructure.
- Vulnerability to de facto and potential competition for CEMLA from other institutions and organizations offering similar products and services.
- CEMLA did not have an internal or external communications policy.

The account of the challenges and weaknesses then became the launching pad for the proposals for action that were included further on in the document. In this regard, moving forward CEMLA should:

- Strike a greater balance between the quality and quantity of its products and services.
- Increase the capacity for contributing more effectively with the theme content of events.
- Review activities, services and products carefully and creatively, continually adapting them to a competitive environment.
- Increase the revenues of the organization through traditional and non-traditional channels.
- Continuously improve the mechanisms for identifying the demand for its services.
- Train and adapt human resources to "an institutional culture oriented toward the pursuit of excellence."

- Offer an attractive working horizon for staff with the desired characteristics.
- Implement a proper internal management and control model in order to monitor processes and the fulfillment of objectives.
- Incorporate an efficient communication and promotion policy to give publicity to the organization.
- Modernize the premises, equipment, furniture and operational systems.

All the items included in the first sections of the Strategic Plan served as raw materials for the proactive part contained in the section “Defining a Strategy for Achieving the Desired Vision for CEMLA.” The latter was naturally written taking into account the following factors: the institutional mission and values, an overview of CEMLA’s current situation with its antecedents, the market environment, the range of products and services, the institution’s organizational structure and the diagnostic study of human resources. Another element employed to define the strategic objectives for the period 2011-2013 were the Center’s statutes, a fundamental directional guideline. The Strategic Program was therefore prepared based on five basic objectives and the proactive part assigned each of these two chronological dimensions: “Actions Contemplated for 2011” and “Actions Contemplated for the Period 2012-2013.” The strategic objectives were set forth as follows:

- To improve the quality of courses, workshops, seminars, meetings and technical assistance provide by CEMLA in line with the objective of attaining levels of excellence.
- To strengthen CEMLA’s capacity to respond to the needs of its member countries within the context of a changing environment.
- To ensure CEMLA has the financial and human resources necessary for fulfilling its mission.
- To strengthen the Center’s administrative capacity with

the aim of transforming it into a modern, effective and efficient institution.

- To generate a new institutional image and a communications policy that allows a greater presence of the institution among its members and the public in general.

### 3. Quotas

The basic condition for implementing the Strategic Plan was the quota increase. The first point that should be considered is the fact that since the Center was founded associate and collaborator quotas have always constituted its main source of revenues. During the period 2005 to 2010, associate and collaborator quotas represented approximately 97% of the organization's permanent freely usable revenues. Since the creation of the Center, quota adjustments had obeyed factors such as the inclusion of new members, fund requirements or changes in the institution's activities. The policy on this matter changed radically in the mid-nineties. The last quota increase took place in 1995 and responded to the aim of maintaining the value of CEMLA's revenues in real terms. After that year the level of quotas was reduced on two occasions (1997 and 2000) and then remained unchanged in nominal terms until 2011. This obviously led to a sharp drop in CEMLA's revenues in real terms.

The Center's administration considered the alternative possibility of seeking revenues from sources other than quotas. One logical option was to increase the membership of the institution. The General Directorate actively explored that possibility, obtaining solid results. Thus, during 2010 and 2011 the Center managed to recruit as associate members the Swiss National Bank, the Sveriges Riksbank (Sweden), the Corporación Andina de Fomento and the Turks and Caicos Islands Financial Services Commission. The increase in CEMLA's membership is very important by itself, regardless of its impact on the revenues of the Center. Nevertheless, it was also evident that even in the most optimistic scenario, the reduction in financial limitations that could be obtained through this channel was relatively small.

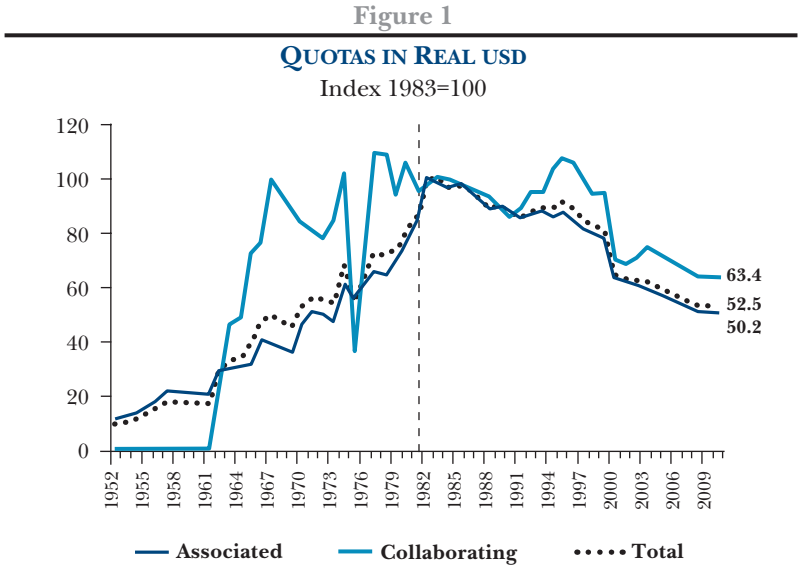
Although, as has been seen, the issue of the organization's revenues had been a recurring problem since its early years and had been tackled with varying degrees of intensity by all its administrations, the matter had never been subject to a comprehensive analysis, as occurred in 2011. The changes in quotas implemented during the past had always responded to circumstantial factors: to compensate for the deterioration in the purchasing power of CEMLA's income as prices had increased over time. The document that the General Directorate, with the consent of CEMLA's Assembly, presented for consideration to the Board of Governors in 2011, not only took into account the problem of updating the quotas, but also the inclusion of a procedure that when implemented would offer an institutional and permanent solution to the difficulty, which had become a regular occurrence, of the real-term deterioration of CEMLA's revenues. In particular, CEMLA's Assembly authorized that the level of quotas be reviewed at least every four years. The fundamental reason behind this motion was powerful: nothing can be done without resources.

The document that was prepared for presentation to CEMLA's Assembly at the meeting it held in Washington in September 2011 was entitled "Current Situation of CEMLA's Quotas and the Resources Required for the Following Years." The first section analyzed the evolution of quotas over time up until 2010. The general idea, which coincidentally confirmed all the indications, was that, while revenues had remained constant since 1995 in nominal terms, in real terms they had deteriorated very significantly. Since 1982, when the real income from quotas measured in pesos had reached a maximum level, revenues had deteriorated around 65%. Meanwhile, the same estimate carried in real US dollars exhibited a deterioration in the purchasing power of institutional revenues of between 40% and 50%. It arrived at the same conclusions when employing other similar indicators, such as the real wages of CEMLA employees.

Given that CEMLA's quotas are paid in US dollars, the first exercise made for calculating the fall in CEMLA's revenues studied the trajectory of quotas deflated by the consumer price index in the United States (Figure 1). Based on the aforementioned it can

be seen that total quotas fell by around 47 per cent in real terms from 1983 to 2010.

However, although CEMLA's revenues are mainly in US dollars, most of said resources are used to finance expenditures in Mexican pesos. In light of this, it was judged necessary to also take the performance of quotas in constant pesos (Figure 2), as a reference. The results of the corresponding exercise reveal a real-term fall in quotas of 69% from the peak in 1983 to 2010.



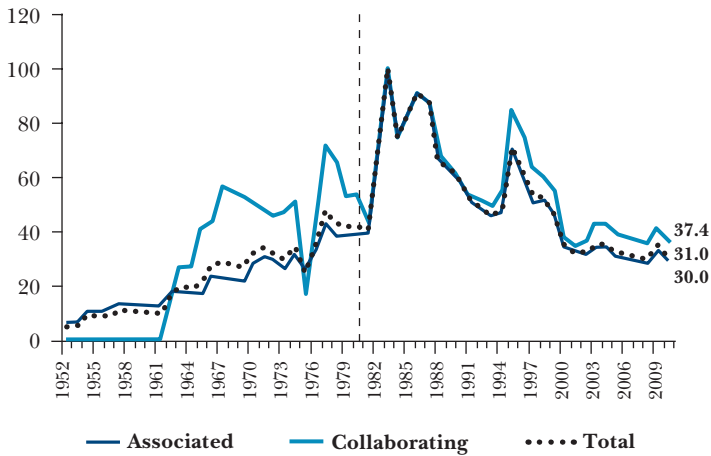
Sources: US Bureau of Labor Statistics and CEMLA.

The purchasing power of CEMLA's quotas could also be calculated by an adjustment that takes into consideration expenditures made in pesos, as well as in foreign currency. In light of the aforementioned, a third exercise (Figure 3) employed a deflator that included the price indexes of Mexico and the United States, weighted by the relative share of the Mexican pesos and other currencies in CEMLA's expenditures. In this case the decline of real quotas during the period 1983-2010 was 66%. These calculations

Figure 2

QUOTAS IN REAL PESOS: 1952-2010

Index 1983=100



Sources: Banco de México and CEMLA.

provide clear proof of the deterioration in quantitative terms of the purchasing power of CEMLA's quotas.

From a proactive point of view, the most important passages of the document are included in the section entitled "Resources required for the Following Years." The corresponding text starts by referring to the lag that CEMLA's real revenues have suffered and to the deterioration of its premises and equipment caused by budgetary limitations. It concludes that this situation would be unsustainable in the future and could jeopardize the Center's operations, as well as even its very survival. In addition to these irrefutable arguments was that related to the desire to move forward with a renewed and strong organization. Thus:

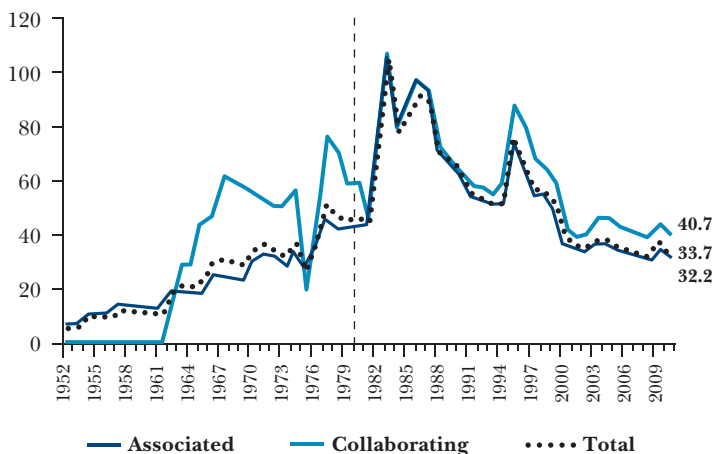
To more accurately assess CEMLA's needs for resources, a multi-annual budgeting exercise was carried out for the period 2012-2016. Preparation of the exercise gave priority to the needs of the Center in matters of strengthening the program of activities



Figure 3

**DEFLATED QUOTAS CONSIDERING CEMLA'S EXPENDITURES  
STRUCTURE: 1952-2010**

Index 1983=100



Sources: US Bureau of Labor Statistics and CEMLA.

and publications, hiring staff, improving career prospects for the employees, a more active presence in different forums and modernizing the technological and physical infrastructure, among others. All the aforementioned were aimed at meeting the objectives set forth in the Strategic Plan.

As for the Center's resource requirements over the medium-term, the first objective set was to reverse the several years of deterioration suffered by the institution's building and the operational infrastructure in general, and above all the fall in the earnings of the organization's staff. It is important to point out that the Strategic Plan included increasing the 49 members of staff by just seven over the medium-term. Other objectives in the multi-year budget were making possible a more active participation of CEMLA's employees in events, greater support for internships and scholarships, starting an e-learning program and implementing a voluntary retirement program.

As a starting point of the multi-annual budgeting exercise for the period 2012-2016, as mentioned above, the Directorate defined priorities and employed a series of assumptions as a basis, applying a real quantitative expression to the most of them. The priorities were laid down in accordance with the following objectives: strengthening the program of activities and publications, hiring staff, better career prospects for the employees, a more active presence in different forums and modernizing the technological and physical infrastructure. The exercise resulted in additional expenditure totaling approximately 1.1 million US dollars a year in the referred period. This increase would require a corresponding rise of around 50% in the quotas.

In addition to the preparation of the multi-annual budgeting exercise, it is important to highlight the achievement that acceptance of the proposal by CEMLA's Board of Governors and its Assembly represented. The latter result can be attributed to three factors working in tandem. First of all, the quality –mentioned previously– of the preparation of the Strategic Plan. The objectives included in said Plan were only going to be reached if the Center could permanently count on sufficient revenues. Second, the document explaining the historic evolution of quotas and the proposal presented for increasing them deserve a similar judgment. Finally, effective lobbying work was also carried out to sensitize the members of the Assembly with respect to the advantages of accepting the Strategic Plan and the multi-year budget, documents which supported the proposal for the quota increase.

#### **4. Program of Events**

The guidelines included in the Strategic Plan have been expressed in the implementation of CEMLA's annual programs. The programs mainly consist of four types of activities: training, discussion seminars, technical meetings and events related to technical assistance programs.

The structure of the program of events is mainly based on the needs of member countries. As explained above, these are gathered through various mechanisms, including surveys (annual as

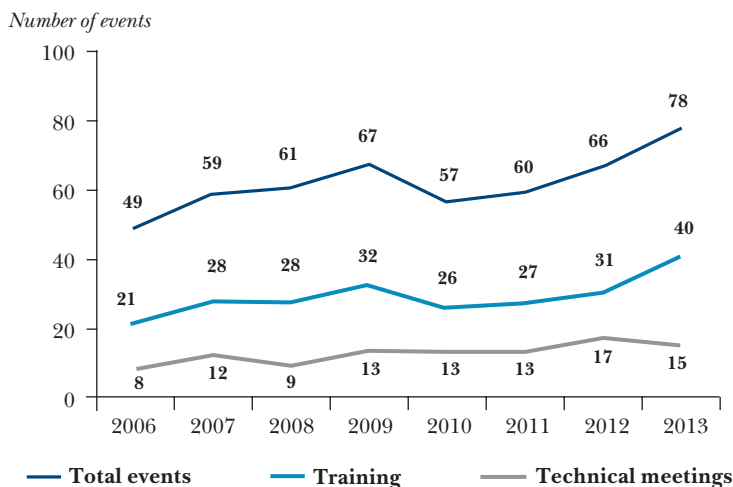
of 2010), supported by direct enquiries, talks with the authorities of member institutions, exchanges of opinions with technical members and the assessment of CEMLA's staff.

In order to solve possible gaps in the program of events, CEMLA has decided to employ a flexible approach. Although the program is approved by the Board of Governors in September or October of the preceding year, CEMLA also tries to meet any requests received from member central banks after that date.

The quota increase achieved in 2012 has allowed for a considerable rise in the number of events organized. As can be seen in Figure 4, these shifted from an average of almost 60 in the period 2006-2011 to 66 in 2012, and to a programmed figure of 78 in 2013. The increase is mainly explained by the expansion of training tasks and, to a lesser degree, by that of technical meetings as well. The latter responds to members' requests that a wider range of experts on different fields of central banking meet periodically within the framework of events coordinated by CEMLA.

Figure 4

**CEMLA: TOTAL OF EVENTS, TRAINING EVENTS AND TECHNICAL MEETINGS, 2006 A 2013**



The priority actions for CEMLA set forth in the Strategic Plan also included greater cooperation with technical members and co-financing for different types of events. That decision was mainly explained by the synergies that said approach could achieve. On the one hand, it would enable CEMLA to reduce the costs of events, but more importantly, leverage the long accumulated experience of recognized prestigious institutions for the benefit of Latin America and the Caribbean. CEMLA has undoubtedly undergone a structural change in this line of activity over recent years. Out of all the events organized in the period 2006-2010, 32% were carried out with technical members (Table 19). Meanwhile, for 2012 and 2013, the corresponding figures are 48% and 47%, respectively.

It is worth highlighting three other features of the events CEMLA organizes. The first refers to theme orientation. As would be expected, particularly under the circumstances of recent years, the Center's events have been oriented toward macroeconomic and financial topics. In fact, of all the events included on the program for 2012 around 39% focused on the referred areas (Figure 5). However, a wide range of subjects were covered, encompassing central banking topics themselves, as well as support topics for central banks.

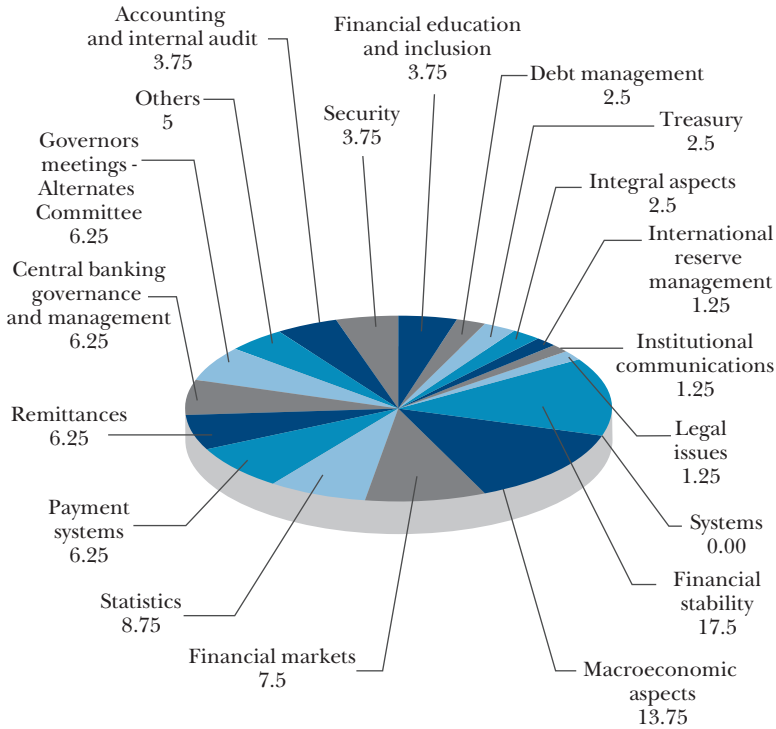
The second aspect is related to the origin of the participants in the events organized by the institution. As can be seen by the data shown in Figure 6, in 2011 the majority of those attending CEMLA events were from South America, followed by Central America, the Caribbean and North America, in that order. Nevertheless, it is noteworthy that the relative participation of representatives of the Caribbean and especially of Central America was higher than their total quota contribution. This latter, combined with the guidelines that all CEMLA members have equal access to its services regardless of their respective quota, is an example of the spirit of cooperation on which the institution has historically been based.

The spirit of collaboration that drives CEMLA and its member central banks can be addressed from another perspective, as is shown in Figure 7. The chart shows that the participation of

Figure 5

**CEMLA: EVENTS DISTRIBUTION BY TOPIC, 2012**

(percentages)

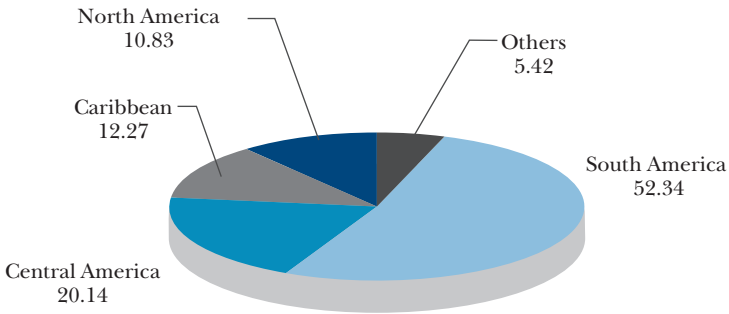


members from countries with lower economic capacity (measured by per capita GDP) in CEMLA's activities is much greater than their share of quota contributions. This fact implies that a transfer of resources is taking place from central banks of countries with a higher economic level toward those with a more modest one. Although this phenomenon has existed for some time, it has only recently been detected and unequivocally recognized.

Figure 6

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**CEMLA: PARTICIPANTS BY REGION 2011**  
(percentages)

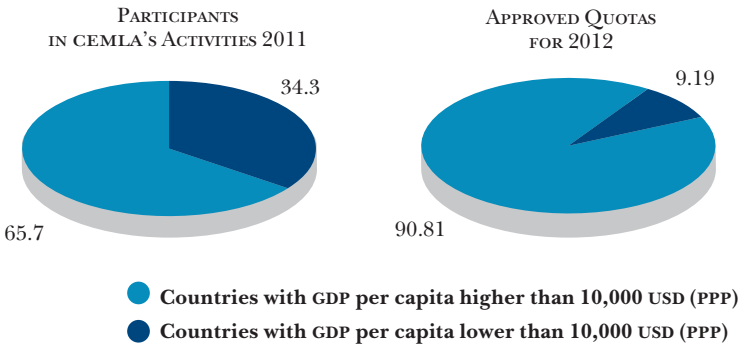


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Figure 7

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**CEMLA: PARTICIPANTS AND QUOTAS BY LEVEL INCOME, 2011**  
(percentages)



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## 5. Reorganizing the Meetings of Governors and Other Technical Meetings

### Meetings of Governors

The oldest antecedent of these meetings dates back to 1963 when at the meetings of the IMF and the World Bank held that

year the Governor of the Banco Central de Venezuela, Alfredo Macedo Gómez, proposed that the governors of the central banks of Latin America meet at least once a year. The proposal caught on, and as a result the Meeting of Governors of Central Banks of the American Continent was held for the first time in 1964. The first Meeting of Governors of Central Banks of Latin America and Spain took place in 1965.

After a review in 2010 of the agendas of the meetings of Central Banks Governors of the American Continent and of Latin America and Spain, CEMLA's General Directorate pointed out that these forums had become one and the same (i.e., duplicated). The participants were practically the same officials and the agendas for discussion were prepared under the idea of a single meeting. It was also evident that the rules in force for both forums were obsolete, incompatible between them and led to uncertainty when making some decisions. The aforementioned diagnosis therefore led to the proposal for merging these two meetings into one that would be from then on known as the Meeting of Central Bank Governors of CEMLA.<sup>186</sup>

In October 2010 the Board of Governors of CEMLA also received and approved an additional proposal from the organization's authorities for reorganizing the meetings of Governors from Latin America, Spain and Philippines at the IMF-World Bank. The corresponding document cited the downward trend that had been observed in the governors' attendance to that forum. The latter was attributable to the level of complexity of the agendas during the annual IMF-World Bank meetings and the overlap that had occurred with the Meeting of Central Bank Governors from Asia, Latin America and the Caribbean.

It is important to underline that cancelling said meeting was never considered, in spite of the problems faced. The reasons for this were its usefulness, the opportunity for acquiring a better knowledge of IMF and World Bank policies, and the possibility

<sup>186</sup> CEMLA, "Proposal for Merging the Meetings of Central Bank Governors of the American Continent and of Latin America and Spain," Washington D. C., October 6, 2010.

it offered to the heads of central banks for holding simultaneous talks with their counterparties and the executive directors representing countries attending the meeting.

The proposal for reorganizing said forum therefore focused on changing its format. The first decision consisted of positioning the meeting in the calendar before other wider forums such as the G24 or G20 were held. The second decision was to reduce the traditional time of the meeting from three hours to a maximum of one hour in accordance with the applicable agenda. The experience has been that the new arrangements have led to a considerable improvement in both the attendance and content of the meetings of CEMLA central bank governors, as well as of the parallel one of governors from Latin America, Spain and the Philippines.

### **Meeting of Central Bank Governors of Asia, Latin America and the Caribbean**

In 2010, the Meeting of Central Bank Governors of Asia, Latin America and the Caribbean held its sixth edition in Washington D. C. At that meeting the members of said forum reached several important agreements. They decided to expand the joint organization of events, extend the invitation to central banks from those three regions to all the events jointly organized by CEMLA and the SEACEN, establish formal communication channels for exchanging information on the activities of central banks from the referred regions and launch joint research projects, besides setting in motion internship and technical assistance programs. A website was later set up with the aim of including all the activities and products corresponding to that work space.

The commitment to cooperation of the central banks of Latin America and the Caribbean with their counterparts in Asia has great potential. The prospects of this partnership are very promising and real results have already been achieved within a short space of time. For instance, the first two SEACEN-CEMLA conferences were held in Kuala Lumpur and Punta del Este in 2011 and 2012, respectively. The topics of these events could not have been more appropriate: “Monetary Policy Implementation: Lessons from the



Table 19

## CEMLA: EVENTS ORGANIZED WITH TECHNICAL ASSOCIATES, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
<i>Member technical associates</i>								
European Central Bank	0	1	0	0	0	0	1	0
Banco de España	3	4	5	5	4	4	3	4
Bundesbank	2	3	2	2	3	4	4	3
Federal Reserve System	1	1	2	3	2	1	1	1
<i>Subtotal:</i>	6	9	9	10	9	9	9	8
<i>Technical associates</i>								
<i>international bodies/ central banks</i>								
ALIDE	0	0	0	0	1	0	0	1
Banco de España-ASBA	0	0	0	0	1	2	1	1
World Bank	3	0	0	0	2	1	2	2
World Bank, IBD and BIS	0	3	2	1	1	1	1	1
World Bank - IMF	0	1	0	1	1	0	0	0
IBD	1	1	1	1	2	2	1	3
BIS	1	2	1	2	1	4	2	3
DGRV	1	2	2	1	2	1	1	2

Federal Reserve-ASBA	1	0	0	0	0	0	0	0	0	0	1	0	0	1
IMF	0	0	2	0	1	3	4	3	3	3	3	4	3	3
IMF-ASBA	0	0	0	1	0	0	0	0	0	0	0	0	0	0
FSI	1	1	1	1	1	2	2	2	2	2	2	2	2	2
Banco de España - FLAR	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bank of Japan	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Bank of England	1	1	2	0	0	0	1	1	1	1	1	1	1	1
CAPTAC	0	0	0	0	0	0	0	0	0	0	0	0	0	1
CFA	0	0	0	0	0	0	0	0	0	0	0	0	0	1
CME	0	0	0	0	0	0	0	0	0	0	0	1	1	1
CPSS	0	0	0	0	0	0	0	0	0	1	0	0	0	0
FLAR	0	0	0	0	0	0	0	0	0	0	0	0	0	1
OECD	0	0	0	0	0	0	0	0	0	1	1	1	1	1
SEACEN	0	0	0	0	0	0	0	0	0	1	1	1	1	1
SECO	0	0	0	0	0	0	0	0	0	0	0	0	0	1
<i>Subtotal:</i>	9	11	11	8	12	20	19	28	20	20	19	28	28	28
Total events with technical associates	15	20	20	18	21	29	28	36	29	29	28	36	36	36
<i>Total events with other central banks or international bodies</i>	1	1	2	1	2	1	1	1	1	1	1	1	1	1
<i>Grande total</i>	16	21	22	19	23	30	29	37	30	30	29	37	37	37

Note: the shaded section corresponds to new technical associates and reincorporation.

Crisis and Challenges for the Following Years” and “The Role of Central Banks in Macroeconomic and Financial Stability: Challenges in an Uncertain and Volatile World.” A book was published at the end of 2012 with the speeches from the first meeting.

### **New Technical Meetings**

As of 2010 new technical meetings were created at CEMLA which have also been successfully implemented:

- Meeting of Central Bank Librarians
- Meeting on Financial Stability
- Meeting of Procurement and Service Hiring Managers
- Meeting on Management of Information Security

Among the technical meetings that have been created at CEMLA recently, work undertaken for the project known as the Inter-American Payments Framework (MIAP) stands out. The main antecedent for the creation of said forum was the Payments Week held in Vienna in September 2008 where Banco de México and the Federal Reserve Bank of Atlanta presented their joint project entitled *Directo a México*. The latter is an arrangement for interconnecting those two countries’ payment systems for funds transfers. These presentations inspired the idea of replicating the experience of the *Directo México* system on a regional scale. With that aim in mind CEMLA organized a meeting in March 2009 at its offices in Mexico City at which attending central banks agreed to create the MIAP. Its mission would be to analyze the prospects for a mechanism to interconnect the payment systems of Latin America and the Caribbean.<sup>187</sup>

The project fell into a sort of parenthesis until it was agreed to give it greater impetus in October 2010. Thus, a working sub-group was set up composed of the central banks of Brazil, Costa Rica, Ecuador and Mexico (SGT-MIAP). The specific task was to restart work on preparing a document as a basis for continuing

<sup>187</sup> CEMLA, Working Group for the Inter-American Payments Framework, minutes, July 28 and 29, 2009, pp.1-3.

the project. The diagnostic document was produced by CEMLA with support from the members of the SGT-MIAP, and in March 2012 two key conclusions were reached. First, interconnection with the United States was the clearest business case for the majority of CEMLA member countries. Second, some intraregional corridors should be analyzed to determine the business opportunities. These findings led to two specific recommendations: focus on the first phase of the project for interconnecting the payment systems of countries of the region with that of the United States and carry out the study on potential intra-regional corridors later.

The most recent phase of the project started in June 2012 with the decision to ask the Federal Reserve Bank of Atlanta about its willingness to study bilateral interconnections (with small countries as well as groups of countries) under scalable standards, and a positive answer was received. As a result, in September that year the decision was made to begin studying the viability of interconnecting the payment systems of the SGT-MIAP central banks with that of the Federal Reserve Bank of Atlanta. In October 2012 the authorities of the latter institution expressed their support for the proposal and over the following months the central banks of El Salvador, Peru and Bolivia joined the project. At the start of 2013 CEMLA coordinated the initial contacts between several of the referred central banks and the Federal Reserve Bank of Atlanta in order to progress with the project.<sup>188</sup>

## 6. Research

As has been explained repeatedly, the research activities that became such an important feature of CEMLA disappeared at the end of the nineties, mainly as a result of budgetary restrictions. In this context, the Center's participation in research tasks was undertaken via indirect means, particularly by promoting such activities in different ways.

<sup>188</sup> CEMLA, Working Group for the Inter-American Payments Framework, Progress Report of the SGT-MIAP.



Participants of the III Meeting of the Working Group for the Inter-American Payments Framework, 2010, at the Center's premises. CEMLA's photographic archive.

With respect to the above, first of all it is important to mention the Central Bank Researchers Network in which CEMLA acted as technical secretariat. Research papers of member central banks and several other international organizations that have been previously assessed by a committee are presented annually under the framework of said forum. This line also includes a joint research program that enables central bank researchers to unite efforts for studying a topic of common interest. The papers elaborated under this program are published by CEMLA. The selection and organization arrangements of the Network have also been improved over time, resulting in a growing participation at its meetings.

A second course of action is the Rodrigo Gómez Award, which, as has been mentioned, was created in 1970 to honor the memory of the man who was Director General of Banco de México and main promoter of CEMLA's establishment. The Award was introduced with the aim of encouraging the preparation of studies of interest for central banks and to recognize research work carried out in the region.

The third course is the Center's periodic publications. In particular, CEMLA began to publish the journals *Monetaria* and *Money Affairs* as of 1978 and 1988, respectively. The latter was issued up until 2011. These mediums have been used to publish research papers (in Spanish in the former and in English in the latter) mainly by economists from the central banks of Latin America and the Caribbean.

All the activities mentioned above are still being implemented as of 2010-2011. Nevertheless, in order to strengthen research at CEMLA within an environment of budgetary restrictions, different efforts were set in motion that did not imply expenditures for the institution. Among such actions it is worth highlighting the following:

### **Rodrigo Gómez Award**

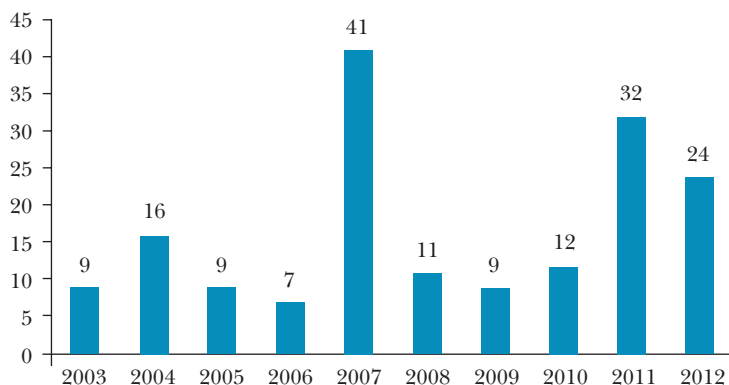
Due to a combination of factors, the participation of researchers in the Rodrigo Gómez Award had been low. In light of the fact that this could work against the quality of the studies entered and in order to encourage the presentation of more and better papers, in October 2012 the Board of Governors approved a series of changes with regards to publicizing the contest, and the timescales for receiving papers, evaluating them and announcing the results. The improvements have been very successful. As can be seen in Figure 8, the average number of papers presented increased from 14 in 2001-2010 to 28 in 2011-2012.

In the same line of thought, in October 2012 additional changes were approved among which it is important to mention the decision to make the contest's entry requirements more flexible, in particular allowing the participation of working papers. A clause that permitted CEMLA to publish competing papers even if they had not been winners was also eliminated. In addition, it was made explicit that as part of the recognition for the winning paper it would be published in both Spanish and English. These measures are expected to increase even further the number of papers that compete for the Rodrigo Gómez Award and in this way bolster thought and research in Latin America and the Caribbean on topics of interest for CEMLA member central banks.

Figure 8

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RECEIVED STUDIES FOR THE CENTRAL BANK AWARD  
"RODRIGO GÓMEZ," 2003-2012



### Research Internships

In 2011, the Board of Governors approved a program of research internships at CEMLA for central bank researchers who were interested. The internships last a minimum of one year with the possibility of extending them for another year and are mostly financed by the participating central banks, while CEMLA pays an additional contribution. The corresponding research agenda will always be defined jointly by CEMLA and the participating central banks, and the researchers assume the commitment to produce at least two papers per year. At the time of writing this book, the first participants had been chosen for the program, a female researcher from Banco de México and another from the Central Bank of Barbados.

### Strengthening the Academic Journal

A process for strengthening CEMLA's academic journal began in 2010. The most important measures that have been agreed upon are explained below.

## Agreements with Universities

In order to increase the breadth of research and cooperation with universities and other academic institutions, at the end of 2010 CEMLA signed agreements with two Mexican universities. In general terms, the corresponding agreements lay down a collaboration framework for studying, researching, discussing and disseminating topics of interest to central banks. As a result of these agreements CEMLA presented research papers at the meetings of the Central Bank Researchers Network in 2010 and 2011.

## Strengthening the Research Division

At the time of writing this book, CEMLA had four posts for holders of a Ph.D. in economics (besides the two for central bank interns mentioned above) and four for research assistants. The work program for this team was discussed with the Board of Governors, the Assembly and the heads of studies participating in the meeting of CEMLA's Central Bank Researchers Network. Five papers from this work program were published on CEMLA's webpage. Moreover, four members of the Division presented papers from CEMLA during the meeting of the Researchers Network. In this regard it is worth mentioning that CEMLA had not presented papers elaborated by its own staff since 1990. Besides taking on other responsibilities at the Center, such as organizing events and presenting papers at different forums, the Division designed a program of economic research seminars in 2013 along with the participation of internationally renowned economists aimed at strengthening ties with the international academic community.

## Mechanism for Distributing Papers

Based on a proposal from Dr. José Darío Uribe, Governor of Banco de la República and Chairman of CEMLA's Board of Governors, at the start of 2013 an electronic space was created to enable researchers from CEMLA's membership to distribute the papers they were in the process of preparing in order to receive comments and report on projects that are underway. This mechanisms will also be used to request the distribution of finished papers, in



such a way that it serves as a repository for research papers. The mechanism is available to all member central banks on a voluntary basis and CEMLA is responsible for maintaining the IT platform. The mechanism has an arrangement for sending alerts that provide information on new papers, comments, the opening of discussions and others.

### **Greater Collaboration with Asia**

As already mentioned, in parallel to the annual meetings of governors, the decision was made that CEMLA should cooperate more closely with SEACEN on the following lines of activity: organizing an annual CEMLA-SEACEN event; reciprocal research at events organized by both institutions; elaborating joint studies; internships, and technical assistance and exchanging information on activities in both regions. A specialized website was also set up to support the aforementioned efforts.

### **Strengthening the Researchers Network**

The Central Bank Researchers Network of Latin America and the Caribbean has become the main forum for tasks related to such matters. Thus, in 2012 new records were reached for the number of papers put forward: 135 for the Network (51 being chosen) and 11 for the joint research project of 2012. With regards to the future, it is worth highlighting the following tasks that will be undertaken: bolstering the institutional mechanism in order to continuously improve quality; fostering greater ties between the training offered by CEMLA and the research needs of the region; and increasing participation in joint research projects.

## **7. Publications**

Following a diagnosis presented with respect to CEMLA's academic journals, in 2010 the Board of Governors approved a series of measures to improve such publications and increase their dissemination. Thus, a new Editorial Committee was created and set in motion. The latter made up of the heads of research departments



From left to right: Professor Roberto Rigobon and the General Director Javier Guzmán Calafell during the presentation of the former at the cycle of research seminars organized by CEMLA's Research Division, January 17, 2013. The Center's Rodrigo Gómez Auditorium. CEMLA's photographic archive.

at the seven CEMLA member central banks with the largest voting power as ex officio members, a representative of CEMLA and other central bank researchers and academics as temporary advisors. An Editorial Board, mainly composed of ex central bank governors and renowned academics, was also created with the aim of supporting the Committee as an advisory and consultative body on matters of the organization's editorial policy. The Board of Governors subsequently approved the creation of a Technical Committee. The Editorial Board was composed as follows:

- Andrés R. Bianchi Larre (Chile)
- Arnold C. Harberger (The University of Chicago)
- Enrique Mendoza (University of Maryland)
- Francisco de Paula Gutiérrez Gutiérrez (Costa Rica)
- Guillermo Ortiz (Mexico)
- Gustavo Loyola (Brazil)

- Jesús Silva-Herzog Flores (Mexico)
- Jordi Galí (Spain)
- Jorge Braga de Macedo (Portugal)
- José Fernando de Gregorio R. (Chile)
- Manuel Ramos Francia (Mexico)
- Marion Williams (Barbados)
- Miguel Mancera Aguayo (Mexico)
- Miguel Urrutia Montoya (Colombia)
- Richard Webb (Peru)
- Vittorio Corbo (Chile)
- Carlos Végh (University of Maryland)
- Guillermo Calvo (University of Columbia)

One of the first tasks completed by these bodies was to define a new editorial policy. The most outstanding aspects of that new policy are:

- Focusing efforts initially on one journal (*Monetaria*) that will be published every six months in Spanish and English.
- Deciding to temporarily suspend publication of the journal *Money Affairs* while the new format *Monetaria* is being established and the outlook becomes clear for having a solid idea of what direction should be given to that publication.
- Adopting a strict peer-review refereeing (double-blind) procedure for *Monetaria* with the aim of achieving recognition among journals of international standing.
- In order to encourage research in wider circles, it was decided to accept proposed articles in Spanish, English and Portuguese.
- The first issue of *Monetaria* in its new phase, with articles by renowned guest economists, was published during the

second half of 2012. The first issue with peer-review refereed articles will be published during the first half of 2013. The content of the first issue of *Monetaria* in its new phase was as follows:

<i>Authors</i>	<i>Title in English</i>
<i>Articles</i>	
Guillermo Calvo, Alejandro Izquierdo and Rudy Loo-Kung	Optimal Holdings of International Reserves: Self-insurance against Sudden Stops
Vittorio Corbo and Klaus Schmidt-Hebbel	The International Crisis and Latin America
Manuel Ramos Francia, Ana María Aguilar Argaez, Santiago García Verdú and Gabriel Cuadra García	Heading into Trouble: A Comparison of the Latin American Crises and the Euro Area's Current Crisis
Allan Hernández and Alberto Trejos	Fiscal Moral Hazard Due to Monetary Integration
<i>Essays</i>	
Eduardo Levy Yeyati	Things We Learn from Crises
João Pedro Bumachar Resende and Ilan Goldfajn	Latin America during the Crisis: The Role of Fundamentals

Said actions are expected to place *Monetaria* in an important position among such publications at the international level and, ultimately, give additional impetus to research on central banking topics in the region.

In addition, as of 2010 several new series of publications were created (Research Papers, Occasional Papers and Discussion Papers) and those related to technical assistance programs were improved. Thus, as can be seen in table 20, the number of CEMLA publications has increased significantly.

Table 20

PUBLICATIONS				
<i>Type of publication</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Periodic publications	10	10	10	6
Books and essays	6	5	2	3
Research, Occasional and Discussion Papers (electronic working papers)		3	4	7
Technical Assistance Program publications	3	14	15	16
<i>Total publications</i>	19	29	27	32

## 8. Technical Assistance

CEMLA's technical assistance programs respond to the objective of strengthening certain areas of activity that come under the mandate of central banks. The formula of organizing meetings and different types of events is used to drive the spread of eminently practical knowledge aimed at improving and modernizing the management, the procedures and the systems of the corresponding areas. One key aspect of these programs is that they are mostly funded by sources outside of CEMLA, be it from international organizations or bilateral donors. Each of the corresponding programs offers a range of publications on their particular topic. Such publications might be in the form of descriptive reports, glossaries of terms, compilation manuals, comparative analysis in the region and statistical series, among others.

At the time of writing this book, CEMLA had six technical assistance programs that have been underway for several years. Two of them are supported by the Multilateral Investment Fund of the Inter-American Development Bank and focus on the area of remittances; two more respond to the aim of providing advice on

public debt management and are financed with resources from the World Bank and the Canadian government. Meanwhile, the two remaining programs are coordinated jointly with the World Bank and focus on providing support in payments systems and credit reporting matters. The official titles of the referred multi-year technical assistance programs are as follows:

- Western Hemisphere Payments and Securities Forum
- Western Hemisphere Credit and Loan Reporting Systems
- Remittances Program:
  - Program for Improving Central Bank Information and Procedures in the Area of Remittances
  - Program for Application of General Principles for Latin American and Caribbean Remittance Markets
- Public Debt Program
  - Debt Management Fund/Debt Management Facility (DMF)
  - The CIDA's Public Debt Management Capacity Building Program for the Republic of Haiti

As Table 21 shows, said programs have provided considerable regional coverage.

Based on the capacity developed over the last 10 years in the area of debt, CEMLA completed negotiations with the Swiss State Secretariat for Economic Affairs (SECO) in 2011 for financing a program on public debt management with a budget of five million US dollars. Planned for a period of five years, the program was designed by officials from CEMLA and was launched as intended during 2012. The objective is to build public debt management capacity in low income countries and countries of the region in the lower middle income bracket, taking care to support and not duplicate efforts with other international initiatives.

In addition, as part of CEMLA's efforts to promote financial education in Latin America and the Caribbean, a memorandum of understanding was negotiated with the OECD that included jointly organizing events on the topic and providing advice to CEMLA

member institutions for setting in motion financial education programs. The measures included in the memorandum began to be applied as of 2011, and the memorandum was formalized during 2012.

The efforts described above have been supported with bilateral actions. In particular, it is important to mention that in 2011 and 2012 agreements were signed with the Bundesbank oriented toward organizing joint seminars and workshops, as well as for setting in motion technical assistance services by staff from that central bank and internships at the same institution.

## **9. Changes and Innovations**

The Strategic Plan included the guidelines for continuing and strengthening CEMLA's traditional activities, as well as for defining new approached and activities. Such approach has been a major feature of the administration in charge of steering the organization since 2010. A review of the innovations implemented is an important part of what has been achieved. Below is a summary of said aspects.

In response to concerns expressed by various member central banks, CEMLA has become an important channel for disseminating information on matters dealt with at the G20. As a consequence, the governors of Latin American central banks that are members of said Group regularly present their opinions on the topics included on the agenda of the G20 to their counterparts from other central banks. Moreover, some of the information that is discussed at that forum is channeled via CEMLA to the membership that is not part of the Group.

As has been mentioned, the use of surveys as a mechanism for capturing the training demands of member central banks was already being implemented when the new administration took over CEMLA in 2010. Innovation in this area consisted of improving and fine tuning the mechanism in order to obtain better results from it, given its importance for elaborating the Program of Activities. Thus, the frequency of the survey was reduced from twice a year to just once a year and more importance was given inside the

organization to monitoring and consulting it. The procedure has been very successful due to the fact that it has allowed for fine tuning the gathering of requirements on topics of interest, the type of events required, the profile of speakers and lecturers, and the willingness of members to act as sponsors for the events.

It was precisely the annual surveys that allowed CEMLA's authorities to detect a trend towards the members requiring more highly specialized events. CEMLA has dealt with that trend without compromising the attention given to courses that respond to a comprehensive approach. Detecting the referred trend was very important for the Center's authorities. The main examples of events with greater specialization have been those related to derivatives, macroprudential policy and econometric techniques for forecasting.

The need to evaluate the events CEMLA organizes has existed practically since the beginning of the institution. Nevertheless, it was not until 2010 when the authorities of the institution made the decision to use the survey mechanisms for such aims. Thus, the tool that is being used for evaluating events is a survey conducted once all the meetings, courses, seminars and workshops the Center organizes have ended.

The survey asks participants to grade the technical and logistical aspects of each event. Such numerical grading of all the indicators means it is possible to obtain averages that allow total and relative assessment of the events. The mechanism has given very good results and the task going forward is to fine tune the surveys.

The mechanism was implemented in stages. The decision was made first and then the corresponding questionnaire was written. The format of the survey has been improved on an ongoing basis. Particular emphasis has been placed on knowing which comments and suggestions collected in the survey could be of great use.

There has always been concern at CEMLA for defining the ideal profile of the participants for the events it organizes as accurately as possible. It is an issue that does not have a definitive solution and needs to be worked on permanently. There are several other factors that intervene to make this matter more complicated. In this regard, for instance, differences in policies, procedures and operations among the Center's member central banks stand out.



In light of the importance of this matter, the Strategic Plan included a proposal that something would be done about it. The idea, it is worth repeating, was to try and obtain the best possible profile for each and every one of the attendees at CEMLA's events. In order to make progress on this matter, research began to be carried out on the topic at different institutions. The opinion of the highest level officials at the Center was then sought in order for them to give their suggestions on the matter. A key guideline of the policy was that the invitations to the events should be prepared with ample and complete information so that member institutions would know exactly what the ideal profile of the participants should be.<sup>189</sup>

Different actions for improving the institution's internal and external communications were implemented at CEMLA starting in 2010. In order to consolidate the progress made, it was considered necessary to clearly set forth the guidelines for the communication processes relating to strategic and exceptional topics, as well as daily and operational matters, i.e., with an institutionalized communication policy. The latter was announced in August 2012. Among the measures it is important to mention completely redesigning the institution's website, the main tool for CEMLA's external communication and the sites of the remittances program.

In response to the advantages of widening the dissemination of material presented by speakers at the meetings, seminars and workshops CEMLA organizes, the decision was made to include said material on the institution's webpage after obtaining prior authorization from the speakers to do so. It is specifically worth mentioning here the inclusion on the referred website of all the speeches and presentations made by CEMLA's General Directorate.

This practice meant CEMLA joined a trend among public institutions, academic institutions and international organizations for making greater use of the communication tools offered by

<sup>189</sup> CEMLA, "Participation in CEMLA's Activities. Profile of the Representatives. Guidelines for the Invitation," internal document, undated.

modern technology for dissemination purposes. Many speakers that participate in the events CEMLA organizes have welcomed the implementation of the aforementioned procedure and the Center's authorities have made provisions for promoting their knowledge and use. The mechanism monitors the number of visitors to the site and a large increase in such enquiries has been seen.

CEMLA's Strategic Plan for the period 2011-2013 includes among its actions for the period 2012-2013: "Assessing the possibility of jointly developing a diploma or a postgraduate degree in financial and monetary topics with different universities." After studying the matter internally, CEMLA's General Directorate arrived at the conclusion that this could make a significant contribution to strengthening human capital in the region interested in making a professional career in central banking. In light of the aforementioned, a proposal was presented to the Board of Governors in the middle of 2013. In general terms, the proposal recommends a two-year program. The first year would focus on general postgraduate subjects (the core course comprising of two semesters). The first semester of the second year would cover specialized subjects in advanced matters of interest to central banks, while during the second semester students would make an internship at a central bank. The core component would be taken in Mexico through an agreement made by CEMLA with a university or institute, with the option to complete the specialized component at prestigious universities inside or outside the region, with whom CEMLA would also sign an agreement.

A survey conducted by CEMLA showed that the membership was interested in the implementation of an e-learning program, an objective included in the Strategic Plan. For this reason, at the start of 2013 a model for remotely accessing events held on CEMLA's premises via remote mediums (computers, cellular telephones, etc.) will be launched in order to assess in a second phase the advantages of the mechanisms for establishing a formal e-learning system.

Table 21

**CEMLA: COUNTRIES WHERE TECHNICAL ASSISTANCE MISSIONS  
HAVE BEEN CARRIED OUT BY PROGRAM**

<i>Countries</i>	<i>Payments Forum</i>	<i>Remittance Measurement Program</i>	<i>Program for the Application of General Principles for Latin American and Caribbean Remittance Markets</i>		<i>Credit Reporting Initiative</i>	<i>Public Debt Program (CIDA and DMF)</i>	<i>Public Debt Program (CIDA and DMF)</i>
Argentina	x				x		
Bahamas	x						
Barbados		x					
Belize	x						
Bolivia	x	x			x		
Brazil	x	x		x	x		
Chile	x				x		
Colombia	x	x		x	x		
Costa Rica	x						
Curacao	x						
Ecuador	x	x		x			
El Salvador	x	x		x			

Guatemala	x			x		x		
Haiti		x		x			x	
Honduras	x		x	x				
Jamaica	x							
Mexico	x			x				
Nicaragua			x	x				x
Panama	x			x				
Paraguay	x		x	x				
Peru	x		x	x				
Dominican Republic	x		x	x				
Suriname			x					
Trinidad and Tobago	x		x				x	
Uruguay	x						x	
Venezuela	x							
<i>Total countries</i>	22	14		13		13	1	1

## **10. Progress and Administrative Reforms**

The administration that began working at CEMLA in January 2010 has made significant progress in the following areas.

### **Wage Policy**

Once the quota increase had been approved for 2012, a wage structure was implemented in according to the responsibilities of the different positions included in the Center's organization chart. Staff hired after this reform joined the organization under the terms of the new wage structure.

### **Staff Incentives**

Starting in 2011 a performance evaluation scheme was implemented that served as a basis for granting bonuses and wage increases.

### **New Scholarship Plans**

As a result of the quota increase, the Center had a larger budget to allocating to training, including courses, scholarships for postgraduate studies in Mexico and more active participation of CEMLA's staff in events abroad.

### **Internal Labor Regulations**

A set of Internal Labor Regulations, which are indispensable for the proper functioning of CEMLA, were drawn up and formalized with advice from the law firm that handles the Center's labor matters and lawyers from Banco de México.

### **Modifying the Center's Organization Chart**

In May 2010 the Board of Governors approved different changes to the institution's organization chart. Subsequently, once the quota increase had been approved, additional adjustments were made in order to strengthen areas where the capacity for response needed to be increased and to start research activities.



Group photograph of participants at CEMLA's 60<sup>th</sup> Anniversary Conference. CEMLA's photographic archive.

## **Physical and Technological Infrastructure**

In light of the serious deterioration of the Center's premises and its outdated technological infrastructure, and in accordance with the objectives set forth in the Strategic Plan, significant amounts of funds were allocated to solving such problems.

## **Internal Control**

With the approval of the Board of Governors a specialized firm was hired to implement a state-of-the-art internal control system at CEMLA.

## **More Intensive Use of Consulting Firms and External Support**

These options, scarcely used by the institution in the past, have made it possible to support the tasks staff carry out internally as well as very specialized work that the Center's personnel cannot perform.

## 11. Challenges and Conclusions

As compared to other times in the institution's history, the administration led by Javier Guzmán Calafell has been faced with the need to act under a context with few precedents. The new outlook is marked by at least three characteristics. First of all, by the emergence of new problems in monetary, central banking and financial spheres that required study from different angles. The new environment is also defined by faster technological change, as well as greater competition in the fields CEMLA specializes in and has comparative advantages.

In sum, the traditional challenges have intensified at the same time as the organization faces new ones. An alive and dynamic organization would be expected to react with constructive measures. The organization needed reform, renewal and innovation, and with firm support from the Assembly and the Board of Governors the administration led by Javier Guzmán Calafell responded with the Strategic Plan for 2011-2013 and the actions needed for implementing it. The Strategic Plan has been viable mainly due to three key characteristics. Firstly because of its comprehensiveness, given that it covers all the main and complementary aspects of CEMLA's operations. The second feature that should be emphasized is its pragmatic aims, given that it was designed to make it possible to implement and generate results. The third factor is that it is a farsighted and perceptive document because its ulterior motive is to prepare the organization for a successful future development, providing it with proper resources and means. The program is designed to make CEMLA an organization that is a source of pride for Latin America.

By the start of 2013, practically all the actions stipulated in the Center's Strategic Plan had either been implemented or were in the process of being so. The latter led to a fundamental transformation in the different areas of the institution and considerably improved its image. However, achieving the vision laid down in the Strategic Plan will require consolidating the progress made and ensuring the institution continues to adapt to the new circumstances.







# Balance and Perspectives

**T**HE KEY VALUES THAT SUPPORTED THE ESTABLISHMENT of CEMLA and that have been the basis for all the different stages of its development are permanent, and should also be the foundation and direction for its future evolution. The Strategic Plan drawn up in 2010 had the advantage of specifically laying down that central basis of the organization and it is advisable that it remain as such. Of course, CEMLA will maintain its dedication to service and orientation toward results based on the principles of creativity and innovation. And necessarily, all of the aforementioned will be marked by the precepts of indispensable social and individual morality.

The orientation toward action is based on a group of key principles which should be continually reiterated. Among the aims included in the Strategic Plan it is worth mentioning the commitment to developing the institution's human capital and creating an appropriate and stimulating working environment. The latter and other guidelines form part of a much broader concept, which for lack of a better term, could be called institutional culture. The institutional culture aims to simultaneously obtain high levels of productivity, indispensable for achieving excellence, and a proper

environment for the professional fulfillment of its members. The aforementioned is expected to result in coordinated and permanent collaboration among all the staff within a framework of well-defined tasks. The complementary area is composed of the institution's so-called social or legal responsibilities. This space includes policies linked to transparency and effective communication. Finally, it is a fact that accountability will continue not only to be an inescapable legal obligation, but also an institutional certainty.

CEMLA's development going forward should therefore be based on the axiological structure summarized in the previous paragraphs. Strong axiological foundations will result in: proactivity, innovation and action. There will be no room for apathy in the future. For this reason, effective leadership characterized by its convening power is fundamental. Under this framework, planning is presented in two chronological timescales: that for the short and medium terms, and then long-run planning. The Strategic Plan included a series of programs that should be mentioned in this chapter of conclusions. Those planning efforts were prepared for different lines of action, the first of which concerns the nature and quality of events and products the Center offers. In addition, it is important to mention efforts related to the institution's arrangements for identifying the needs of its members; guaranteeing that the organization has the appropriate financial and human resources for fulfilling its mission; improving the administrative capacity at the institution and generating a new image for CEMLA aimed at strengthening its hard earned prestige, its institutional credibility and its recognition.

The objective of enriching the events CEMLA organizes and permanently raise their level of quality will depend considerably on being able to properly exploit the possibilities of collaboration. Collaboration with institutions and organizations from Mexico as well as the subcontinent as a whole and other regions, broadening the Center's geographical horizon. Collaboration should also be carried out with academic agents, intellectuals and other experts whose participation and work could be important for the organization. In this respect, it is important, for instance, to continue with the initiative for organizing degree courses with different

universities or prestigious educational establishments. The Center's events, particularly, activities related to training, should also be boosted by employing new technological tools, which will continue to open up possibilities that were previously unavailable to an organization, such as videoconferences and e-learning courses. Training could also be improved through means such as granting internships at central banks, organizations and universities. In the same way, the search for new speakers and lecturers to be included in the institution's directory should also be a permanent task.

CEMLA's link with its member institutions has always been essential for the sound progress of the institution. It should remain so indefinitely. Concerns about making the mechanisms for identifying the interests of member central banks more efficient and timely should be ongoing in light of the fact that it will always be possible to perfect such mechanisms. These arrangements should be maintained and strengthened but never at the cost of the personal relationships that are another ideal vehicle for identifying any requirements that institutions using the products and services offered by CEMLA might have. A parallel task that will also have to be persevered with concerns the mechanisms for assessing the events the institution organizes. There are several aspects that are susceptible to evaluation but those relating to theme, organizational aspects and overall quality stand out.

The availability of appropriate financial and human resources is more a condition than an aim for CEMLA and its planning framework. The same can be said about the strengthening of administrative capacity at the organization, which should also be conceived as a means for it to continue as a modern, effective and efficient entity. In fact, the events that CEMLA organizes and the products it offers could be improved by making more collaboration agreements that allow for increasing the institution's supply. The commitment to seeking more collaboration agreements should also include member institutions in order to obtain complimentary non-monetary support such as jointly organizing events and other types of backing. The importance of human capital for the Center means that the corresponding policy should continue to receive substantial attention in the future. It is particularly worth

emphasizing education and training, as well as preparing members of staff with the potential to hold higher level positions. The performance management system will have to be continuously fine-tuned in the future. For this reason and the general objective of strengthening administrative skills, the institution should continue to use external consulting firms and hire personnel to provide professional services for specific tasks or projects.

To a very large extent, the horizon it is possible to envisage for CEMLA will be determined by three factors that have already been mentioned. The latter are the environment of competition that the Center will have to operate under, the emergence of new problems in the fields of monetary policy and financial stability that will require analysis and discussion, and an environment of constant change in matters of technology and operational tools. The factor of competition alone will create a permanent incentive for accelerating progress in the search for quality circles. CEMLA's orientation toward quality and the pursuit of excellence has been implicit since the foundations that led to the establishment of the organization. However, the need to compete in the market has made that factor of unprecedented importance. Competition demands that efficiency in the achievement of objectives be a permanent guideline, as well as efficiency in the performance of functions. Thus, budgetary restrictions will also apply pressure in tandem with competition. Financial resources will never be excessive, and that unavoidably means that the search for more efficient models and procedures will be perpetual.

How can one successfully overcome the challenge of competition? There is an innumerable amount of answers for any organization in a changing environment: deploy a capacity for innovation, creativity, perspicacity and a permanent bias toward proactivity. This implies timely and accurate detection of the membership's needs. Although, it is explained and justified by the commitment to excellence and competitiveness, the environment of competition also pushes in that direction.

Innovation and creativity will necessarily continue to be key inputs in the direction CEMLA takes going forward. Creativity

must also be coupled with other indispensable demands for an institution that hopes to remain in permanent movement. For instance, with an organizational culture strongly oriented toward achieving results and improving productivity. Moreover, a strong commitment to innovation will make it possible to solve in the future a failing that became chronic at CEMLA in the past and that led to permanent difficulties for making significant contributions at the events and products offered by the organization.

The same commitment to creativity and innovation should permeate research tasks. The institution's prestige would undoubtedly be boosted if research undertaken within the heart of CEMLA results in solid guidelines for orienting monetary policy and financial stability strategies of its member central banks. Thought on monetary topics is progressing at a swift pace in universities, international bodies and central banks of other continents. This should not be surprising, given that besides the fact that traditional problems require new approaches there are other topics that have come to light recently, which due to their complexity will also need extensive analysis and discussion. The debate on monetary topics needs further development in Mexico, as well as in the rest of Latin America, and CEMLA with its prestige and outreach can make a decisive contribution. The other field that will also require continuous analysis is financial stability. A consensus has formed among the experts: the world will not be the same for central bankers after the international financial crisis of 2008-2010. The experiences of that episode clearly established that consistent monetary policy would no longer be enough in the future and maintaining financial stability has become an equally important requirement. These new and very complex topics will require extensive research moving forward. CEMLA must be ready to punctually and efficiently answer this call.

In the same way, social policies will also deserve a special chapter in CEMLA's future outlook. The time when organizations could exist with an attitude of self-absorption has gone forever. Nowadays, and even more in the future, orientation should be much more "toward the outside." This requirement is not only justified by practical or operational considerations, but also

by those of a legal or even political nature. In a framework of strengthening democratic institutions it will be inconceivable that a continental organization can remain insensitive to the principles of transparency and openness. Even though these are linked to accountability, they are not the same. The latter policy has been strong at CEMLA since the very first stages of its development and has become even stronger recently. Moreover, the areas of communication and promotion will have to be deployed resolutely and permanently when going forward. The details of what CEMLA does—of the products it generates and the services it offers— should reach increasingly wider social circles. Such is the challenge faced by an effective communications policy.

CEMLA's principles and values have been present at the institution since its creation. They make up the foundational heritage that has supported the organization since its establishment. It is these values and a broad experience that has allowed CEMLA to enter into productive collaboration agreements. Central bank cooperation is definitely a promising area and the Center is currently, and will also be in the future, well placed to encourage it. Central bank cooperation allows knowledge to be exchanged, contributing to the development and modernization of such institutions. Cooperation also provides an appropriate space for exchanging ideas and for fostering reciprocal knowledge of their policies and operating tools. In addition, cooperation contributes to establishing communication channels and strengthening mutual support commitments among institutions. In the same way, another two benefits that should be expected to come from cooperation are that it fosters the formation of shared viewpoints, while promoting the adoption of common criteria and similar operating standards. It is also worth mentioning that it is during favorable periods when cooperation allows the designing of support arrangements that then become useful during difficult times. Finally, cooperation will make it possible to improve the analytical tools that are indispensable for making decisions.<sup>190</sup>

<sup>190</sup> Javier Guzmán Calafell, "Central Bank Technical Cooperation: The Case of CEMLA," in *Central Bank Cooperation at the Start of the 21st Century*,

Since its establishment, CEMLA has been the most important facilitating agent for collaboration among central banks in Latin America and the Caribbean. It will certainly continue to be so going forward.

The experiences of the recent past and all the forecasts that can be reasonably made, allow the conclusion to be reached that the focus of collaboration agreements can continue to produce significant results in the future. This belief is supported by the fact that the advantages of the approach also benefit the counterparties. In this respect, one key resides in defining the reciprocal benefits so they can be dealt with viably. Collaboration is useful and profitable because it allows synergies to be identified and therefore exploited. In order for CEMLA to receive benefits it must also be in the position to provide them. Thus, the broader and more diverse a catalog CEMLA can offer, the greater will be its possibilities for receiving. The latter, undoubtedly very powerful statement, is a clear call to permanently intensify institutional efforts for being able to offer attractive proposals in collaboration negotiations.

CEMLA has institutional prestige, corporate strength, and a whole history of achievements and products. The account of the intangible assets that the institution has could obviously be extended. This is not the objective, nor should it be, but it is important to outline the substantial advantages the organization has for continuing to offer quality services to the central banks of Latin America and the Caribbean in the future. Meeting the specific commitments laid down in its constitutive act, however, means a great deal more than the brief account of its provisions. It means an important commitment to the peoples of countries in the region whose hopes for progress and prosperity cannot be neglected. CEMLA is an institution created to serve different peoples and it can effectively do so in many ways, both directly and indirectly. CEMLA therefore owes its existence to the noble cause of Latin American and Caribbean countries, and it is an honor for the institution to be in that position. Those peoples must also

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Mexico, 2013, pp. 127-154.



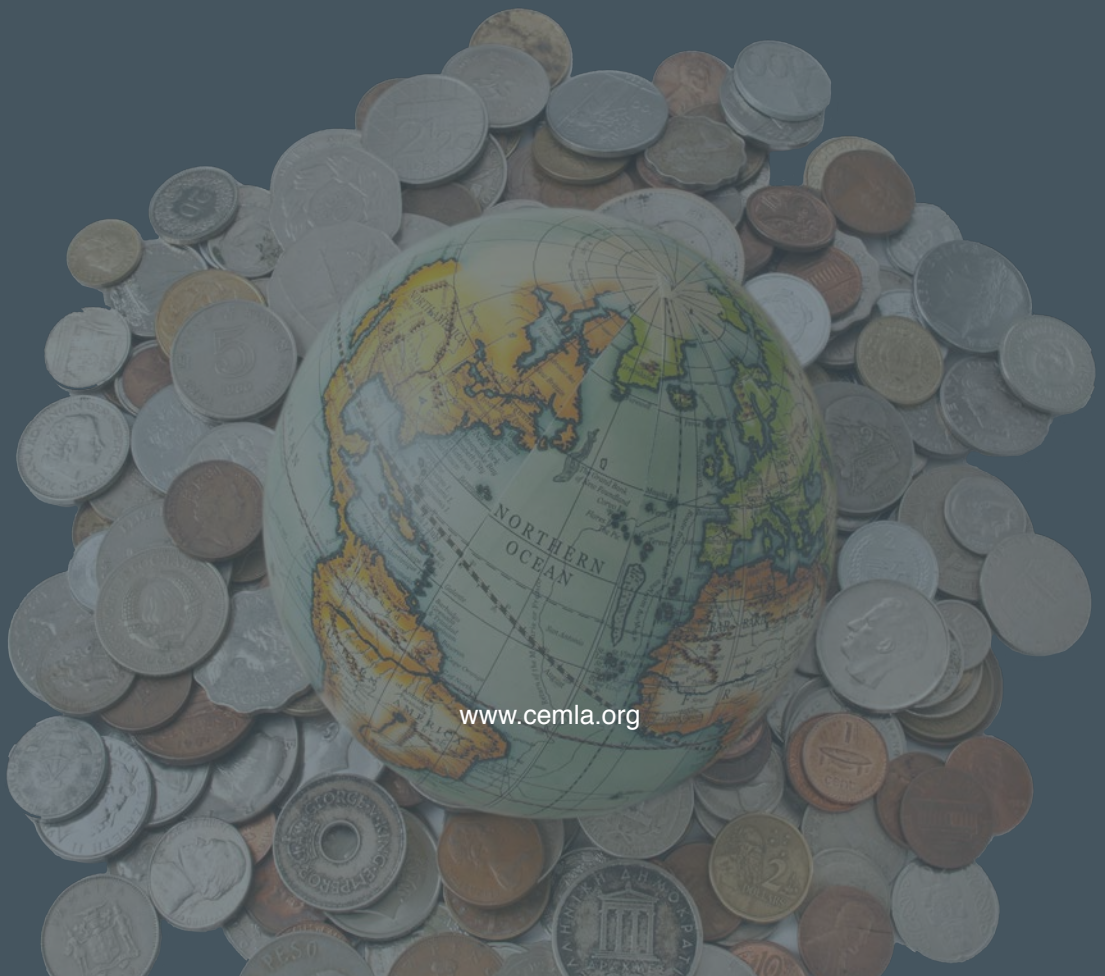
find satisfaction in that fact of having such a respectable institution with so many important tasks to fulfill.

There is another significant reason for expecting CEMLA to survive, continuously becoming stronger and offering products and services that will always be useful given the motives behind them. There is a very strong sense of community among the organization's member institutions. CEMLA was born with that sense of community and belonging among the institutions that founded it, and the subsequent, if gradual, addition of all the central banks of the subcontinent and then the Caribbean completed its permanent support. Thus, the Center constitutes a kind of representative extension of its member institutions and for that reason CEMLA has so often been enriched by officials and experts from such entities. The organization has benefitted and been enhanced by such collaborations, which have led to important ties of affection and consideration that cannot necessarily be expressed materially. However, the forces that move the world are preferably those of feelings and human emotions, among the most powerful of which are constructive, affectionate and generous forces. They are the impetus that originally led to the establishment of CEMLA. They are also the drivers that have forged its dynamism and importance, and those that will take it along a permanent course of strength and progress in the future.

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