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GENERAL FILES AND COMMUNICATIONS

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July 31, 1967

FOR FURTHER CORRESPONDENCE PLEASE SEE

vol. III

July 31, 1967

Dear John:

= It occurs to me that you might be interested in this letter that I sent recently to one of your colleagues.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London W.1, England

Encl.

next

IDA	IBRD	IFC
FORM NO. 92 (10-61) CORRESPONDENCE RECORD FORM		
FROM OVERSEAS DEVELOPMENT INSTITUTE London		DATED July --
SUBJECT Encl. Annual Report 1967		
Addressed and		DATE RECEIVED 7/31/67 fca
REFERRED TO Mr. Woods		

July 21, 1967

Dr. Andrzej Krassowski
Overseas Development Institute Ltd.
160 Piccadilly
London W.1, England

Dear Dr. Krassowski:

Thank you for sending me your manuscript on Aid Programming. I have not had time to review it in detail, but there are two general comments you may wish to consider.

The first is that I find it somewhat surprising that only when you get to page 32 do you mention the possibility of donor countries choosing to carry out their aid activities in whole or in part by the delegation of authority to an international agency. I should have thought that this point would be more appropriately made on page 11. It is, in fact, a "third choice" for an aid-giving country, and one which smaller countries in particular seem to be favoring more frequently. You could then exclude this choice from your immediate area of concern and proceed to discuss the bilateral problem, using the American example in Tunisia.

My second comment is that in the first paragraph that begins on page 32 you have seriously misinterpreted both the approach and the practice of the World Bank. I refer particularly to the sentence stating that "the Bank is not interested, in practice at least, in the dialogue approach." In fact, what you describe as a dialogue approach is the very essence of the Bank's relationship with its member countries and has been since the very early days when it became apparent that merely financing good projects that happened to come forward was a wholly inadequate approach to the problems of development finance. It may be that "dialogue" is not the best term because in fact the process of discussion and arriving at agreements leading to action involves not only the Bank and the borrower, but nearly always the IMF and governments with aid programs in the country and sometimes other international organizations as well. It is a continuous process which comes to the surface, so to speak, on occasions such as meetings of consultative groups or consortia, where formal coordinating machinery exists and, of course, in the Bank Board's review of recommendations by the President for particular loans or lending programs. There is a very thoughtful discussion of many of these matters in John White's book, particularly Part 2 of Chapter 5. You might also refer to Mr. Black's "Diplomacy

July 21, 1967

of International Development," especially the third Clayton lecture on "A Status for Development" for an expression of the philosophy underlying the Bank's approach to development finance.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

MLHoffman/pnn

cc: Mr. Graves/Mr. Lind



July 21, 1967

-2-

Dr. Andrej Kraasowski

of International Development," especially the third Clayton lecture on "A Status for Development" for an expression of the philosophy underlying the Bank's approach to development finance.

Sincerely,

Michael I. Hoffman
Associate Director
Development Services Department

MIHoffman\pnn

cc: Mr. Graves\Mr. Lind



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OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

8-001
[Handwritten signature]

TELEPHONE: HYDE PARK 2654

17th July, 1967.

Pubs/10

Dear Mr. Lind,

Thank you for your letter of 11th July which seems to have crossed with ours of the 7th. IBRD's order for 200 copies of Aid that Works also reached us safely, together with an order for copies of John White's Pledged to Development; our distributors have everything in hand.

We are asking our distributors, Research Publications, to send immediately 100 copies of Aid that Works to Mr. Viggo Christensen, 12 rue de Presbourg, Paris 16. The same discount of 25% will be shown on our invoice.

Yours sincerely,

Margaret Weston

Publications

Mr. Lars J. Lind,
Deputy Director of Information,
IBRD,
1818 H. Street NW,
Washington DC, 20433,
U.S.A.

MJH

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Mr. Lars J. Lind,

Deputy Director of Information,

IBRD, 1818 H. Street, NW,

Washington, DC, 20433,

U.S.A.

July 11, 1967

Mr. John White
Overseas Development Institute
160 Piccadilly
London W.1, England

Dear John:

I have delayed replying to your letter of June 30, 1967, in the hope that I could at the same time acknowledge receipt of "Pledged to Development." I have seen Harold's copy but he snatched it back. I would, in fact, have liked to have gone over the final version in the light of your comments on my marginal notes but as you have asked for them back, I guess that will have to wait.

With best wishes and thanks in advance for the copy of the book that is presumably en route.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

MLHoffman/pnn

Handwritten initials

July 11, 1967

Dear Miss Hutton:

When in London I asked John White for a quotation for the pamphlet "Aid that Works". I did not know that we had already ordered 200 copies directly from here. This was the same quantity I had in mind for our use from here; the other 100 copies are needed by our Paris Office and I would be grateful if you would send 100 copies to Mr. Viggo Christensen, 12 rue de Presbourg, Paris 16e, France, with an invoice.

Yours sincerely,

Lars J. Lind
Deputy Director of Information

Miss Marigold Hutton
Publications
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Christensen
Mrs. Eliason

LJL
LJL/jsw

cc'd July 17

July 11, 1967

Dear Miss Hutton:

When in London I asked John White for a quotation for the pamphlet "Aid that Works". I did not know that we had already ordered 200 copies directly from here. This was the same quantity I had in mind for our use from here; the other 100 copies are needed by our Paris Office and I would be grateful if you would send 100 copies to Mr. Niigo Christensen, 12 rue de Presbourg, Paris 16e, France, with an invoice.

Yours sincerely,

Lars J. Lind
Deputy Director of Information

Miss Margot Hutton
Publications
Overseas Development Institute Ltd.
180 Piccadilly
London, W.1
England

cc: Mr. Christensen
Mrs. Elison

L.J.L./aw

1967 JUL 12 11:24

RECEIVED

11

July 11, 1967

Dear Bill:

I am much obliged to you for letting me see your preliminary report on UNDP. It is a lively and interesting document. I do have some comments about the problem it discusses, and will try to get them off to you in the next four or five weeks -- about as soon as I can, alas, because of a routine hospital engagement that is going to take up two or three weeks of my time. But over-all, I certainly think the report provides the right starting points for discussion.

with edits June 22

Sincerely yours,

Harold Graves

Mr. William Clark
 Overseas Development Institute Ltd.
 160 Piccadilly
 London W 1
 England

HG:ap

HW

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

Pubs/10

7th July, 1967.

Dear Mr. Lind,

John White has asked me to send you an estimate for supplying 300 copies of Aid that Works, the offprint pamphlet containing a series of articles published in The Economist during February and March this year.

Research Publications, our distributors, say that 300 copies at 2/6d each - with discount 25% - work out at £28: 2: 6d. Postal charges would be additional to this amount.

As soon as we hear from you we can post the consignment seairmail, and at the same time in an airmail letter let you know the approximate date the pamphlets will reach Washington.

Yours sincerely,

(Miss) Margot Hutten

Publications

Mr. Lars Lind,
IBRD,
1818 H. Street N.W.,
Washington D.C.,
U.S.A.

Enc:

MJH

*Mr Lind -
I only ordered
200 (July 6 - per HNG)
& purchase order has
already been approved
& sent.*

Doris

acc. July 11

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160 PICCADILLY LONDON W1 HYDE PARK 2654

CABLE ADDRESS: PICODI LONDON W1

STUD/30

6th July 1967.

Dear Mr. Hoffman,

Please find enclosed a copy of Chapter 1 of ODI's latest study 'Aid Programming'. This chapter discusses some issues which John White examined in a slightly different context in his ODI/IBRD study 'Pledged to Development'. Perhaps you would care to glance at the chapter and any comments would be most welcomed.

Yours sincerely,

Andrzej Krassowski

Andrzej Krassowski.

Mr. M. Hoffman,
I.B.R.D.,
1818 H Street NW
Washington DC 20433
U.S.A.

JJO

acc. July 21/67

Aid Programming

Attached is a draft of 'Aid Programming', which is to be published later this year. Comments and suggestions for improvement will be welcomed. We would appreciate it if comments could be sent to us before the end of August, earlier if possible. We realise that you may not be able to read and comment on the entire manuscript, but we hope that you may find the time to look at those sections which interest you particularly.

We are anxious, above all, to obtain your help on the following points:

- 1) Accuracy: if you find any inaccuracies and omissions, or any misrepresentation of facts, or know of any new developments which have not been taken account of, could you draw our attention to them.
- 2) Analysis: if the analysis seems to have gone wrong at any point, your diagnosis will be welcomed, particularly in respect of Chapter 1.
- 3) Opinion: you may disagree with some of the opinions about important events. If so, different opinions will be examined with interest.

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY LONDON W.1 TELEPHONE 01-493 2654

DRAFT

A I D P R O G R A M M I N G

The American Experience in Tunisia

by

Andrzej Krassowski

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Introduction

An effective aid policy requires a set of objectives, an administrative machine, a strategy, and well-conceived measures to carry it through. Of primary importance is the choice of global and regional objectives, and of countries to be assisted. Next comes the choice of a country strategy which will best further the objectives that aid is to promote. Finally, at the most practical level, comes the choice of an appropriate donor administrative structure in the country of operation and an integrated set of tactics and aid measures. This study is concerned largely with strategy and tactics. Assuming that the primary practical objective of aid-giving (whatever the motives may be), is the encouragement of development, the aim is to show how this might be done more efficiently.

The study is divided into two parts. The first, which consists of a single chapter, puts forward the lines on which a sound development aid strategy - or donor approach to development - could be based: one that would offer an improved alternative to the rather casual approach to aid which is now all too prevalent. To take full account of the nature of the development process, the diversity of conditions and experiences in the developing world, the opportunities open to aid-givers, and the limitations of aid, the proposed strategy is founded on three principles. It is tailor-made to fit a particular developing country. It is recipient orientated. It envisages the aid-giver playing an intimate and active role in the aid receiving country's development efforts.

How to give the strategy operational meaning is discussed in the second part. Two prerequisites are singled out for special consideration. The first is an administrative system in the field, free to take the initiative and take decisions without constant reference back to the donor's capital. The second is a systematic procedure for the design, preparation, and implementation of all aid and related activities.

During the past few years the US Agency for International Development (AID) has evolved, and made use of, a field administrative structure and

country programme planning procedures (aid programming) which could well be used more generally, and, with some amendments, could serve as the basis for implementing the aid strategy proposed in Part 1 of this study. In Part 2, therefore, the day-to-day political, administrative, economic, and technical issues and problems which arise in the course of implementing an aid strategy, are discussed in the light of American experience, especially of their operations in Tunisia. Because American strategy, though resembling in some respects the one outlined in this study, does differ in some essentials, Part 2 is introduced by a short description of the general approach to aid on which the American system is based. Similarly, to bring out the special circumstances that might make certain procedures which are relevant to the Tunisian case unsuitable elsewhere without modification, a brief analysis of the country, and its attitude to the aid relationship, is also included.

1 The aid relationship

1 The basis of an aid strategy

An important characteristic of aid - and one which, in theory, should give it a number of important advantages over other approaches to development promotion - is that it lends itself very easily to flexible use. Aid, more easily than, for example, trade, can be used selectively and discriminatingly; it can be applied to the solution of particular problems, in a particular place and at a particular time, in a specific and unique way. Other problems, elsewhere and at another time, can be attacked with the same basic 'tool kit' in a completely different manner. There is no need for universal rules, patterns, and procedures.

Despite this, nothing is more characteristic of the last twenty years of development aid history than the persistent search - especially in academic circles - for the formula, the procedure, which will be able to cope with all development problems, wherever they may be found and however much they may differ from each other. Aid policy has closely reflected, even though not always consciously, the changing fashions among development theorists. Most of these theories have laid stress on one particular development obstacle or bottleneck, and not surprisingly in view of the complexities of the development process, the rate of obsolescence among these models has been rapid. Models based on the overriding importance of 'resource shortage' gave way to others based on 'skill shortage', 'regressive social structures', 'political inertia', etc. As a particular model fell by the wayside, so aid policies were readjusted - especially in the USA - and the emphasis shifted from capital aid, to technical assistance, to 'performance strings', 'food production', 'private sector support', multilateral aid channels, etc. The root cause of the changing fashions has been the fundamentally mistaken belief that there is a unique model of development, and that if it could be found, it would provide the single appropriate guide for aid action.

The nature of development

There is no prima facie case for assuming that there is, in fact, one single path to development, or one single concept of the 'developed' society. Societies which today are usually thought to be developed differ widely among themselves, and even those that are broadly similar have reached their present state of evolution by often very different processes. Despite modern technological forces which now impose and dictate a more uniform development than in the past, a poor country which seeks to develop rapidly has an almost infinite number of possible 'states of development' to aim at, and an extensive and varied choice of paths to any one of them. It can emulate any one of the developed countries, or strive for something new, built on concepts borrowed from different developed countries, or for something new based, in part, on either of the above two, and in part, on the country's own traditions, and social and political concepts.

Essentially, development is, and must be, a process of experimentation - of experimental changes in the status quo. Changes are the outcome of a stimulus, the appearance of a challenge which commits action one way or the other. Such stimuli, or challenges, can be internal or external. A response produces a new situation - new possibilities, new problems, and new stimuli. Development, rather than being a series of movements along a single line towards a specific goal, is a sequence of challenges and responses producing change, new patterns and new situations. The movement is rather away from an existing situation than towards a known and defined one. Success depends on the number, timing, and nature of the stimuli, and the nature of the responses. This in turn depends partly on the skill with which the short- and long-term consequences of a particular response can be foreseen, and partly on the limitations - social, political, technical, and economic - on the choice of theoretically possible responses.

Such a view of the development process points to the necessity of basing all aid policies firmly on the circumstances and needs of individual developing countries. The first requirement in aid - effective aid - is

that it be tailor-made to fit each recipient. The second requirement, of equal importance, is an appropriate method of gearing the aid-givers' activities to events in the recipient country. Before tackling this aspect of the formulation of an aid strategy it will be convenient to set out in some detail, and classify, all the various functions that the aid-giver in general, and aid in particular, can be expected to perform - without deference to complicating donor domestic and external political considerations.

The functions of aid-givers

Aid, whatever its guiding principles, administration and forms, is, essentially, a major external stimulus to which the recipient has to react. The prospect of aid presents the recipient government with a new situation. The availability and scale of aid allow, or even demand, a reassessment of economic policies and plans - at the very least in terms of the scale of development and other expenditures, both in the public and private sectors. Aid opens up new possibilities and brings new obligations. The manner in which the recipient government and economy react to the new factor can take many forms, and each will have different consequences. In any case the introduction of the external stimulus of aid necessarily alters the course of development, and the bigger the aid inflow, the more far-reaching the repercussions that can be expected - though the repercussions need not necessarily be of the kind which promote development.

Basically, then, aid can be expected to have a variety of repercussions on the recipient just through its presence. Given the particular circumstances of the recipient's economy, the nature of the repercussions in specific directions is dictated by the attitude of the aid-giver to aid and the forms in which the aid is introduced.

Through aid the aid-giver can perform a variety of functions, of which the most important will be referred to as 'supply', 'advisory', 'technical', 'managerial', and 'dialectical'. The meaning of these terms

in the context of the aid operation is explained below.

The simplest, and most 'neutral' function of the aid-giver is 'supply', i.e. to make available resources - commodities, technical skills, capital, foreign exchange - at no cost to the recipient or at 'subsidised' rates. In most discussions of aid this function is identified as being the single most important one in the whole aid operation. External resources which supplement those available domestically allow the recipient country to do more than it would otherwise have been able to afford; to budget for more ambitious targets in existing activities, or to introduce additional activities for which no resources could previously be found, or to reorganise expenditure patterns to make more use of specific, and more 'productive', types of resources (e.g. foreign exchange) previously presenting special supply difficulties. The important distinguishing characteristic of the 'supply' function of aid is that it allows the recipient to alter the size, number, quality, and pattern of activities already familiar and proven, and no more.

In addition to the supply of resources in various forms, the aid-giver can perform a range of more intangible services or functions. The aid-giver provides the recipient access to specialised resources, techniques, and know-how. Through these it is possible to open up new opportunities, to provide new and often better means to a given end, and, most important of all, allows the formulation of qualitatively different objectives.

The most obvious and direct means of creating new opportunities and allowing for a reappraisal of existing actions is through the supply of skilled personnel. Where specific technical, managerial, or operational problems arise, the recruitment of external specialists to supplement lack of domestic expertise provides an obvious, well-tried, and relatively simple solution. To provide such personnel, with auxiliary services and equipment for work on specific defined problems is an established part of the 'technical' function of aid. But it is only a small and, in many countries, relatively unimportant function. More important than solving problems may be identifying them - or, what comes to the same thing,

correcting an earlier, false, diagnosis. This is a more difficult requirement of the aid-giver, as the task is more general, less well-defined, and, because less apparent, not given high priority. It very often happens that working backwards from a particular problem it becomes apparent that the problem need not be solved, but could be bypassed if altogether different means to a given objective had been chosen. It is in this area that the aid-giver's expertise can be of greatest benefit. If the donor is aware of the ultimate objective that a series of measures and policies are designed to meet, it is possible, through the introduction of techniques, expertise, and resources which may not be familiar in recipient countries, to find alternative means to the same end which bypass particularly restricting bottlenecks in the recipient country.

In many countries the most immediate bottleneck is in the area of policy formulation and administration. Where this is the case the advisory/technical function of aid-givers is of special importance in identifying problems, articulating policy requirements, finding and selecting projects and activities which will promote these objectives, and arranging their technical appraisal, planning, administration, and finance. Even where planning, organisational, and administrative capacity is 'adequate', it is still rare to formulate policies to achieve specific targets after giving consideration to a number of alternative approaches. The choice is often instinctively for the well-tried and familiar procedure. Now at what point in the process of planning the aid-giver is brought in can have a profound effect on the way an objective is tackled. If the donor is asked to lend support to an objective, there is then considerable scope for formulating the specific steps and policies from a wide range of possible techniques based on different approaches with which the donor is, and the recipient may not be, familiar. If the recipient government works out the objective as well as the policy steps, consideration of different (possibly better - i.e. cheaper, easier, more suitable) methods is either impossible or impractical, especially if the donor is asked to contribute to only one

part of an interdependent set of activities and projects. A striking example of the 'advisory/technical' function of aid arising as an offshoot of the 'supply' function is provided by the introduction by the French of TV-schooling in Niger.¹ A familiar and well-tried approach to meeting a given target of primary school educated pupils would have been to expand the number of school places and teacher-training places, supply the necessary teaching equipment and texts, and seek aid in the form of equipment, finance for buildings, teacher-trainers, etc. A request for any of these could quite easily have produced a favourable response. However, in this case, the donor offered a method of reaching the same target via the large-scale introduction of lessons by television. This approach required a different pattern of expenditure and personnel, and bypassed the basic bottleneck, which was a shortage of both sufficiently qualified teachers and numbers of teacher-training places, not via better and expanded teacher-training programmes, but via a more efficient use of the available teaching force. The effectiveness of teachers was raised not through better training, but through the provision of a teaching medium that used their existing skills more fully, and supplemented their shortcomings. The shortage of teachers was tackled not only by expanding the numbers, but also by enabling one teacher to give the same quality of instruction to more pupils than previously. Not only is this new approach expected to meet the desired target at a lower overall cost, but it should raise overall educational quality by improving the performance of teachers who have already been teaching for some time, and by providing tuition which is both more suitable to local needs and which could not easily have been attained using the 'traditional' methods.

An extension of the aid-giver's 'advisory/technical' role is the 'managerial' role. This needs little elaboration - it refers simply to the donor taking responsibility for the implementation, administration,

¹ See French Aid by Teresa Hayter, ODI, 1966, page 197 ff.

organisation, supervision, and possibly even operation, of some project or enterprise (usually financed at least in part by aid).

The last of the aid-giver's functions listed earlier, the 'dialectical' function, is the least readily recognised and therefore most likely to be misunderstood. This function comes somewhere between advice and pressure. Advice is normally offered with the expectation of action being taken in accordance with the (professional) advice given. The 'dialectical' function of the donor is to advise, but without expecting, or necessarily wanting, acceptance. Pressure is normally backed by some form of sanction if certain action does not follow. Again the 'dialectical' function is a form of pressure for action, but the only 'sanctions' which back the pressure are existing dangers which are merely pointed out, rather than created, by those exerting the 'pressure'. In short, the 'dialectical' function of the aid-giver is to point out, warn, cajole, and even harrass; it is all designed to 'force' recipient authorities to examine, consider, and reappraise all their policies, and not to take anything as being sacrosanct. But no specific 'advice' is offered.

Why should aid-givers perform such a function? The simple answer to this is that in most developing countries a genuine debate on policy either does not exist, or is carried on within a very small, and unrepresentative, in-bred, circle. Lack of serious and broadly based debate leads to a lack of critical appraisal, rather dogmatic following of certain concepts, lack of innovation and challenge to familiar and traditional methods, etc. etc. The donor can, in many cases, provide the role that one would expect a loyal opposition to provide - the role of a partner for a necessary exchange of views, and one whose outlook is likely to be sharply different and, therefore, inherently critical.

Aid is thus integrated into the development processes at various points. First, aid is in itself a stimulus to action and reassessment of policies. The reassessment and potential responses to this and other stimuli can be influenced and moulded, directly or indirectly. Alternative responses can be demonstrated. The range of new opportunities, and the consequences

of each particular response, can be made clear. The range of possible responses can be widened by the removal of technical and economic limitations. In short, the scope of choice, the information upon which choice is based, and the means with which the choice is implemented, are all improved through making full and appropriate use of aid.

The relative importance of the various functions of the aid-giver necessarily differ from country to country, but each has a place, even if only a minor one, everywhere.

The task of aid strategy is to ensure that the full potential of aid is realised in any given situation, that each function that the aid-giver is capable of performing is performed to the limits of its usefulness within the overall limits of the country aid programme.

2 The key issue: the aid relationship

Aid is, above all, an issue of diplomacy and international politics. This should not be misconstrued to mean that the primary considerations in aid are necessarily diplomatic or political. But, since the aid operation is international, and especially inter-governmental, its success or otherwise in achieving whatever end is envisaged for it depends on the attitudes that givers and receivers adopt towards each other. The aid relationship is more important than are the technical aspects, not least because the latter are influenced by this relationship.

The donor's approach to aid-giving, and the policies that follow consequential from this, whether articulated in a formal strategy or not, are the result of the same complex interaction of causal factors as with any other major national policy towards the outside world. Even where the central purpose of the aid operation is unanimously acknowledged to be the development of the recipient, the difference in national and sectional interests, political orientation and traditions necessarily produces not one, but a variety of different, 'ideal', aid models.

Donor 'neutrality' and 'influence'

Different people provide different answers on the question of the ideal role of the aid-giver in promoting another country's development. The large number and variety of answers, and the many types of aid relationship they imply - some already tried, others only theoretical - can be grouped into several categories, each being distinguished from the others by a number of prominent characteristics. The basic qualitative difference between the various categories of approaches to the aid operation concerns the donor's attitude to the subject of donor influence and control. The aid-giver is faced with a number of choices. The first choice is between, on the one hand, a deliberate policy of control and influence, either on the use of aid, or through aid, and between, on the other hand, a policy of non-involvement and neutrality. A choice for influence and control requires a set of further decisions as to the nature and type of influence and control that is desirable and feasible, and, also, the manner in which they are to be exerted.

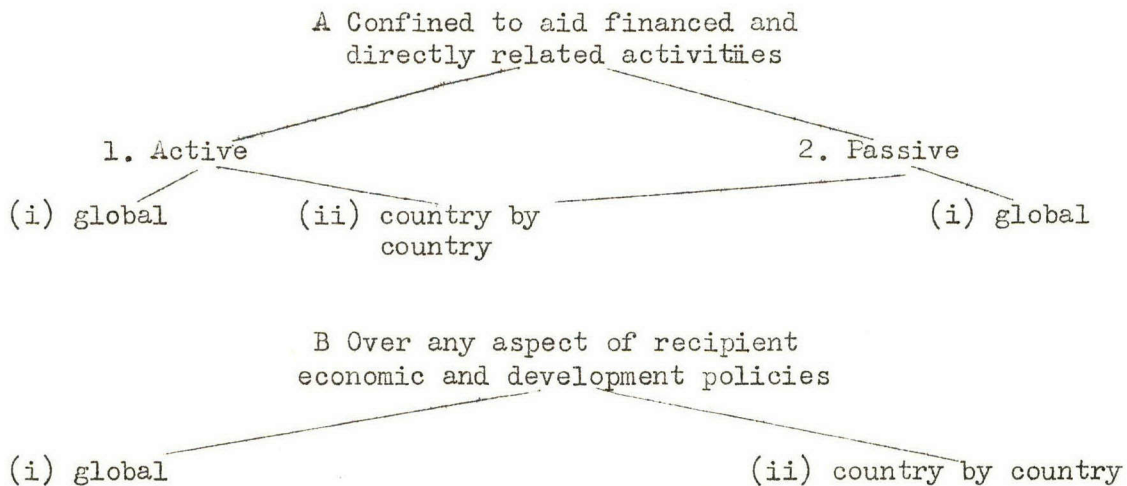
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The straight choice between 'neutrality' and 'influence' is important, though largely on only a theoretical level. For strict 'neutrality' to be attained, aid has to be in fully convertible foreign exchange, with no control on its use, and on grant rather than loan terms. Moreover it has to be disbursed, either according to some automatic formula fixed for a considerable length of time, or on political grounds, where there is no question of applying any economic criteria of eligibility. Even so, aid can never be completely neutral in its economic effects, and it is only the intention not to exercise any deliberate influence that allows the above distinction to be made. This distinction according to intentions does have some practical implications. The donor's attitude on the question of 'neutrality' versus 'influence' sets the tone for the aid relationship (and consequently the administrative mechanisms for handling aid). Thus, for example, the view that aid should be 'neutral' (whether in fact it is, or can be, is here immaterial) predisposes the donor to a very superficial aid relationship. Since control of aid use, and/or influence on the

recipient's development policies through aid, are thought to be neither necessary nor desirable, there is no need for an aid strategy, elaborate aid administration, professional contacts, etc. If aid could really be 'neutral' (as defined above) this attitude, in terms of the logic of neutrality, would be justified. But as soon as donors provide loans rather than grants, project or procurement tie their aid, restrict the forms in which aid is made available, and vet requests (however superficially), they cross the borderline between 'neutrality' and 'influence' (even if only an unconscious kind) on recipient actions and policies. Such donor influence, unwittingly and unintentionally exerted, tends, by its very nature, to take insufficient account of the exact needs and circumstances of the recipient. Any aid programme, formulated on the basis of a misconception and taking into consideration donor convenience rather than recipient needs, (unless it really is 'neutral'), is potentially dangerous and distorting.

Of more fundamental importance - especially in practical terms - than the straight 'neutrality' versus 'influence' issue is the choice of manner in which influence is to be brought to bear on the recipient government. A number of radically different approaches to this are possible. The following schema shows the main variations, with their distinguishing characteristics.

Donor influence and control over recipient development policies



The most important difference between various approaches to influence through aid concerns the scope of donor attention (i.e. the difference between A and B in the diagram). In practice the stated distinction - exerting influence on the use of aid funds alone, on the one hand, and on recipient government policies in toto, on the other - can never be precisely maintained. But, here once again, the intention to scrutinise and influence aid expenditure and nothing more brings about a donor attitude to the recipient, and a set of policies and measures, which will be qualitatively different from those brought about in the case where there are no self-imposed, ex ante, limitations on the scope of potential donor influence.

With the first, 'limited influence', type of approach, the donor's main interest is to safeguard the aid provided. The aid-giver wants to ensure that particular undertakings - those financed by aid - are sound - that is the primary consideration - and that the overall effect of aid on the general situation in the recipient country is of only secondary importance. The interest in the efficiency of aid can be motivated by anything from a simple need by the donor government to account for its expenditure, to a suspicion that recipients are not capable of making good use of aid on their own (a view which may, or may not, be justified in any given situation).

The problem of exerting such limited influence and control on the recipient government's use of aid can be approached in four ways.

The first two approaches, which can be described as attempts at 'passive influence', are characterised by a 'take it or leave it' attitude on the part of the aid-giver. Since some form of supervision of aid to ensure efficient use is thought to be necessary, aid is made available, either on condition that certain criteria are satisfied by recipients, or in forms that make it usable for only specific, stipulated, purposes. The recipient government is expected to take the initiative - propose a specific scheme, justify it, and show how it is to be tackled. The donor government then responds. It may approve, propose amendments,

even agree to a request to help with design, planning, implementation, and management; at the end of the process it provides financial aid to carry the scheme through. Consideration, approval, demands for modifications, and rejection of requests can be either on the basis of global criteria of development needs, or on the basis of an assessment of individual country needs.

Global criteria imply both a more inflexible attitude, but also a less passive one, since the existence of donor global aid eligibility criteria can in itself act as an inducement to potential recipients to put forward aid requests of a particular kind. For example, a donor might feel that the lack of adequate infrastructure presented a severe development bottleneck. With this in view the aid agency would announce the creation of a fund to meet the foreign exchange cost of infrastructure projects, provided that the requesting country could satisfy a number of conditions - that the project is likely to be 'viable', that it is properly designed and costed, that the necessary staff can be found to operate it, etc. Or, the donor might feel that lack of trained administrators was the critical problem, and offer courses for suitable applicants from developing countries' governments, provided that they had the necessary qualifications, and that there were suitable replacements while they took the course.

These passive approaches to aid require no more than a simple, rather remote, form of relationship between aid-giving and receiving governments. Contact between them takes place on an ad hoc basis and is confined to the subject matter of the specific aid request. Discussion does not encroach on matters of recipient policy not directly related to activities to be financed by the donor. In practice, most of the discussions and exchange revolve around identifiable projects; if donors wish to provide general budgetary or balance of payments support, they do not wish to exercise any control on the recipient that goes beyond the vetting of accounts to see that there is no blatant misappropriation and corruption on the part of recipient officials, or donor country suppliers and officials. In view of these factors the 'passive' approach requires only a skeleton aid administration, with very little field representation.

In contrast the 'active' approach, whether global or country by country, requires both a more continuous and involved donor/recipient relationship, and more sophisticated and specialised donor administrative arrangements (at home and in the field), as well as a specialist aid corps. With this approach, donor influence and control of aid expenditure is, in theory, similar in scope as in the 'passive' approach. But the functions taken on by the donor are more complex and involved. The 'active' donor approach is based on the view that the donor should share with the recipient the initiative on the direction and use of aid. The donor not only reacts to requests, but stimulates and encourages specific requests for specific activities. Requests are considered in a wider framework, and donor officials are ready to offer advice on alternative ways of tackling particular projects, to initiate investigations, feasibility studies, seek out potential areas of aid, etc.

The deeper such donor involvement becomes, the more difficult it becomes to draw a line between 'control and influence' over aid funds as such, and influence over recipient government policies in general. The success or efficiency of aid activities depends, of course, on related activities elsewhere which are not financed by aid. Therefore, effective control and supervision of aid activities requires a measure of influence over these related, non-aid, activities. The more anxious that the donor is to ensure efficient use of aid, the larger the number of recipient government activities that come within the sphere of donor interest.

The second of the two basic approaches to exerting influence (B in the diagram), recognises from the outset the impossibility of separating aid-financed from domestically-financed activities, and the interaction between different parts of a development programme and all policies in the economic and social fields (and some others as well). This recognition sweeps aside all 'artificial' limitations on the scope of donor activities; limitations are in this case dictated by the degree of political sensitivity and the extent and nature of the donor commitment to aid in general, and a specific recipient in particular.

This approach is, by its nature, 'active' - there is no equivalent to the 'passive' version of the 'limited influence' approach. Instead, in this approach the distinction between the 'global' and the 'country by country' versions assumes a much greater significance than in the former. The 'global' approach tends towards 'mandatory' aid conditions; the 'country by country' approach is more flexible and influence can be based either on pressure or persuasion.

The basis of the global approach lies in the belief that a sound development policy requires certain policy steps. The provision of aid for specific purposes can be a way by which donors try to induce recipients to follow some of these 'correct' policies. Others may only be induced by persuasion; this, in effect, requires at least some part of aid being made conditional on 'satisfactory' recipient performance in the desired area of policy. 'Good performance' in specified areas is thus a major eligibility criteria for the receipt of aid, although the donor is likely to be prepared to help with the formulation and implementation of new, and improvement of old, policies through some form of technical assistance. And 'good performance' tends to mean 'taking the donor's advice'.

The country by country approach can, in practice, follow a similar course. However, the very absence of a set of general positions on development requirements, and a willingness to look at each country's problems separately, means that the donor is more likely to participate in the development of policies, rather than attempt to impose a particular view. This approach requires the giver and receiver of aid to maintain day-to-day contact on aid and development matters through formal machinery set up for the purpose, as well as through various informal channels. The discussions and negotiations can then range over all aspects of aid and beyond, to issues concerning the recipient's economic policies and development tactics. The donor stands ready to advise over a broad area of economic problems, to help the recipient with the identification of development bottlenecks, and the formulation of aid projects. The

donor is concerned with everything that has a bearing on development, and is not afraid of pushing and urging the recipient into particular decisions thought to be in the interest of recipient development. Both sides can pledge their support to the development effort; the recipient's readiness to expose itself to donor influence and participation in policy making is then reciprocated by a commitment on the part of the donor to a sustained, adequate, and quality aid programme.

An aid relationship for development

The above variations on the theme of the aid relationship cover all likely possibilities, although each is open to many different nuances in performance. Most of the variations have been tried, or are now being tried, in actual aid programmes. Some are only theoretical possibilities. As has already been said, the particular approach that any donor chooses is determined by the interplay of many considerations and influences; some of these relate to donor interests, others stem from the donor's interpretation of development needs and the function of aid to meet these needs, and still others to the donor's assessment of the recipient government's political and diplomatic sensitivity. In trying to assess aid solely from the standpoint of the development impact one needs to determine whether all the various possible approaches to the aid relationship can serve this purpose equally well. Or, are some more consistent than others with the development objectives of aid.

At this point it is perhaps worth referring back to the discussion of the functions that aid-givers can (if they choose) perform (see pages 5 - 10). These functions were listed as 'stimulus', 'supply', 'advisory/technical/managerial', and 'dialectical'. Any approach or aid relationship that deliberately denies or curtails donor freedom of choice to perform any one of these functions would seem, prima facie, to be inferior to one that does not. Moreover, again bearing in mind the comments of an earlier section (page 5), any aid relationship that is based on a donor-orientated approach to aid is inferior to one based on a recipient-orientated one.

How do the various types of approaches to aid described in the previous section stand up to these two 'tests'? The approach which is based on the belief that aid should be neutral, that donors should not attempt to influence either the use to which aid is put, or the recipient government's general economic policies through aid, is inadequate for one very simple reason. To believe in neutral aid is to believe in a simplified theory of development, which identifies resource shortage as the one significant bottleneck to economic growth. Clearly, such a view of the development process does not provide an adequate basis for aid thinking.

Moreover support for 'neutral' aid presupposes that aid can, in fact, be neutral. It has already been said that the most important characteristic of neutrality is not so much that it is real, but that the donor believes it to be so. For practical purposes 'neutrality' has to be interpreted more loosely and made to refer to aid which exerts influence accidentally - i.e. without deliberate donor intent. Thus the choice between 'neutrality' and 'influence' is basically one between 'groping in the dark', and attempting to foresee what influence is likely to be of most benefit. There is no reason for thinking that the former is, in principle, better.

Of the approaches based on the belief that the donor should use aid to exert a development influence, those which draw arbitrary demarcations around the scope of donor influence - restricting it to those matters directly related to aid use - are of more limited value than those that do not. The aid-financed and domestically-financed activities of a development programme constitute an indivisible whole. Influence on, and control of, aid expenditure guarantees neither a proper integration of aid activities into the overall development pattern, nor even an efficient use of the aid itself. That, after all, depends to a large extent on many other related, though often imperceptibly so, recipient government activities and policies. The degree of government competence in the management of the economy is an important determinant of performance in development. This same competence, or lack of it, determines the skill and efficiency with which aid is utilised at the recipient end. But how

well aid is used is not only determined by the recipient government's overall management competence, it also helps to determine it. If the recipient's overall economic management is good, aid is likely to be well used and make an effective contribution to development. Development progress, in turn, makes overall management easier and therefore probably better, because it removes some of the obstacles which complicate management. Thus good domestic policies and well used aid interact and reinforce each other. But even if recipient management is good, it does not mean that there is no place for the aid-giver's 'advisory/technical/managerial' set of functions; the need is rather for more specialised and sophisticated forms of donor participation. And the usefulness of the 'dialectical' function is not affected. If recipient management is poor, the development impact of aid tends to be weak, because its potential contribution is dissipated or neutralised just as much by the poor overall management of the economy as by straightforward mismanagement of aid. So any approach which tries to separate donor interest in, and responsibility for, influencing aid use, from donor interest in, and responsibility for, influencing development policies in general, unnecessarily restricts the likelihood of the donor achieving the maximum possible development impact through aid.

All global approaches to aid suffer from a built-in tendency to standardise, generalise, and simplify. Through such approaches it is difficult to take account of the differing circumstances and requirements of individual developing countries. This is a serious enough indictment. In addition, the global approach is inherently prone to overstress donor, at the expense of recipient, considerations. The result is aid which is donor-orientated, and consequently donor influence is quickly transformed either into donor dictation at one extreme, or indifference and passivity at the other.

The 'neutral', 'partial influence', and 'global' approaches are thus found wanting in one respect or another. This does not mean that aid based on them cannot contribute to the recipient's development; but it

does mean that these approaches deny donors the opportunity of exploiting the full potential of aid. The type of aid which alone seems to be compatible with the full utilisation of all the functions that the aid-giver can perform needs to be based on a country by country approach, and donor 'participation' must not, in principle, be limited to aid activities, but extend to all issues of development policy. At any time donor involvement will, in practice, be limited to particular aspects of recipient government policy, but the selection of areas and issues to keep clear of has to be a matter of judgement rather than general and arbitrary regulation.

There is no single, clearly defined, approach which satisfies these conditions. Many variations are still possible within the general lines set out above. Among these the most important differences arise from the different attitudes of donors to recipients, and the different circumstances of the countries receiving aid. In so far as donor attitudes are concerned, there are two contrasting manners in which donors can participate in the recipient's development process - by pressing for particular policies, or by stimulating, and contributing to, informed and professional debate on policies.

The latter would seem to be the ideal; the reasons for this are discussed in the next sections.¹

An ideal to aim at

The previous section outlined the aid approach that seems to offer the fullest scope for the various ways in which aid-givers can contribute to the development process. This section looks at the aid relationship based on this approach in some more detail.

Two aspects of the aid relationship are of special significance - continuity, and a 'give and take' spirit.

Without continuity in the relationship, donor involvement is likely

¹ This point is taken up again in Chapter 3.

to be ineffective, and might actually be dangerous. The aid-giver cannot acquire the intimate knowledge and understanding of the recipient's quickly changing problems. Consequently, any criticisms and suggestions that might be made, or aid conditions that might be imposed, carry little weight with the recipient government. Problems cannot be detected at a sufficiently early stage and the scope for initiating comprehensive (aid backed) solutions is restricted. Negotiations on aid tend to be prolonged and agreements on specific measures long-delayed. The donor is in a weak position to appreciate which types of aid a particular situation demands; this is especially important in technical assistance, a field in which recipient requests tend to be rather vague, and often ill-prepared and ill-conceived. And the 'dialectical' function is made impossible.

To maintain the desired continuity donors have to establish the appropriate machinery and administrative apparatus. In this donor country representation and aid programming are key factors.¹

Discussion and negotiations on aid and development policies have to be undertaken in a spirit of 'give and take'. Without such a spirit it is unlikely that an intimate aid relationship could be established, or if it were, could survive for long. Donor representatives need to guard against the temptation of assuming a posture of arrogance and superiority, a posture to which their status can only too easily incline them.

The essence of the 'give and take' approach is that development and aid problems are not tackled or settled by means of donor/recipient confrontations. The proper spirit of the relationship is in fact amply conveyed by two words - partnership and dialogue. Donor policy cannot be formulated behind closed doors, without recipient participation. Specific measures can only be formulated in the course of joint consultations. It is of little use for the donor to present the recipient with a ready made policy package which the latter must either accept in

¹ See Chapters 3 and 4.

its entirety, or reject it at the cost of foregoing donor support. Fortunately, on most controversial issues it is unlikely that the division of opinion will necessarily run along donor/recipient lines; more often than not it crosses them. In most cases there is no need for the donor government to try to influence a recipient administration united behind one set of policies. Rather, donors can contribute - formally or informally, as circumstances demand - to a general debate on policies, tactics, or techniques. Or, they can stimulate dissenting views which might exist, but which do not emerge into the open for a variety of reasons. An important donor function is to identify those elements within the recipient country which have something useful to contribute to policy debate and formulation.

Donor involvement must necessarily be a gradual process, intensifying progressively over a number of years until a full working relationship can be established. In the initial stage recipient policy, as reflected, for example, in a development plan, provides the only basis on which donors can act. This is not the time for debate and fundamental reappraisals of recipient policy; rather it is the time for donors to concentrate on tactical aspects and the means of putting into effect particularly promising recipient objectives. The supply, technical, and managerial functions are paramount. The advisory function probably has to be directly related to any project finance that the donor is providing: this embraces help with the working out of the details of possible projects, initiation of detailed surveys, feasibility studies and pilot projects, supply of skilled personnel for operational posts and on the job training, and setting up of various institutions and mechanisms to tackle particular problems.

At the same time, donor policy during the 'transitional' period should aim at establishing a dialogue with the recipient on the broad lines of future development, and the volume and nature of external resources that this will require. Ideally, the recipient government needs to work out its development plan or policies in consultation with

the donor. While it is up to the recipient to decide on the basic objectives and lines of policy, the donor's participation at an early stage of the planning process is useful for two important reasons. First, it is at this early stage that comment on the feasibility of broad recipient propositions is most helpful, and full debate on fundamental technical questions - such as sub-sectoral investment allocation, investment phasing, project selection, implementation procedure, expenditure control methods, etc. - is most necessary. Development plans, for example, are often finalised without detailed consideration of its component parts, and its proposals are not clearly linked and related to financial, monetary, fiscal, and other complementary policies. It is an important donor function to help ensure that the chances of this happening are minimised. Second, donor participation in planning at an early stage should help to produce policies, or a plan if there is one, which are based on some clear indication of the volume and nature of aid that will be forthcoming. The object of consultations on policies at an early stage is to produce a set of aims that, at one and the same time, incorporates as nearly as is possible politically determined recipient aspirations and wishes which the donor can wholeheartedly support.

If there is some fundamental and lasting disagreement between donor and recipient as to the recipient's long-term objectives, the ideology that inspires them, or the way they should be tackled, a close relationship may well be difficult to achieve. It is, of course, up to the donor to choose countries for special attention; it is reasonable enough to maintain a more ad hoc type of aid relationship with those countries with which the donor cannot see eye to eye on the broad lines of policy. A donor should not be put off, however, by a recipient wishing to experiment along lines which are alien to the donor - in terms of either ideology, or social and political organisation - but which may well be appropriate to the recipient's situation.

In concluding this section it should be re-emphasised that the aid relationship imposes obligations which, though in one sense they widen

the area of choice for recipients, also restrict the freedom of action of the recipient, as well as of the donor. Curtailment of recipient freedom of action is obvious. The donor, moreover, need not attempt to camouflage this, or be afraid of it. At the same time it needs to acknowledge that it too has its freedom curtailed. Once the donor is committed to a policy, it is not easy to slip out. The aid relationship here described limits donor scope for cutting the volume of aid, for altering its conditions and terms, etc. The relationship is based on a form of bargain; both sides give up some sovereignty and agree to abide by certain self-imposed rules in return for progress towards a jointly agreed and sometimes jointly evolved objective.

3 Objections and problems of political will

It may be useful at this point to step aside from the general line of argument and anticipate some of the likely objections to the approach to aid here advocated.

Objections

The type of donor/recipient relationship just described envisages considerable donor involvement in the internal economic affairs of the recipient, in its development tactics, and decision making processes. This may be considered in both donor and recipient countries as undesirable, unwise, or impractical. First, there will no doubt be some who, while acknowledging that donors have certain 'rights' to attempt to ensure that aid is used effectively, would consider these rights to be limited, and not to extend beyond direct aid matters as such; political ethics dictate such a 'respect' for the sovereignty of recipients. Second, there will be those who fear imposing donor views and ideas on the recipient which could turn out to be ill-advised or wrong. Donors, they would argue, do not necessarily know what is best for the recipient, despite their technical know-how, experience, etc., because their economic, political, social, and

cultural experience and values are different and thus provide a bad guideline on which to base recommendations. Third, there will be still others who expect recipients to reject any approach to aid which involved outside 'interference' in their domestic affairs. To try to do so would, in their view, do political damage to the donor, quite irrespective of any possible inherent merits in the approach; it should not be risked.

How much force is there in these possible objections? Insofar as the issue of 'ethics' is concerned, self-imposed limitations of freedom of action by sovereign states are not new; there are many precedents in the form of bilateral agreements, treaties, and membership of international groupings or organisations. As in all these cases, so in the case of the aid relationship, the recipient would enter into any commitment on a voluntary basis. Donor involvement would not be forced upon the recipient. If there are strong objections the recipient may be able to come to an understanding with the donor which envisages a looser association - or, at worst, refuse aid. This last may be a hard choice to have to make, but it is always open; the recipient would have the final word.

In any case, the type of aid relationship here advocated does not raise any new issue of political ethics. It should be stressed again that the opposite of deliberate donor involvement is not non-involvement but passive involvement. Aid is never 'neutral' in its effect whatever the intention - even the simplest decision - to give, or not to give aid - is a form of influence over the recipient. If aid is made available in the forms that the recipient requests, with no strings attached, even this is a form of tacit donor support for whatever policies that recipient is following. The donor also determines the scale of recipient operations. In the opposite sense, rejection of an aid request also has its repercussions on the recipient. If the forms of aid are in part determined by the donor, or if any kind of condition, for whatever reason, is attached, the donor is partly responsible for determining the nature and direction of the recipient's development effort, as well as its scale. What is advocated here is not involvement as such - this is an inevitable part of aid-giving -

but rather that involvement should be systematic and deliberate rather than random and accidental.

The argument that donor involvement may be unwise in the long run - even though perhaps useful in the short - is more serious. This objection has already been raised in respect of French policies towards its former colonies in West and Central Africa.¹ If a large part of the development effort is in the hands of expatriates, with most of the important decisions taken, or subject to approval by them, with limited scope for local initiative and experimentation, reliance on borrowed values, systems, and procedures, and little effort at adopting them to local conditions, the recipient may end up, or remain (in the case of a former colony) in a state of complete dependence on the donor. Even worse, the recipient may become a sort of inferior copy of the donor, with a potentially more promising line of development, more deeply rooted in local conditions, with a greater chance of long-term survival and progress, having been sealed off. Should donor/recipient co-operation break down for any reason, the recipient can then all too easily be set on a downward slide from which recovery will prove to be very difficult, or impossible for a long time.

Although there is much force in this line of argument (especially if put in an extreme way, as above - and French officials certainly take it very seriously), it does not invalidate the principle of involvement here advocated. It does, however, point to some of the possible dangers if a proper sense of perspective is not maintained. One such danger is that donors, anxious to obtain development successes, become too impatient with recipients and try to lay down unilaterally and rigidly the recipient's whole development pattern, and in their own image. What is advocated here is not that donors should impose policy objectives - or take over the direction of the development effort. This is not their function. The donor's functions are to stimulate debate and discussion, to explain the consequences of certain actions, to identify problems, to advise on tactical and technical considerations, and to put its resources, technical experience

¹ See French Aid, op cit.

and wide range of skills where they are felt to be most needed by both parties.

Finally, there is the objection that recipients would not agree to co-operate in an aid relationship that envisaged deliberate donor involvement. But there seems to be no a priori reason to think that the majority of recipients would not co-operate in a scheme which is primarily intended to promote their development, and which commits donors to better - and probably more - aid. Since the approach has not been adequately experimented with, this issue should not be prejudged.

One aspect of recipient willingness, it would seem, could present a major obstacle to a working aid relationship based on donor 'involvement'. In a number of developing countries the existing social and power structure seems to be an important limiting factor on development. Development may therefore depend on changes in the socio-political status quo; this would undermine the position of the established ruling groups and their supporters. If development is seen as a threat to the existing power structure, it is doubtful whether a donor, whose main aim is to encourage and make possible such change and development, will be welcomed by the recipient government. If there is no common interest in development between donor and recipient governments, the dialogue approach may well have to be ruled out as impractical in the short run. The donor, however, may wish to persevere with a dialogue approach, hoping that, in the long run, this may produce some favourable results. The alternatives to this are, either to disengage from aid altogether, or to provide aid which alleviates particular problems (and perhaps thereby reinforce the socio-political status quo), or to use aid as an outright 'bribe' to bring about changes. From the point of view of the long-term development of a particular country, it may well be best to persevere with the dialogue approach. From the point of view of the development of the developing world as a whole, disengagement may be the best policy. In this way scarce resources, trained people, and donor energies can be channelled into those countries where a more fruitful co-operation on development can

be attained. In the end, the choice between the two, or either of these and the other two possibilities mentioned, can only be made on political grounds. How strong donor commitment to world development is vis-à-vis donor commitment to a particular country (whether from a development standpoint or a politico-strategic-historic one) will determine the final outcome.

The problem of political will

The donor's role in this development process and development debate can, by its very nature, produce an abrasive situation. This danger is unavoidable. To perform a useful role the donor needs to be an instigator of criticism and reappraisal, and a champion of change. To be able to perform these functions needs both tact and perseverance. But, in a sense, the 'right' to perform them is not automatic; it has to be 'earned' by the donor. The mere fact of providing resources in aid is not a sufficient qualification. To 'earn' the right can itself be a tedious, involved, difficult, and unrewarding operation. It is clear, therefore, that for the donor to take this on in order to help promote development in an overseas country requires strong motivation. Thus, the most important single determinant of the donor government's willingness to establish a really close aid relationship is the strength of its commitment to the idea of development - whether motivated by disinterested concern about low living standards, or for political, self-interest, reasons.

What is the current situation concerning the commitment to aid in donor countries?

The very low level of income in most of the underdeveloped world, relative to the average in the economically advanced countries, provides the raison d'être of aid. The actual commitment to provide aid is a result of the interaction of a profusion of diverse considerations and views. Thus, according to one main strand of thought, the obvious central objective of aid is the promotion of more rapid economic growth in low-income countries. But, to different people, this one

objective is paramount for different reasons. First, development is thought to be desirable as an end in itself. Second, from the point of view of the developed countries as a group, promotion of development is thought to be a necessary precaution against conflicts and disturbances arising from growing international disparities in wealth. Third, again from the point of view of the developed countries as a group, the development of poor countries is thought to enhance the long-term economic and commercial position of the richer countries. Fourth, from the point of view of one rich country, development of countries within its sphere of influence, or neutral countries, is thought to serve the political, strategic, commercial, and cultural interests of that rich country. Fifth, development is thought to serve particular sectional interests, such as those of companies operating in developing countries or exporting to them. The motives can thus vary widely - some of them even conflict with each other - but the aid objective in each case is development.

According to another view, an attack on poverty is not the purpose of aid, rather poverty makes economic aid a particularly powerful and attractive instrument for exerting influence on developing countries. Those who support aid on grounds of direct or short-term donor self-interest usually assume that it also contributes to development - the very fact that resources and skills are provided (whatever the intention) is thought to bring economic benefits to the recipient.

A third view is that, though aid is not a good method of promoting either development or any other specific objective, some contribution is politically necessary. Some token of support is easier than outright refusal of recipient requests or failure to contribute to various multi-donor programmes. To those who hold this view the primary consideration in aid-giving is to minimise the real cost of aid to the donor while trying to maximise its nominal, or apparent, value.

It is clear that if support for aid is founded on either of the two latter views - political influence or diplomatic necessity - then there is no incentive for the donor to try the form of aid approach proposed in

the previous section.

The stated primary objective for which most aid is now provided is developmental (even though the motives for this choice differ between donors and individuals within one donor country in the way just described). At the same time aid is used to promote various other objectives which are not linked with the recipient's development. Sometimes the combined force of several of these so-called secondary objectives is sufficient to submerge the primary objective, even though this is not intended. In this situation the nature of the impact aid has on the development of the recipient's economy is left completely to chance. It is, of course, possible that the forms, terms, conditions, and end-uses of aid happen to be such as to serve development needs as well as if they were specifically selected for this purpose. But such fortunate convergence does not occur frequently. More often than not the impact on development is small; on occasions it is indeed harmful. Even where the development objective retains its preeminence, attention to secondary objectives and indiscriminate donor cost minimisation distorts the aid programme in such a way as to reduce its development impact.

When there is only one policy objective the choice of means to promote it can be determined largely on 'technical' grounds. Where there are several major objectives, or one primary and a number of secondary objectives, the choice of means is governed by the weight given to each objective and by the need to avoid potential conflict; aid measures must be so designed as to promote one objective without at the same time hindering the others. If the objectives themselves conflict, the situation can only be resolved rationally by giving higher priority to some, and dropping others altogether. Otherwise the policy is self-defeating. It is clear that the present proliferation of objectives provides much scope for conflict, and leads to an equivocal donor attitude to the aid relationship.

Since the aid relationship advocated in this chapter is so dependent on donor commitment to use aid for development, and to persevere with this commitment, the chance of success might, at first sight, seem rather remote.

Yet, this is not necessarily so. There seem to be two fairly straightforward ways in which a substantial start can be made without putting all aid on an exclusively development basis.

The first method - already hinted at - is to take a selective approach, to choose a limited number of countries among aid recipients with whom a dialogue and involvement approach can be tried. Where to start would be decided by a combination of political and technical factors. Obvious candidates in the initial stages would be found among those countries in which donors already had a major aid presence, and where there was relatively little chance of political friction. Very probably the dialogue approach would produce the greatest gains for countries which are either already showing signs of change and movement affecting a relatively wide cross-section of the population and economic activities, or whose governments are anxious and able to put up ideas and have them subjected to professional scrutiny. The full value of the dialogue approach cannot be realised if there is no genuine two-way flow of ideas and influences. This implies that the recipient government must be able to react to, and make use of, the exchanges. In other words, a dialogue is most useful when the recipient government is able to take full part, and to make a positive contribution.

The USA has made a major effort in recent years along these lines: it has chosen a limited number of countries with which it has tried to establish a close, development orientated, aid relationship. The actual approach has varied from country to country, and from year to year - on the whole it has been a mix of the 'dialogue' and the formal performance criteria approach. The basic principle of 'involvement' is accepted, though the manner in which it has so far been pursued is at variance on some major points with the one proposed in this chapter.

Other donors have not yet accepted the principle. For some, non-development considerations dictate the nature of their approach to aid. Those who emphasise the development objective tend to prefer a limited involvement approach (the 'passive' variant in the case of, for example,

Germany, and the 'active' approach in the case of Britain). France is in a special position. Outside Africa its approach is 'passive' where development is the major objective; in most cases non-development considerations predominate. With many of its former African colonies, France has a special and close relationship. This is based on the principle of 'involvement', but of a kind which is not applicable outside the unique political, institutional, financial, and commercial pattern of relations in the Franc Zone.

The second method of moving towards the dialogue approach is to channel a proportion of the aid budget, and delegate responsibility for its disbursement and administration to an extra-national agency, specifically and exclusively organised to promote development. The World Bank, which now accepts the involvement principle, might become the appropriate agency. At the moment, however, the indications are that the Bank is not interested, in practice at least, in the dialogue approach; it seems to insist on rather rigid performance criteria and formal conditions of aid eligibility.

The multi-donor situation

So far the discussion has not made any allowance for the possibility that a number of independent donors may operate side by side in any one recipient country. How does the multi-donor situation affect the aid relationship based on the 'dialogue' approach?

The approach needs no, or little, modification, if any one of three conditions is satisfied. The first is that one donor provides a very substantial share of aid; for practical purposes this makes the situation similar to the single donor case. The second is that donors delegate their functions and powers to a single agent, acting on their behalf, with funds subscribed by them according to some formula (binding or voluntary). This also becomes an almost exact replica of the single donor case. The third is that the various donors co-ordinate their approaches towards a particular recipient and act in unison, while at

the same time retaining separate administrative responsibility and procedures.

It would seem that at present the multi-donor case presents least obstacles to the dialogue approach in those countries where one donor is dominant. A large number of the smaller countries, especially former colonies, are in this category. Although in time many of these may wish, and be able, to attract aid from new sources, this change is unlikely to take place quickly, and in some cases new donors might be prepared to gear their aid activities to those of the old-established, predominant donor, especially if there were strong pressure from the recipient side for this.

In the case of several of the larger recipient countries in which substantial aid is provided by several donors there are reasonable prospects that the aid partnership can be developed through the medium of a multilateral agency. There are already a number of rudimentary mechanisms for such a co-ordinated approach. Pressure from one or two of the bigger bilateral donors could provide the push that is required to evolve the mechanism further, and in line with the spirit of the dialogue approach.¹

The most difficult obstacles lie in the way of progress in those recipient countries which receive substantial aid from various sources, but where only a minority of donors share a common objective. In such countries donors are not only inclined to work independently of each other, but may actually be in competition with each other. Such donor competition in aid is not so much a result of differences of opinion on the methods by which aid can promote development - though these exist - but more a manifestation of a more general competitive frame of mind. Most differences of opinion - and competition - in aid result from differences of view on the importance of non-development objectives in a given country. Aid is also used to promote the interests of one donor vis-à-vis another,

¹ For a detailed analysis of these issues see Pledged to Development by John White, ODI, 1967.

with the recipient acting as an innocent intermediary. Such inter-donor rivalry is especially associated with East/West competition; but it is also a feature of relations between DAC members and extends even to the various multilateral agencies.

4 Implementing the strategy

Getting the aid relationship right is the first - and basic - step towards effective aid. In itself, it does not, however, produce development success - donors must equip themselves with the machinery and instruments with which to try to put their intentions into practice.

The 'dialectical' function of the aid-giver relates to the overall, or macro, problems of a particular recipient. In its other functions the aid-giver must be selective; detailed attention can be focused, by the very nature of the aid operation, on only a limited number of problems or sectors. The crucial determinant of the effectiveness with which these other functions are performed is the skill with which the selection is made. Thus the exact make-up of the aid programme, and its value to the recipient, depend, above all, on the donor's ability to spot what sort of aid is most needed, where, and for what. But to work out a specific aid measure with any degree of certainty that it is likely to produce the desired results is extremely difficult. First of all, its outcome is not determined exclusively by factors directly related to the measure. In the case of an aid project, for example, success does not depend only on such factors as location, design, staffing, etc., but on a multitude of often only remotely related activities undertaken elsewhere. Some of these can be traced or foreseen, and these taken into account or influenced. But this is not true of all cases; the cause of unsatisfactory performance may even be difficult to pin-point ex post. Thus decisions on choice of activity, given the inadequacy of hard data, the speculative nature of complementary activities, and the number of possible but unforeseeable pitfalls, are often taken according to some rule of thumb; these tend to favour undertakings that seem 'safe' and predictable, rather than those

which may be most urgent.

The second complicating factor is that the wider repercussions of specific measures may be very far-reaching, but not foreseeable, or not apparent until much later. These repercussions may be damaging, even though the actual aid activity is a success. Technical assistance is especially prone to this danger; aid which shapes basic institutions and policies such as education, administration, tax structure, land tenure, etc., can easily produce long-term headaches along with short-term solutions.

The third difficulty is that failure to tackle certain problems may be more serious than an obvious waste of resources on a 'white elephant' - especially if the problem remains undetected. It limits performance in other areas, including those to which aid has been applied, or it may complicate the whole development programme in the future. Failure to check population increase is the most dramatic example of this (though it is certainly not a problem which is 'undetected').

The fourth complicating factor is that the effectiveness of aid depends as much on the volume of aid as on what is actually done with it. This is of particular significance when there is a sophisticated, well-integrated development plan, for which sufficient finance is not forthcoming. If any items are left out, the effect of this is felt throughout the economy; unexpected bottlenecks appear and hinder progress in many of the activities which do go ahead.

The fifth and last major difficulty is that the processes and interrelations which bring about development are too insufficiently well understood to provide adequate guidance to action on many occasions.

The net effect of all these difficulties is that a search for abstract criteria to provide guidance for aid decisions is of dubious value. 'Good' aid measures, in the abstract, do not exist.

Fortunately, the donor does not act in a vacuum. The basic development objectives are determined by the recipient, even though they may be expressed only very vaguely. This situation makes the donor's task at once easier. The development objectives - or proposed development

plan - throw up a series of questions and weaknesses. Thus, on the expenditure side, there may be internal inconsistencies, vagueness on many proposals, and projects and policies unrelated to declared objectives; on the revenue side, there may be too little attention to the exact source of finance needed for the plan, imprecisely worked out tax policies, with no attention to wider consequences of tax measures, etc. And, in the general field of policy there is plenty of scope for adapting various measures more closely to the requirements of development policy objectives - e.g. taxation, pricing of utilities, tariffs, import regulations, exchange control, monetary and credit policy, budgeting procedures, company law, etc. The donor's role in all this is to observe, analyse, draw the recipient's attention to various inconsistencies, demonstrate the likely consequences of different measures, suggest alternatives, suggest improvements; to offer help for deeper and more extensive analysis of certain sectors or planned policies; to channel aid into those activities on which performance over a fairly wide area is thought to depend.

The ultimate test of effectiveness in aid, it would seem, is the donor's ability to contribute - to the greatest possible extent for a given outlay - to a smoother and quicker attainment of the recipient's basic development objectives. The practical implications of this criterion is that aid must be concentrated in those sectors and activities on which progress elsewhere largely depends - i.e. where aid will have the maximum 'spill-over' effect. To find these is not easy, but the search for key sectors and activities can be facilitated by the development and use of systematic procedures - i.e. 'programming'.¹

Having decided on the end-uses of aid in a given situation, donors need to fashion the precise forms (and terms) in which their aid is to be made available. Exogenously decided aid forms should on no account themselves become important determinants of the ends to which aid is put. What is to be done with aid, and how it is to be done, should not be

¹ See Chapter 3.

determined by what it is most expedient from the donor's point of view to provide. The end-uses must be determined, as far as possible, independently of such donor domestic influences, and aid must be shaped so as to achieve specific desired results in the recipient country. In most cases a donor can provide aid in only a limited number of forms, and objectives are therefore necessarily determined to some extent by the types of aid available. But the decision to shape the objectives according to the availability of aid forms should never be taken lightly. In those cases where a particular objective can be reached in a number of equally, or almost equally, effective ways, considerations of what is most suitable to the donor can certainly sway the decision one way or the other. Where this does not apply, and where there are several donors, another donor might be asked to contribute. If the objective is judged to be critical to the development programme, the donor may have to take steps to evolve, as a matter of policy, forms of aid which it finds difficult to provide - finding the appropriate forms to aid agriculture is a case in point. This may require research, training of personnel, recruitment of third-country nationals for technical assistance, provision of some resource which is especially limited in the donor country (e.g. foreign exchange), etc.

Although the range of aid forms available to any one donor is limited, it is nevertheless very wide. In most instances in which aid forms alter recipient priorities and objectives the cause lies elsewhere than with genuine donor inability to provide what is required. One donor practice which is at fault is to formulate general aid 'rules', and circumscribe it with restrictions to accommodate particular donor interests, without detailed reference to the specific needs of particular recipients and particular problems. Aid, to be effective, needs to be flexible, with a minimum of general restrictions. Restrictions and conditions, if imposed, need to be decided on a single country basis. This applies both to conditions and restrictions motivated by concern for the recipient's interests, as well as donor national or sectional interests.

Once a decision has been reached on the size of the development effort a donor is prepared to undertake, the further decisions as to the forms in which it is to be provided should be taken, as far as possible, on technical grounds. From an efficiency standpoint it may be preferable to reduce the nominal value of the aid programme in return for the removal or relaxation of some particularly restricting conditions which are imposed to keep down the real - in relation to the nominal - cost of aid to the donor. Certain forms of tying - resorted to in order to minimise the impact of aid on the balance of payments position of a particular donor - would be strong candidates for such an 'exchange'. One of the specific inducements that donors can offer the recipient government in exchange for its willing **acceptance** of donor involvement and participation is better quality aid - appropriate to the recipient's needs, and with a minimum number of unnecessary restrictions.

July 3, 1967

Dear John:

It was quite a thrill to find "Pledged for Development" in the mail this morning, and I know how pleased you must be. Now that your intricate labors on this project have resulted in such a handsome product, I am sure that we will want additional copies, and will write about this separately. But in the meantime, heartiest congratulations to you on the completion of a long and thoroughly un-simple task.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute
160 Picadilly
London, W.1,
England

HG
HG:sng

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JW/PJS

HYDE PARK 2654

30th June, 1967.

Dear Mike,

After many misfortunes at the printer's, Pledged to Development is at last ready, and we are publishing it on July 13th. I am sending you an advance copy under separate cover. I hope that I have succeeded in phrasing my acknowledgement of your help, at the end of the foreword, in a way that cannot embarrass you.

.. I am enclosing herewith your original comments on the draft, with, in the margin, my very scruffy notes indicating what steps I have taken to meet the points you raise. Signs like a tick, or "done" indicate that I have simply accepted the point and re-written accordingly. The word "clarify" means that your comment gave me the impression that I had not expressed myself clearly, and that I have stuck to the point while re-phrasing it. Page references indicate where the passage on which you are commenting now appears in the published version.

I do not imagine that you will want to plough through all your original comments in order to check up on the alterations I have made. I am sending them back to you only to give you a general indication of how extremely helpful I found your comments, and of the extent to which I have tried to take them into account. That is why I have not gone to the length of having the whole thing prettily typed out again.

It proved impossible to get a good photographic copy from the notes. I should therefore be grateful if you could let me have them back in due course.

We are taking various steps here to follow up the recommendations in Chapter 6, and, separately, the general argument outlined in section 3 of Chapter 5. On the former, I hope that there will be some discussion in the press following publication. As you know, we have got this down to something of a fine art. On the latter, I hope, for instance, to start some sort of discussion in the ODM. We are also having another go on the IDA front, on the lines suggested at the end of Chapter 6, with particular emphasis on the possibility of Britain's taking a unilateral initiative in this respect. This exercise of ours is a complex and continuing one.

The "Aid That Works" series, which I did with François Duchêne of The Economist, is now printed up as an offprint, and I am sending a copy of that with Pledged to Development.

Yours ever,


John White

Mr. Mike Hoffman,
The World Bank,
1818 H Street N.W.,
Washington D.C.

acc July 11

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HYDE PARK 2824

30th June, 1967..

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Mr. Mike Hoffman,
The World Bank,
1818 H Street N.W.,
Washington D.C.

see July 11

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TELEPHONE: HYDE PARK 2654

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JW/PJS

30th June, 1967.

Dear Harold,


After many misfortunes at the printer's, Pledged to Development is at last ready, and we are publishing it on July 13th. I am sending you a copy under separate cover. I am also sending a copy to Mike Hoffman with a detailed explanation of the steps I have taken to meet the points he raised.

William is sending a personal copy to George Woods. I gave a copy to Peter Cargill when he was here yesterday, and I am sending a copy to Johnnie Miller.

The "Aid That Works" series is also now ready and I am putting a copy of that in with Pledged to Development.

I wonder whether the Bank would like more copies of either of these?

Yours ever,



John White

Mr. Harold Graves,
I.B.R.D.,
1818 H Street, N.W.,
Washington D.C.,
U.S.A.

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OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

1. Mr Lind
2. Mr. [unclear] (I would like to read it on my return 1967)

22nd June 1967

Dear Harold,

Thank you very much for sending me the interesting memo about Goran Olin's remarks about aid.

I am very unoblined to agree with the idea that we will never get, in the next four or five years at least, any notable change towards multilateral aid. I think on the contrary that there is a danger that multilateral aid will start going downhill quite soon partly because of disillusion with the U.N. as a peacekeeping organisation (that may be irrelevant but it doesn't seem so to the average voter) and partly because of disillusion with multilateral agencies (where the World Bank has the best reputation, but as our troubles over IDA are showing even it is not proof against scepticism).

I have been considering for some time how we might try and raise the level of support for multilateral aid and I enclose a very preliminary and rushed report on some of my ideas which I have sent to Paul Hoffman. I would very much appreciate your thoroughly sceptical comments.

I will think over your dislike for global figures. Maybe you are right, but I equally have a dislike of getting down all the time to individual projects, which do not seem to make much sense by themselves. I think we have got to try and get a mean somewhere between the two extremes. Incidentally The Economist articles are being reprinted by us, and I will send you an early copy of the pamphlet, in case you do in fact want to order a few extra copies.

It was nice seeing you again and I'll look forward to coming down once more when I go back to the U.N. for a bit in October.

Yours sincerely,



William Clark

Mr Harold Grames
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433

OVERSEAS DEVELOPMENT INSTITUTE LTD

180 PICCADILLY LONDON W1 HYDE PARK 2824

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Mr Harold James
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433

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DEVELOPMENT AND INFORMATION

This is a preliminary and short report on my first impressions of the nature of the problem U.N.D.P. faces in seeking to present itself publicly. I am submitting it as the basis for discussion, though I feel I need to know far more about both the U.N. and its development program before finalising any recommendations.

William Clark
Director, Overseas Development Institute,
160 Piccadilly,
London, W.1.

June 20th, 1967.

1. AIMS

It is essential to the continuance of U.N.D.P. that it shall raise voluntary funds from governments, but to regard publicity for the program as solely a fund-raising exercise is mistaken and self defeating. To be successful, even in fund raising, our publicity should seek to heighten the interest in development both in rich, donor nations and in recipient, developing countries. It should try to create a lively sense of partnership in a great world-wide effort to prevent a North-South split, and to ensure a larger measure of social justice in the emerging world community.

2. It follows from this very broad objective that any publicity should try to cover all aspects of the U.N.'s development effort and not just those projects sponsored by U.N.D.P. Indeed we should attempt to show that there is a U.N. strategy for development which involves all the Agencies, Unctad, the World Bank, etc. and which covers almost all aspects of development needs.

3. The idea is to build up a picture of the U.N. as an economic development institution and not merely a political instrument. I believe that, incidentally, this is by far the best way to ensure a flow of funds from the donor countries, so long as we can show that U.N. development aid has some special quality.

4. This special quality of multilateral aid is not necessarily superior efficiency. Even if U.N. programs were universally more efficient it would be extremely hard to persuade donor governments of a fact that would imply criticism of their own efficiency. The special quality of multilateral aid is not easy to define (I recognise the need for much more thinking on this particular point); but it has to do with the fact that because rich and poor, donor and recipient are equally members of U.N. its development program is more genuinely 'mutual assistance' than any other. It is an example of the world modernising itself, and a stage in the process of building a world community. In this sense the U.N. is an avant garde organisation thinking and building ahead for the more rational order which most of us admit must be created. The U.N.D.P. itself can be represented as a Pilot project in this new world system.

5. Furthermore because the U.N. consists of a large majority of member states which are underdeveloped, it can claim also to be

a unique repository of knowledge of development problems. This fact can be used to promote the idea of the U.N. as a Development body with special expertise derived from its membership.

6. To sum up: I feel strongly that the best way to put U.N.D.P. over is to give a picture of the U.N. as an institution with two complementary functions - (i) peacekeeping, with the Security Council at its centre, and (ii) building a just world community, with the Economic and Social Council at its centre. Support for U.N.D.P. will be earned, or forfeited, by the U.N.'s record as a whole, and it is therefore in our interest to portray the U.N. development effort in its entirety on as broad a canvass as possible. (I am aware of the difficulties and stresses involved in bringing together all sections of the U.N. family, but I do feel that at this present juncture the need to reverse the tide of disillusion with U.N. makes it imperative that a mighty effort be made).

7. METHODS

Since what I am suggesting is a campaign to publicise the U.N. as a Development organisation, we must look to the U.N. to produce some central strategy for Development. I am not yet sure how this should be done. I fear a repetition of "Development Decade: Proposals for Action" which (with all its merits) was too bland a document and was appallingly badly publicised, at any rate in Europe.

8. I would hope that out of the discussions now going on about the Second Development Decade some new ideas for this strategic document would emerge. I also hope that the phrase "Development Decade" would be dropped and some more realistic measurement used, e.g. the Development Generation, and the generation of Development.

9. It is also vital that the document be edited with a strong hand. It needs to show how the U.N.'s contribution to the war on poverty fits into the even broader world effort including the bilateral programs. It needs to show how the various Agencies mesh in together (this demands political as well as literary editing) and it needs in looking back to admit the failures and recognise the immense future difficulties as well as emphasising the real successes. If, on the contrary, the document is edited to please all the public relations officers of the Agencies and to satisfy a hundred or so Government delegations, it will interest no one else.

10. In terms of publicity the importance of this document is that we can fit our individual items of information into its context. I believe we should try and get away from the innumerable hand-outs about individuals projects, and move towards using projects only as illustrations of how the U.N. effort works. (Of course there is need to give information and publicity to the parties most concerned in any individual project. I am speaking here of the world wide publicity of U.N.D.P.). Certainly only this more generalised publicity is likely to have any effect on opinion in the major donor countries. At present news that U.N.D.P. is financing, for example, a cement factory in Ruanda, is of interest to only a tiny group of people in England who are themselves, perhaps, involved in financing a cement factory in Uganda. They may feel a sense of rivalry, or a sense of satisfaction that someone else has taken the burden, but there is nothing in this context to make the U.N.D.P. project significant in terms of the U.N. or of multilateral aid. What is it that we wish to signify by the news of a U.N.D.P. project?

11. The message we want to get across is this: there is a global war on poverty in which a special and distinct part is played by

the U.N. family of multilateral agencies; here is an example of how they are fulfilling their role; one tactical operation in the broad strategy of the U.N. development effort.

12. To whom do we address this message? What is our public?
I feel there is a certain amount of confusion about whether we address a mass audience or an elite of influential people. Surely we do want ultimately to reach a mass audience in both donor and recipient countries, but the question is how we reach them. The U.N. is (unfortunately) regarded as a 'foreign power' (friendly, but still foreign) in most countries of the world, and it is notoriously difficult and unwise for foreign powers to address the mass audience in other countries. For this reason the U.N. needs (like other powers) to work through the influential elite who can reach the mass audience of their own country, or who can directly influence the decision-making in Government.

13. Even within the 'influential few' I can distinguish some distinct audiences we need to address.

(i) The opinion formers (Press, radio, TV) who are of particular importance in donor countries.

(ii) The legislators and executive politicians, who are more important than Press in most developing countries.

(iii) The investors i.e. those who control the specific allocations of funds to projects, whether from public or private sources. [I have not examined the problem of this group at all thoroughly yet, but I feel sure that the presentation of pre-investment studies to appropriate potential investors does need very careful study: it is an operation quite distinct from the presentation to the public, and I suspect there has been some confusion between the two operations].

14. To deal with group (i) and (ii) above (Press and Politicians)

it is imperative to make personal contact, and provide material in a form which can be used (not just reproduced) by the publicist or the politician and put into the idiom of his own society.

The simple mimeographed Press Release with details of a project and a record of its beginning or completion are never regarded as news worthy, nor, if published, do such items for the record really produce any political benefit for U.N. or U.N.D.P.

15. We should therefore aim at establishing contact with appropriate publicists and giving them new material to work up in their own way, at the same time trying to ensure that there is a reasonable element of the U.N. message in its presentation. (A good deal of this is done under the Fuller Reporting system, but I would hope we could extend it to publicists and politicians who do not want to visit a distant project but are prepared to write up the economic significance of a project, or a larger part of the Program, from existing written material).

16. Who is to do this contact job, in what places, and who is to supply the material? I hesitate to pronounce on this since I have so little experience of the workings of the U.N. But I will put down my preliminary ideas:

17. Such an information program differs radically from the tasks the O.P.I. appears to have set itself. O.P.I. produces - in general - a record of unimpeachable accuracy and with no sign of bias. On the political, (Security Council) side of U.N. this is an essential task. But it is less suitable on the Development, (Economic and Social Council) side of U.N. where a war is being conducted and there is no neutrality towards the enemy - world poverty. A much more positive and even hortatory tone is needed. I am not sure this can mix with O.P.I.'s current stance, and I am certain the same people cannot do both jobs at any rate at the top echelon.

Therefore I believe a few U.N.D.P. information officers will be needed as follows:

18. (i) In the U.N. a Director who will oversee the whole U.N. Development effort and decide what material in what medium would be suitable for what audiences. Such a person would naturally be very dependent on the various U.N. Agencies both for information about projects and for suggestions as to how to treat them, but a single Director (or Editor) could give coherence to the public image of the U.N. effort, and could try to ensure that the proper U.N. perspective was implicit in all that was put out.

(ii) Regional Officers, (the contact men mentioned in paragraph 14 above). These must be persons of some standing with a great deal of discretion left to them. But they need not be full-time, and indeed it would be valuable if some persons well acquainted in the public and publicist scene could give periods of their time to U.N. How many such regional officers there should be is open to debate, but perhaps one at each U.N. Regional Office would be the basic minimum.

19. Perhaps this is my parochial prejudice but I feel that Europe desperately needs some such U.N.D.P. information officer. In Britain and on the Continent the U.N. Development material often seems to be slanted to American interests and journalistic methods, and many editors are left feeling that this is a bit of U.N. New York news that should have been covered, if at all, by their U.N. correspondent in New York. Viewed from the political-diplomatic stance of most U.N. correspondents Development information usually seems utterly un-news worthy. Getting the news to the right journalist (usually on the City pages, or one of the few economic commentators) and showing its significance is a challenging task which is not at present being undertaken in Europe.

20. The need for a good information service in the developing countries is equally great. [I have dealt with this very

sketchily because I have not yet had an opportunity to study this in the field]. In this case it is Development Support Information (to use Erskine Childers' phrase) which is demanded i.e. information which helps to rally support for their own Development Program and which heightens their sense of being in a partnership of all nations concerned with development. The general material about the U.N. Development Effort which would be needed for this purpose is the same as that described earlier in this paper, though it might be handled slightly differently by the Information officer. Thus it is possible to make the valid point that the Information arrangements which would be necessary if proposals were accepted are necessary to the development process itself. I feel sure that Governments would be more willing to vote money to assist development than to assist in the process of twisting their arms to extract more money!

SUMMARY

Publicity about U.N.D.P. should be handled always in the broad context of the whole U.N. family's development effort.

This will demand a document setting out the U.N. strategy for Development, and our publicity about projects must be shown to fit into this strategy.

Publicity of this type is designed to persuade and call to action. It is therefore likely to be separate from the O.P.I. type of strictly neutral information.

There will need to be some Development Information officers in New York, Europe and the other U.N. Regional offices. They are an essential part of the whole process of economic development, lubricating the partnership between nations that is involved.

June 12, 1967

Dear Bill:

I thought you might find the attached memorandum interesting. Or maybe I'm sending it to you because it agrees (in paragraph two) with my own prejudice against global figures. On the whole, they are discouraging and uninformative. They tend to conceal at least as much as to reveal -- which is why The Economist's series, on specific countries, was such a good idea.

Sincerely yours,

Harold Graves

Enclosure

Mr. Lind's memo of June 9 - Visit by Professor Goran Olin

Mr. William Clark
Director
Overseas Development Institute
160 Piccadilly
London, W. 1
England



HG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

TELEPHONE: HYDE PARK 2654

Stud/37

TPS/PJS

30th May, 1967.

Dear Mr Aldewereld

On behalf of the ODI Study Group on Consultancy I am writing to say how very much we all appreciated your coming to ODI last week and talking to us. No-one around the table had any illusions as to how heavily committed you are and I do want to emphasize how grateful we are to you for sparing your valuable time with us. The discussion itself centered on exactly those issues that we wanted and we are now proceeding to further meetings which will be considerably helped by the clarification of so many points that came up last Friday.

As the group continues with its work I hope you will not mind if I get into touch with you again should we be in need of having various points classified or perhaps for further documentation.

Again our very real thanks.

*with my regards
from me
Tom Soper*

Dr. T.P. Soper,
Director of Studies

Mr. S. Aldewereld,
I.B.R.D.,
1818 H Street, N.W.,
Washington, D.C. 20433,
USA.

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Mr. S. Aldewereld,

I.B.R.D.,

1818 H Street, N.W.,

Washington, D.C., 20433,

U.S.A.

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TPS/PJS

23rd May, 1967.

Dear Miss Reade,

Further to my letter of 8th May I am now writing to let you know that the following have accepted the invitation to come to Mr. Aldewereld's talk at ODI on Friday, 26th May:-

- Charles Young - (Group Rapporteur) 28 Jay Mews, S.W. 7.
- Boris Berkoff - C.D.F.C. Ltd.
- Viscount Glentworth - Kleinwort Benson Ltd.
- J.K. Laurence - Allan, Charlesworth & Co.
- H.B.G. Montgomery - The Building Trades Exhibition Ltd.
- Sir Henry Clay - McLellan & Partners, Consulting Engineers
- R.S. Porter - Ministry of Overseas Development
- T.D. Weatherhead - Hunting Technical Services Ltd. *(in the chair)*
- Peter Baynes - P.E. Consulting Group Ltd., Management Consultants
- J.F. St. G. Shaw - Preece, Cardew & Rider
- Michael Gibb - Sir Alexander Gibb & Partners
- C.M. Bernard - British Overseas Engineering Services Bureau
- T.D. Grocock - Vickers Ltd.
- Alick Low - Norman & Dawbarn
- John White }
Andrzej Krassowski } - ODI

Miss N. Reade,
Secretary, The World Bank,
New Zealand House,
Haymarket, S.W. 1.

Your sincerely
Tom Soper
Dr. T.P. Soper,
Director of Studies

OUTGOING WIRE

TO: ODI
160 Piccadilly
London

DATE: May 22, 1967

CLASS OF
SERVICE: LETTER

COUNTRY: ENGLAND

177

TEXT:
Cable No.:

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REGARDS

BENJENK

INTBAFRAD

ack May 23/67

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MESSAGE AUTHORIZED BY:

NAME M. Benjenk

DEPT. Africa

SIGNATURE *M Benjenk*
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M Benjenk/GW

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DEPT OFFICE

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INTERNATIONAL FINANCE CORPORATION

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Mr. Garcia Rayneri	1043
Mr. Jeffries	957
Mr. Paterson	919
Mr. Pollan	952
Mr. Powell	949
Mr. Raj	900
Mr. Richards	976
Mr. Rosen	900
Mr. Sekse	958
Mr. Sullivan	900
<input checked="" type="checkbox"/> Mr. Von Hoffmann	910
Mr. Williams, H.J.	965

Remarks

~~Mr. Hassan~~
 Mr. Wedder
 Egan

From: Communications Unit, Room 244, Ext. 2023

Mr. Laszlo von Hoffmann

May 12

With the Compliments of the

INTERNATIONAL FINANCE CORPORATION

J. V. Seaton

This report by William
Clark is worth reading.
When you are next in London
I hope you will come to
the ODI and talk about Africa or Asia

London Office:
New Zealand House,
Haymarket, London, S. W. 1.
England.

6151

S- ODI
x to all countries
- Genl.
EXECUTIVE 67-5
May 12

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DEC 15 2023

Report on East and Central Africa Trip

by William Clark

WBG ARCHIVES

I visited Kenya, Tanzania, Zambia and Swaziland during March primarily to see existing ODINs and to discover what needs there were for future ODINs. In brief I can report that all the ODINs are finding themselves very fully employed, and their Ministries nearly all wish for more of the same.

This is a general political-development report; I am not circulating detail about the ODIN scheme.

Kenya

There is a feeling of success here. The new African farm schemes are working well and producing prosperous (£500 p.a.) farmers. The Treasury is booming and the political situation seems stable at least for Kenyatta's life-time.

However, there is a marked political irritation with Britain (over Rhodesia) and with America (over Vietnam, which is seen as a bottomless pit absorbing the money that ought to go into Aid); but there is a very real willingness to accept investment and aid. Indeed Tom Mboya has called for a Marshall Plan for Africa, stressing though that Aid should be given to Africa for Africans to administer ("scram out of Africa" - his advice to the West in 1961 - is not quite forgotten).

Many Kenyans are also very irritated with Tanzania for having damaged investment prospects for East Africa generally; but I could not fail to recognise that some of the less sophisticated Kenyan politicians felt some sympathy with the Tanzanian slap in the face to the West. At the moment Kenya is doing well and attracting Western aid and investment; Kenya therefore does not want to be isolationist though she does still wish to emphasise her independence. Quite small changes could alter this situation radically. If aid/investment were to dry up, it would not be long before Kenya decided that its interests would be best served by blackmailing or blackguarding the West. If the current successful economic programmes were to falter there would also be a tendency to turn away from the aid-givers.

I must add that I found in Kenya a considerable amount of feeling that the country had not yet had its revolution; that little had changed since 1962; that there was still a small elite running the country and enjoying the fruits of success, even though it was now a multi-racial elite. The desire to see more radical change is quite strong, and I only hope that some of the existing leadership, and not Mr. Odinga, can channel this desire into political action.

Tanzania

One must begin by realising that the nationalisation programme of early February was not carefully planned and suddenly put into effect. It would appear to have been the result of an unexpected upset in the Cabinet, which was discussing the long-term implementation of the studiously vague Arusha declaration. The Civil Service was not consulted at all in advance (hence much of the muddle) and there is every reason to believe that President Nyerere did not originally support the idea of sudden change. It is also well known that Mr. Bomani (who was absent) offered his resignation on hearing the news. Abdul Rahman Babu was the one who pushed through the revolutionary plan from his vantage point of Minister of Commerce. He has now been demoted to Minister of Health, and Bomani made Minister of Commerce!

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It is interesting to try and piece together what were the political forces which led to the decision.

1. Most important was the fact that Tanzania was making no noticeable economic progress, and that the public was utterly apathetic about the country's plans for economic progress. The politicians all felt that something had to be done to "rouse the peasants".
2. Several senior TANU officials (including Nyerere) had been impressed by the mobilisation of opinion, particularly amongst the peasants, which had been shown to them in China. They wanted to make the people of Tanzania feel that future development depended on their efforts.
3. Nyerere himself has been greatly influenced by Rene Dumont's book, False Start in Africa, (which he has given to every member of his Cabinet). This emphasises the need to build development on steady progress in peasant farming and relative independence of capital investment (e.g., tractors).
4. There was also however a feeling on the part of a large section of the TANU leadership that it was necessary to keep lines open to the West because Aid from that source was essential to development. It seems likely that Nyerere belonged to this school of thought. However, the opponents of a link with the West made a great deal of the failure of Western aid to materialise. Germany had cut off aid for a time because of the Hallstein doctrine and Zanzibar's recognition of East Germany; more recently Britain had refused to implement a promised loan after the breach in diplomatic relations; it could be argued that virtually all the investment coming into East Africa was going to Kenya leaving Tanzania high and dry. It was this feeling that Tanzania had little to lose by a break with "Western capitalism" that finally moved the leadership to make the sudden nationalisation orders.
5. Having taken the plunge the Government is now trying to minimise the breach with the West. Hence the constantly reiterated promise to give full and fair compensation though this will in fact be a tremendous strain on her limited resources. To the question: "What good has nationalisation done you if you have to pay out so much" I always got a rather woolly answer "Psychologically it has done great good in making us realise we are on our own...and anyway what had we to lose?"

Will the move away from association with the West go further and will it spread outside Tanzania? I got differing opinions from various competent sources, and a good deal probably depends on chance. But I would guess the process will go further because in isolating itself from the West Tanzania will put itself more ^{and more} in anti-Western hands (very often the hands of Westerners!). At the University, for instance, plans are being laid to purge the staff of those not "sympathetic to Tanzanian Socialism", and to give extra hours of instruction in political thought to the students. All of this was planned by a group that was predominantly expatriate (British, American, Canadian and Scandinavian). The decision (which was not quite final when I left), not to accept VSO's (or Peace Corps) will also tend to push Tanzania further away from us.

Whether the Tanzanian example will be followed elsewhere depends largely, in my opinion, on whether other countries feel that there is no further benefit to be obtained from retaining a fairly close Western relationship. I do not believe that neighbours will be so much influenced by the relative success or failure of Tanzania in its isolationist path, since it is generally recognised that Nyerere's Government was already in fairly desperate straits. From this it follows that I do not believe it is in our interest to see Tanzania's economy collapse, as a warning to potential imitators. In fact, such

a "collapse" would probably be regarded as a lesson in the power of neo-colonialism rather than in the folly of isolationism.

In these circumstances I sounded out the existing ODINs (there are three) and their superiors (Permanent Secretaries or Ministers) on whether they should remain and whether one whose term was ending should be replaced. I found the ODINs very anxious to carry on and their bosses very anxious indeed to keep them. I hope that their main influence will be to mitigate the effects of Tanzania's estrangement from Britain.

Zambia

I had not been to Zambia for two years and I was distressed to find the extent to which relations with Britain had deteriorated. The cause is, of course, the Rhodesian problem which Zambians universally feel has been badly handled by Britain at great cost to Zambia.

Though she has received some assistance from Britain in meeting the dislocation of the blockade, Zambia in general does not feel it is in receipt of much Aid, but rather is a country which can afford to pay for the assistance it needs. This feeling of independence is strengthened by a determination to remain non-aligned, and as a result there is a certain desire to disentangle from the West, and perhaps particularly from Britain. Hence the decision to halve the number of VSO's accepted next year.

However, I found the ODINs were quite exceptionally popular (and I think a quite exceptionally bright and hard working lot) and I was begged to keep up the flow for the future, which I hope we can do. It seems to me that anything we can do to send sympathetic British personnel to Zambia (for instance, also to schools and the university) should be done, to avert the current drift apart.

Zambia is a rich country because of its mineral resources. The problem that faces President Kaunda is how to make the country less dependent on association with Rhodesia and the South generally. For this reason a great deal of the economic planning is based on the need to give the country communications to the North. This is a matter of political necessity not economic growth.

The other main problem facing the Zambian Government is how to spread the wealth outside the Copperbelt, in particular to the Zambian farmer. The President's original plan called for heavy mechanisation (he tried to get a large number of tractors from Britain) but he, like Nyerere, has been deeply impressed by Dumont's book and has asked Dumont to report on how to change Zambian farming. I spent two days travelling with Dumont and expect he will recommend a much more "self-reliant" policy, based on better seed, better planting, in fact better husbandry with far less dependence on capital equipment.

Swzziland

This tiny enclave in the Republic of South Africa will become internally self-governing in a few months' time and independent before much longer.

It has quite considerable economic resources (mineral and agricultural) but is desperately short of managerial and civil service talent. The Commissioner is anxious to tap the resources of ODINs and I am most anxious to be helpful. Over the next few years it may well be in these least developed areas that ODINs will be most useful, while phasing out of the countries to the North which should soon be supplying their own graduate economists.

Swaziland may just have the resources to stand up as a genuinely "independent Bantustan" to the Republic of South Africa. But in most ways she will be very much at the mercy of the Republic, e.g., she markets all her citrus through the Republic using the "Outspan" trade mark, which all good anti-apartheid people know is a mark to be boycotted. The capital flowing into Swaziland is mostly South African, though there is a chance of large American investment in fruit growing.

I was very struck with the extent to which South Africa had changed its outward appearance and public relations, almost pursuing a "good neighbour" policy with the African countries inside its borders and to its North. In the current disarray of black Africa this is certainly adding to the confusion of the Republic's opponents.

A last general and slightly pessimistic note. I feel that in general the Black Africa that I saw is drifting away into isolation from us - Britain in particular the West in general. This is most true of Tanzania, least true of Kenya, but the basic (and desirable) drive to self reliance is to be found everywhere, with the capitalist West as the bogymen against whom independence is emphasised.

May 1, 1967

Dear Teresa:

Following our conversation just before you were returning to London, I have now arranged for the latest economic reports on Brazil, Peru and Chile to be made available to you in our London Office. All these reports are of the 1966 vintage. The Colombia report will be ready in about a month's time and will be made available to you in the same manner. The reports must be consulted in our London Office; as you know, these reports are restricted and although we in some exceptional cases give access to them, we do not permit the reports to be taken away from Bank territory. As an additional safeguard -- imposed not by a desire to be secretive but in order to maintain as effective and constructive relations with our members and borrowers as possible -- we do need to see what use you are making of the information contained in the reports, which in addition to economic data also contain projections and comments on the Bank's relations with the governments concerned, their economic policies, etc. With these reservations, however, you can consult the reports which we think will be helpful to you. This permission, which is rather exceptional, is granted to you because of the special relationship that exists between the Bank Group and ODI.

By copy of this letter I am informing Miss Nora Reade in our London Office about our decision; she is the person you should contact.

I am also sending you the text of an address given by Mervyn Weiner in Louisville in November 1966.

With my best personal regards,

Sincerely,

Lars J. Lind
Deputy Director of Information

Encl.

Miss Teresa Hayter
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Miss Nora Reade
Mr. Weiner

LJL/jsw

5-022

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HYDE PARK 2654

TPS/PJS

28th April, 1967.

Dear Mr Alderewald,

This is just to confirm my telegram and to say how delighted we are that you will be coming to ODI on Friday May 26th at 4 p.m.

As arrangements for the meeting get under way I can let the World Bank office in London have all the details but in the meantime I am enclosing the names of the members of the group. There might be one or two additions and subtractions as I am not quite certain how everyone is placed for May 26th.

So far as the procedure is concerned I wonder if you will be good enough to introduce the discussion with a talk of some twenty to thirty minutes and then we can move into general debate. I think the points that we are mainly interested in are an elaboration of the various issues that are raised on the small World Bank Guidelines pamphlet on the use of consultants. But we should like to leave it entirely open to you to stress those matters which you feel are of relevance to the terms of reference of our study group. I enclose a copy of these terms.

*Yours sincerely
Tom Soper*

Dr. T.P. Soper,
Director of Studies

Mr. S. Alderewald,
World Bank,
1818 H Street N.W.,
Washington D.C.

1321 HBA-1 611 3:52

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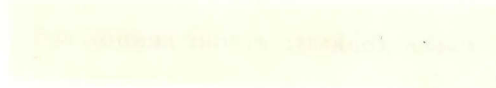
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160 PICCADILLY LONDON W.1



HYDE PARK 2824

STUD/37

TRP/12

28th April, 1967

Dear Mr. Alderweald,

This is just to confirm my telegram and to say how delighted we are that you will be coming to ODI on Friday May 26th at 4 p.m.

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*Yours sincerely,
Tom Gower*

Dr. T.P. Gower,
Director of Studies

Mr. S. Alderweald,
World Bank,
1818 H Street N.W.,
Washington D.C.

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OVERSEAS DEVELOPMENT INSTITUTE STUDY GROUP ON
PROFESSIONAL CONSULTANCY AND OVERSEAS DEVELOPMENT

List of members attending first meeting on Monday, March 13th,
1967.

Richard Bailey, CHAIRMAN
Industrial & Process Engineering
Consultants (G.B.),
Central Africa House,
35 Great Peter Street,
London, S.W.1.

The Viscount Glentworth, C.A.,
Kleinwort Benson Ltd.,
Aldermanbury House,
Aldermanbury Square,
London, E.C.2.

B. Berkoff,
Commonwealth Development Finance
Co. Ltd.,
1 Union Court,
Old Broad Street,
London, E.C.2.

G.S.G. Goode,
J.D. and D.M. Watson,
67 Tufton Street,
London, S.W.1.

T.D. Weatherhead,
Hunting Technical Services Ltd.,
6 Elstree Way,
Boreham Wood,
Herts.

J.K. Laurence,
Allan, Charlesworth & Co.,
17 St. Helens Place,
London, E.C.3.

H.B. Montgomery,
The Building Trades Exhibition Ltd.,
11 Manchester Square,
London, W.1.

M. Hicks-Beach, Consulting Group
Production Engineering/Ltd.,
12 Grosvenor Place,
London, W.1.

Sir Arnold Lindley,
Engineering Industry Training Board,
St. Martins House,
140 Tottenham Court Road,
London, W.1.

R.S. Porter,
Ministry of Overseas Development,
Eland House,
Stag Place,
London, S.W.1.

G. Ovens,
McLellan & Partners,
Sheer House,
Station Approach,
West Byfleet,
Surrey.

W.D. Brown,
B.P. Limited,
Britannic House,
Finsbury Circus,
London, E.C.2.

C. Young, RAPPORTEUR
28 Jay News,
S.W. 7.

A. Knight, RAPPORTEUR
The Economist,
25 St. James's Street,
London, S.W.1.

Dr. T.P. Soper,
M. Zammit Cutajar, J. White,
Overseas Development Institute,
160 Piccadilly,
London, W.1.

EE.

OVERSEAS DEVELOPMENT INSTITUTE STUDY GROUP ON
PROFESSIONAL CONSULTANCY AND OVERSEAS DEVELOPMENT

- (a) to examine the function and organisation of British professional consultants; to appraise the advantages derived by their clients overseas; to compare British consultants' methods of operation with those of their competitors from foreign countries; to appraise official schemes to encourage use of British consultants (e.g. British Overseas Engineering Services Bureau);
- (b) to examine the various links between consultant firms and Government bodies, suppliers of finance and of capital equipment, and to assess their value in terms both of the national interest of developing and developed countries and the professional and commercial interests involved;
- (c) to consider the desirability of promoting specific types of relationship and to consider what can be done to strengthen the position of the profession and secure the removal of obstacles to its effective use and further growth;
- (d) to examine what part can be played by aid (both bilateral and multilateral) in the promotion of consultancy as a form of technical assistance;
- (e) to make proposals.

8th March, 1967.

EE.

8242 - 091

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OF CABLE:

APRIL 27, 1967 1233

LOG NO.:

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TO:

ALDEWERELD INTBAFRAD

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LONDON

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I CONFIRM FRIDAY MAY 26TH 4PM AT O D I CONVENIENT FOR
MEETING. LETTER FOLLOWS

SOPER

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GENERAL FILES COMMUNICATIONS

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REMI

April 24, 1967

Dr. T. P. Soper
Director of Studies
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1

Dear Dr. Soper:

Thank you very much for your letter of April 3.

I have delayed in answering this letter because I was trying to arrange for one of the members of our staff to address your group on his way through London, but I have not been able to make such an arrangement.

In the circumstances, since I myself will be passing through London towards the end of May, I would be glad to address the group myself, and would be available to do so on Friday, May 26. If this date is convenient, I would suggest that a meeting be arranged at 4 PM.

Since I am leaving Washington in about a week's time, and need to finalize my itinerary, I should be most grateful if you would let me know by cable if this date is convenient.

Sincerely yours,

S. Aldewereld
Vice President

HBRipman:pgn:mc

in Mr. Ald's trip file

ack. Cable April 27

IDA		IBRD		IFC	
FORM NO. 92 (10-61)		CORRESPONDENCE RECORD FORM			
FROM			DATED		
William Clark Overseas Development Institute Ltd. London, W.1, England			April 20, 1967		
SUBJECT					
Letter enclosing 4 copies of report on Meeting on Aid and Development					
REFERRED TO			DATE RECEIVED		
Mr. Woods - 1220			April 24, 1967 mt		

April 18, 1967

Dear Dr. Soper:

Since returning to Washington, I have been catching up with some of the paper that accumulated on my desk while I was away, and consequently this is a somewhat belated note to say how much I enjoyed meeting John White and yourself and reviewing some of the recent developments in IFC. I hope you will not hesitate to let me know if at any time you should need further information on IFC.

I am sorry to have missed seeing William Clark and I would be grateful if you would convey my best wishes to him.

Yours sincerely,

D. G.

David Grenier
Chief, Information Services - IFC

Dr. Thomas P. Soper
Director of Studies
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1, England

c.c. Mr. Christensen
IFC circ. files

DG:jl

0 D 1

Form No. 27
(7-51)

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: JOHN WHITE
OVERSEAS DEVELOPMENT INSTITUTE LTD.
160 PICCADILLY
LONDON
ENGLAND

DATE: APRIL 12, 1967

CLASS OF
SERVICE: LT

JK

COUNTRY:

TEXT:
Cable No.:

YOUR FOREWORD. NO OBJECTION TO PARAGRAPH TOP PAGE THREE BUT REALLY
THINK IT NOT NECESSARY. THE EXPLANATION OF THE STUDY SEEMS QUITE ADEQUATE
WITHOUT IT, AND AN OUTSIDER MIGHT WONDER ABOUT THE RAISON DETRE OF THIS
PARAGRAPH. IN THE LONG PARAGRAPH ON PAGE FIVE, WOULD DELETE SENTENCE ON
IFC AND INSTEAD SIMPLY SAY "THE IFC, HOWEVER, HAS ITS OWN OPERATIONAL
STAFF," SINCE IT IS NOT TRUE TO SAY THAT IFC IS CONTROLLED BY THE SAME
MANAGEMENT AS THE BANK. GRATEFUL YOU SUGGEST MENTIONING ME, BUT BELIEVE
IT PRUDENT TO OMIT THIS, SINCE IT MAY SUGGEST THAT THE INFORMATION
DEPARTMENT MAKES CONFIDENTIAL MATERIAL AVAILABLE OUTSIDE THE BANK. THANKS
AND REGARDS

HAROLD GRAVES

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Lars J. Lind

DEPT. Information

SIGNATURE *Lars J. Lind*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

HG:ap

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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Checked for Dispatch: *JK*

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

1 Mr Lead
2 Mr Graves

DDI

PROJ/15

SPECIAL DELIVERY

10 April, 1967

Dear Harold,

I am enclosing herewith a copy of the proposed foreword to the study of consortia and consultative groups. I am afraid I have had to leave it until the very last moment.

I should be grateful if you could glance particularly at the passages I have marked on pages 3, 5 and 6, and send me a telegram if there is anything there to which you take violent exception.

The passage on page 2 was inserted to anticipate any suggestion that we have favoured the World Bank because we receive money from them. I decided not to mention the World Bank specifically at this point, for fear of seeming to protest too much. I have obtained Mike Hoffman's permission for the acknowledgement on page 6. I hope I have your permission also. It is, after all, only a very inadequate acknowledgement of a very large debt.

Yours ever,



John White

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

APR 15 1967

COMMUNICATIONS
GENERAL LINES
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Handwritten notes:
1. Mr. [unclear]
2. Mr. [unclear]

10 April, 1967

PROJ/15

SPECIAL DELIVERY

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Yours ever,

John White

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

1967 APR 12 AM 7:59

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(H6)

FOREWORD

In 1961, the flow of official economic aid to developing countries from the industrialised countries of the western world increased sharply from less than \$5,000m a year, net, to more than \$6,000m a year. And there it stuck.

One reason why it stuck - though not necessarily the most important one - was that the aid-giving countries did not have a very clear idea of what they were trying to achieve, or of what could be achieved, with the additional aid/^{that} they had made available. They therefore had no criterion, collectively or individually, for determining whether the increase was sufficient, or where further increases ought to be applied.

Another reason why it stuck was that many of the aid-giving countries simply did not have the administrative machinery or the practical experience to handle this sudden increase. There were mistakes in allocation, and these had a dispiriting effect which made it difficult to win support for further increases.

A third reason why it stuck was that the developing countries, also, were in many cases ill equipped to absorb the aid that they received. The necessary complementary steps in domestic policy were not always taken. Consequently, the economic impact of aid was diminished, and the case for increases was weakened still further.

A fourth reason was that the administrative machinery at the international level, as at the national level, was still inadequate. Even if each aid-giving country was prepared to make a major effort, a method still had to be devised by which those efforts could be correlated. What came to be known as "the common aid effort" was launched at the beginning of the 1960s, but translating this effort into effective action was bound, in the nature of things, to take longer.

That the pattern of aid was chaotic, and that it subsisted in a welter of hypocrisy and self-deceit, was widely admitted. The question of how to rationalise it was less easily answered.

The process of rationalisation developed along several tracks. In terms of policy, a code of behaviour slowly evolved. Although it proved difficult to establish firm criteria, there was increasing agreement over the nature of the range of problems to be tackled and over the relative value of various forms of assistance. In operational terms, administrative procedures were refined, and the techniques of project selection and evaluation were improved.

This study is concerned with a line of evolution that lies mid-way between those two tracks. For certain developing countries, ~~like~~ ^{the} aid-givers collectively made a conscious effort to bring their aid programmes into some sort of harmony with each other. In doing so, they necessarily found themselves engaged in an exercise which led to the appearance of common objectives, defined in terms of a common assessment of the nature of the aid-receiving countries' needs.

Such efforts required some kind of formal mechanism, to give them coherence and continuity. The mechanisms that evolved were of two main types, known as consortia and consultative groups. What differentiated a consortium from a consultative group, originally, was that the members of a consortium were required periodically to "pledge" stated quantities of aid in support of the recipient's development programme. In the consultative groups, the process of pledging did not take place, and it was explicitly stated that the members of the group were not committed to the provision of aid in accordance with any kind of target figure.

By the beginning of 1967, the significance of this procedural distinction had begun to fade. Consortia and consultative groups resembled each other in that both types of mechanisms were intended to give their members a common frame of reference. That frame of reference consisted of the needs and the long-term aspirations of the aid-receiving countries for which such mechanisms existed.

In that sense, the establishment of consortia and consultative groups represented what was probably the most ambitious attempt yet made to translate the notion of a common aid effort into operational reality. It was more ambitious than the global deliberations of the aid-givers, in that it required a practical application of the principles which those deliberations had established: it was more ambitious than the financing of selected projects or sectoral programmes, in that it was explicitly addressed to the total needs of the developing countries in question: and it was more ambitious than previous joint operations undertaken by groups of aid-givers on an ad hoc basis, such as the concerted re-scheduling of certain countries' external debts, in that the machinery established was intended to serve long-term objectives. It was a determined attempt, in principle and in practice, to make sense out of the aid relationship.

This study, then, is concerned with mechanisms of two particular types - consortia and consultative groups. One good reason for such a study

is the one that has been given above. Another reason, of a more practical nature, is that a study of this kind is a natural sequel to other studies that the Overseas Development Institute has already published.

It may be emphasised at this point that the decision to undertake a study of consortia and consultative groups, and now to publish it, is exclusively the responsibility of the Institute. It is in no way attributable, for instance, to any of the foundations and institutions which provide the Institute's research programme with financial support.

The first major project in ODI's research programme was a study of British aid, published in five parts. That study had as its principal purpose the collection and collation of facts concerning the varied and largely unco-ordinated activities pursued by several departments and agencies of the British Government in or on behalf of developing countries. *(The Ministry of Overseas Development had not yet been established.)*

As the study of British aid approached completion, the natural next step was to look at what other aid-givers were doing. ODI published studies covering Japanese, German and French aid. These studies were less comprehensive than the study of British aid, but they sufficed to demonstrate wide divergences, not only in the motivation and the administrative and financial characteristics of different aid programmes, but also in the ways in which various aid-giving countries approached some of the most fundamental questions concerning the nature of economic development.

Meanwhile, a parallel study of a single aid-receiving country - a case study of aid in Uganda - had portrayed some of the practical problems to which these fundamental divergences gave rise. ~~_____~~

In the course of this ~~study~~ research programme, the Institute came to feel that the next step ought to be a study of such mechanisms as exist to reconcile these divergences of view - notably consortia and consultative groups. These mechanisms are usually run by international financial institutions. A study of consortia and consultative groups, therefore, also touches on multilateral aid, which the earlier studies of some of the main bilateral donors had more or less left out of account. But multilateral aid is looked at here as part of the total pattern of aid. A question raised at many points in this study is that of the proper relationship between multilateral agencies and the industrialised countries which are their principal sources of finance. At no point does this study raise the question of whether multilateral aid is in some theoretical sense better than or preferable to bilateral aid - a question which, in the author's view, has little practical meaning or significance.

The study falls roughly into three parts. Chapters 1 and 2 are largely historical. Chapters 3 and 4 are case studies. Chapters 5 and 6 are largely analytical.

Chapter 1 sets consortia and consultative groups in the context of current developments in economic aid as a whole. An attempt is made to demonstrate the particular significance of these mechanisms at the present stage in the evolution of aid.

Chapter 2 is a general historical account of the way in which the notion of a consortium, and subsequently of a consultative group, evolved. It is an attempt to show in historical terms why certain decisions were taken and why certain techniques and concepts evolved in the way in which they did.

Chapter 3 is a case study of the Pakistan Consortium. The Pakistan Consortium was selected as being probably the most successful of all mechanisms for combining aid from several sources to a single country. This chapter was consciously written with a view to identifying lessons which might be applied to other mechanisms of a similar type. ~~These lessons appear to lie mainly in the fields of ability to raise aid of the required quantity and quality, aid diplomacy, and the compatibility of the donors' aid policies and the recipient's development policy.~~

Chapter 4 is a case study of the Turkey Consortium. In its first two years of life, the Turkey Consortium suffered from an extraordinary number of crises of confidence. In this chapter, which is largely a blow-by-blow account of Turkey's relations with its creditors, an attempt is made to show how these crises of confidence came about and how relations subsequently began to improve.

Chapter 5 stands away to one side of the main line of the study. It seeks to identify analytically, rather than historically, the basic elements common to all or most situations for which consortia or consultative groups are required. The analysis is primarily concerned with the essential nature of the aid relationship, and with the functioning of that relationship, in the context of a situation involving several aid-giving countries and one recipient. This analysis is set against the World Bank's present approach to consultative groups, as a result of which certain deficiencies in that ^{approach} ~~policy~~ are noted.

Chapter 6 is in two parts. The first is taken up with a number of specific, technical recommendations for the evolution of consortia and consultative groups. The second is an attempt to re-state the main line of argument of the study.

In the language of aid, as in any other technical activity, there are many terms that have acquired specific technical meanings, which are not identical to the meanings of common usage. To add to the confusion, the jargon differs from one country to another.

In this study, such terms are generally defined where they first appear, and occasionally re-defined in different contexts. The definitions of three terms - "consortium", "consultative group", and "pledge" - have already been given. It may be helpful at this point to add two more.

The World Bank, as the agency responsible for the largest number of consortia and consultative groups, is mentioned frequently. The World Bank group consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The IBRD and the IDA are effectively two funds administered by a single institution. ^{has its own technical staff.} The IFC, however, ~~is separately staffed,~~ ^{its President, and Executive Directors and Governors are the same as for} though it is controlled by the same management as the IBRD and the IDA. Throughout this study, the term "World Bank" refers to the institution that has administered the funds of the IBRD and the IDA since they were established, in 1945 and 1960 respectively. The IBRD and the IDA are designated as such where a distinction has to be made between the two types of finance that they provide. The term "World Bank group" refers to the IBRD, the IDA and the IFC collectively.

Various terms are used to describe the lending countries and financial institutions which make up the membership of consortia and consultative groups. In the specific context of membership, they are usually referred to as "the members". In a more general context, terms such as "aid-givers" and "donors" are used very loosely to cover all countries (bilateral donors) and international institutions which provide official financial or technical resources for the developing countries' use. The terms used are known to be notoriously ambiguous, and usually, since most external aid is provided in the form of loans, inexact. Any more accurate description, however, rapidly becomes intolerably clumsy.

Readers of this study will perceive that much of the information which it contains is not of a kind that is readily available from published sources. The task of compiling this information would have been impossible without the very generous assistance of many people who had been personally involved in the events here described. Most of these people hold official positions, either in national administrations or in international institutions. It is therefore impossible for me to repay my great debt to them, even to the extent of the usual gesture of naming them here. I hope it will not be thought that my being unable to name them in any way diminishes my gratitude. In particular, I am indebted to the many people who went through the drafts of the study with great care, and who enabled me to weed out a very large

number of factual mistakes and errors of interpretation, as well as forcing me to re-consider some of my frailer arguments.

Although the many people who have helped me cannot in general be named, there are three individuals whose assistance was of such great value that I have sought and obtained their permission to mention them: first, Mr. Willard Thorp, who was chairman of the Development Assistance Committee of the Organisation for Economic Co-operation and Development throughout the period with which most of this study is concerned, and who successfully challenged many of my original interpretations of events: secondly, Mr. Michael Hoffman of the World Bank, whose extensive and constructive criticism persuaded me to modify several of my original conclusions; finally, Mr. Harold Graves, head of the World Bank's ^{Director of} Information Department, who responded to my numerous and often unreasonable requests with unfailing courtesy and good humour.

Once that has been said, it remains only to be added that no one except myself has any responsibility for errors of fact or interpretation which the study may still contain, or for the study's conclusions.

* * * * *

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: April 5, 1967

TO: Mr. G. Woods

FROM: Mr. W. Clark
ODI

FILED UNDER: DEVELOPMENT - Grand Assize

SUMMARY: Re: The final line-up for their small meeting to discuss aspects of financing overseas development.

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

CABLE ADDRESS: PICODI LONDON WI

Mr. Ripman
9

ODI/16

3rd April, 1967.

TPS/PJS/1089

Dear Dr Aldereweld,

I am writing to thank you for the time you spent with us last week. It was extremely valuable to have this discussion with you, and both Mr. Bailey and I are very grateful indeed for all the help you^{are} giving in this project.

I thought it might be useful if I were to send direct to you in Washington various papers that we have concerned with the project. We took very seriously your point about terms of reference. I should perhaps explain that these are simply guide lines and if there is any specific aspect which you think we have overlooked I do hope you will mention this as we can easily include additional points during subsequent meetings with the group.

During our talks we raised briefly the possibility of some Member of the World Bank addressing the group when he passed through London. I just wish to place on record that we do very much hope that this can be arranged.

We also refer^{ed} to the importance of documentation and if you do have any relevant papers that you think would be of use to us I do hope that you will arrange to have them sent on to me.

Again very many thanks for your co-operation over this.

Yours sincerely
Tou Soper

Dr. T.P. Soper,
Director of Studies

acc. April 24

*10.30
Fri 16
Cable*

Mr. S. Aldereweld,
World Bank,
1818 H Street N.W.,
Washington D.C.

* These are being forwarded to you under separate cover.

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COMMUNICATIONS

1967 APR -6 PM 12:49

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

Here are the papers we said we would send you in our letter of 3rd April. We hope they will be of interest to you.

with compliments

STUD/37

OVERSEAS DEVELOPMENT INSTITUTE STUDY GROUP ON
PROFESSIONAL CONSULTANCY AND OVERSEAS DEVELOPMENT

List of members attending first meeting on Monday, March 13th,
1967.

Richard Bailey, CHAIRMAN
Industrial & Process Engineering
Consultants (G.B.),
Central Africa House,
35 Great Peter Street,
London, S.W.1.

B. Berkoff,
Commonwealth Development Finance
Co. Ltd.,
1 Union Court,
Old Broad Street,
London, E.C.2.

T.D. Weatherhead,
Hunting Technical Services Ltd.,
6 Elstree Way,
Boreham Wood,
Herts.

H.B. Montgomery,
The Building Trades Exhibition Ltd.,
11 Manchester Square,
London, W.1.

Sir Arnold Lindley,
Engineering Industry Training Board,
St. Martins House,
140 Tottenham Court Road,
London, W.1.

G. Ovens,
McLellan & Partners,
Sheer House,
Station Approach,
West Byfleet,
Surrey.

*Young, RAPPORTEUR,
5, Gauden Rd.,
S.W.4.*
A. Knight, RAPPORTEUR
The Economist,
25 St. James's Street,
London, S.W.1.

Dr. T.P. Soper,
M. Zammit Cutajar, J. White,
Overseas Development Institute,
160 Piccadilly,
London, W.1.

The Viscount Glentworth, C.A.,
Kleinwort Benson Ltd.,
Aldermanbury House,
Aldermanbury Square,
London, E.C.2.

G.S.G. Goode,
J.D. and D.M. Watson,
67 Tufton Street,
London, S.W.1.

J.K. Laurence,
Allan, Charlesworth & Co.,
17 St. Helens Place,
London, E.C.3.

M. Hicks-Beach,
Production Engineering ^{Consulting} Ltd., ^{Group Ltd.}
12 Grosvenor Place,
London, W.1.

R.S. Porter,
Ministry of Overseas Development,
Eland House,
Stag Place,
London, S.W.1.

W.D. Brown,
B.P. Limited,
Britannic House,
Finsbury Circus,
London, E.C.2.

OVERSEAS DEVELOPMENT INSTITUTE STUDY GROUP ON
PROFESSIONAL CONSULTANCY AND OVERSEAS DEVELOPMENT

- (a) to examine the function and organisation of British professional consultants; to appraise the advantages derived by their clients overseas; to compare British consultants' methods of operation with those of their competitors from foreign countries; to appraise official schemes to encourage use of British consultants (e.g. British Overseas Engineering Services Bureau);
- (b) to examine the various links between consultant firms and Government bodies, suppliers of finance and of capital equipment, and to assess their value in terms both of the national interest of developing and developed countries and the professional and commercial interests involved;
- (c) to consider the desirability of promoting specific types of relationship and to consider what can be done to strengthen the position of the profession and secure the removal of obstacles to its effective use and further growth;
- (d) to examine what part can be played by aid (both bilateral and multilateral) in the promotion of consultancy as a form of technical assistance;
- (e) to make proposals.

8th March, 1967.

EE.

OVERSEAS DEVELOPMENT INSTITUTE STUDY GROUP ON
PROFESSIONAL CONSULTANCY AND OVERSEAS DEVELOPMENT

British professional consultants have a world-wide reputation for technical competence and integrity. The standards which their professional institutions demand of their members are as high as any in the world and they succeed in earning considerable sums in professional fees and indirectly in orders for equipment and contractors fees. However, at a time when demand is growing for the kind of services that British professional consultants can provide, their success rate in securing commissions is falling and they are being supplanted in some countries by foreign consultants operating on a different professional code.

The problem has a number of different aspects both internal and external. There is the question of maintaining objectivity in the best interests of the client, even when the latter is intent on pursuing some quite unsuitable and ill-advised course. There is a lack of knowledge abroad about what consultants do and indeed, in some cases, why their services are necessary. The fact that professional institutes do not allow their members to advertise or to approach clients direct to ask for work increases the obscurity. Further difficulties arise when Continental groups, composed of specialist teams of various kinds together with building and construction and financial concerns, for instance, the state-owned Italconsult, are in competition with British firms.

The most usual alternatives to the use of professional consultants responsible for feasibility and design studies are the ad hoc package deal or the open competitive tender. The former frequently results in some unsuitable development which in the long run is harmful both to the client and to the contractor. The latter involves contractors putting forward their design solutions in competition with each other. This means that all have to carry forward design costs in their prices, while the client is faced with the well-nigh impossible task of comparing solutions which are alike in design, cost and competence of execution.

The Overseas Development Institute has for some time been considering the possibility of convening a Study Group to examine the role of professional consultancy in overseas development. The terms of reference have been circulated. The method will be to produce a number of working papers which can be edited to form a pamphlet to be published by the Overseas Development Institute.

Possible topics and section headings for the working papers are:-

1. The Function and Organisation of British Professional Consultants

Definitions. Qualifications. Professional Institutes.
Conditions of Membership.

Types of work. Remuneration. Attitude of Government. Use
by O.D.M. and official bodies.

Consultants as form of technical assistance.

2. Organisation of Consultants Abroad

Qualifications. Professional organisations. Relations with Government and contractors.

State controlled groups, e.g. Italconsult etc.

A.I.D. and commissioning of U.S. consultants.

Comparison with British consultants.

3. Appraisal of work of Consultants

Alternatives open to clients.

Advantages and disadvantages of British system to clients.

Export of British know-how, techniques, procedures and equipment.

Balance of payments factor.

Proposals for action.

8th March, 1967.

NOTE ON FIRST MEETING OF O.D.I. STUDY GROUP ON PROFESSIONAL
CONSULTANCY AND OVERSEAS DEVELOPMENT HELD AT O.D.I. ON
MONDAY, MARCH 13TH, 1967.

Present: Richard Bailey (Chairman)
B. Berkoff
W.D. Brown
Viscount Glentworth
G.S.G. Goode
M. Hicks-Beach
A. Knight *C. Young*
J.K. Laurence
H.B. Montgomery
G. Ovens
R.S. Porter
T.D. Weatherhead

Alison Franks
Tom Soper
John White
Michael Zammit Cutajar

1. Terms of Reference

In general the terms of reference as set out were agreed to. The following points were made in regard to them:-

- (i) Consideration of "package deals" was important. This was subsumed in the terms of reference (b) and (c).
- (ii) Importance of links between consultancies with each other and links between consultancies in different countries including the less developed countries.
- (iii) Competition in providing consultancy services between private consultants and professionals in government departments and international organisations.
- (iv) Need to define "British professional consultants".

2. Group Membership

It was noted that members of the Group as at present constituted covered a wide field. There were however a number of gaps and while having regard to keeping the Group to a manageable size, it was suggested that consideration should be given to inviting others.

It was suggested that invitations might be sent to representatives of:-

- (i) the building industry;
- (ii) the engineering industry;
- (iii) the electrical engineering industry;
- (iv) architects and town planners;
- (v) other government departments: the Board of Trade, preferably someone who has been in a trade commission post overseas, and the Foreign Office.
- (vi) B.O.E.S.B.

3. General discussion

In the general discussion many points were made including the following:-

- (i) The problem of the use of consultancy services by LDC's. Frequently there were few people in LDC's capable of using expert advice.
- (ii) The significance of methods employed by foreign governments whereby free consultancy to LDC's was frequently provided through aid.
- (iii) Alleged bias by U.N. organisations in favour of awarding consultancy contracts to certain countries, particularly those who channelled most of their aid through multilateral organisations.
- (iv) Relationship of consultancy to aid.
- (v) The problem of British consultancies and advertising restrictions.
- (vi) Comparison of standards employed by British consultancies with those of foreign consultancies. Foreign consultants do not apparently insist on the same observance of standards abroad as they do at home.
- (vii) The impact of the non-advertising rule on O.D.M. activity in securing consultants. The O.D.M. can send to recipient governments lists of approved practitioners only on a nondiscriminatory basis.
- (viii) Professional conduct among consultants requires them not to take the initiative in making an offer for a contract.
- (ix) Problem of division of responsibility among U.K. government departments. The O.D.M. deals with consultants. The B.O.T. deals with suppliers. There is need for co-ordination.

5. Sources of information for the rapporteur

Members of the Group expressed their willingness to help in the provision of information and background papers for the Study Group through the rapporteur. Particular mention was made to the Association of Civil Engineers and the Export Group for the Construction Industry. Among many relevant documents the B.O.T. Journal was referred to and a recent report by UNIDO.

6. Date of next meeting

It was agreed that the next meeting should be held in O.D.I. on Tuesday, May 30th at 5:00 p.m. A paper will be prepared by the rapporteur for circulation before the meeting.

1967 APR - 7 AM 10:39

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COMMUNICATIONS

March 20, 1967

Dear Mr. Clark:

I have held up replying to your letter dated March 6 until my plans for a visit to Europe developed. I am glad to tell you that these are now shaping up and I am looking forward to attending the meeting being arranged at the home of Sir Edward Boyle. I have several engagements in Bonn on April 7, and I plan to fly from Cologne airport by Lufthansa Flight 226 on Saturday, April 8, to London. This flight is scheduled to arrive in London at 9:55 a.m. and I am arranging to drive direct from the airport to Ockham House, Hurst Green, arriving there around mid-day. Mrs. Woods will not be accompanying me.

I have various commitments in Washington for the week of April 10, and plan to return to the United States on Sunday, April 9. I have booked the latest plane possible, which is TWA Flight 701 leaving London at 4 p.m. I presume this will mean that I shall have to leave Hurst Green by car at about lunch-time on that day.

I am looking forward to the opportunity of meeting with you and the other members of Sir Edward Boyle's house party.

With kind regards,

Sincerely yours,

(Signed) George D. Woods

George D. Woods

Mr. William Clark
Overseas Development Institute Ltd.
160 Piccadilly
London W1, England

cc: Mr. Miller
B. Schmitt ✓

GCWishart:pk

Mr. Lars J. Lind

March 20, 1967

Raymond Frost

RF

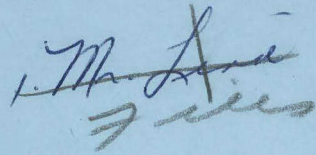
John White's Study on Aid Coordination

In reply to your memorandum of February 14, I have no comments
on Mr. White's Study.

RMFrost:eb

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1



TELEPHONE: HYDE PARK 2654

ODI/2

17 March, 1967


Dear Harold,

How splendid to hear that Mr. Woods found the summing up in The Economist so useful. The whole operation of "Aid that Works" has turned out far better than we expected, and I hope I'm not being too optimistic in feeling that it really has done some good.

In purely institutional terms it was also a most satisfactory joint operation between ODI and The Economist. Indeed, I must not take the credit for the actual writing of the final piece. I have therefore taken the liberty of passing the contents of your note on to François Duchêne of The Economist, who I know will be delighted.

I became so involved in the devising of the series that I was reluctant to write the final summing up, for fear that I would ride my own hobby horses instead of re-stating some of the points that had been implicit in the series. I think François did a superb job, though he in fact rode some of my particular hobby horses, e.g. the role of the World Bank, rather harder than I would have dared to do.

Yours ever,



John White

2.

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

Headquarters:
Washington, D.C., U. S. A.

ODI
X Consultants



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE
Telephone - 553-2510

London file

March 17, 1967

Mr. S. Aldewereld
Vice President
International Bank for
Reconstruction and Development
Washington, D.C.

Dear Siem:

Many thanks for your letter of the 13th. Tom
Soper and John White will be at New Zealand House
at 11 a.m. on Thursday, March 30. Many thanks.

Yours ever,

A handwritten signature in cursive script that reads "John".

John Duncan Miller
Special Representative in Europe

04:10 PM 20 MAR 1967

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COMMUNICATIONS

1967 MAR 20 PM 1:40

Special Representative to Embassy
John Duncan Miller

John Miller

at 11 a.m. on Thursday, March 30. Many thanks.
Robert and John White will be at New Zealand House
Many thanks for your letter of the 13th. Love

Dear Steve:

Washington, D.C.
Reconstruction and Development
International Bank for
Aide President
Mr. S. A. G. G. G.

March 17, 1967

Telephone - 223-2210

* AMERICAN PEOPLE'S BANK (INC) - BRANCH
EUROPEAN OFFICE:

СНМ УЧРЕЖД - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНМ УЧРЕЖД - ИНТЕРНАЦИОНАЛ БАНК

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

X
100
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cc: Lars Lind

PROJ/15

17 March, 1967

Dear Mike,

Lars Lind has sent me your notes on my manuscript. Your comments are so useful, and clearly the result of a very careful reading indeed, that I hope you will not take offense at my writing to you personally to thank you for all the trouble you have taken.

I am at present engaged in re-writing and amending the draft, to take account of your comments. Many of your objections are ones that I must accept, and in these cases I have made substantial alterations. In some other cases, I have stuck to my original point, although I have re-phrased the argument to take account of possible lines of attack which I had not perceived and which you have now brought to my attention.

Some of the points which you raise are of fundamental significance. Quite apart from the business of improving the draft, I should like sometime to argue these points out with you in greater detail. I don't think a letter is the best way to do this. I hope, however, that you will not think it a nuisance if I eventually return your comments to you with my own marginal notes on your marginal notes, explaining what steps I have taken on each point.

As a preliminary comment, I should like to raise the question of the whole approach of the study - what you have described as its "over-intellectualisation". Most people have commented on this aspect of it, with varying degrees of enthusiasm. As you would expect, the academics are more favourably disposed towards it than the practical administrators. In part, the approach is simply the one that is most natural to me. (I read philosophy at Oxford, and the mannerisms of linguistic analysis are terribly hard to shake off.) More seriously, I think this approach may be of value in two respects, though I am fully aware of its limitations:

1. The study is addressed in the first instance to practical administrators. If there is any point in an institute such as ODI undertaking a study of this kind it can only be that we are in a position to take a quite different line from the one that would be natural to people actually concerned with policy and administration. I remember once declaring that it was our function to seem excessively academic to the practical administrators, and excessively taken up with practical problems to the academics. Such a function is particularly necessary in relation to administrators in this country. In your institution, a serious attempt is made to work out a rational policy and then to apply it. I do not think the same can be said here. Indeed, our main present objection to the Ministry of Overseas Development does not lie in the limitations that have been imposed upon it, ~~but~~ I suppose are understandable, but that these limitations seem to have deprived it of the ability to think. The British

which

17 March, 1967

(M. Hoffman)

vice of claiming to be pragmatic, as a disguise for the fact that one has no policy, is more in evidence than ever. (As you know, "pragmatic" is a word that I suspect. My dictionary gives "meddlesome, officious, unprincipled".) To go to the other extreme of over-intellectualisation, therefore, is primarily intended as a protest against the fuzzing of issues.

2. Apart from this practical purpose, I think there is also a certain theoretical value in this approach. What I have tried to do is to devise a series of neat hypotheses which fit most of the facts and which give them more coherence than they appear on the surface to have. I know that political developments are not as tidy or as rational as this in practice. Still, if a particular chain of events can only be rationally explained by assuming the existence of a policy which can be shown to be inappropriate, then it is reasonable to suppose that the chain of events was leading in the wrong direction, whether that policy was in fact consciously applied or not. In a sense, this is the point that scientists argue about endlessly, whether their explanations have the status of hypotheses or of statements of fact. For the general reader, I think this kind of rationalisation is probably the clearest way of drawing the threads together. After all, it is a very complicated and technical subject and I want to get my point across to other people besides technicians.

One last point. I want to keep the introduction very short, containing only a brief explanation of what the study is about, some explanation of terms, and the appropriate acknowledgements. It seems to me a bit grudging, under the last heading, simply to say something on the lines of "I am very grateful to various officials in the following institutions for all the help they gave". There are a few individuals whom I should like to name, and you are prominent among them. My question is: Would it embarrass you as an official of the Bank to be so named, provided, of course, that it was made clear that you were not in any way associated with the judgements, comments and conclusions?

Yours ever,

John White

Mr. Michael Hoffman
IBRD
Washington, D.C.

JW:TR

P.S. One passage which you single out for approval, pp. 21-22 of Ch. V, has come under heavy attack from other quarters. It is in fact the key passage of the whole study, so much so that our internal discussions of the draft have largely concentrated upon it, as a result of which I have had to expand it considerably.

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

File

PROJ/15

17 March, 1967

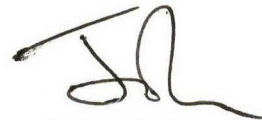
Dear Lars, ~~friend,~~

Thank you very much for your letter of March 8. The material that you sent will be extremely useful. It is always valuable to have material of this kind collected and complete.

You were right in supposing that the consultative group for Korea was not included in my original Appendix A. I had been under the impression that meetings on Korea were still officially "preliminary". I have amended all the figures in Appendix/accordingly. Korea is a bit of a nuisance, because it upsets my contention that countries for which a group is set up are usually already the object of aid from several donors, and that one can therefore take previous disbursements as a rough guide. I have covered myself, perhaps, by declaring in the text of Chapter 2, that Korea was a very unusual case.

Mike Hoffman's notes are of very great value indeed. Because he has obviously taken such immense trouble over them, I have taken the liberty of writing to him personally to thank him. I enclose a copy of my letter.

Yours sincerely,



John White

Mr. Lars Lind
IBRD
WASHINGTON, D.C.

JW:tr

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Shudu.
ODI

March 14, 1967

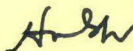
Dear John:

This note is to say "Bravo!" to the summing-up of the aid series that appears in The Economist this week. Mr. Woods saw it in New York yesterday, and telephoned special instructions for it to be read by all members of the senior staff.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London W 1
England



HG:ap

March 13, 1967

Mr. John Duncan Miller
Special Representative in Europe
International Bank for Reconstruction
and Development
4, Avenue d'Iena
Paris 16^e

Dear Johnny,

Thank you very much for your letter of March 8 regarding the "Study Group on Professional Consultancy and Overseas Development." I note from your letter that these people have asked you whether, if somebody from Projects Department is going through London in the near future, he could spare the time either to attend one of their meetings or to talk to ODI's staff on the Bank's views.

You may know that I will be in London from March 27 to 31, mainly for a conference with FAO people. I would, however, have about an hour before lunch, say from 11 to 12 o'clock, on Thursday, March 30. Maybe the ODI people would care to see me at our London office. I will do my best to try to answer any questions they may have, and if it would prove to be necessary to have further discussions I can always arrange for somebody suitable in the Projects Department to come and see them.

Sincerely yours,

(signed) S. Aldewereld
S. Aldewereld
Vice President

SAldewereld:mc

1967 MAR 14 10:42

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OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

ODI
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TELEPHONE: HYDE PARK 2654

13th March 1967

Dear Mr Lind,

Thank you very much for your letter of March 9th with Mike Hoffman's comments on John White's manuscript. I am dealing with this as William Clark is at the moment in Africa. I do want to say how immensely grateful we are to you for the most careful consideration which you have given to all this.

With kind regards.

Yours sincerely
Tom Soper

Dr. T.P. Soper
Director of Studies

Mr. Lars J. Lind
Deputy Director of Information
I.B.R.D.
1818 H Street NW
Washington
DC 20433
USA

ME

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1967 MAR 15 AM 8:50



Mr. Lars J. Lind

Deputy Director of Information

I.B.R.D.

1818 H Street NW

Washington

DC 20433

USA

March 9, 1967

Dear John:

*- Hoffman
Mar 2/67*

I am enclosing Mr. Hoffman's "Marginal Notes" to your manuscript. I am sure you will agree with me that they are considerably more than "marginal". I am also sure that you will be grateful and stimulated by his very thorough critique in which he only engaged, I may say, because he found your manuscript stimulating and useful and thus deserving the pains he has taken.

I am not aware that anyone else from here has offered you detailed comments, but the few general comments I have heard made the same main point as Mr. Hoffman, i.e., that your effort is "overintellectualized". Others have used the term "scholasticism".

In any case, I hope you will receive the comments in the same constructive and generous manner in which they are offered.

Sincerely,

Lars J. Lind

Encls.

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Hoffman

LJL
LJL/jsw

1967 MAR 10 11:21

COMMUNICATIONS
DEPARTMENT
MARCH 10 1967



March 9, 1967

Handwritten:
V/S
1/2

Dear John:

I am enclosing Mr. Hoffman's "Marginal Notes" to your manuscript. I am sure you will agree with me that they are considerably more than "marginal". I am also sure that you will be grateful and stimulated by his very thorough critique in which he only engaged, I may say, because he found your manuscript stimulating and useful and thus deserving the pains he has taken.

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In any case, I hope you will receive the comments in the same constructive and generous manner in which they are offered.

Sincerely,

James J. Lind

Enclos.

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Hoffman

Handwritten:
JLJ/jaw

1967 MAR 10 AM 11:51

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March 9, 1967

Dear Bill:

At the request of Mike Hoffman I am sending you a copy of the comments he has offered on John White's manuscript and also a copy of the covering memorandum to me. *Mar. 2/67*

I am sure you will find his "marginal notes" both penetrating and helpful in bringing some of the arguments back into the realm of realities.

Sincerely,

Lars J. Lind
Deputy Director of Information

Encls.

Mr. William Clark
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Hoffman

LJL
LJL/jsw

22:11 MAR 01 1967
COMMUNICATIONS

March 9, 1967

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Sincerely,

James J. Lind
Deputy Director of Information

Encs.

Mr. William Clark
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Hoffman

LJL/jaw

1967 MAR 10 AM 11:52
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Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510



March 8, 1967

Mr. S. Aldewereld
Vice President and Director
Projects Department
International Bank for
Reconstruction and Development
Washington, D.C.

Dear Siem:

The Overseas Development Institute in London is organising some seminars of a "Study Group on Professional Consultancy and Overseas Development" over the next few weeks and have asked me whether, if somebody from Projects Department is going through London in the near future, he could spare the time either to attend one of the meetings or, if one cannot be arranged to fit, to talk to ODI's staff on the Bank's views.

The terms of reference of the Study Group will roughly be:

- "(a) to examine the function and organisation of British professional consultants; to appraise the advantages derived by their clients overseas; to compare British consultants' methods of operation with those of their competitors from foreign countries;
- (b) to examine the various links between consultant firms and Government bodies, suppliers of finance and of capital equipment, and to assess their value in terms both of the national interest of developing and developed countries and the professional and commercial interests involved;
- (c) to consider the desirability of promoting specific types of relationship and to consider what can be done to strengthen the position of the profession and secure the removal of obstacles to its effective use and further growth;

ack. Mar 13/67



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INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4 AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

March 8, 1967

Mr. S. Aldevereld
Vice President and Director
Projects Department
International Bank for
Reconstruction and Development
Washington, D.C.

Dear Sir:

The Overseas Development Institute in London is organizing some seminars of a "Study Group on Professional Consultancy and Overseas Development" over the next few weeks and have asked me whether, if somebody from Projects Department is going through London in the near future, he could spare the time either to attend one of the meetings or, if one cannot be arranged to fit, to talk to ODI's staff on the Bank's views.

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- (c) to consider the desirability of promoting specific types of relationship and to consider what can be done to strengthen the position of the profession and secure the removal of obstacles to its effective use and further growth;

1967 MAR 13 10:48

Handwritten notes in the bottom left corner.


Mr. S. Aldewereld

- 2 -

(d) to examine what part can be played by aid (both bilateral and multilateral) in the promotion of consultancy as a form of technical assistance."

I think it is worth doing if somebody suitable is going that way.

Yours ever,

A handwritten signature in dark ink, appearing to read 'John Duncan Miller', with a stylized, cursive script.

John Duncan Miller
Special Representative in Europe

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

PROJ/15

8 March, 1967

Dear Harold,

Thank you very much for your letter of February 24. I am sorry it has taken me a few days to reply. Cause of the delay is that all my family has been having mumps, keeping me at home as watchdog, guardian and housemaid all in one.

I saw David Fulton when he was here. We had a long conversation, which I enjoyed. I hope he did, too. I am glad you think that written comments will be obtainable without causing too many people too much extra trouble.

The three main articles in the Aid that Works series have all now appeared. There is to be a further round-up piece, but I have suggested to Duchêne of The Economist that it would be better if he wrote this himself. I have merely sent him a note, a copy of which is enclosed herewith, listing some of the points that occur to me on re-reading the series. (Someone commented that it looked as if I was searching for a universal recipe. I hope the final article will not give that impression.)

Lars has done noble work on my tables, and I am writing to him separately to thank him.

Your comments on Chapter I are very useful, especially as this is a chapter which will probably not attract much comment from others reading the draft, who have more specialised interests. I shall certainly take them into account when re-writing.

It would indeed be useful to me to have to sit down and think out a brief appraisal of the research programme on the lines I suggested, so I shall go ahead and do this as soon as the pressure of getting the draft to the printers is lifted.

Yours,



John White

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

1967 MAR 10 10 10:23

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8 March, 1967

PROJ/17

Handwritten signature/initials

Dear Harold,

Thank you very much for your letter of February 24. I am sorry it has taken me a few days to reply. Cause of the delay is that all my family has been having mumps, keeping me at home as watchdog, Guardian and housemaid all in one.

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Yours,

Handwritten signature

John White

1967 MAR 10 AM 10:53

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Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

15 February, 1967

Dear Francois,

Enclosed are my notes on points that occur to me after a re-reading of all three articles.

The formal way in which they are set out should not be taken too seriously. They are really no more than random jottings. I assume it is obvious that they do not amount to an attempt to draw conclusions of universal application. All I have done is to note the factors which seemed to be of significance in some or all of the cases described. In political terms, the principal factors which seem to be common to all four cases are an authoritarian but flexible style of government, a relatively permissive and uninhibited society, a forthcoming attitude towards the principal donor or donors, and extensive involvement of the donor or donors in the recipient's domestic affairs.

I hope the notes are helpful.

Yours ever,

John White

Mr. Francois Duchêne
The Economist
25 St. James's Street
S.W. 1

Enc.

JW:tr

ODI
✓

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

PROJ/15

8 March, 1967

Dear Lars,

✓

Thank you very much indeed for your letter of February 27, and for going to so much trouble to update my tables. I felt very guilty at landing this one on you for a second time, but it did seem better, now that publication has had to be delayed until late spring, to have the figures for the full calendar year.

Thank you also for bringing one or two imprecisions in Appendix A to my attention. The remark about Colombia, Peru and Sudan did apply, as you surmised, to the volume of multilateral aid as a proportion of total aid received by these countries. I agree that the use of a 1960-64 average slightly distorts the picture, particularly as regards the proportion of multilateral to bilateral aid, largely because of the phasing of IDA disbursements. The trouble was that I was primarily concerned to show the distribution among the bilateral donors, reckoning that the multilateral/bilateral ratio had been fully covered in the text. The only set of strictly comparable donor-by-donor/recipient-by-recipient figures are the OECD tables, which only go up to 1964. I included countries for which consultative groups were set up after 1964 because any country for which a group is set up is, almost by definition, a country in which the donors as a whole are already involved (cf. the existing involvement of the founder members of the India Consortium before the consortium was founded). Disbursements to all of these countries, even before a group is set up, is therefore a good measure of the extent to which any bilateral donor is committed to whatever is meant by the "common aid effort".

I wondered about the UNDP, and decided not to include it in the end because it is so broad that subscriptions to it cannot be taken as an indication of adherence to the company of aid-givers, the hard core of which are the DAC or the IDA Part I countries. (The size of contribution to the UNDP is an indication, of course, but Table I does not give figures, while Tables II and III are concerned exclusively with consortia and consultative groups.)

The surplus 5 which you noticed has been deleted.

1205 NOV 10 AM 3:34

Thank you also for your letter of March 2. I am of course quite content to have the distribution of the draft in your hands. I listed, in a letter to Harold Graves, the people whose views had been very much in my mind, but this was really only for information, which I thought might be helpful.

OVERSEAS DEVELOPMENT INSTITUTE LTD

100 PICCADILLY LONDON W1 HYDE PARK 2654

8 March, 1967

PROJ/15

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1967 MAR 10 AM 9:34

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L. Lind

- 2 -

8 March, 1967

I am still wondering about the title. I deliberately included the word "pledge", because I wanted to bring out the essential rightness of the function of which pledging was once a part, and to argue that the unlvely connotations that the word had acquired were largely a matter of historical accident and of early uncertainties concerning the nature of the operation. My own view is that it is quite wrong to attach to the function of which pledging was a part the odium which arose from certain specific misfortunes. The best way to do this seemed to be to come right out in the open and make it plain that I was writing a book about pledging. Mike Hoffman has suggested, reasonably enough, that I am obsessed with pledging, but this is inevitable, if only because the bilateral donors are obsessed with the exclusion of pledging, with disastrous results. The battleground has been pre-selected for me, though I agree that it is open to argument whether the inclusion of "pledge" in the title is the best way to fight it.

Yours,



John White

Mr. Lars Lind
Deputy Director of Information,
IBRD
Washington, D.C.

JW:tr

Argentina - 601

March 8, 1967

Dear John:

A few weeks ago we assembled some of our existing material on consortia and consultative groups and clipped it together for handy reference. I am attaching a set which you might wish to put in your files.

In doing so, I have a strong feeling that the consultative group for Korea was not included in the revised Table I of Appendix A returned to you on February 27. You will find the members listed in the press release dated December 13, 1966.

You will note, of course, that for some meetings of consortia and consultative groups there are no press announcements, but I hope the document will be useful nonetheless.

Sincerely,

Lars J. Lind

Encls.

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

LJL
LJL/jsw

ack. Mar 17/67

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

MAR 8 REC'D

6th March 1967

Dear Mr. Woods,

I am writing about our meeting in England in April. All seems to be going very well, and I have great hopes of its outcome.

Because it is a small and intimate meeting I do not propose to have papers or an agenda. The subject we need to discuss is our relations, as a group of representatives from the highly developed world, with the developing world in the next two decades. What better, less abrasive, relationship can be found than a series of aid programmes to Governments, annually appropriated by Governments? The second subject of discussion is how to create the political will for action by the developed countries. On this I believe the nature of our group makes it possible that we shall be able to make practical suggestions that we can begin to implement.

As to physical arrangements, we are meeting at the home of Sir Edward Boyle, Ockham House, Hurst Green, Sussex. Because of various travel arrangements of the participants we shall not begin our full meeting till mid-day, Saturday, April 8th, and continue through Sunday (if you have to leave Sunday afternoon, as I understand, that can easily be arranged).

If you can arrive Friday evening you will be very welcome and some of us could chat informally, but if you want to arrive on Saturday morning we can make arrangements accordingly.

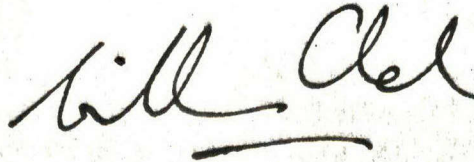
The following have agreed to attend:

Rene Maheu
Egidio Ortona (uncertain)
Maurice Strong (the new head of External Aid in Canada)
Sir Eric Roll
Barbara Ward Jackson
Sir Edward Boyle
William Clark

ack March 20/67

I should add that I have had conversations with Jim Perkins and David Bell and will keep them informed about all of this. Also Edward Boyle and I are going to Bonn this week-end and will explore the possibility of inviting a suitable German.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Bill Clark". The signature is written in dark ink and is positioned above the typed name.

William Clark

Mr. George Woods
IBRD
1818 H. Street
Washington
DC
USA

ME

Mr. Lind

March 2, 1967

Michael L. Hoffman

John White's Study on Aid Coordination

I have now read all of John White's study on aid coordination in sequence. I am bound to say that on balance I find it a stimulating and useful study. His approach, of course, is still what I would call highly overintellectualized. He is bound to find a rationale for everything and is not willing to admit, for instance, that inertia, rather than deep philosophical reasoning, might have a great deal to do with the unwillingness of the Bank to take on more than two consortia. But, in my opinion, it does us no harm to have our record examined by a sharp mind, at least when it is as well done as this. So far as my knowledge extends, he has come about as close as any outsider is likely to get to drawing a fair picture of what has actually happened.

Having said the above, I still have difficulty with the manuscript at many points. At some points I still get intensely, and perhaps unreasonably, irritated at the author's addiction to certain concepts and thought processes.

My net position is that the manuscript now deserves to have the benefit of detailed comments, and in the attached memorandum I have transcribed my marginal notes for transmission, if you think it desirable, to Mr. White.

MLH

MLHoffman/pnn

Marginal Notes on John White's Manuscript

The following notes almost all fall under headings 1 and 3 of the author's suggested types of comment. Some of them may relate to his heading 4, General Argument, but I have preferred to introduce each point in juxtaposition to the text which suggested it in the belief that this may be more helpful to the author in understanding why the point is made.

Title

I hope the author will give ear to an earnest plea for a change in the title. One of the things that has bothered me and some other readers of this manuscript most is what I can only describe as an apparent obsession with the concept and process of pledging. Intellectual problems which the process poses obviously fascinate the author. The temptation, which he does not resist, to magnify the importance of the pledging process quite out of proportion to its significance in "real life" in the aid business is responsible for the book's most serious technical weaknesses, in my judgment. I would, therefore, hope that a title could be chosen that would not quite so blatantly suggest a bias that some of us at least feel is already overly prominent in the text.

Chapter I

I-1. Second paragraph.

The widening area of exclusion from organized aid programs has not applied to technical assistance in general and to U.N. technical assistance, including that of the specialized agencies, in particular. The West has continued to support these activities financially, even though the U.N. family (with the notable exception of the Bank Group) as a matter of policy refrains from applying the criteria mentioned in the last sentence. The point is of some importance, both because of the growing inconsistency between the U.N. policy and the policy of the principal financial supporters of the U.N. family's activities, and because of the implications of the situation for the supposed inter-relationship between technical assistance and financial aid.

I-2. Top of page.

"Balance of payments, etc. . . ." So far as the United States is concerned, it seems to me quite wrong to place preoccupation with the balance of payments, which affects very few people, above preoccupation with Viet-Nam, the racial crises, and "poverty" as reasons for attention turning inward.

I-12. Second paragraph.

I don't believe the arguments for automaticity in aid advanced in the U.N. should be described as "logically convincing." They never convinced enough people, even the kind of people who vote in the U.N., to produce resolutions embodying the unqualified principle.

I-12. Third paragraph.

There are two things wrong with this paragraph, of quite different orders. To take the simplest first. If the words "strategic international planning of aid" are read in the ordinary meaning given to these words, they would certainly

apply to the process of preparation and negotiation that was involved in the creation of IDA, which was going on during this same period of time and was being carried out by the same governments -- i.e., the members of DAC, which, with minor exceptions, are the same as the Part I countries of IDA. Indeed, the Articles of Agreement of IDA embody the only internationally agreed strategy for aid except the Articles of Agreement of the Bank itself. If the author is reluctant to accept this, let him ask himself: what would be the chances of getting international agreement on either of these strategies in 1967? So the first sentence isn't true, giving words their standard meanings.

But one suspects that the author will consider this observation to be beside the point. He could, in fact, easily reconstruct his sentence to take account of it. But the wrongness, or incompleteness, of the first sentence is irrelevant to the structural defects of the paragraph as a whole. The purpose of the paragraph is to introduce the concept of "strategy" and to demonetize the word coordination. The second thing wrong with the paragraph is that the author's method is both unscrupulous and illegitimate. He describes the "operations of the DAC" as "the nearest thing" to "strategic international etc." He then asserts that these same operations "consisted primarily of Coordination." So the term "coordination" came to be applied to "questions" of "strategy." By whom? Whose definition of strategy? The one above? But this is only the author's definition! He then asserts that "this" was more than a "misuse of language," and that "it" fundamentally misrepresented the "operation." To what do "this" and "it" refer? The use of the term "coordination" to apply to "consideration of strategy?" But this is the author's "misuse of language." There is no evidence that anybody else has been guilty of it. The argument involves a complete non sequitur even if the first sentence were so rewritten as to be correct taken by itself.

I deal with this small paragraph at length because it demonstrates an analytical habit which crops up several times in the manuscript. I think it is a dangerous habit, especially when writing about serious, politically rooted, international negotiations, consultations, and commitments.

It would take an expert in symbolic logic to put this matter precisely. But the model argument is something like this: What is really needed to deal with "the problem" is (A) ("strategy"; "allocation of tasks") -- an assumption, or deduction from a series of assumptions, by the author. What is done by (group, institution) is (B) -- facts of life. Because (B) is not (A) (at this point transmogrified into a "fact of life" or an accepted principle) the (group, institution) is unable to deal with "the problem." The author does not seem to realize that all this amounts to is an assertion that a given procedure (group, institution) is not an appropriate method for carrying out a process which nobody involved wants to engage in.

I-13. First new paragraph, third sentence.

This is ambiguous because it gives the reader no idea of how much "surrender of sovereignty" is involved in belonging to the OECD. The implication is -- not much. But this ignores the very important feed-back from the OECD to the member. Historically, this has been most important in the process of country reviews but there are many other channels. To suggest only one, the

obligation assumed by a government to produce certain kinds of economic statistics on a regular basis had a tremendous impact on economic management in several countries, Italy and Spain, for instance. Personally, I think "surrender of sovereignty" is a poor term to describe all this but the sentence as it stands leaves the impression that there isn't much difference between what a country does if it is a member of OECD and what it would do if it is not, and I think this is both unfair to OECD and seriously misleading. Correcting this impression would in no way weaken the force of the main argument of the paragraph.

I-13. Second new paragraph, fourth sentence.

Again I think "surrender of sovereignty" is a very misleading and question begging term to apply to participation in an operation of the World Bank which, presumably, refers to contracting a loan or credit agreement with the Bank. The whole notion that an agreement involves a "surrender" by one party to the other I find extremely bizarre, quite apart from the fact that "sovereignty" in any reasonable sense of the term just doesn't enter into it.

I-14.

I find the whole argument about connotation strained, unnecessary, and distracting. It had much better been left out. One could add or subtract terms ad infinitum without serving any useful purpose. The general argument of the book would not be weakened in the least by pulling this thread out of the whole manuscript.

I-14. Last paragraph, first sentence.

It seems to me that it ought to be stated right here that the surrender of choice involved is invariably limited in time and scope. As the sentence stands, it suggests that the "surrender" is indefinite and imprecise.

Chapter II

II-18. Last paragraph, third sentence.

I don't believe this statement is correct. At least since the 1960 mission report, there has been a remarkable consistency both in the Bank's analysis of India's main problems and in the degree to which this analysis has been accepted by the consortium -- and for that matter by the Indian Government.

II-20. Third new paragraph, penultimate sentence.

This is incorrect. Meetings of the India and Pakistan consortia are officially described as consortium meetings.

II-24. Last paragraph.

The second sentence overstates the point. In the beginning, the Indians, for instance, insisted on not being "in" the consortium and, while the author

is entitled to his own views in this matter, I think he should recognize where we have come out in both consultative groups and consortia, namely, with a pattern of meetings which involve both sessions attended by the country which is the object of the exercise and sessions attended only by members.

II-25. First new paragraph, sixth sentence.

It will presumably have been pointed out by others that this sentence is technically incorrect. Refinancing as used in the context of Bank operations, or of a consortium, refers to the rescheduling of interest and amortization payments on existing debts or refinancing a given project on a long rather than short-term basis. A country can have a debt service pattern that necessitates no refinancing while still both receiving new "aid" and repaying old debts. In fact, this is the "ideal" pattern.

II-28. Penultimate paragraph.

This is badly off the mark. It suggests that the author has not read or been informed of the contents of the Indian mission reports of 1960 and 1963. This is also suggested, at least so far as the 1960 report is concerned, by the penultimate paragraph on the following page because "many of these criticisms" had been familiar themes since at least the summer of 1960. As I was head of the 1960 Indian mission, I speak with feeling on this point.

II-29. Second new paragraph.

I think the emphasis of the May 1963 meeting is somewhat misstated. Participants were concerned about the items mentioned but they were much more concerned about underutilization of capacity in Indian industry, particularly in the public sector, and mismanagement of the large public sector investments. I think it would also be fair to single out from the concern over the position of foreign private investors in general, the concern over the Indian Government's unwillingness to establish conditions that would induce foreign oil companies to make the very large investments required for prospecting and refining in India, thus conserving its own resources and those furnished by the Consortium for other purposes. This concern may have been ill advised but it was certainly present.

II-29. Last paragraph.

This is an excellent generalization that goes to the root of the matter.

II-30 and 31.

It seems to me that both these tables should have a footnote explaining that the pledges were not four or five-year pledges made at the beginning of the plan to cover the plan period, but pledges year by year.

II-32. First paragraph, last sentence.

This overstates the case. Had this really been their position, they would not have participated in the exercise. I suggest substituting "some assurances concerning" for "firm assurances of."

II-32. Third paragraph, first sentence.

Suggest deleting "long term" which implies that governments made long-term pledges in consortia. Alternatively, might insert the word "general" before "long term."

II-32. Fourth paragraph, second sentence.

A very interesting point. I wonder what the foundation for the statement is? I should think it would be worth a footnote.

II-33. Top of page.

I have no objection to the explanation offered. But I think it would add greatly to its realism if another factor were listed, namely, the purely existential consideration that the people who run the Bank don't like going around dunning other people for money, either at the middle levels or the top levels. The penultimate sentence of the paragraph ending at the top of II-33 contains, alas, another instance of the author's obsession. What the Bank objected to was the creation of new consortia on the India/Pakistan pattern not the "extension of pledging." The author may consider the two phrases interchangeable but the Bank doesn't. And as he is interpreting a position of the Bank at this point, I think he should accept the Bank's version of what it was that was being objected to.

II-33. First new paragraph.

In the first sentence "and the U.K." should be inserted after "U.S." The second sentence is ungrammatical. Delete "with" and "it." Same paragraph, final sentence. Delete "more," In context it implies that there had been pledging for these countries.

II-33. Second new paragraph.

The last sentence is awkward. Suggest ". . . the time to devote his attention to discussions with other aid givers or the prestige necessary to influence their policies."

II-33. Final paragraph.

Somewhere along here the point should be brought out that for most of these countries there was a question of coordinating project aid quite apart from meeting a "gap," encouraging an increase in the total amount of aid, and other considerations. This was particularly true in the case of Colombia and was in fact the main reason why Colombia was picked as one of the early objects of the consultative group procedure. The whole question of coordinating in the project field is somewhat underrated throughout the manuscript, as is the Bank's interest in use of the consultative group procedure for preventing countries from borrowing for bad projects. These considerations could also be introduced in connection with the third paragraph on the following page, II-34, by way of giving more precision to the "more general question of the use of aid." Concern about terms of aid and about priorities, for instance, ought to be mentioned in this discussion.

II-34.

The second paragraph introduces, I believe for the first time, a consideration that deserves more emphasis, either here or elsewhere. This is that the two coordinating mechanisms under review in this book are two out of a large vaguely definable family. And it is by no means sure that either one will be the surviving species. I am not sure that the author ought to interrupt his argument here to elaborate this point but recent developments persuade me that he ought to do so at some point because it is beginning to look as if diversity of species in the family is likely to increase rather than diminish for some time to come, e.g., the Indonesia group, the Ceylon group, -- the World Bank/African Development Bank/ECA/UNDP group, the Senegal River Basin group, the French-sponsored Chilean group and so on. At any rate, treating this matter only in the past tense, as in the instant paragraph, is misleading.

II-35. Third paragraph.

It probably should be mentioned here that not only that DAC's machinery is unsuited to operations but that almost all members of DAC, with the exception of the U.S., were vigorously opposed to DAC's secretariat taking on operational functions.

II-36. Second new paragraph, second sentence.

This assumes that the OEEC had "responsibility for the allocation of long-term financial aid." In fact, after the first attempt to perform this function the OEEC gave it up and responsibility for allocating financial aid under the Marshall Plan rested entirely on the United States. The U.S. Government was, of course, more or less influenced by the country programs and the magnitudes that emerged from the OEEC exercises. The U.S. wanted the OEEC to accept the responsibility for allocating aid but this never happened.

II-37. First paragraph.

Surely the immense Indus joint financing operations should be mentioned at this point.

II-37. Second paragraph.

Penultimate sentence read "regional" for "original"?

II-38. First paragraph.

The IBRD should be added to the international agencies attending the Ecuador meeting.

II-38. Second paragraph.

Shouldn't the fact be mentioned that the Ecuador group has had no subsequent history?

II-45. First paragraph.

The Bank also offered to help with this new machinery, which we did, only to have the effort submerged by the Nigerian political collapse.

II-45. Fifth paragraph.

In view of the dust-up back on page II-24 about membership, exclusion, etc., it seems to me that the active participation of the Nigerian delegation in the proceedings should be given a bit more notice, including some explanation as to how this was handled. Same page, last paragraph. "Very nearly a disaster" is much too strong. It was a rough week but the preparation was good and the consultations on the whole achieved their main objectives.

II-46. Second paragraph.

There was quite a bit more to the South Korean situation than here stated. The South Koreans were strongly, almost passionately, interested in getting the Bank to help them establish contact with sources of finance other than the U.S. Actually, we all think this consultative group is a doubtful starter, but perhaps the Bank should be given some credit here for stretching itself a bit to respond to a strong plea for help from a country in which the Bank itself had not, up until then, been particularly active.

Chapter III

I think this chapter on the whole is now first class.

III-37. Second paragraph, first line.

Suggest "offset" rather than "negated."

III-38. First new paragraph.

Should not mention be made of the fact that the new regime was actually run by senior civil servants who had long been persuaded of the "right" patterns to follow but had been unable to follow them because of vetoes by politically sensitive ministers. I know of no country, except possibly Nigeria, during the brief interregnum of the Ironsi regime, in which this factor was so important as an explanation of why things happened the way they did happen.

III-44. Last paragraph.

At the same time, some rather brave decisions were taken to strengthen the administrative machinery for agricultural credit and extension. These steps were quite effective in West Pakistan, less so in the East.

III-46. Bottom of page.

There was an eighth meeting in October 1966.

III-50. Second new paragraph, third sentence.

Should be "feasibility of the agricultural targets."

III-56. Second new paragraph, last sentence.

This is quite wrong. The ones that were really valuable, e.g., Mexico, Jamaica, Colombia, Thailand, Spain, were so precisely because they laid down the general guide lines for economic development, which were subsequently followed to a considerable extent by governments. Furthermore, because the survey mission reports were issued without any assumption of institutional responsibility for their contents by the Bank's management or Executive Board, they were rather freer than otherwise to touch on controversial issues.

III-57. Top of page.

Again, since reference is made in the first sentence of this paragraph to the Indian consortium, it must be noted that the description of the Bank's reports and their usefulness in the first four sentences is simply not applicable to either the 1960 Indian mission report nor the 1963 Indian mission report. Neither purported to be "like the general surveys" and neither could fairly be described as "not very helpful." As for "political shyness," the 1963 report was so "hot" that the Indians never agreed to have it circulated to the Executive Directors of the Bank or the members of the consortium. I am not sure this latter point should be printed, but it should be taken into account in phrasing this paragraph.

III-57. Second new paragraph, fifth sentence.

This is wrong. The report for the Fourth Meeting of the Pakistan Consortium was deliberately modeled on the 1960 Indian Mission report. As for the last sentence, one can only exclaim: What about the Bell report, the Nigerian report, and the Spanish report? -- all enormous, and all with a powerful political impact.

III-59. Third paragraph, third sentence.

The words "apparently exclude" are much too strong. Our Articles inhibit us from making so-called program loans but do not prevent us from doing so. As a matter of fact, some of the earliest large loans made by the Bank would nowadays be called program loans, e.g., Italy, Australia. The same point is relevant to the third sentence of paragraph 3 on page III-64. There was no formal reinterpretation of the Articles. We just used the "exceptional cases" clause somewhat more freely.

III-68.

It might be both gracious and informative to give somewhat more emphasis here to the energy and buoyancy of the private sector in Pakistan. The term appears frequently but as a kind of an abstract notion. After all, the private sector is people.

III-68. First new paragraph.

The last sentence implies that program aid needs no economic justification. There are some who think the economic justification for program aid is largely numbo jumbo, but there are others who do not. The fact is that great efforts are made to provide economic justification. Indeed, in the Bank, program aid requires more sophisticated "justification" than project aid.

III-69.

I have not attempted to verify the assertion that the U.S. and the World Bank were at odds on only one occasion. However, assuming this to be correct (and I have no reason to doubt it), I think it should be added that on this occasion the Bank gained considerable prestige with other members of the consortium and that this played an important role in the Bank's future relations with them and their relations with Pakistan, through the consortium and otherwise. In view of the statement at the end of the previous sentence, it seems important to add this point.

III-70. Fourth sentence.

I am not at all clear what is meant by "lacking continuity in its own structure." Apart from the problem of how a structure can have continuity, I don't quite see what the statement refers to and suggest some clarification.

III-70. Second paragraph, second sentence.

Suggest deleting at the "diplomatic level" as not strictly accurate, and unnecessary.

III-70. Last paragraph.

The third sentence implies that the "constant harping on private enterprise" was solely for the benefit of the aid givers. This underestimates the very real pressures from within the Pakistan administration and the body politic for this emphasis. Pakistanis have always genuinely felt superior to the Indians in their approach to the "private sector" and their distrust of naive socialism.

III-71. First new paragraph.

The first sentence seems rather banal. Any situation can turn sour.

III-73.

I suppose a paragraph or two will be added to bring the situation up to date.

Chapter IV

I have very few comments on this chapter as I have no firsthand knowledge of the Turkey consortium.

IV-5. Second paragraph, first line.

Surely Germany should be included.

IV-9. Second paragraph, last sentence.

There seems to be a conflict between this statement and the last sentence in paragraph 4 on the following page.

IV-17.

It is "Dr. Liefertinck."

IV-19.

In either the first or second paragraphs it seems to me that the fact should be mentioned that there was a very strong conflict of views about Turkey between the Bank and the U.S. Government at this time. The Bank (Mr. Black) was extremely angry at the U.S. Government for continuing to put money into Turkey without sticking to any performance criteria.

IV-22. Second paragraph.

It seems to me that this is a little late to be introducing the role of the Fund. The Fund should get much more credit for its patience and careful diplomacy in Turkey and for avoiding the kinds of showdowns and ruckuses that seem to have characterized the consortium's dealings with the Turks.

IV-40. Second paragraph.

I don't quite know why but this paragraph leaves one with the impression that Turkey's bad performance was an unreal or at least secondary issue. The fact is that Turkey's performance was ~~really~~ bad.

IV-41.

The first sentence seems to me to involve too much simplification on both sides. It isn't only development policy, but fiscal policy, frequently exchange policy, often trade policy and usually state of project preparation that are bound to come up on the one side. I suppose "questions concerning the aid needed" could cover terms, priorities as between projects and sectors, and various other matters, but I am afraid it is likely to convey to most readers the suggestion that only the magnitude of aid is referred to.

IV-41. Second paragraph, third sentence.

There is a bothersome question of terminology which ought to be dealt with somewhere, perhaps here. Perhaps "aid givers" is as good as any single term to describe the governments and institutions that get together in a consortium or consultative group. However, the fact is that the Bank does not regard itself as an "aid (i.e., taxpayer financed) agency" but as a development finance institution. Also it is pretty hard to stretch the term "aid" to cover all the kinds of finance that consortium members dish out. Would it be too awkward to substitute "governments and international institutions engaged in financial operations in Turkey"? I suppose it would. But somewhere a sort of apology for "aid givers" ought to be put in.

IV-59.

A source for the data should be indicated.

IV-90.

Ditto.

IV-91. First paragraph, second sentence.

The total interest on a given debt over a period of 50 years is not really a very meaningful or interesting figure.

IV-92.

Source again.

IV-93. Second new paragraph, last sentence.

Statement is somewhat surprising as the U.S. has repeatedly done just this in Latin America, notably in Brazil.

IV-93. Third new paragraph, last sentence.

Suggest substituting "it or its nations" for "him."

IV-95.

Source.

IV-97. Second new paragraph, second sentence.

It might be worth mentioning here that in these cases there is likely to be a record of experience good enough to give a,b,c, and d a pretty shrewd idea of what orders their suppliers are likely to get.

IV-100. Third paragraph, first sentence.

Suggest substituting "simple" for "crude."

Chapter V - Page 4a-5.

This whole methodological argument seems to me to be largely of interest to, and the concern of the author. It is the author wrestling with himself. Having gone through the exercise, would it not be better to refrain from inflicting it on the reader? It invites argument, and will irritate many as being a grotesquely overintellectualized effort to define concepts where no clear operational definition yet exist. And it is unnecessary. The Chapter stands perfectly well without it.

V-6. Second paragraph, second sentence.

This seems to forget that the India and Pakistan consortia were started without any terms of reference whatever.

V-7. Fourth paragraph, penultimate sentence.

I simply don't understand this. How can "a review of performance," for example, have a "mandatory flavor"?

V-8. Last paragraph.

Somewhere, perhaps here, the point should be recognized that the main reasons the Bank decided against consortia on the India/Pakistan pattern for

other countries had nothing whatever to do with close analysis of the conceptual or functional differences between consortia and consultative groups. (This is not to say that such analysis is not worth doing.) They were, quite simply, that only India and Pakistan seemed to present an aid problem complicated enough, important enough and to which enough major powers were sufficiently committed, to warrant the Bank's taking on the many headaches of running a full consortium; plus the fact that major donors made it quite clear that they would not tolerate any more consortia on that pattern. Neither of these reasons, obviously, means that the Bank would never revert to the India/Pakistan pattern were there to be other countries that fit the bill.

V-14. First new paragraph.

No objection to the interpretation, but perhaps it should be made clear that burden-sharing has never actually been on the agenda of any Bank-organized consultative group. And whatever the British and the U.S. may want, they have been very scrupulous about not appearing to introduce burden-sharing into the actual proceedings.

V-15. Second paragraph, second sentence.

The statement would seem much less bizarre if it were altered to say that the "whole purpose" can only be achieved by some limitation, etc.

V-15. Third paragraph, second sentence.

It really should be recognized here that "they were imposed" also because the Bank knew perfectly well that otherwise it would have only one or two members in its consultative groups.

V-17. Second paragraph, last sentence.

It may strike other readers earlier, but it struck me quite forcefully here that the author will use almost any word to describe what goes on in a consultative group except "consultation." Why?

V-17. Third paragraph.

Negotiations between whom and whom? Firm commitments by whom to whom? If these are correctly answered, the contradiction disappears and most of the following argument.

V-17. Fifth paragraph, first sentence.

Again, why does the author insist in calling what goes on in consultative groups "discussion" which has a totally different connotation in the realm of public affairs than the word consultation? We may not succeed, but certainly what we try to get the people who come to consultative groups to do is to consult about their problems, constraints, aspirations, etc. The real criticism of consultative groups is that we have not yet succeeded nearly well enough in achieving this objective. People make too many speeches and don't ask each other enough questions. But we have certainly gone a long way beyond "discussion."

V-21 through 24.

This contains some of the best parts of the book. My only comment relates to the last paragraph of V-23. It is not at all unlikely that a common view of recipients' needs will emerge, if the job of consultation is properly done. In fact, it usually happens. The governments cannot all act in ways that are appropriate to that view. But a consensus view of the dimensions and nature of the country's problem usually emerges.

V-29.

Beginning with the first new paragraph on this page, and particularly the words "and this phrase alone," I just have to confess that the author leaves me hopelessly behind. I don't see any point in commenting in detail, as it is quite clear that the author regards this argument as a culminating one and is very much attached to it. He has a perfect right to present it.

There are only three comments from which, after a long struggle with my critical self, I cannot refrain. The first is the general one that the whole absolutistic argument seems quite inconsistent with the excellent analysis on pages 21 and 24. The second relates to the first two sentences on V-31. I wonder if the author is aware that there are several international groups which do engage in pledging, but are distinguished (by all concerned) from consultative groups, or for that matter from consortia, not by reason of this fact but because they don't make any effort to coordinate development finance. The fact that such groups exist is one thing that makes all this argument seem far-fetched to me. The third relates to the two sentences on the top of V-36 which are a perfect example of the transmogrification fallacy to which I alluded at the beginning of this critique. One wants to shout at the author: "This is your assumption, chum, not ours."

Chapter VI.

I consider this summary and conclusions admirable and, indeed, almost impeccable from the point of view of the Bank. One only wonders while reading it why the author felt it necessary to introduce so many curious and totally unnecessary arguments along the road.

The only point I disagree with is the conclusion that the recipient country needs to be a formal member of all groups. I think it is essential for the chairman to retain the right to convene meetings for consultation among the countries and agencies providing development finance without the presence of the recipient country. The right may not always be exercised but it ought to be there. Making the recipient a formal member of the group would make the holding of such private consultations awkward if not impossible. I am surprised that the author has not been more impressed with the fact that the practice of the Inter-American Bank of acting as the recipient's "financial agent," with the recipient a member of the group, has had the effect not of making its one consultative group more effective than those organized by the World Bank, but of having the Inter-American Bank almost totally ignored by the countries engaged in development finance in their various subsequent approaches to aid coordination according to this general pattern.

Michael L. Hoffman
March 8, 1967

March 2, 1967

Dear John:

Your manuscript is being read by several people in the Bank as suggested by you and I am sure you will receive useful and constructive comments, in particular from Mike Hoffman.

Mike Hoffman has suggested that the best qualified person to read Chapter 4 on the Turkey Consortium would be Mr. Ernest Sturc, Director of the Exchange and Trade Relations Department of the Fund. I have taken the liberty to assume that this suggestion would be readily acceptable to you and have sent a copy to Mr. Sturc without losing any time waiting to hear from you.

Could you not abstain from using the word "pledge" in your title; it has, as you yourself point out, acquired an "unlovely connotation."

Sincerely,

Lars J. Lind
Deputy Director of Information

Mr. John White
Overseas Development
Institute Ltd.
160 Piccadilly
London, W.1
England

LJL
LJL/jsw

To: Mr. Ernest Sturc, Director
Exchange and Trade Relations Department
International Monetary Fund

March 2, 1967

From: Lars J. Lind, IBRD

Subject: Manuscript by John White of Overseas Development Institute,
London

At the suggestion of Mr. M. Hoffman, I am sending you a copy of the manuscript, bearing the rather unfortunate title of "A Pledge for Development" by John White of the Overseas Development Institute, London.

The Bank had a close relationship with ODI and makes a yearly contribution to its study program. Mr. White's study of consortia and consultative groups has been under way for more than a year. He has visited the Bank a couple of times and also had talks with staff and delegates of OECD. Several experts in the Bank are offering White comments on the draft, although the Bank has no responsibility whatever for White's views and opinions. We wish, however, to be helpful in seeing that the factual material is reliable.

We would be most grateful if you would look over Chapter 4 dealing with the Turkey Consortium and communicate your comments either directly to John White or through me, whichever you find most convenient.

Mr. White has asked that the manuscript be seen by a number of people in the Bank; although he did not specifically mention your name or IMF, I am sure he will be delighted to have you see and comment on this Chapter. I am writing John White telling him that I have sent you a copy.

Attachment

LJL
LJL/jsw

Study
ODI

February 27, 1967

Dear John:

I return an updated version of Table IV of your Appendix B. The changed figures necessitate a change in the text in the third line of the first para under "Second Replenishment". I have checked Table 1 of Appendix A for the groups of direct concern to the Bank; it is correct. In Appendix A you state that "Colombia, Peru and Sudan stand out as having received relatively large amounts from multilateral agencies". It is not quite clear that you mean, as I assume you do, "relatively to the total amount". The amounts themselves are of course much smaller than for India and in the case of Peru and Sudan also smaller than for Pakistan. One distorting factor is that the Table uses a 1960-64 average, that is a period before IDA disbursements had reached a significant volume. This explains in part the surprisingly small figure for India. You introduce another distortion, it seems to me, by listing consultative groups established after 1964.

I am a little surprised that you have not included the UNDP (Special Fund) in your Table I; although its activities are formally described as pre-investment, the distinction between aid and pre-investment is hard to draw. It would certainly seem to me that a country's contribution to the UNDP is a measure of its support of multinational aid operations, particularly as the contributions are entirely voluntary. There seems to be a five too many in Table III.

Sincerely,

Lars J. Lind

Encl.

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

LJL/jsw

February 24, 1967

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

incoming - Feb 8th

Dear John:

Lars will do his best to update the tables, as you request. On another point you raise -- about the advisability of coming to Washington -- I hope that David Fulton has had a chance to say a word to you about this. In distributing the manuscript, we requested comments in writing; and we think that anyone with time and interest will certainly provide them in that form. I do not think a visit to Washington would give you much in the way of extra results.

I had indeed noted the series on "Aid that Works," in The Economist -- and had recognized, of course, that this was your project. It has read very well so far, and I hope that it has attracted some interest among the readership of The Economist generally.

* * *

Let me offer some comment of my own about your Chapter I.

On page 8, at the middle of the page, you speak of countries making their contributions to aid "in the form of purchases of World Bank bonds." This is probably an even more modest contribution than your language implies -- since "countries," as a rule, do not buy them, and since, at any rate, they bring a rather good income to the institutions and individuals who are the purchasers. One possible way to amend the language would be to say "... making their contributions by opening their capital markets to sales of World Bank bonds."

ack. Mar. 8/67

Mr. John White

- 2 -

February 24, 1967

On a broader point, it seems to me very difficult to establish that there has been a "retrogression" in aid, and that the geographic scope of aid has diminished. This is true of aid given by some countries, but not all. American aid, for instance, has been extended to eastern Europe; French policy, as outlined in the Jeanneney Report, has been to send aid in new directions, and especially toward Latin America; Sweden has added North Africa to the list of areas in which she is interested.

In talking about the geographical scope of aid, it seems to me you do not make nearly enough of what, after all, was the dominant fact at the beginning: that in so far as the underdeveloped countries were concerned, each of the principal aid-givers began by concentrating on areas where they had long been politically and economically dominant -- the United States in the Western Hemisphere and the Pacific; the UK in the Commonwealth; the French in the French Union. The fact that so many countries of these areas became independent in the late 50s and in the 1960s is one reason why a country-by-country approach became a more noticeable feature of aid -- problems that had once been dealt with by the French railway administration, for example, became matters that had to be discussed with independent governments.

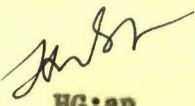
* * *

I appreciate your difficulties about an annual report, mentioned in your note of 8 February. We have never felt, in fact, that you owed us an annual report; but we would welcome the kind of brief appraisal you suggest, particularly if it would be useful to you also.

Sincerely yours,

Harold Graves

cc: Mr. Lind



HG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY

LONDON W.1

ODI

TELEPHONE: HYDE PARK 2654

PROJ/15

16 February, 1967

Dear Harold,

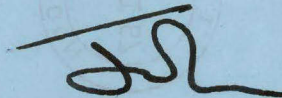
I am sending you under separate cover, by air mail, copies of two appendices (six of each). These are based very largely on material which Lars Lind very kindly gathered for me while you were away. I am reluctant to cause your department yet more trouble, but I wonder whether it would be possible to have them checked. For the sake of neatness, I have dated the table showing membership of consortia and consultative groups December 31, 1966, whereas Lars Lind's table was as of September 30. I wonder whether this involves new additions on pages 2 and 3 of Table 1 in Appendix A.

Tables 2 and 3 are taken from OECD sources so please do not bother about those.

Tables 4 to 7 - showing IDA's resources - I have left in the form provided by Lars Lind. If you have the same figures brought up to December 31, it might be a good idea to effect the substitution, but please do not bother to dig the figures out specially if they are not immediately available.

It occurs to me that it is a bit presumptuous to expect detailed comments on the draft from all the principal members of the staff of the World Bank who are concerned with the questions it discusses. I wonder whether it would save time and trouble all round if I were to come over for a few days, say in the middle of next month. This would still give me a fortnight to do the necessary rewriting before final copy has to go to the printers, and it might serve to bring to light a lot of small errors which people would not bother to mention if they were commenting in writing.

Yours ever,



John White

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

*
P.S. But do glance at them for
the points they bring out, which I
think are interesting.

Mr. Demuth

February 14, 1967

Lars J. Lind

John White's Study on Aid Coordination

We have received copies of John White's completed draft on aid coordination. The author's covering note spells out the kind of comments he is hoping to receive. In his accompanying letter he specifically asks that comments be sent to him separately from each one in the Bank wishing to introduce corrections and changes. This procedure will no doubt be the most expeditious. I would be grateful, however, if a copy of your comments would be sent to me.

It is hoped that any further review in any one department will be done by sharing the copy or copies that have been distributed.

cc: Messrs. Friedman
Cope
Alter
Cargill
El Emery
Hoffman
Benjenk
Frost ✓
Mason
Melmoth

LJL
LJL/jsw

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏENA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Sen Maheu

February 10, 1967

Mr. Harold N. Graves, Jr.
Director of Information
International Bank for
Reconstruction and Development
Washington, D.C.

Dear Harold:

Many thanks for your letter of February 4 about Bill Clark's house-party. Frankly the news fills me with gloom as it reads so far.

The only conceivable use for such an exercise is to get together people who are thoughtful, have done some thinking on the subject (but not so much that they have entrenched positions) and have some influence in the corridors of power. The ideal group would consist of people whose influence is clear but whose interest in development was not yet known - names one would greet with "What a good idea. I had not thought of him".

Edward Boyle, on the whole fits this description - except that he is an ex-Minister of a party out of power. Anyway, it's his house so, as far as he is concerned, he cannot be changed. And he is a good man.

As to Barbara Ward - the Mistinguett of Development Aid - no party is, I suppose, complete without her. But when did she last have a new thought, a new idea, a new emotion on the subject? And when has she ever been responsible for getting anything done?

When you come to René Maheu you have a different problem. Bill Clark has his own reasons for playing up to him at the moment, I know, and I would agree that he is a deeper and more original thinker than most of his peers. But if he is there what about Sen and Candau and David Morse and Uncle Paul Hoffman and ALL (David Owen)? And how much support would they give to the findings and recommendations of a group including one but not all of them?

Oh! dear! Oh! dear!

I have called London and find that Bill Clark will get back the day after I leave. So I will pop over again for a day when he is back in the office. Meanwhile I will try to think of names.

Yours ever,

John Duncan Miller
John Duncan Miller

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Лонга елек

back in the office. Message received with file to think of names.
deal after I leave. So I have called London and told that Bill Clark will get back the
ORI desk: ORI desk:

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recommendations of a group including one not all of them (Owen); and now which anybody would feel like to the findings and
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I know and I would agree that he is a leader and more original
Bill Clark has his own reasons for staying in to him at the moment.
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and when you are ever been reasonable for getting something done,
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and he is a good man.
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far.
name-better. Finally the name that we with group as it leads to
many thanks for your letter of February 7 about Bill Clark's

Dear Harold:

Washington, D.C.
Reconstruction and Development
International Bank for
Director of Information
Mr. Harold M. Giles, Jr.

February 10, 1967

Telephone - 223-3210

4' AVENUE, WASHINGTON, D.C. - RUSSIA
ECONOMIC OFFICE:

СРЕДСТВО - ИНДЕЛС БУК

INTERNATIONAL DEVELOPMENT ASSOCIATION

СРЕДСТВО - ИНТЕРНАЦИОНАЛ БУК

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

*Mr. Love the cc
Mr. Givens*

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

PROJ/15

8 February, 1967

Dear Harold,

Thank you very much for your letter releasing chapter 5 for distribution.

I am still very unhappy with this chapter, and shall probably have another go at re-writing it before sending it to the printers. My present feeling is that the final section can probably be compressed into two or three pages making the very simple point that Belgian behaviour is simply not on!

I am sending you separately, by air freight, twelve copies (complete) of the draft, with an explanatory covering note. Please distribute these for comment as you see fit within the Bank. Presumably, there are some people whom you will only be asking to comment on specific sections with which they are concerned - e.g. the chapter on the Pakistan Consortium. I very much hope that it will be possible for me to receive the comments of individuals separately from each other, since I'm likely to gain far more in factual accuracy and interpretative strength in this way than if all the comments were welded together into a single set.

It is of course up to you to decide who should receive the draft, but it may be helpful to you if I mention those people, apart from yourself, who have had the greatest hand in the making of it (not necessarily directly; some of them are people whom I have hardly met). They are: Gerry Alter, Munir Benjenk, Peter Cargill, Raymond Cope, Dick Demuth, Irving Friedman, Ray Frost, Raymond Goodman, Dave Gordon, Mike Hoffman, Orville McDiarmid, Cyril Martin, Stewart Mason, Sandy Stevenson.

The series on "Aid that Works", which I mentioned to you as a project some months ago, is now coming out week by week in The Economist. I'm not entirely happy with it - an uneasy balance between political and economic factors within the uncomfortably narrow confines of a series of short articles. Still, to judge from reactions already received, the series may make a significant contribution to understanding in this country of what aid is for and what its limitations are. We shall probably have the series done as an off-print for distribution within our own covers.

William Clark has probably told you about our recent quarrels with the Ministry of Overseas Development over their deplorable White Paper, and all the surrounding arguments. This raises one issue on which I should like your advice. You will remember that last year we produced a report of the year's activities in connection with our programme of study of the work of multilateral institutions. As regards the study programme, we can point this year to the completion of "A Pledge for Development" and the work begun on regional banks, accompanied by the usual flurry of conference papers, etc.

ack. Feb. 24.

8 February, 1967

PROJ/15

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COMMUNICATIONS
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1967 Feb 24

8 February, 1967

Beyond that, however, I find it increasingly hard to draw a clear dividing line. Andrzej Krassowski, looking at a single country's aid programme in an individual recipient country, is coming up against very similar questions to the ones that I met in looking at many donors' aid programmes in an individual recipient country, and our answers are growing more and more to resemble each other. On the other side of ODI's existence, one of our main concerns this year, as you know, has been to stimulate discussion of the future role of IDA, especially in the context of IDA replenishment. This and similar issues have now become so interwoven with our general attempt to clarify the issues raised by the present difficulties in world aid that again a clear dividing line cannot be drawn.

For my own part, I find this merging an entirely proper trend. But it does raise difficulties in the way of producing a progress report like last year's. What I suggest is that I attempt very briefly to set down what I have explained here, and add to that a general appraisal of where I think this study programme has got to and the kind of answers I think we are coming up with. This might indeed be useful self-discipline, but would it be of any value to you?

Yours sincerely,



John White

Mr. Harold Graves
IBRD
1818 H Street
Washington, D.C.
USA

JW:tr

February 4, 1967

Dear Johnnie:

Bill Clark, as you know, has been here, and has had a talk with Mr. Woods. Bill offered to arrange a small week-end meeting at Sir Edward Boyle's house on April 8 and 9, and Mr. Woods has agreed to this. Bill's idea was that he would have only five or six people at most; and the general idea of the exercise, as I understand it, would be to discuss ways and means of bringing about the ministerial meeting of Part I countries which Mr. Woods mentioned at DAC last summer and again at ECOSOC in December.

The only names that Bill has mentioned so far are those of Barbara Ward and Rene Maheu (with whom Bill seems lately to have contrived some sort of operational connection). With all due respects to those two people, this does not seem to me to be the most promising of beginnings; and if there is any way in which you can keep track of this and see that the group is worth Mr. Woods's time, I wish you would.

Sincerely yours,

Harold Graves

Mr. John D. Miller
European Office
IBRD
4, Avenue d'Iena
Paris 16e
France

HGM
HG:ap

P.S. - I think
Mr. Woods will
decline the
invitation from Corbett. - H

ack. Feb. 10

*Yellow File
copy*

February 4, 1967

Dear Bill:

It was a pleasure to see you in Washington, and I am glad that we had a chance to talk. Mr. Woods says that he will circle the dates of April 8 and 9 (although he may want to catch a late afternoon plane for the United States on the 9th) and will await further word from you.

After thinking about it, he has decided that he does not want to make a public address in April, so that disposes of our ODI-Chatham House idea.

Sincerely yours,

Harold Graves

HG
HG:ap

Mr. William Clark
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

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February 3, 1967

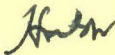
Dear John:

This is to say that we would be happy to have you circulate Chapter V as it now stands. I do not know whether we intend to offer you any comment, but we have no objection to the present draft.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London W 1
England



HG:ap

January 25, 1967

Dear John:

OK dtd Jan. 5/67

Just a note to acknowledge the welcome arrival of Chapter V. The experts will read this, I hope, in time to be ready to talk with Bill Clark about it, should he want a discussion. In any case, looking toward publication, we will get views as quickly as we can.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London W 1
England

John

HG:ap

1. Mr. Laid
2. Mr. Graves

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

PROJ/15

5 January, 1967

Dear Harold,

Herewith chapter 5, revised version.

It has been very hurriedly rewritten and still needs a lot of polishing. In its rough form, it probably sounds harsher than it ought to, but I think I have met the main point concerning the need to distinguish between Bank policy and my views.

I hope it will be possible to get it cleared rapidly for distribution as I am very anxious to send ^{it} out as soon as possible to the hundred people or so whom I shall ask to comment. Even now, it will be difficult to publish before the end of the spring.

Yours sincerely,



John White

Mr. Harold Graves
IBRD
Washington

Enc. 1

JW:tr

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1967 JAN 25 AM 10:21

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FROM: SAC, NEW YORK
SUBJECT: [Illegible]

COMMUNICATIONS SECTION

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COMMUNICATIONS SECTION

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1967 JAN 25

COMMUNICATIONS SECTION

1 Function and Technique

The re-examination of consultative groups, which took place in 1965, gave rise to a new approach to the whole problem of the relationship between a single aid-recipient and a group of aid-givers. It was followed by a sustained attempt to re-shape the consortia for India, Pakistan and Turkey, to animate the consortium for Greece, to revive the consultative groups for Nigeria, Tunisia and Colombia, and to set up several new groups endowed with terms of reference sufficiently clear - and sufficiently flexible - to enable them to avoid the pitfalls that had ensnared their predecessors.

The new approach was fashioned from the fabric/^{of} experience. All the main strands in that fabric have been set out in the first two chapters of this study. In Chapters III and IV, the details have been filled in, by means of a historical examination of two specific cases. Necessarily, this historical examination is confined to consortia. Consultative groups are a more recent phenomenon which cannot yet be set in its proper perspective. Nevertheless, the contrast between the cases of Pakistan and of Turkey is so startling as to lead one to suppose that any lessons that can be drawn from them may well be applicable to the whole problem, not just to one manifestation of it. The divergence between the records of the Pakistan and Turkey consortia is explicable only in terms of a multiplicity of factors, some of which have received no more than glancing attention here. It cannot be explained solely by pointing to differences in the two bodies' approach to the procedure known as pledging, which was originally the central procedure in the consortium technique.

In part, it was dissatisfaction with the way in which the consortium technique was operating that stimulated the search for a new approach. Most of the important initiatives in fashioning this new approach were taken by the World Bank, sometimes in response to external pressure, more often out of the well of its own aims and operations. The World Bank set the tone publicly at its annual meeting in Washington in 1965. It then set about re-furbishing the existing consultative groups and establishing new ones.

The way in which the new approach developed in practice is described briefly at the end of Chapter II. In that description, neither the principles which were said to govern these new groups nor the needs that they were designed to meet were examined in any detail. Now that the actual order of events has been established, it is appropriate to call a halt, departing from historical description and illustration in order to define more fully both the character of the operation that has begun to evolve and the extent to which this operation is likely to meet the needs that have appeared.

The nature of this diversion will have to be explained in some detail, in order to make its purpose clear.

In this chapter, an attempt is made to break the aid relationship down into its essential component parts. Fundamentally, a consultative group is a framework - the most highly developed framework that has yet been devised - within which the aid relationship is expected to function more efficiently, with less loss of energy through friction. An examination of the aid relationship, therefore, is an examination of the functions that a consultative group may be called upon to fulfil. To shorten the argument, the aid relationship is here examined exclusively in the context of this particular framework.

It should be made plain at the start that what follows does not purport to be a portrayal of some sort of "ideal" consultative group. Discussion of an ideal consultative group is not meaningless, but it makes sense only in relation to a specified country, in the context of stated needs and stated circumstances. These needs and these circumstances, as has already been shown in a simple comparison of the cases of Pakistan and Turkey, may vary enormously from country to country.

If that were the only generalisation that could be made, further discussion in abstract terms would be pointless. But there are, of course, a great many features which recur again and again in the aid relationship, and which can be discussed in abstract terms. Some of these features recur in such an unfailing fashion that one can only suppose them to be necessary elements in the aid relationship. As such, they represent factors which the makers of consultative groups should have in mind before they even begin to consider any particular country. Playing things by ear is apt to be misleading unless one knows what one is listening for.

A distinction can be made between what appear to be the immutable elements of the aid relationship and the varied devices which may be employed, according to circumstances, to make that relationship more fruitful, or perhaps just to make it endurable. This distinction is perhaps best clarified by a discussion in terms of function and technique. In a sense, all consultative groups, and all similar mechanisms, have the same function, which is to facilitate the provision of effective external assistance for the recipient's economic development.¹ Beneath that level of generalisation,

¹ It could be argued that there are exceptions even to this apparently safe generalisation. The United States, for instance, sometimes seems to regard consultative groups primarily as a means of burden-sharing. The case is always argued, however, in terms of promoting a more effective response to the recipient's needs.

it is still possible to point to somewhat narrower functions which can be attributed with fair assurance to any consultative aid mechanism - the attainment of a common understanding between donor and recipient, for instance, or the harmonisation of various donors' policies.

Devices such as pledging, periodic economic analyses, the production of project lists; these are plainly techniques. In theory, at least, they are optional. They need justification by reference to the function that they are designed to fulfil. In between, there is a shadowed area in which the dividing line between function and technique cannot be precisely drawn. It makes sense, all the same, to distinguish between what has to be done, a function, and how one sets out to do it, a technique. Indeed, the distinction is crucial. One of the strongest arguments against the consortium approach was that the technique of pledging had in practice assumed such a momentum of its own that it had become virtually a function in itself, distorting the real functions for which the operation was required.

In an analysis of the aid relationship in the abstract, it is possible to identify certain functions. It is not possible to prescribe techniques to fulfil those functions without reference to specific cases. The argument that is advanced here, therefore, is concerned primarily with functions. It is indirectly relevant to the operational selection of techniques, but it does not on its own provide a basis from which such a selection can be made.

Suggestions concerning the selection of techniques are reserved for the following chapter, which is an attempt to summarise the lessons that can be learnt from an examination of actual cases.

In short, the intention here is to approach the problem by means of a different line from that of the preceding chapters. If it is the case that there are certain constant elements in the aid relationship, in the form in which it manifests itself within an international consultative framework, they can presumably be deduced from what is known in general of the development process, of the forms of external assistance available to support that process, of the behaviour of people and of governments that stand in the relationship of lender and borrower, and of the habits of administrators in the conduct of international relations. Corroboration of the conclusions of such an argument may be obtained by reference to the evidence of specific cases, such as the Pakistan and Turkey consortia. Such evidence, however, ought not to be essential for a demonstration of the argument's validity. The argument is self-contained.

In that sense, an analysis of the aid relationship itself is bound to stand away to one side of the main lines of this study, most of which is taken up with an examination of a large number of specific decisions which have actually been taken. That does not mean that such an analysis is merely an excursion. On the contrary, a sidelight is often more revealing than frontal illumination.

The fact remains that one of the principal aims of this study as a whole is to offer suggestions concerning the technical evolution of a specific mechanism, which at present exists in two forms - that of the consortium and that of the consultative group. It is important, therefore, that abstract analysis should not depart too far from the pattern set by decisions that have already been taken. To set the argument in context, therefore, the rather peculiar procedure will be adopted, in the next section, of starting with a factual description of the general approach adopted by the agency principally responsible for the administration of consultative groups, the World Bank. This is essentially a description of the new techniques that are now being developed.

In the third section, at a more general level, attention is turned to some of the principal functions, the fulfilment of which seems to call for some sort of consultative mechanism such as those that have been instituted. These are the needs of the situation, and they may be set against the techniques that are in fact applied to meet them in the framework of the consultative group. In the final section, an attempt is made to marry function and technique, to demonstrate the essential nature of the activity which brings together such disparate participants as a recipient of aid, large and small aid-givers and an international agency.

This awkward juxtaposition, of a factual description of techniques and a theoretical analysis of functions, presents a problem of definition. There are three words that recur frequently here - "pledging", "performance", and "management". All three can be given precise, technical meanings; but they also carry more far-reaching, and perhaps more emotive, connotations of function.

The technical meanings of two of these words is not in dispute. "Pledging" is the name applied to a procedure involving promises to make stated amounts of aid available over a stated period, subject to commitment in detail. "Performance" is the name applied to those activities by which a developing country's ability to make effective use of aid is judged. In the non-technical sense, however, a pledge is simply a commitment, a demonstration of good faith, and performance is what is actually done, the test by which that good faith may be judged. Here lies the taproot of controversy.

The dualism of the term "management" presents a different problem. The function of management is the exercise of some sort of pivotal responsibility for making the operation work. In the context of consortia and consultative groups, this function is presumably not in dispute - not, that is, unless the World Bank turns out to be much more frail of purpose than it has previously shown itself to be. All the unresolved questions concerning the interpretation of "management" in the the new consultative groups are technical questions, unlike "pledging" and "performance", the technical meanings of which are clear.

The technique of management may involve no more than providing the necessary documents and taking the chair at meetings. At the other end of the scale, it may involve a much more forceful exercise of powers of decision, direction and control. The choice of management techniques depends, not on how one interprets the function of management, which is not open to argument, but on how one interprets the functions of pledging and performance.

All three words have to be used in their dual sense here. It may be asked whether such confusion is really necessary. Would it not be possible to devise separate terms to denote the narrower and the wider meanings? The answer is that the confusion is necessary because the confusion exists. It must be repeated that the dividing line between function and technique cannot be precisely drawn. The name applied to a particular technique is often an indication of the function it is designed to fulfil. If the technique proves unsatisfactory, it may be changed, but that does not mean that the function has to be abandoned.

For some of the participants in consortia and consultative groups, and for some of the countries that have been the object of such mechanisms, the words used have had wider connotations than for others, a circumstance which has given rise to much unnecessary misunderstanding. This is particularly true of pledging. The observable and regrettable diminution in the expression of a sense of long-term commitment, which was one of the original functions of pledging, is in part a side-effect of the search for an alternative to the specific technique of pledging which took place when ^{the} technique had outgrown its use.

Pledging is at the heart of the matter. It is so in both its senses. First, the new approach to consultative groups was derived largely from a felt need to get away from the technique of pledging. Secondly, the original function of pledging is still what the World Bank is talking about, in that its efforts are largely bent on obtaining a long-term perspective, in which continuing development policies may be buttressed with an appropriate assurance of constancy on the part of the aid-givers. It has, for instance, repeatedly sought an extension of the periods covered by bilateral commitments. Clearly, this is in principle the right approach. If no attempt were made to ensure that the participants were in some degree pledged to constancy in pursuit of a common objective, one might well ask whether the exercise of a consultative group had any purpose at all. And if the techniques applied in the consortia did indeed militate against such constancy, the World Bank was right to abandon them.

But the World Bank, too, has suffered from some of the confusion inherent in such mechanisms as consortia and consultative groups. It will be argued here that the World Bank, in its search for improved techniques, has lost sight of one of the main functions for which these mechanisms are required.

2 The World Bank's Approach

In the documents received from the World Bank by countries which are being invited to join a specific consultative group and by countries for which a group is proposed, the questions to which such groups in general may address themselves are set out with precision and in some detail. It is made clear, however, that the group will not necessarily be concerned with all of these questions, and that the relative emphasis on one question or another will be determined by the needs and circumstances of the country for which the group is set up. In their terms of reference, therefore, the new consultative groups differ from the original consortia, which were established with somewhat restrictive terms of reference, and from the early consultative groups, which were endowed with terms of reference so broad that they were virtually useless as a guide to operations.

The rationale behind the new approach is plain enough. The terms of reference of the consortia seemed to attach mandatory force to one particular activity, the value of which became increasingly questionable. They therefore possessed a certain inflexibility which put needless difficulties in the way of switching attention to other activities, the need for which was increasingly obvious. In devising terms of reference for the new consultative groups, the World Bank appears to have tried to list all the activities which may usefully be pursued within such a framework, so that there may be no argument about the propriety of engaging in whatever activities seem most necessary. At the same time, it has carefully avoided attaching mandatory force to any of the activities that it lists. The underlying hope is presumably that the new consultative groups will develop as a comprehensive framework, within which the logic of pursuing one activity or another will emerge, not under the constraint of formal terms of reference, but simply through the self-evident force of circumstance¹.

There is one feature of the terms of reference of the new consultative groups which slightly complicates this presentation. The list of possible activities is invariably phrased, not as a statement of procedure, but as a statement of purposes. As a result, items which are indeed among the purposes of such groups, such as the provision of aid to meet priority needs, are found in the same lists as procedural devices, such as the presentation of a thorough economic analysis as a basis on which those needs can be assessed. The purposive emphasis of these lists is expressed in the use of such phrases as "to make possible" or "to provide a forum for" to introduce each item. In some cases, these phrases sit oddly. Several of the activities listed can only be "made possible" if the consultative groups themselves are prepared to undertake them.

¹ See Chapter 2, p. 00, for corroboration of this supposition in the line taken by two actual consultative groups - for Malaysia and Thailand.

There are four possible reasons for this slightly veiled language, all of which probably played some part, consciously or unconsciously, in the minds of those who devised the new approach.

First, in terms of salesmanship, such emollient phrases have an attractive air. In saying that one's aim is to facilitate a certain process, one implies subtly that the process itself is self-evidently desirable. In the context of consultative groups, this amounts to a suggestion that the aims listed are aims which the bilateral donors and the recipients of aid already share, and that the World Bank is offering a service designed to make those aims more attainable. The terms of reference are phrased in such a way as to hold out the hope that the existing efforts of the countries concerned may, with a few modifications and some additional services, be made much more effective.

Secondly, such phrases are part of the normal courtesies of diplomatic language. They are commonly used in international documents to cover discussions which are still in the exploratory stage. As at present envisaged, the discussions that take place within consultative groups are in a sense intended never to pass beyond the exploratory stage. The bulk of aid which is administered under the aegis of consultative groups will probably continue to be essentially bilateral. One of the main points at issue is the extent to which consultative groups can ameliorate the known difficulties that are caused by this circumstance. It is common prudence not to prejudge the issue by arrogating specific activities to the consultative groups as such. In the short run, after all, their success depends on the extent to which they provide a service which the countries concerned, donors and recipients, feel that they want.

Thirdly, as a matter of policy, the World Bank is apparently anxious to avoid the infusion of any mandatory element into the working of the consultative groups, either in the selection of activities or in the pursuit of activities that have been selected. It is in fact almost impossible to give a direct description of some of the activities listed - e.g. review of performance, harmonisation of aid terms and conditions, provision of aid from appropriate sources, and so on - without giving them a mandatory flavour. The formula adopted by the World Bank obviates the possibility of any such misreading.

Finally, to include certain specified activities within a consultative group's terms of reference might be taken as implying that the World Bank, as sponsor, had a residual responsibility for seeing the operation through, regardless of the position taken by the other participants.

Any such implication would constitute a threat to the Bank's own operations as a semi-autonomous lending agency. This was demonstrated in the early 1960s, in the India and Pakistan consortia, when the World Bank found itself pledging IDA resources in large quantities, with what was felt to be inadequate concern for its world-wide responsibilities or for the normal criteria which it would have to apply before converting these pledges into specific commitments. The way in which the terms of reference of the new consultative groups are phrased precludes any repetition of such a diversion of resources. The purposes are roughly outlined, but it is specifically left open what contribution to those ends can be made, either by the group as a whole or by its individual members, of which the World Bank is one.

These overlapping considerations may be interpreted as follows:

- a) the need to devise an approach the usefulness and desirability of which would be self-evident to the main bilateral aid-givers;
- b) the need to retain flexibility, both in the administration of bilateral aid to countries for which consultative groups exist, and in the nature of the services that consultative groups provide;
- c) the need to preserve the character of consultative groups as voluntary associations;
- d) the need to ensure that commitments undertaken by the World Bank in relation to consultative groups do not inhibit its operations as a lending agency.

The historical origins of such considerations is clear. The new approach was based on the lessons of experience: and the World Bank's main experience of cooperation with bilateral aid-givers had been gained, not in consultative groups, but in the consortia for India and Pakistan. In broad terms, the principal lesson that had been learnt from this experience was that sharply circumscribed aims and procedures were a hindrance rather than a help. The early emphasis on fund-raising in the consortia was felt to be objectionable because it was too inflexible, not because fund-raising was itself irrelevant. The terms of reference of the new consultative groups were phrased in a way that gave expression to the World Bank's determination to avoid one particular known trap - the trap of inflexibility.

The phraseology, therefore, necessarily sounds somewhat negative. It is designed to guard against a particular danger, to refute any suggestion of specific and binding obligations. It is conditioned by the past.

The content of the terms of reference, however, is far from negative. It is specifically and positively permissive of attention to a wide range of subjects. Not only are these subjects spelt out at some length; they are also presented in a way that makes it clear that the consultative groups may acquire additional, unspecified areas of interest, as the need arises.

As a result, there is, in all the basic documents for consultative groups, a striking contrast - explicitness concerning the range of problems that may be tackled, reticence concerning the procedure for tackling them. It has already been pointed out that each consultative group is expected to evolve its own procedures, its own special concerns, in the light of circumstances. The terms of reference seem to leave two particular open areas, evolution within which will be of central importance in determining the scope and significance of the operation as a whole.

First, it is left open what the consultative groups should actually do. The only specific ruling on activities to be undertaken is a negative one - the exclusion of formal pledging or any other system of organised financial commitment. Each group is expected to meet formally approximately once a year. There is no indication of other activities to be undertaken by the group, such as the maintenance of working parties to handle special problems or periodic meetings of field representatives. It is stated that the groups will provide a forum for discussion of certain named problems, and there is a fairly clear indication of the results that are hoped for, but how the group is to get from discussion to results is to be decided in each case individually. To judge from papers produced by the World Bank, from attitudes evinced by most of the bilateral donors, and from expectations voiced by the recipients of aid, a consultative group is expected to be something more than a forum for discussion. It is expected to lead to action. What action, and whether it is to be group action or a series of actions undertaken by individual members, are questions the answers to which have yet to emerge.

Secondly, there is a question of what additional responsibilities are likely to fall to the bilateral donors and other lending agencies as a result of their membership of a consultative group. It is clear from all that has been said and written about consultative groups that they

are intended to be something more than a work-saving device. They are intended to facilitate both an improvement in the economic climate of the recipient country and a more effective response from the members to the recipient's needs. To this end, the World Bank has repeatedly declared its willingness to undertake certain responsibilities in the realm of analysis and advice. These services are the activities which the World Bank sees as falling to it in its role as pace-setterⁱⁿ the consultative groups. The firmness with which they are offered, tantamount to a commitment, renders all the more conspicuous the World Bank's reticence concerning its own role, and that of the other members, as sources of aid. The recipient of aid, also, is expected to undertake certain specific commitments, chiefly in the realm of documentation. (These commitments are further discussed below, since they provide the clearest evidence of what the World Bank is really driving at.) The aid-providing countries and agencies, however, are not required to commit themselves to any specific service or activity, apart from participation in the group's meetings. It is assumed, and the assumption has repeatedly been made explicit, that countries which join a consultative group are genuinely interested in assisting the economic development of the country in question. But there is no clear indication of how that interest is to be expressed, or by what criteria it will be measured.

These are the questions that are left for time and circumstances to answer. It is in the answers to such questions that the future of each consultative group lies. That is why, in characterising the frame of reference of the new approach to consultative groups, one has to begin, with seeming eccentricity, by identifying the points on which the terms of reference are silent. These are the points at which choices can be made, from which evolution is possible. In short, the terms of reference do not, as terms of reference usually do, define the operation that is to be undertaken. They merely sketch the general area within which operational choices may be made.

As its principal working document, the consultative group, is promised an objective analysis and appraisal of the recipient's economy and its development programme. This document is intended to enable the members of the group to consider the recipient's economy as a whole, and in a continuing long-term context.

It is presumed that this analysis will generally be undertaken by the World Bank, as sponsor of the group, and that it will take the form of an annual economic survey. The World Bank does not maintain large resident missions capable of undertaking such a survey. So long as the group

is functioning normally, therefore, the Bank is committed to sending at least one visiting economic mission a year to the recipient country.

It is intended that the first of these surveys will normally be undertaken as part of the preparations for the formation of a consultative group, and will take the form of a comprehensive analysis of the recipient's economy. Subsequent surveys are likely to be more narrowly focussed on a review of performance in the immediate past and of policy recommendations for the immediate future. In other words, the Bank is prepared to enter into a continuing relationship with the recipient, in which it will advise on the preparation, revision and implementation of policy, and on the preparation of requests for aid. In order to increase the area over which competent advice can be given, the Bank invariably invites the UN Development Programme and the IMF to participate in the consultative group's activities.

On the aid side, the World Bank has left itself considerable room for manoeuvre. It seems to have adopted no fixed principle concerning the degree of precision with which it will give or withhold endorsement, either of a request for a specified volume of aid, as it has done in the India and Pakistan consortia, or of specific recommendations covering the terms and conditions on which aid is to be provided.

The recipient country itself is required to provide additional documentation of its own. To judge from past experience in both consortia and consultative groups, the quality of this documentation is likely to be one of the principal factors affecting the group's approach to the problems that it discusses. The papers that the recipient country is expected to lay before the group include a statement of economic and financial policy, a detailed exposition of proposed development expenditure in the coming year, a calculation of the amount and type of external financial assistance required, a list of those projects to which it attaches high priority and a progress report on the utilisation of aid. It is presumed that all of these documents will be compiled with reference to an overall long-term plan, or at least to a planned programme of public sector investment. The recipient country is normally expected to send representatives to meetings of the consultative group, so that they may elaborate on points raised in the documentary expositions already submitted. These representatives, however, are likely to be present only for part of the group's discussions. They do not participate as of right, and there may be occasions when they are told to stay away altogether.

Under normal circumstances, a consultative group holds formal meetings approximately once a year. Between meetings, a number of activities are bound to take place which are of relevance to the group, but they are fragmentary. The World Bank, for instance, is likely to be involved in more or less continuous discussion with the recipient country, and may from time to time hold discussions with individual members of the group, especially when a formal meeting of the group is imminent. The members of the group, if they are acting in accordance with the premise of membership, are likely to be pursuing their own bilateral aid programmes with some attention to the general principles which make up the group's frame of reference. The annual formal meeting of the group, however, represents the only activity that is undertaken by the group as a whole. It is

the only occasion on ...

which the three major groups of participants the representatives of the World Bank, of the other members of the group and of the recipient country - sit down together under the banner of common action.

It is clear that the working papers which form the basis of the group's meetings are likely to be strongly expository in character. A large part of every meeting is likely to be taken up, therefore, with explanation and discussion of past performance and possible future trends and needs. This expository function is in fact the starting point from which all other activities of the group are expected to spring. In principle, the essential characteristic of a consultative group is that it is a framework within which the recipient country and the aid-givers may together consider the recipient's development programme and the external aid required for the programme's implementation.

It has been pointed out that the terms of reference have been deliberately framed in a way that does not give a clear indication of what further activities the group as a whole is expected to undertake as a result of this initial process of exposition. But they do indicate, specifically and in detail, the desired results to the achievement of which the existence of a consultative group is expected to make some sort of contribution. On the basis of the terms of reference, therefore, one can at least say with some certainty that there are certain subjects which the consultative group will discuss. These subjects are of two kinds. First, there are several items in the terms of reference which represent the necessary component parts of the operation of which a consultative group is a part. These are subjects which seem bound to come up for discussion in every consultative group. Secondly, there are several problems to which the terms of reference refer, which experience has shown to be problems that do in practice frequently arise. These are subjects which a consultative group will presumably discuss if the need to do so is felt.

The subjects which seem bound to come up for discussion are:

- a) the effectiveness of the recipient's economic and financial policies, as evinced in recent performance;
- b) the appropriateness of the recipient's proposed future policy, or of some suggested alternative;
- c) the recipient's aid requirements, with particular reference to the volume required, to the appropriate terms and conditions, and to the range of priorities in both financial and technical aid;

- d) the efficiency and sufficiency of the aid provided, or likely to be provided, from appropriate sources;
- e) measures for coordinating aid that may be taken by the recipient country.

The specified problems which may come up for discussion in the group from time to time include:

- a) all problems arising out of deficiencies in the recipient's performance;
- b) disparities in the terms and conditions of aid from various sources;
- c) duplication and other confusions in the presentation of aid requests;
- d) problems arising from the practice of tying aid to procurement of the donor's goods and services;
- e) excessive use of suppliers' credits, or similar credits, on terms which result in a heavy burden of repayment.

It may be noted that some of the questions to which a consultative group is expected to address itself are questions which seem to call, not only for discussion, but also for concerted action. In particular, some of the problems to which the terms of reference draw attention - such as disparities in the terms and conditions, or procurement tying, or an excessive debt burden - are problems which cannot finally be resolved until the members are prepared to enter into some sort of negotiation, with the aim of reaching a formal international agreement. In explaining its own view of the functioning of consultative groups, the World Bank has shown a certain reluctance to initiate negotiations of this kind. It has repeatedly asserted, for instance, that it is not "in the business" of debt-rescheduling. Pressure for such negotiations, however, has occasionally arisen from other quarters. In the Nigeria consultative group, for instance, the suggestion was made in 1966 that the World Bank should take a lead in bringing some sort of order and discipline into the over-abundant flow of short-term suppliers' credits. (See p. 00)

Pressure from other quarters may also be applied to edge the consultative groups into taking on additional responsibilities, which the terms of reference do not mention. Most recipients, obviously, would like to see the groups take on a positive fund-raising function, similar to that of the original consortia. Such a development is not quite so

explicitly ruled out as a quick reading of the terms of reference might suggest. A consultative group, after all, is required to give attention to the volume of aid required. There are bound to be occasions when it cannot do so without generating pressures for an increase in aid, on the ground that the amount apparently available falls short of the agreed requirement. The terms of reference do not exclude all efforts to reach a stated aid target. They merely exclude demands for any kind of formal commitment to a target.

There are two other possible additional responsibilities which consultative groups may be asked to acquire. The first is "burden-sharing", or distribution of the burden of aid among the members of the group, in accordance with some rough notion of relative responsibility. This is primarily a preoccupation of the United States, which has consistently sought the establishment of consultative groups for countries which, in the American view, are excessively dependant on American aid. It seems likely that burden-sharing will also be sought by any other country that is already a major source of aid for the recipient in question. It has certainly been a feature of British policy, for instance, in the consultative group for Malaysia.

The second additional responsibility that is frequently suggested concerns the distribution of functions among the members of a group. Officials in several of the smaller aid-giving countries, in particular, have frequently expressed the view that both the consortia and the consultative groups should pay more attention to the smaller aid-givers' special problem. What they seek is some means of devising a separate and identifiable role for themselves which makes use of their several special talents, and which is not merely marginal to the efforts of the principal members.

Each of these three suggested additional responsibilities - a more positive fund-raising function, burden-sharing and the identification of specific functions for the smaller aid-givers - would give the consultative groups a somewhat different character from that envisaged by the World Bank. They all involve an increase in the consultative group's direct responsibility for the provision and use of aid. It is significant that such suggestions tend to come from officials in national administrations, whether of aid-giving countries or of recipients, and that they all seem to call for an increase in the World Bank's responsibility for supervising the consultative group's affairs.

The World Bank has consistently resisted such suggestions. It appears to have two reasons for doing so. The first is a fear that the bilateral aid-givers would react unfavourably to any proposal that might be interpreted as limiting their own freedom of action. The second is a fear that such suggestions might result in an over-extension of the Bank's institutional resources in the countries for which consultative groups exist, to the detriment of its operations elsewhere.

The extent to which the first fear is well founded is largely a matter of guesswork. In a sense, of course, the whole purpose of consultative groups is to limit freedom of action, by creating an orderly framework for the provision of aid; and this appears to be recognised by most bilateral aid-giving countries. What is clear is that the principal obstacle to a more precise and positive specification of the functions of consultative groups lies in the reluctance of the World Bank to expose itself to risks which it feels it cannot take. This reluctance is the outcome of past experience, and it will remain well founded - if it is well founded - until the lessons of past experience are upset by the introduction of some new factor. In the final chapter of this study, in the conclusions and recommendations, an argument is advanced in favour of introducing one such factor, which seems the one most likely to overcome the Bank's unwillingness to risk a rebuff from its principal subscribing members or an excessive claim on its own institutional resources. The tidiest solution of this problem is a massive increase in subscriptions to the IDA.

To sum up, the limitations implicit in the World Bank's new approach to consultative groups were limitations imposed by the World Bank itself. They were imposed in order to preserve the World Bank from a particular area of conflict, for which it felt its own resources to be inadequate.

These limitations were brought out very clearly by Mr. George Woods, the Bank's president, in an article published at the beginning of 1966¹. The article said:

"Each consultative group has one essential objective; to increase productivity by accelerating economic growth. Its members seek to accomplish this purpose in several ways. In the first place, the arrangement is designed to provide the several aid-givers with informed, objective analyses

¹ "The Development Decade in the Balance", by George D. Woods - Foreign Affairs, January 1966

of the country's needs for external finance and technical assistance - not only the amounts it could effectively use, but also the appropriate terms of financing and the purposes that deserve priority. Second, the group aims at enhancing the developing country's ability to invest by helping in the planning of development, in the preparation and screening of projects and by advising on administrative or financial problems and the like. It also undertakes, in cooperation with the recipient country, a continuous assessment of progress, and attempts to work out agreed solutions to development problems as they arise. We expect that these consultations will encourage the cooperation and mutual trust that is so necessary between the providers of finance and those who receive it, and we hope that a more adequate and assured flow of finance will be the result."

This quotation, to which the italicisation has been added, brings out two points. First, in its bilateral relations with the recipient country, the World Bank is prepared in principle to accept an almost unlimited degree of operational involvement. Secondly, in its relations with the bilateral donors, and in the recipient's relations with them also, the World Bank puts its faith in an appeal: "Come, let us reason together".

3 The Function of Management

In the foregoing account of the new approach to consultative groups, attention has been drawn to two questions on which their terms of reference are silent. These two questions concern the nature of the specific activities to be undertaken by the group as a whole and the additional responsibilities or undertakings that may fall to individual members of the group, by virtue of the group's existence. It was suggested that the evolution of each consultative group will be determined by the way in which these questions are answered, whether explicitly or implicitly.

One clue to the likely answers is provided by the way in which the terms of reference are phrased. It has been pointed out that they seem to put a heavy emphasis on analysis, exposition and discussion. They were deliberately set in a form that excluded the attribution of mandatory force to any of the group's operations, and this exclusion was made explicit in relation to the provision of aid. In other words, the terms of reference portray a basis for discussion, not an instrument of negotiation.

It has also been pointed out, however, that the terms of reference empower the consultative groups to address themselves to certain questions which are by nature questions that require negotiation, leading to firm commitments. On the face of it, therefore, the terms of reference are self-contradictory. Crudely put, the contradiction lies in empowering the consultative groups to address themselves to certain questions, while implicitly disallowing the form of action to which such questions give rise.

In principle, there are perhaps as many as five ways in which this contradiction could be resolved, but for various reasons all but one of them have to be rejected.

First, it might be suggested that consultative groups are not intended to provide for anything more than exposition and discussion, and that this in itself is an exercise of sufficient value to justify the groups' existence. The objection is that any such suggestion goes flatly against everything that has been said and written about these mechanisms, in which it is constantly emphasised that they are expected to create opportunities for action as well as talk.

Secondly, it might be hoped that the members of a consultative group will voluntarily, individually and autonomously undertake whatever action seems appropriate in the light of the group's deliberations, and

that their several aid programmes will tend automatically to become more and more closely interlinked both with each other and with the recipient's needs. The World Bank has occasionally shown signs of entertaining such a hope, as evinced, for instance, in the article by Mr. Woods which has been quoted. (See p. 00) It is a hope which is not supported by historical evidence.

Thirdly, it might be argued that the forms of action which go so conspicuously unmentioned in the terms of reference are not in fact precluded, but merely left for the group to undertake or not, as it sees fit. Such a reading would require a very strained interpretation of the terms of reference. It would also, to judge from a scrupulously careful reading of the way in which all documents concerning consultative groups are phrased, be a wrong interpretation.

Fourthly, it might be suggested - and it appears to be widely believed - that the terms of reference are intentionally misleading. The suggestion has come from individuals in the World Bank itself, as well as from bilateral aid administrators. It has been pointed out, for instance, that all such groups are bound from time to time to become engaged in fund-raising exercises, a fact which appears to cast doubt on the one procedural point concerning which the terms of reference are quite firm - the exclusion of anything resembling a pledging session. A closer look at the terms of reference, however, has already shown that this exclusion is not so rigid as it seems. There is no reason for supposing that the World Bank has been deliberately misleading on this point. On the contrary, it should be clear from what has been said in the preceding section of this chapter that the main pressure in favour of a strictly literal reading of the terms of reference comes from within the World Bank itself, not from anyone else.

The fifth possibility is to view the terms of reference in an entirely different light, neither as a guide to discussion nor as a framework for action, but rather as a code of behaviour to which the members of the group and the recipient country are expected to adhere. If this is the correct reading, then the conflict between allowed discussion and disallowed action vanishes. But there are certain peculiarities about such a reading, and these will have to be explained away before it can be accepted.

The most obvious peculiarity is that the terms of reference simply do not look like a code of behaviour. They look, as one would expect, like terms of reference. But this is not such a serious objection as it appears. It is clear that one of the main purposes of a

consultative group is in some sense to raise the standards of "behaviour" (i.e. action) among the countries concerned. It cannot be supposed that such a raising of standards will follow automatically from the World Bank's exposition at a meeting of the group - not, that is, unless it is assumed that the World Bank is always right, that it is universally recognised to be so, and that the overriding concern of all the participants is to act in accordance with this "right" analysis. Furthermore, the terms of reference explicitly reject the implementation of any kind of formal sanction against a member whose standards of behaviour are visibly out of accord with the group's stated objectives. Their whole emphasis is away from mechanical processes of this kind. A code of behaviour is in fact the natural form for them to take.

The reason why the terms of reference are not explicitly presented as a code of behaviour is surely very simple. Administrators are in the habit of writing statements of objective, articles of agreement, operational guidelines; but a code of behaviour is in a sense foreign to them. The phrase itself carries a note of personal and individual responsibility, a quasi-moral tone, which is alien to the aridities of formal documents. The fact remains that the aid relationship needs a code of behaviour, and that the terms of reference of consultative groups implicitly offer one that is as clear as any - certainly more meaningful than the universalised imperatives of the United Nations or the guarded **hints** of the DAC.

But the suggestion that the terms of reference are a code of behaviour contains another peculiarity, which is of more practical significance. If this is all they are, then the consultative group itself is a very shadowy entity indeed, little more than a loose association of compatible countries. What corporate existence does it have? What is its corporate operational role? Perhaps it is not a mechanism at all, but simply a unifying label under which a complex network of relationships and activities may evolve.

This far more subtle view of the nature of a consultative group is one that seems to be held by the World Bank. It has been said, for instance, that the formal meetings of a group are only the surface of events, a place to set on record decisions or actions that have happened elsewhere. The World Bank has already declared its willingness to enter into a more or less continuous bilateral relationship with any country for which it organises a consultative group. The other members are expected to maintain their own relations with the recipient. To complete the network of relationships implicit in this view of the nature of a consultative group, it is clearly necessary that the agency that organises the group - in most cases the World Bank - should also be more or less

constantly in touch with the group's members.

The World Bank has made a small move in this direction, by adopting the practice of sending a mission round the capitals of member countries before the group meets. Compared with the work that the World Bank is prepared to put into maintaining relations with the recipient, a brief annual tour of member countries is an oddly cramped gesture, and one which hardly seems to meet the case. Paradoxically, the logic of taking the emphasis away from formal sessions and prescribed procedures imposes on the World Bank a far deeper responsibility for the success or failure of the group, and for the responses of member countries, than it had to bear in the original consortia. The problem posed by the new approach to consultative groups is essentially a problem of management.

At the end of the preceding section, a passing glance was given to an apparent conflict between the restrictive view of the management role advanced by the World Bank and the more extensive activities that some of the prospective members of consultative groups would like the Bank to undertake. A more critical examination of the World Bank's approach has now identified this conflict as the reflection of a contradiction in the consultative groups' terms of reference. If this is true, then the new approach to consultative groups can only be made coherent if an interpretation of the management role can be found which resolves the conflict. In order that the management role may be seen in its proper functional context, it is necessary now to turn to a more systematic analysis of the relationship of which a consultative group is a feature - the aid relationship.

The aid relationship requires at least two participants, a provider of aid and a recipient. But much more is involved than a flow of material assistance, a mere transfer of resources. Aid is seldom an untrammelled gift, which the recipient may use in whatever way he pleases. If it were, it would probably be described as wasteful or inefficient aid. A little more subtly, aid is seldom in the first instance a simple response to a known and fully reckoned need. It was ^{so} in the days of Marshall aid, perhaps; but it has not been so since. The nature of the needs is often as much in doubt as is the availability of aid. More subtly still, the aid relationship is not a didactic relationship. The aid-giver who is more generous with his advice than with his funds is usually ^{unwelcome,} and until advice can be better grounded in knowledge and understanding than is yet possible it is quite proper that this should be the case.

The essential characteristic of the aid relationship is that it joins two countries together in a common enterprise, the objective of which is some broadly defined process of change in one of those two countries. This is the underlying truth that is reflected in the common use of the term "economic cooperation", a term which is sometimes derided as a euphemism. The contribution of the recipient to that enterprise is a commitment to give the highest priority that is practicable - not necessarily an overriding priority - to whatever measures seem most likely to achieve the objective. The contribution of the aid-provider is less easy to define. It is certainly not a commitment to provide whatever external resources are needed, but it is at least a commitment to respond, to accept the external implications of approved actions as a guide. If these two contributions to the relationship are out of harmony with each other, if the two participants are working on conflicting assumptions, if the recipient is driven back into the wasteful and dangerous practice of decking out its development programme as a lure with which to go stalking the aid-givers, then the aid relationship collapses. The only basis on which the two participants can operate - the analysis of the problem, the identification of needs, the search for solutions - is ^{not} something that can be worked out by one participant or the other in isolation. The wider the area that this dialogue can cover, without running into problems of the recipient's fear of compromising his sovereignty or the donor's fear of becoming over-committed, the healthier the aid relationship is likely to be.

None of this is seriously in dispute. It is a view of the aid relationship that has been explicitly endorsed, for instance, by French and American aid administrators.¹ Even countries such as Britain and Germany, which for a long time maintained the view that aid could only be given as an external response to a request initiated by the recipient, have recently seemed to accept an increased involvement in the recipient's policy-making process.

So long as a recipient can expect a sufficiency of aid from a single source, this view of the aid relationship does not present any fundamental problem. The technical requirements are clear - a sound and extensive political relationship, including, preferably, a strong

¹ For a general characterisation of the attitudes of French and American aid administrators, see Effective Aid, pp. 00-00, ODI, 1967.

political interest on the donor's part in seeing the recipient's economy prosper; a reasonable degree of sympathy between donor and recipient concerning the economic and social ideal to be pursued; competent representation of the donor in the recipient country, with authority to engage in a continuing discussion of aid and development policy; some blurring of the division between donor and recipient, by such devices as transfers of administrative personnel for advisory or training purposes, or by association within some wider international political, economic or strategic grouping. To state these requirements is to describe a relationship which up till now has only developed bilaterally between a small minority of recipients and an even smaller minority of aid-givers. In nearly every case, the aid-giver in question has been overwhelmingly the recipient's principal source of external capital. It is hardly surprising, therefore, that most of the countries which come to mind as having used aid to achieve significant results over their whole economies - Taiwan, for instance, or South Korea - are countries which have been content for a while to tuck themselves under the wing of the largest aid-giver of all.

This simple bilateral relationship, however, is a very primitive framework for the transmission of aid. It has obvious disadvantages - constriction of both ^{the} donor's and the recipient's room for manoeuvre, pre-determination of the types of aid available, a tendency towards oversimplification, and so on. There are sound reasons, economic as well as political, for the desire of most developing countries to diversify their sources of aid.

Besides, the simple bilateral relationship is a prescription that cannot possibly be universally applied. The willingness of any one advanced country to accept the entire burden of aid to any one developing country is an accident of history, which cannot be artificially engendered. It is inconceivable, as well as undesirable, that the world should ever become so neatly arranged that it could be divided into areas of responsibility, to be parcelled out among the principal aid-givers. All of the larger developing countries, and most of the smaller ones, must seek what aid they need from a variety of sources.

This is where the mechanism of the consortium or the consultative group comes into the picture. A country for which such a mechanism is required is by definition a country which has no continuing assurance of a sufficiency of aid from a single source. The purpose of such a mechanism is in a sense to re-animate in this more complex situation the virtues of the simple bilateral relationship, while ameliorating that relationship's known disadvantages.

Among the objections to bilateral aid, the more convincing ones are not objections to bilateral aid as such, but rather to dependence on bilateral aid from numerous unrelated sources. The difficulties that arise from disparities in the terms and conditions of aid, from differences of administrative procedure and from the fancies and preferences of individual donors, are difficulties that reflect a lack of correlation between these sources. There is one further difficulty of more fundamental significance. It has been suggested above that one measure of the quality of the aid relationship is the extent of the area over which discussion is allowed to range. If a recipient is holding such discussions with several aid-givers simultaneously, conflict among the aid-givers will become more likely as the area of discussion widens. There are numerous cases in the history of aid in which a recipient has received conflicting advice from different aid-givers. If the recipient's performance is to be made a criterion for the allocation of aid, and if that recipient depends on aid from more than one source, he might well be required to implement self-contradictory policies in order to secure continuing aid. In other words, the efforts of individual aid-givers to make their aid more effective are likely to make life for the recipient intolerable.

Some sort of consultative mechanism, therefore, is not merely desirable; it is theoretically essential. The first need is for exposition, a need which is met in the World Bank's consultative groups by the annual reports provided by the Bank itself. The reason why exposition is essential is that the aid-givers have to adopt a single external view of the recipient's needs, to which they may individually address themselves. If the view that is adopted turns out to be wrong, or if a sharp difference of view emerges between the aid-givers and the recipient, further discussions can easily be initiated. But if the aid-givers adopt a welter of disparate views, even if one of them happens to be right, it is difficult to see how a meaningful aid relationship can develop.

It is most unlikely that a single external view of the recipient's needs will emerge naturally as the product of some sort of consensus among the aid-givers. There are too many national preoccupations, individual preferences, prejudices and interests. The representatives of the aid-giving countries in any consultative mechanism are normally departmental officials, administrators. Their primary concern is with the implementation of the policies of their respective governments. In most cases, the aid provided by their governments will be administered through their embassies, often by officials who are responsible for other matters as well as assessing the recipient's economic needs. Their departments may have detailed knowledge of the country in question, if the bilateral relationship is a particularly close one, but in general this knowledge will not be comprehensive.

Indeed, one of the main attractions of a consultative group for many aid-givers is the expectation that it will provide them with a more thorough analysis than they could obtain on their own.

The implication of this is that the first and central responsibility of any institution that organises a consultative group is to provide a service of regular, competent and thorough exposition of the recipient's needs. But it is more than a service. It is a basis for action. If it is properly done, it carries operational implications, and the organiser of the group cannot escape responsibility for pressing those implications home. To try to escape it leads one into the linguistic oddities that have already been noted in the consultative groups' terms of reference. What is at issue here is the function of management, a function that necessarily comes into play as soon as any attempt is made to combine the efforts of several aid-givers.

If the functions of management are to be allowed to expand in this way, it follows that the basic structural requirement of a consultative group is a managing agency with resources and a programme of its own. Questions such as those that are being asked here are unlikely ever to be explicitly posed in a meeting of the group, let alone answered. It would probably be damaging to the efficiency of the group if they were. Diplomatic attempts to obtain too specific a commitment are commonly an invitation to evasion, resulting in the development of more fixed and opposed positions than was originally intended. The job of the managing agent is not to bully or cajole, but to set precedents, and that is something that it can only do in the course of its own activities.

The expository function is the starting point of all the activities of a consultative group. On that everybody is agreed, from the most commercially minded and reluctant of aid-givers to the most jealously self-reliant and intolerant of aid-receivers. From that point on, however, interpretations differ. The limiting case at one end of the scale is that of the aid-giver who, lacking the technical resources of, say, an American AID mission, hopes to find in the group a mine of information which will help him to pick and choose in a manner more advantageous to himself. Everyone who has worked in consultative groups knows of delegates who have sat in silence throughout the meeting, and then gone off into a huddle with their own country's contractors. The limiting case at the other end of the scale is that of the aid-receiver who regards the figures on aid requirements as the only important passage in all the basic documents, and who expects to use the group as a means of obtaining more aid regardless of circumstances. In the middle of the scale, yet

another narrow interpretation is that of the bilateral aid-giver who, not wanting to suffer the political embarrassment that might be caused by direct criticism of the recipient, hopes to voice his criticisms and drive them home under cover of the anonymity that the group provides.

It is presumably self-evident that none of these interpretations represents an adequate description of the group's functions. What is less obvious is how near the mark they all are.

At first sight, the first two are not the functions of a consultative group at all, while the third is a distortion of one of the main functions that a group should in fact undertake. To re-capitulate, the first two might be described as the creation of opportunities to be exploited by countries that are not significant aid-givers, and the provision of an unconditional assurance of increased aid. The third might be described as the creation of an opportunity to exert pressure with a view to improving the recipient's economic performance. These descriptions, however, are themselves distortions.

The evolution of consortia and consultative groups, has been guided principally by the U.S. and the World Bank, both of them big aid-givers. For the big aid-giver with much at stake, improvement of the recipient's general performance is bound to be a major pre-occupation. In that sense, the improvement of performance is indeed one of the functions of a consultative group. To assume that this entails the exercise of pressure, however, is to beg the question. What one is asking is not "How do I exert pressure?" but "How do I obtain improved performance?"

For the small aid-giver, the problem is different, and it is a problem that has not yet been solved. As the India and Pakistan consortia have shown, the small aid-giver's contribution is not likely to make any difference to the total, except in the sense that it may lead to increased "matching" contributions from the big providers, a result which is not of any great interest to the small aid-giver himself. With limited resources, what the small aid-giver is looking for is a slot in which his own characteristic contribution can be used to the best advantage. It may be his own advantage that he seeks, but it is not necessarily so. There are Sweden's endeavours in the field of population control, for instance, or Norway's interest in the development of fisheries, or Israel's work in the establishment of cooperatives. In all of these fields, the larger aid-givers have had some notable failures.

The aid recipient's perspective is different yet again. His problem is how to ensure that the nature of his needs is fully understood,

how to persuade the aid-givers to adapt their multifarious procedures and criteria to the job in hand, and above all how to acquire the data that he needs in order to write those parts of his plan which depend on the availability of external resources. The pursuit of these objectives may involve the pursuit of an increase in aid, and in practice nearly always does, because, as has been recognised in meetings of the U.N., of the World Bank and of the DAC, the volume of aid is not nearly sufficient for the stated and accepted aspirations of the developing countries; but the essential characteristic of the exercise is simply clarification. It may, after all, be the case that the recipient has got his policies right and has done his sums correctly. The aid-giver's common assumption that the first task of a consultative group is to correct the recipient's policies and calculations may have some justification in practice; in logic it has none.

These three interpretations of the function of a consultative group, therefore, can be shown to be all on a par with each other, provided - and it is a big proviso - that the participants for whom each of these three perspectives is the natural one share the common objective of achieving maximum economic growth, consistent with all the relevant circumstances, in the recipient country concerned. All three interpretations, when re-phrased, represent functions which a consultative group should undertake.

But there is still the question of how to ensure that the proviso is met, so that these functions can be properly fulfilled. The three functions, systematically set out, are:

- i) the clarification and, where necessary, the strengthening of the recipient's development policy and programme;
- ii) the provision of some sort of assurance, however informal and implicit, that the external resources required for implementation of the programme will, on certain conditions, be available;
- iii) the determination of the specific role that each member of the group, whether a large aid-giver or a small one, can most usefully play.

These three functions, as re-phrased here, have one characteristic in common. They all entail the exercise of a certain degree of authority, or management. The first entails authority in appraising the recipient's policy and programme. The second entails authority in making or endorsing the calculations of external requirements, and in reviewing the extent

to which those requirements have been met. The third entails authority in defining and integrating the ways in which each member can contribute. The representatives of a group of sovereign and equal states, sitting in committee, can influence the course of authority; or they can reject authority; but they cannot themselves exercise authority. They must delegate authority to an executive, which in this case means the institution acting as managing agency. A consultative group is neither a democratic assembly nor a condominium. It is a combined operation, an instrument of strategy. Only if it is treated as such can the basic requirement of a common objective be fulfilled.

The starkness of this conclusion makes it necessary to modify it in practice. However watertight the analytical argument may be, there is no hope that it will be fully translated into reality in the world as it is. What is being sought, after all, is a conclusion that is in theory universally applicable. To apply this particular conclusion universally would require much of the machinery of world government.

In principle, one may modify the exercise of authority in two ways. One may limit its degree, or one may limit the area of its application. The latter is the easier limitation to apply in practice. It is also, in the case that is being considered here, the one that makes more sense. The technique of the consultative group is in any case bound to be of limited application for the foreseeable future. If, on top of that, one were to impose severe limitations on the degree of authority or management permitted in the exercise of a group's functions (by confining the role of the managing agency, for instance, to analysis and appraisal), one would have changed the whole nature of the mechanism. The original conclusion, instead of being modified, would be overthrown. The consultative group, instead of being a strategic instrument for a particular operation, would become a forum for hearings of the complaints of the aid-giving populace. The proper forum for this purpose is not the consultative group, but the DAC.

It has been argued above that any task undertaken by a consultative group entails the exercise of authority. To limit the area of authority, therefore, is to limit the number of tasks that a group undertakes. One of the basic requirements for efficiency in any consultative group is the identification and selection of these few tasks which are of the highest priority. But priorities will differ from country to country. There is no single key that will unlock this problem of selection, any more than there is a single key to the problem of development. From this point on, therefore, the conclusions are likely to vary from one group to another.

The three functions that have been described cover every single task that a consultative group can undertake. The first function covers the behaviour of the recipient country and all its component parts, and the second and third functions cover the behaviour of the aid-givers and all their component parts. Between these three functions, it is impossible to pick and choose. To do so would be to upset the balance, by ignoring the role of one or another set of participants. If one leaves out the recipient's policy and programme, one might as well leave out the recipient. If one leaves out the external requirements, one might as well leave out the aid-givers. If one leaves out the role of individual members of the group, one might as well leave out the subsidiary aid-givers, retaining, perhaps, a group composed solely of the U.S. and the World Bank. Conversely, to the extent that any of these three sets of participants seeks a say in the conduct of the group, it is committed to acceptance of the function that applies to itself.

Although this list of functions is valid as an analysis, it is not very helpful in relation to practical choices, since it offers no choice. What is needed is a more detailed list of the kinds of concrete problem that a consultative group is likely to face. This is bound to be a much longer and less systematic list, which can probably be added to indefinitely. It represents a code of recognition signals, by the use of which a consultative group can identify the most immediate tasks.

But the more systematic analysis is still useful, for it provides a warning. If the groups end up with less than three tasks, representing at least some sort of activity in fulfilment of each of the three functions that have been given, then it is hopelessly unbalanced, and sooner or later one set of participants or another will decide that they are not getting their money's worth. The aid relationship is quite awkward enough as it is, without precipitating that kind of acrimony.

If the terms of reference of existing consultative groups are subjected to this test, even with the widest possible interpretation, they can be seen to be deficient in one major respect. There are several provisions for strengthening the recipient's development policy and programme: and there are a great many provisions for considering what kind of aid is required and for giving some sort of informal assurance that aid will be available in the required quantity; but there is hardly any provision at all for the third function of determining what role each individual member can most usefully play.

In most of the provisions directly affecting individual members, such as harmonisation of criteria and conditions, debt re-scheduling and control of suppliers' credits, there is a reversion to the old notion of

coordination, which means limiting the exercise to the elimination of anomalies. It is true that "burden-sharing" has been mentioned in connection with consultative groups, but burden-sharing is in fact something that is mentioned by bilateral aid-givers, particularly large bilateral aid-givers, not by international institutions. All that burden-sharing means in practice is one country trying to get other countries to do more, so that it can do less.

The one remaining item in the terms of reference which does look like a reference to the role of individual members is a glancing mention of the "appropriate sources" for the various kinds of aid required. It is on the interpretation of this phrase, therefore, and this phrase alone, that the success of a consultative group in fulfilling one of its three basic functions depends. It has been argued that a consultative group is bound to grind to a halt unless it is to some extent active in each of its three functions. If that argument is accepted, it follows that the future of consultative groups rests on this single point - how they interpret the reference to "appropriate sources" of aid. The World Bank's interpretation should be plain from what has already been said about its general position. It should also be plain that the argument advanced here suggests that the World Bank is wrong.

The allocation of tasks is the one area of responsibility in a consultative group that is not naturally exercised, as an extension of its own operations, by whatever institution may be acting as manager. To re-capitulate, any international lending agency, in the nature of things, has to make up its mind on what policy it thinks the recipient should pursue, and it has to make up its mind on the amount of aid needed. In looking at subsidiary aid-givers, however, all it needs to be sure of for its own operations is that they are not going to queer the pitch - a need which does not take it beyond ordinary coordination. The result in practice is that such an institution cannot easily take on the more positive responsibility for allocating tasks.

If a consultative group is to have this responsibility, there has to be some occasion on which individual members are prepared to stand up and be counted. There is no point in naming some country as an appropriate source of aid if that country is not willing to accept what is suggested. In procedural terms, it would be obtuse to think that this means anything else but drawing up an outline and then going round the table, from one member to another, to fill in the details.

But this is a procedure which is already familiar. It is exactly the procedure of a pledging session. Perhaps it is therefore worth having

another look at this question of pledging, in order to determine more precisely why it was that pledging came into such disfavour, and whether there is any value left in this discredited procedure.

One thing has to be made clear. The presumed purpose of pledging was originally to raise a required amount of aid. What is being discussed now is not how to raise a required amount of aid, but how, on the basis of some rough assumption concerning the amount available, to ensure that this amount will contain the full range of required component parts. When one has bought a new motor-car, one still needs a good spare parts service, unless one is prepared to throw it away as soon as it breaks down. What we are discussing now are the accessories and spare parts of aid, for the lack of which the whole machine may fail.

4 Pledging and Performance

The practice of pledging is what technically distinguishes a consortium from a consultative group. According to usage, the defining characteristic of a consortium is that its members are required to pledge stated amounts of aid, usually on an annual basis, in support of the recipient's development programme. The pledging may take place in one session, or be spread over several. It may be a pre-arranged formality, or an occasion for arduous debate. The results may be published in detail, or only in barest outline. The implementation of pledges may be subjected to formal scrutiny, or discussed only in the most general terms. The aid provided may be for projects or in the form of general programme support. All that is required for a group to satisfy the definition of a consortium is that from time to time its members should sit round a table and name specific sums of money.

It is not even absolutely clear why they are required to go through this pantomime. Pledging may be used for any one of several purposes. In the view of certain aid-givers, as well as recipients, it is a means of putting pressure on those aid-givers who in some sense, usually unstated, are not pulling their weight. This is not quite the same as its official purpose, which is to provide an advance indication of the amount of aid available.

A consultative group has no defining characteristic. On the face of it, the defining characteristic is the exclusion of pledging, but in practice the functions of a consultative group are at least as wide as those of a consortium, and they include a number of activities which take the place of pledging. One of the tasks of a consultative group is to discuss the amount of aid required, and to provide the recipient with a reasonable expectation that aid will be available to meet priority needs. If they choose to do so, members may provide such an assurance by indicating what commitments they are prepared to make.

To pledge or not to pledge is thus a technical choice, not a question of fundamental principle. It is one way, and not necessarily the best way, of doing any one of several jobs. Whatever the job is, it can only be a part of the larger operation, which is the pursuit of development in a particular recipient country. The nature of the job that pledging is intended to do is not always clearly stated. To regard pledging as the defining characteristic of a consortium, and therefore as its essential characteristic, appears doubly nonsensical. Either it means that a particular part of the operation has to be maintained, even if all other parts are abandoned; or, still worse, it means that a particular procedure has

to be adopted, without any clear justification in terms of what that procedure is designed to achieve.

Conversely, to exclude pledging absolutely is to say either that none of the jobs that pledging is ever intended to do is a necessary part of the operation, or that pledging is the wrong instrument for doing these jobs. If provision of some sort of advance indication of the availability of aid is among the jobs that pledging is intended to do, the former statement is false. The latter is arguable, but not self-evident.

The argument about the value of pledging as an instrument is in any case a technical argument about a certain procedural choice. The exclusion of pledging is normally justified on the basis of a far more comprehensive argument about the whole "consortium approach".

On its own, the existence of pledging would not seem to be a defining characteristic of sufficient significance to justify the sharp distinction that is made between "the consortium approach" and other approaches to the problem of development. A consortium, which starts with pledging as its main function, will tend to develop other functions, and may do so very rapidly indeed. Any group with wider functions, but no pledging, will tend to develop substitutes for pledging, or it will wither away.

The difference, therefore, does not lie in the existence or non-existence of pledging. Equally, it does not lie in the compulsory element in pledging, as practised in the consortia, for this is a compulsion that the aid-givers have shown themselves fully able to resist when it suits them to do so. Yet another differentiation that has to be rejected is the suggestion that pledging, as the essential characteristic of a consortium, diverts attention from other tasks of equal priority. In the consortia that have functioned, there has been at least as much attention paid to the recipient's performance as in the consultative groups. Indeed, this was only to be expected, for more money was at stake, in the form of pledges.

The only possible differentiation that remains lies in the uses to which pledging has been put, and the results that such usage has brought about. If there is any fundamental difference, this is where it lies. But even here there is a certain obscurity, because there has never really been agreement among the aid-givers on what the purpose of pledging is. It may well be that the hostility that grew up towards "the consortium approach" rested on a misunderstanding of the nature of the exercise.

Before pursuing this possibility, it is necessary to re-state very briefly the way in which pledging originated, which was described in detail in Chapter II. The early sessions of the India Consortium were not formal pledging sessions; but the nature of the consortium as a rescue operation, a loose association of creditors, rendered it inevitable that the main topic of conversation should be the size of individual contributions to the amount needed to save India from bankruptcy and default. In 1960, the India Consortium was converted from a backward-looking operation, designed to cope with existing debts, into a forward-looking operation, concerned with the requirements of India's third plan. At the same time, the Pakistan Consortium was set up with the specific purpose of financing Pakistan's second plan. The existing habit was adapted to the new aim, and converted into a formalised technique, called pledging. It was not very clear, however, whether pledging was intended to raise the total of aid, to distribute its burden more widely, or to provide the two recipients with a frame of reference for their annual import programmes.

In practice, both consortia were initially used to increase the aid available to India and Pakistan. This was only natural, for the two consortia had come into being in the context of a realisation that a larger and more sustained aid effort would be needed if India and Pakistan were to be enabled to fulfil their aspirations. The unfortunate result, however, was that both groups acquired the stigma of being "mere fund-raising exercises", and the label stuck, long after it had become clear that an increase in aid was only a part of what was needed.

At the beginning of 1962, the underlying ambiguity of pledging resulted in an intolerable situation in the Pakistan Consortium. The World Bank found itself committed to a target figure, with no means of bringing other members' pledges up to that target. It therefore had to make up the balance itself. By accepting this obligation, it deprived itself of room for manoeuvre in its relations with India and Pakistan, and of funds for extending its relations with countries for which no consortium existed. The World Bank's objection to pledging was a technical objection, of unquestionable validity.

A way of meeting this objection might have been found if the bilateral aid-givers had been sufficiently interested in the continuation of pledging to seek a solution. But several of the bilateral aid-givers, in fact, were equally opposed to the practice, though for different reasons. One of the most conspicuous opponents was Germany, which in quantitative terms was an important contributor in all three consortia - for India, Pakistan

and Turkey. The Germans, and aid-givers of several other nationalities, maintained that pledging distorted the pattern of aid, that it caused too great a concentration on the countries for which consortia existed, that it deprived the aid-giver of room for manoeuvre in the distribution of aid, and that it diverted attention from the consortium's real functions.

This argument is such a repellent misrepresentation that it had better be refuted quickly and then forgotten. First, by no conceivable standard of measurement do India and Pakistan receive disproportionately large amounts of aid compared with other countries. (The most cursory glance at the figures will show the penalty that these two countries pay for their size.) Secondly, the existence of consortia is a consequence, not a cause, of the large amounts of aid received by the countries for which they exist. (The German involvement in India and Turkey, for instance, goes back long before the establishment of consortia.) Thirdly, it was precisely in order to provide an assurance that the aid-givers would not go chopping and changing from one recipient to another in mid-stream that the consortia adopted the longer perspective implicit in pledging, so that to say they have narrowed that particular kind of room for manoeuvre is a mark of their success. Fourthly, the function of which pledging is a part is itself one of the real functions of a consortium; aid, the volume and composition of aid, is one basic element in the operation.

In this sense, it is true that hostility towards the "consortium approach" rests, as suggested earlier, on a misunderstanding of the nature of the exercise. But there is still the World Bank's objection to be met. It is an objection of some force, for it underlines a weakness in the pledging procedure far more fundamental than might be supposed to arise simply from the constriction of a single institution.

What happens at a pledging session is that the aid-givers confront each other. In practice, if it appears likely that some members' pledges will prove too small in relation to the total required, the other members make a conscious attempt to shame them into concessions, in the form of increased pledges. As conspicuous examples of this, one may cite the fourth, sixth and eighth meetings of the Pakistan Consortium, and the third, fourth, fifth, sixth, eighth and ninth meetings of the Turkey Consortium. It is worth noting that the significance of confrontation varied from one consortium to another, and was not causally determined either by the predominance of a major bilateral aid-giver (the U.S.) or by the action of an international institution (the World Bank) in presenting a target figure.

Confrontation is an accepted instrument of economic diplomacy. It is used to good effect, for instance, in the OECD and the GATT, in both of

which its use is standard practice. For confrontation to be effective, however, three conditions have to be met. First, there must be a measure of underlying agreement concerning the nature of the exercise. Secondly, the process has to include every country whose actions can materially affect the outcome. Thirdly, every country involved must stand to gain something from agreement.

All three conditions were met so long as the India Consortium was a group of creditors who had to reach agreement among themselves to prevent India from defaulting on its debts to them. Once the focus of the consortium had moved to India's long-term development, the first two conditions were no longer met and the third condition was met only in a very peculiar sense. In short, pledging, to the extent that it entailed confrontation, was no longer appropriate.

The emphasis of aid-giving then swung right away from advance commitment, and landed on the recipient's performance. This swing was too extreme. It was an attempt to create a situation in which aid could be more effectively used, which failed to take account of the role of aid itself in creating such a situation.

Confrontation is a sort of pressure. The aid-givers, rightly rejecting as inappropriate the pressure to which they found themselves subjected, put in its place the exercise of pressure on the aid-receivers. Instead of pledging themselves to a stated amount of aid, which was their potential contribution to the combined operation of development, they tried to get the recipients to pledge themselves to stated development policies, which were the recipients' contribution. In other words, the alleged switch of emphasis from pledging to performance did not represent a fundamental change of approach at all. It simply represented yet another adaptation of the old technique, originally devised to suit a group of creditors, to yet another task. The task had changed out of all recognition, but the technique remained the same. In the early consultative groups, an unsuccessful attempt was made to confront the recipients with the need for various changes of policy. The attempt failed, just as pledging had eventually failed in the consortia, and for the same reason. It was too lop-sided. Only the Americans seem to have seen the point. They had invented the phrase "mutual pledging".

In Chapter I, two verbal black-lists were given - one of words that had acquired pejorative connotations in the language of aid, the other of words that might have acquired such connotations if the dictionary had been written by the recipients. The basis of those black-lists now becomes

clear. They are symptomatic of the fact that the whole machinery of this operation has been developed on the assumption that its essential characteristic is confrontation, the exercise of pressure, an attempt to get various people to do things they do not want to do. This is a fatal flaw. If, in seeking to persuade someone to do something, one starts by making threatening noises, the chances are that he will jump to the conclusion that he is being asked to do something that is not in his own interest, without further examination of the case.

It would have been possible to reduce the element of confrontation without detracting from the significance of pledging. The pressures arose because of the use to which pledging was being put. But the pledging procedure itself does not necessarily involve the exercise of pressure, or the practice of confrontation. Varied forms of pledging are in fact still used as an accepted and often highly effective instrument in the provision of aid, but in a somewhat different context. Five notable examples are the financing of Pakistan's import liberalisation programme in 1964, the financing of several large projects such as Turkey's Keban Dam, the postponement of Turkey's debts in 1965, the reconstruction of Ceylon's foreign exchange reserves in 1965, and the efforts to secure sufficient programme aid for India at the end of 1966. Perhaps the most striking example of all is that of the pledges given to Pakistan by bilateral aid-givers individually in 1965/66, when the consortium was suspended, and when the two principal pledge-seekers, the U.S. and the World Bank, were temporarily off-stage. The case of Pakistan appears to refute once and for all the suggestion that pledging is an artificial procedure invented and enforced by the people who originated "the consortium approach".

What all these cases of pledging have in common is that they represent limited operations with defined objectives and known costs. In each case, the costs were within the limits of what the aid-givers were prepared, at a pinch, to provide. If these cases are taken in conjunction with the earlier, less successful uses of pledging, three main conclusions may be drawn.

in-

First, pledging is a limited instrument, which can only be used for tightly specific purposes. It is not suitable as a comprehensive framework for a long-term operation.

Secondly, pledging is only practicable if the task is to arrange the distribution of an agreed total. It is not effective as a means of increasing the total, except in cases of such overwhelming urgency that there is really no disagreement over the need for an increase. In other

words, pledging is at its most effective when it becomes a concluding formality.

Thirdly, the underlying long-term commitment of which pledging was intended to be a sign is an intrinsic element in the aid-giving process. It is so central that every attempt to put the provision of aid on to a more rational basis comes back to it, in one form or another. This long-term commitment, however, is something that is shared by the aid-givers and the aid-receivers. It is a question of attitudes, rather than of specific sums of money. In this sense, the commitment implicit in pledging cannot be translated into a single formal procedure. The true distinction between pledging and performance is not between what the aid-givers do and what the recipient does. It is between promises and action, on both sides.

The fact remains, on the aid-giving side, that there are certain subsidiary operations which simply cannot be performed if the members of a group are not prepared to name specific sums of money. If there is any reason to suppose that the pledging procedure will not produce these sums of money, an alternative has to be found. The most obvious, if rather crude alternative, is a scale of assessed contributions. The difficulties in the way of obtaining agreement over such a scale are well known. In spite of them, the suggestion is worth discussing, if only because it brings out several important points about the aid-giving process.

A consortium is sometimes described as a club. If that is what it is, then it is a club the subscription to which is not only open to negotiation on entry, but also open to re-negotiation every year. A consultative group is a club with no subscription at all.

An assessed contribution is a subscription. If the subscription is too high, or if there is a likelihood that the subscription will be greatly increased without warning, no one will join the club. Assessed contributions are only practicable, therefore, if they are well within the limit of what potential members might be prepared to subscribe, and if they are clearly attached to specified purposes. This means in effect that one cannot use assessed contributions to cover a country's total aid requirements. One must select a part.

It happens that there is one part of a country's aid requirements which can only be discussed in terms of total figures - its foreign exchange requirements for current imports, especially spare parts and raw materials. It is normally only this kind of finance that is described as programme aid. Several distinguished economists have argued cogently that for certain countries all aid should be programme aid, but in practice programme aid

is seldom much more than 50% of all the aid that a country applies for or receives.

To attach assessed contributions to a country's programme aid requirements would have several advantages. First, it would not involve a commitment greater than the total likely to be available. Secondly, it would provide firm assurances in support of that element in annual planning for which firm assurances are most necessary.

Thirdly, it would be a self-regulating device. As a country advances along the path of development, its programme aid requirements tend to form an increasing proportion of its total requirements. The more advanced a country is, the less likely it is to relapse into that kind of chaos which makes aid-givers want to re-consider their commitment. In other words, the aid-givers' degree of commitment would increase automatically in step with the likelihood that no cause would arise for their having to abandon it.

Lastly, the exclusion of project finance from assessed contributions would remove one possible cause of confusion. In the existing consortia, calculations of the amount of project finance needed are based on the coming year, but pledges are given in terms of total new commitments. At one time, the Government of Pakistan claimed that on average only one-tenth of a new commitment for a project was disbursed in the first year. This meant that it had to obtain new project commitments ten times as large as the amount of new project finance it needed (i.e. excluding what was already in the pipeline) in the coming year. Smudged in with its programme aid requirements, this produced some very misleading figures.

For all aid-givers, the rewards of project finance are often tempting. There are contracts to be won, and there is something to satisfy national pride at the end of it. In the case of a single project, it is easy enough to find out how much an aid-giver is prepared to pay for these rewards, without going into assessed contributions. It has been done fairly successfully in syndicates set up for large projects requiring joint finance (e.g. the Keban syndicate, described in detail in Chapter IV). It has been done less successfully for groups of projects, such as Mexico's power development programme.

The project list has become an increasingly significant document in the proceedings of both consortia and consultative groups. In theory, at least, the technique of a project syndicate could be applied to a whole project list. The bilateral donors would establish lines of credit to be used to finance purchases from the donor country for projects within the list, after such projects had been put out to international tender. The

The difficulties are considerable, but some attempt has already been made to overcome them, notably by the Western Hemisphere Department of the World Bank. The most fundamental objection that can be raised to this extension of the technique is that it completely undermines its effectiveness. Project syndicates have succeeded best where their aims are most clearly defined. The more diffused the technique becomes, the harder it will be to use it as a framework within which to exercise pressure.

Here we come back to the heart of the matter. The exercise of pressure is a reflection of the assumption that aid is given reluctantly, against the aid-givers' will. An examination of numerous practical operations confirms this assumption, partly because evidence in support of a contrary view is obscured by the fact that the machinery of aid, by the process of confrontation, has evolved in such a way as to emphasise differences of approach. If one takes the perspective of years, a different view emerges. The history of practical operations is the history of repeated attempts to preserve freedom of choice. The history of a longer period is the history of a gradual surrender of choice. The only way to find out whether this long-term trend reflects some underlying will is to change the environment within which practical operations are carried out. To bring such a change about, it is necessary to devise machinery which is designed from start to finish as the framework for a common enterprise, in which both the recipient and the aid-givers have their parts to play. Neither the consortia nor the consultative groups represent a really systematic attempt to do this. The consortia show a recurrent tendency to regress into confrontation, the exercise of pressure. The consultative groups, in their new form, are likely to regress into the original notion of coordination, the partial correlation of operations already under way. One of the original weaknesses of the consortia was their members' reluctance to see a significant growth in the function of management. The principal weakness in the new consultative groups appears to be a similar reluctance on the part of the World Bank.

To take a more positive view of the function of management would involve replacing confrontation, as the principal technique of negotiation, with something more comprehensive and continuous. It would also involve abandoning coordination, in favour of a much more ambitious enterprise. It is in the nature of that enterprise that both the givers and the receivers of aid surrender some freedom of choice. Any agency that is prepared to fulfil the function of management also surrenders some freedom of choice, for this is the inevitable result of accepting responsibility. The essential point about the aid relationship, which distinguishes it from most other forms of association between sovereign states, is that it requires a degree of mutual commitment - and interpenetration - beyond what can be written into formal agreements or terms of reference. The extent to which a nation that provides or receives aid is prepared to enter into such a commitment is the ultimate measure of that country's pledge for development.

GDW:

RBS
N

Attached came through Mr. Graves's office.

S

2/1/67

Mr Graves

February 1, 1967

Dear Mr. Woods,

Thank you very much for the time you gave me this morning.

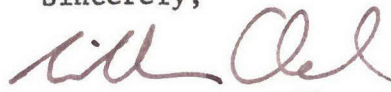
I have checked on dates and find that the ACC meeting is April 5 and 6. I will try to arrange the small weekend meeting at Sir Edward Boyle's house in England on April 8 and 9 (Saturday, Sunday). I hope you can keep those dates provisionally free.

There is another point about your possible talk in London. This might be Friday, April 7, or Monday, April 10. I have spoken to Harold Graves about the various possible places for it.

May I say though that this period is our budget period (it will be within ten days of April 5). This means that the Chancellor would be dubiously available, and that the decisions on IDA would have been taken. From personal knowledge I fear the decision may be taken in the next few weeks, and taken wrongly. An earlier visit by you might just sway the balance.

Excuse my interference based solely on good will.

Sincerely,



William Clark

Mr Graves
Tell Clark I will circle
Apr 8 and 9 (altho I may want to
catch late afternoon plane for US on
the 9th) and await further word
from him. An reflection I do
not wish to make a talk in April
I want to "lay low" for a few months
MS 5 2/2

Mr. Woods

January 30, 1967

Harold Graves

William Clark of the Overseas Development Institute

William Clark of the Overseas Development Institute is coming to see you at 11:30 this Wednesday. He is here in Washington talking with various officials who are concerned with development assistance, and he particularly wants to talk with you about the last paragraphs of your ECOSOC speech, which have to do with re-thinking the relationships between the industrialized countries and the less developed world.

I think you met Clark in London in 1965, when you were discussing with Sir Leslie Rowan the possibility of Bank support for ODI. You will remember that ODI was established for the purpose of contributing to the public understanding, in the U.K., of the problems of economic development overseas. The Institute does research, publishes papers and encourages public discussion of this subject. The BBC television series to which you contributed an interview was initiated by ODI.

The arrangement between the Bank and ODI calls for us to make a contribution to their budget of £5,000 a year, for three years; the second year of this arrangement will end on April 30. I do not think it is Clark's intention to talk with you about this, although we have had some indications from ODI that they would like us to increase the amount of our support.

cc: Mr. Wishart

Handwritten signature

HG:ap

Studer

0 D 1

January 27, 1967

SPECIAL DELIVERY

Dear Bill:

Just a note to say that you have an appointment with Burke Knapp at 3 o'clock on the afternoon of Tuesday, January 31, and with Mr. Woods at 11:30 on the morning of Wednesday, February 1. I'm looking forward to seeing you.

Sincerely yours,

Harold Graves

Mr. William Clark
c/o Mr. Stewart Alsop
3520 Springland Lane
Washington, D. C.

HG
HG:ap

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January 27, 1967

SPECIAL DELIVERY

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Sincerely yours,

Harold Graves

Mr. William Clark
c/o Mr. Stewart Alsop
3520 Springland Lane
Washington, D. C.

Harold Graves
HG:sp

V to E

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W - Ditchley

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Cables: PICODI London W1

1967 JAN 30 PM 3:28

PUBS/10

26th January 1967.

Dear Mr. Lind,

Thank you for your letter of 20th January about the order for additional copies of Effective Aid, the Ditchley Conference report. As soon as we receive the official order we will send you 150 copies with a 25% discount.

Yours sincerely,

Joanna Osmond

Publications.

Mrs J. Lind, Esq.,
Deputy Director of Information,
I.B.R.D.,
1818 H Street NW,
Washington DC 20433,
USA.

JJO

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Lars J. Lind, Esq.,

Deputy Director of Information,

I.B.R.D.,

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Washington DC 20433,

USA

Fpm 1

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TO: WILLIAM CLARK
OVERSEAS DEVELOPMENT INSTITUTE
160 PICCADILLY
LONDON

DATE: JANUARY 24, 1967

CLASS OF SERVICE: NLT

144

COUNTRY: ENGLAND

TEXT:

Cable No.:

IN VIEW DEMUTHS ABSENCE I AM HAPPY INVITE YOU SMALL LUNCH BANK WEDNESDAY
FEBRUARY 1

HOFFMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME MICHAEL L. HOFFMAN/pnn *M.L.H.*

DEPT. DEVELOPMENT SERVICES

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(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

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Cable No:

TO: WILLIAM CLARK
OVERSEAS DEVELOPMENT INSTITUTE
180 PICCADILLY
LONDON

DATE: JANUARY 24, 1967
CLASS OF SERVICE: NIT

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FEBRUARY 1

HOFMAN

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NAME: MICHAEL L. HOFMAN / pmm

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OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

20th January 1967

Dear Harold,

I am unexpectedly coming over to Washington from the 29th January till 1st February. One purpose is to organise a television interview with Dean Rusk, the other is to catch up on some of my Development contacts.

I have already spoken to John Miller today and asked him if he would raise with George Woods over this coming weekend the possibility of my seeing him in Washington to talk over the last paragraphs of his pre-Christmas speech, i.e. about re-thinking our relationship with the whole of the less developed world. I do not wish to waste his time, and I do not usually ask to see him, but I would very much like to if it were possible.

When Dick Demuth was here the other day he suggested that when I next came over he would like to try and organise a small lunch for me, and I would be very glad if this was possible. Perhaps you could tell him what my movements are?

These movements are indeed not yet wholly clear. The television interview (with Hugh Cudlip, Michael Berry, Alastair Burnett and Paul Johnson - quite a quartet) is on the morning of the 31st. I suspect I may be not wholly my own master on the 30th, but should be completely free after lunch on the 31st until I go up to New York in the evening of Wednesday, 1st February. I am also writing to Bob Asher at The Brookings Institution asking him to make some appointments for me, and warning him that I am in touch with you.

Please do not forget in all of this that I should very much like to have a chat with you and Julian.

Yours sincerely,



William Clark

Harold Graves, Esq.,
IBRD,
1818 H. Street,
Washington, D.C. 20433,
U.S.A.

JEM

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January 20, 1967

Dear Miss Osmond:

Thank you for sending a copy of the report on the last Ditchley Conference to Mr. Hoffman. We find the publication useful and are sending separately an official order for 150 copies. I trust we shall receive a bulk order discount.

Yours sincerely,



Lars J. Lind
Deputy Director of Information

Miss Joanna Osmond
Publications
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Hoffman

JL
LJL/jsw

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January 20, 1967

Dear Miss Gemond:

Thank you for sending a copy of the report on the last Bitchelley Conference to Mr. Hoffman. We find the publication useful and are sending separately an official order for 100 copies. I trust we shall receive a bulk order discount.

Yours sincerely,

Jane J. Lind
Deputy Director of Information

Miss Joanne Gemond
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London, W.1
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cc: Mr. Hoffman

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CABLE ADDRESS - INDEVAS LONDON SW1



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TELEPHONE
WHITEHALL 3886/3887

19th January, 1967.

Mr. R.H. Demuth,
Director,
Development Services Department,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington, D.C. 20433. U. S. A.

Dear Dick,

of overseas div. Inst.

William Clark will be in Washington (arriving Sunday 29th) all of Monday 30th, Tuesday 31st and Wednesday 1st. Most of Tuesday he is busy on the job that takes him there - being Chairman of a T.V. Discussion for the U.K. in which Dean Rusk is questioned by four English editors - also flown over for the occasion.

I think you said that you would like to fix up a lunch for him when he came over but at the time we talked to him he would not be in Washington until you had left for the Virgin Isles. If you still want to will you let him know direct.

Yours ever,

[Handwritten signature]
John Duncan Miller.

Advised
John
Burkin

Inuite called -
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LONDON OFFICE:

19th January, 1967.

Washington, D.C. 20433.
1818 H Street, N.W.,
and Development,
International Bank for Reconstruction
Development Services Department,
Director,
Mr. R.H. Demuth.

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Yours ever,


John Duncan Miller.

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TELEPHONE: HYDE PARK 2654

FUBS/10

13th January 1967.

Dear Mr. Hoffman,

I have sent you today by second class air mail a copy of the report on the Ditchley conference entitled Effective Aid.

rec'd 1/17

You mentioned in a letter to Teresa Hayter dated 4th October 1966 that the World Bank would like a number of copies. When you have received the pamphlet, perhaps you could let us know how many copies you require?

Yours sincerely,

Joanna Osmond.

Publications.

Michael Hoffman, Esq.,
International Bank for Reconstruction and Development,
1818 H Street NW,
Washington DC 20433,
USA.

JJO

1/20/67

*Regulation
for 150c*

*85 for
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to take care?
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JAN 16 10 39 AM 1967

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Mr. Michael L. Hoffman,
I.B.R.D.,
1818 H Street NW,
Washington DC 20433,
United States of America.

January 4, 1967

Dear Bill:

Thank you for your letter of December 30. Please assure Miss Hayter that she will be very welcome when she arrives here January 16. Appointments have been made for her to see Mr. Orvis Schmidt, Special Adviser to Mr. Woods, at 14.30 Monday, January 16. Mr. Schmidt specializes on Latin American affairs and is the Bank's principal liaison with the Alliance for Progress and other Latin American programs; he was formerly the Director of the Bank's Western Hemisphere Department. At 15.30 an appointment has been scheduled with Mervyn Weiner, Chief Economic Adviser of the Western Hemisphere Department. Raymond Frost will be away at the time but we shall arrange for meetings with available country specialists when Miss Hayter arrives. I assume that she will want to spend some time with IDB before she starts off on her Latin American trip.

If Miss Hayter would contact my office some time before lunch on Monday, January 16, I and some of my associates will be delighted to meet her and see in which ways we can be most helpful to her.

With my best personal wishes,

Sincerely,

Harold Graves

Mr. William Clark
 Overseas Development Institute Ltd.
 160 Piccadilly
 London, W.1
 England

LJL/jsw



OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

1. Mr. Lead
2. Mr. Graves
30th December 1966

Dear Harold,

As I think you know we are going to use Teresa Hayter on part of our Bank Project. I enclose an account of what her study is going to be.

After talking it over at some length we have both felt that it would be best if she went through Washington and New York on her way to Latin America, though comparatively briefly, and concentrated her investigations in Washington on the return trip.

Teresa Hayter will therefore be travelling to Washington on Sunday, 15th January and staying the next three or four days in Washington. May she call on you, and could you perhaps pass her on to one or two people who are concerned with the countries and subjects with which she is going to be dealing? I thought for instance of Raymond Frost, who is a personal friend of mine as well as an expert on Colombia, and possibly someone at a different policy level, such as Gerry Alter. I am sure you would know better than I whom she ought to see.

With all good wishes to you and your colleagues for 1967.

Yours sincerely,



William Clark

Mr. Harold Graves
IBRD
1818 H Street NW
Washington
DC
USA

Enclosure

ME

acc. Jan. 4/67

ODI study on international institutions in Latin America

Background

Since April 1965 the ODI has been engaged on a programme of studies on the operations of international institutions in the development field. We have received much valuable help from the World Bank, although we take full responsibility for the result of our studies.

The first study in this programme was by John White. This is on consortia and consultative groups, and is mainly concerned with the way in which international institutions can improve the relationship of a number of bilateral donor countries with one recipient country.

We felt that the natural next step was to study the relationship of international institutions with recipient countries, and in particular whether there are possible advantages in this relationship, or in some of its aspects, compared with the bilateral relationship. Latin America is probably the area in which the activities of international institutions are most highly developed. Our decision to do a case-study of these operations is based on the view that the experience of Latin America in this field has a bearing on developments in international relationships elsewhere, as well as having considerable intrinsic interest.

Scope and nature of the study.

The study is not intended to be a survey of the activities of all international institutions in the development field in Latin America. Its aim is to describe and analyse activities which we consider to be of particular significance. This means concentrating on activities which involve a fairly close relationship between the international institutions and Latin American countries, and which extend over a fairly broad area of policy-making. It also means an examination of the potential role of international institutions and of economic aid as catalysts in development, assuming that more is involved than a simple transfer of resources or the setting up of isolated projects.

The operations of the World Bank and the Inter-American Development Bank will be central to the study. We must also to some extent be concerned with the Alliance for Progress, especially with CIAP, with the role of the United States AID, and with the relationship of all these institutions with one another and with Latin American governments. Other institutions which are of obvious importance in this context are the IMF, ECLA and LAFTA.

Authorship

The study will be undertaken by Teresa Hayter, who has been at the ODI since 1963. She has, among other things, produced a study of French Aid, and written Effective Aid (the report of a conference organized by the ODI on improving the effectiveness of aid from the major bilateral and multi-lateral agencies).

Programme and travel

Teresa Hayter began work on this subject in the autumn of 1966, and we expect to publish the study early in 1968. She will go to Latin America and Washington early in 1967; her proposed itinerary is as follows:

Brazil (during World Bank mission) - early February.

Chile (ECLA, Institute of International Relations, etc.) - mid February
- early March.

W/ens
Ecuador (IADE consultative group)

or Peru (World Bank consultative group) - early March - April
Colombia (World Bank consultative group) *Manoni*

Washington (World Bank, IADE, IMF, OAS head-quarters) - April
FASST

William Clark
Director, Overseas Development Institute.
December 1966.

LJ

ROUTING SLIP	Date
---------------------	------

NAME	ROOM NO.
1) Mr. Brown	
2) Mr. Gills	

	To Handle	Note and File
	Appropriate Disposition	Note and Return
	Approval	Prepare Reply
	Comment	Per Our Conversation
	ull Report	Recommendation
	Information	Signature
	Initial	Send On

REMARKS

*John White seems to
have both calmed
and climbed down.*

Frc

Ken J. ...

OFFICE MEMORANDUM

TO: Mr. Michael L. Hoffman
Mr. Lars Lind

DATE: December 6, 1966

FROM: John Duncan Miller

SUBJECT: John White's Chapter Five

I sent John White the greater part of the memo of November 9[✓] leaving out the first paragraph and paraphrasing it in my covering letter. I have now got back to Paris and found the attached letter^{✓ Nov. 29/66} from him.

I shall be in London all next week and will see him at some point after Burke Knapp has left. I think we may be getting somewhere.

Encl.

OFFICE MEMORANDUM

DATE: December 6, 1966

Mr. Michael L. Hoffman
Mr. Lars Lind

TO:

John Duncan Miller

FROM:

John White's Chapter Five

SUBJECT:

I sent John White the greater part of the memo of November 9 - leaving out the first paragraph and paragraph 2 - I have now got back to Paris and found the attached letter from him. I shall be in London all next week and will see him at some point after Burke Knapp has left. I think we may be getting somewhere.

Encl.

DEC 16 1966
 100-100000-9

December 2, 1966

Dear Johnnie:

Thank you for your letter of November 21 ✓ con-
 cerning John White's consultative group study. As you
 surmised, I had sent you Mike Hoffman's note together
 with Chapter V the day before your cable arrived. I
 am pleased to learn that you seem to have straightened
 out this matter and we are now expecting to receive
 some copies of the entire study, with a new Chapter V,
 from White for more careful scrutiny in the Bank, as
 agreed.

I have seen Mike and he seems content with the new
 approach.

Yours sincerely,

Lars J. Lind

Mr. John D. Miller,
 European Office, IBRD
 12, rue de Presbourg
 Paris 16e
 France

cc: Mr. Hoffman

LJL
 LJL/jsw

OVERSEAS DEVELOPMENT INSTITUTE
LIMITED BY GUARANTEE
160 PICCADILLY LONDON W.1

PROJ/15

29 November, 1966

HYDE PARK 2654

Dear Johnnie,

Thank you for your letter of November 25, with which you sent Mike Hoffman's comments on chapter 5.

I propose now to set about reconstructing the paragraph on the lines that we have discussed, and will try to let you have a copy in sufficient time before December 12th. Should I send a copy to Mike Hoffman also, so that he can transmit to ^{you} ~~me~~ further comments that he might have?

Many of his specific points seem to me to be entirely justified. As you know, this was the most hurriedly written chapter, since I expected it to have to be extensively rewritten, and a large number of small muddles crept in. As regards his more substantial point, concerning the nature of my approach, I think he is more than half right. I had a distinction in my own mind between an analytical examination of the nature of the exercise and operational recommendations. The first, which was broadly the purpose of chapter 5, was a purely intellectual attempt to gather together a number of strands and to remind us what the essential character of this activity is. The second, which is broadly contained in chapter 6, was an attempt to draw together a number of scattered points that have been made throughout the study - not just in chapter 5 - in the hope of providing some pointers for action. In other words, in my own mind, chapter 5 was never intended to provide an operational model. Mike's reply to this would presumably be that I appear not to have kept the distinction clear either on paper or in my own mind, and with this I agree.

His other point, concerning my failure to distinguish sufficiently between the policy as it is and the policy as I say it ought to be, is clearly justified, especially in relation to the discussion of determination of the sources of aid.

I think the new version had better contain four sections: 1. a short and very careful explanation of precisely what I am trying to do in this chapter; 2. description of consultative groups as they are; 3. attempt to analyse the tasks that consultative groups could in theory undertake if the logic of their present terms of reference were fully extended; 4. an examination of the degree of commitment/involvement in acceding to one of these groups (which, for polemical purposes, I have called "pledging").

that ought to be
Please note that these headings do not contain the notion of a "model of an ideal consultative group".

I leave it to you to decide whether to pass these comments on to Mike Hoffman. I do not think the differences between us are all that wide, though for my own purposes I have in this chapter adopted an approach that was bound to strike him as pretty dotty. As I think you know, I am feeling my way slowly towards something a good deal more far-reaching, in historical terms, than a simple set of technical recommendations for the operation of a particular mechanism. It is important to me, as I wander about in this area of historical analysis, to take every precaution to ensure that I do not depart too far from current reality. Essentially, what this means is keeping my lines of communication constantly open to people like yourself and Mike Hoffman.

Yours ever,

A handwritten signature in black ink, appearing to be 'JW', with a long horizontal line extending to the right.

John White

Mr. J. Miller
IBRD
4, Avenue d'Iéna
Paris 16e

JW:tr

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÏÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510

November 21, 1966

Mr. Lars Lind
Deputy Director of Information
International Bank for Reconstruction
and Development
Washington, D.C.

Dear Lars:

Our cable about John White's paper must have crossed with your letter of November 14 but fortunately we were both on the same lines.

John White gave me a copy of the whole draft a couple of weeks ago and I read it last weekend rather quickly but I did go through Chapter V a second time and made some notes. I was in London on Monday and saw him and pointed out three or four of the major errors I had spotted in my admittedly rather cursory reading of it. They were:

"appropriate sources"
the Bank's responsibility for debt re-scheduling
and suppliers' credits
my dislike of the term "managing agent" with its
colonial implications.

After some conversation he suggested re-casting the chapter in three separate sections - the first stating the Bank's policy and the other two being his commentary and views as to how CGs should develop.

I came back to Paris on Tuesday morning and had lunch with Mike Hoffman and agreed that John White's suggested re-casting was the right way to do it in order to make it clear that his ideas are only his ideas. We then decided to cable you for his memorandum so that I can rephrase it and go over it with him. So I will get on with this.

My reference to "elbeejitis" was nothing to do with this but referred to The Economist's piece on the Annual Meeting.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John Duncan Miller".

John Duncan Miller
Special Representative in Europe

CCM. 12-2-66



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENA, PARIS (16^e) - FRANCE

Telephone - 553-2510



November 21, 1966

Mr. Lars Lind
Deputy Director of Information
International Bank for Reconstruction
and Development
Washington, D.C.

Dear Lars:

Your letter of November 14, but unfortunately we were both on the same lines. Our cable about John White's paper must have crossed with

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My reference to "liberalism" was nothing to do with this but referred to The Economist's piece on the Annual Meeting.

Yours sincerely,

John Duncan Miller
Special Representative in Europe

12-2-66

S-02I
File

INCOMING CABLE

DATE AND TIME OF CABLE: NOVEMBER 16, 1966 1634
LOG NO.: TELEX/16
TO: INTBAFRAD
FROM: PARIS

ROUTING	
ACTION COPY:	INFORMATION DEPARTMENT
INFORMATION COPY:	
DECODED BY:	

TEXT:

795 FOR LIND
PLEASE SEND MILLER MY MEMORANDUM ¹¹⁻⁹⁻⁶⁶ ON JOHN WHITE'S
MANUSCRIPT AND HE WILL DISCUSS IT IN LONDON

HOFFMAN

MT

November 14, 1966

Mr. John D. Miller
European Office, IBRD
12, rue de Presbourg
Paris 16e
France

Dear Joannie:

From the attached notes¹¹⁻⁹⁻⁶⁶ from Mike Hoffman to me you will see that we are in a rather awkward dilemma over John White's aid co-ordination study. I am sure you will agree it is more than a slight case of "elbéejitis."

Mike does not feel that an "intellectual" exchange of letters between him and John could serve any useful purpose as long as some of John's misconceptions remain; he makes the perfectly valid point that conclusions and theories may be the sole responsibility, but that the factual basis for these must be reasonably correct. It is also obvious that whatever disclaimers the author makes as to the "independence" of the study, it cannot but be associated in some ways with the Bank.

As you have been closely concerned with the ODI-Bank relationship, we very much would like your assistance to get out of this jam without doing damage, or too much damage, to our relations with ODI.

Perhaps a good first step might be for you to have a frank talk with John White and see if he can come up with something that is likely to be acceptable here; this would mean, of course, a drastic change in his whole argument. Such a course might be preferable to having a talk with Clark. Or have you any other suggestions?

The "recent" history of this project is that we received a copy with a letter from John White in the second week of October with a request for clearance from the point of view of the confidentiality of the raw material, to which John had had access. Such a clearance was given by cable on October 26, but with a proviso that Chapter 5 must not be circulated because it would harm the Bank's relations

11-12-66 11:55

November 14, 1966

Mr. John D. Miller
European Office, IIRD
13, rue de Presbourg
Paris 16e
France

Dear Johnnie:

From the attached notes from Mike Hoffman to me you will see that we are in a rather awkward dilemma over John White's aid coordination study. I am sure you will agree it is more than a slight case of "liberalism".

Mike does not feel that an "intellectual" exchange of letters between him and John could serve any useful purpose as long as some of John's misconceptions remain; he makes the perfectly valid point that conclusions and theories may be the sole responsibility, but that the factual basis for these must be reasonably correct. It is also obvious that whatever disclaimer the author makes as to the "independence" of the study, it cannot but be associated in some ways with the Bank.

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10:00 AM 11/14/66
COMMUNICATIONS
SECTION

Mr. John D. Miller

- 2 -

November 14, 1966

with the members of consultative groups. This was followed by a letter to John White of October 27, copy of which was sent to you, and another of October 31 in reply to his of October 28 (attached).

You might also wish to know that we have received a letter recently from ODI warning us that they might have to ask us for a supplementary contribution for the past and coming year (copy attached).

Sincerely,

Lars J. Lind

Attachments

cc: Mr. Hoffman

LJL
LJL/jsw

November 9, 1966

Dear Mr. Wauton:

Mr. Graves is away from the office and in his absence I wish to thank you for sending us a copy of The National and Grindlays Review, which apart from the article on ODI's plea for more aid, contains other material of interest to us here. *sw dtd 11-9-66*

You can be completely assured that the usefulness of the publications issued by ODI is well recognized in the World Bank.

Yours sincerely,

Lars J. Lind
Deputy Director of Information

Mr. David Wauton
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

LJL
LJL/jsw

Mr. Lind

November 9, 1966

Michael L. Hoffman

Chapter 5 of O.D.I. Paper on Aid Coordination

In commenting on this paper, I feel we must distinguish between points on which one might wish to question the author's judgment, economic analysis, or taste, and points with respect to which the exposition, as it stands, is seriously misleading and reveals fundamental misunderstandings of the nature and objectives of Bank-organized consultative groups and consortia. I simply have not time now to go through the chapter and comment on all points of the first category. In any event, many of them, such as use of the confusing and misleading terms "management" and "managing agency," would become obvious misfits if the major errors were removed from the argument.

I pass directly therefore to the heart of the matter which lies mostly in the analysis of pp. V-6-10 and from which the author concludes that the future of consultative groups rests on a "single point," namely, their success in the "determination of the appropriate sources of aid." On page V-6, the wording is "Determination of the appropriate sources /author's italics/ for the various kinds of aid required." This is listed as one of the tasks which it is "more or less established . . . that a consultative group is intended to undertake," rephrased according to a footnote, by the author, from various statements of tasks "commonly mentioned" for consultative groups.

It is evident from the text that the principal source of this list of tasks of consultative groups is paragraph 3 of the July 1965 statement on "Approach of the World Bank, etc." Paragraph 3(b) reads: "to facilitate the provision of external finance, technical assistance and advice from appropriate sources, and their efficient channelling to meet priority needs." The author's "rephrasing" produces a totally different statement of objective, and one which the Bank and all participants in consultative groups have repeatedly asserted is not one of their objectives. Consultative groups do not "determine" anything, certainly not appropriate sources for various kinds of aid.

If this were merely a matter of the author's indicating what consultative groups ought to do in his opinion, it would be his privilege to say so. But it purports to be a statement of one of the things that it "is more or less established" that they do in fact. Furthermore, it is contained in a manuscript which is likely to be widely regarded, with reason, as having been based on exceptionally free access to Bank documents and Bank officials. If read in certain circles it would certainly be regarded, despite disclaimers, as a "rephrasing" of C.G. objectives

November 9, 1966

which reflected in some degree the Bank's "real" intentions as contrasted to what has repeatedly been stated concerning those objectives in Bank-Government discussions of the functions of C.G.'s. I have no hesitation in stating that publication of this section alone, apart from other wrong or questionable parts of the paper, could do irreparable damage to the whole international effort to develop C.G.'s as an organ of aid coordination.

In the same list of tasks on page V-6 appears "distribution of the burden of aid by proportion among the donors concerned." The same comments apply here, except that I do not offhand know where the author found the statement which has been "rephrased" to produce this one. Distribution of burden is certainly not a task or function of any Bank-organized consultative group. It may be that he has in mind the meetings dealing with short-term import requirements of Ceylon, which we have carefully avoided calling a consultative group, not out of hypocrisy, but because it is a totally different kind of exercise.

Having started from the base of a definition of functions containing two serious misconceptions, he proceeds to elaborate an argument that is, not unnaturally, mostly irrelevant, leading to the conclusion that the future of consultative groups depends on how they perform a function which they don't perform at all. From this he arrives, again not unnaturally, at the point at which he is unable to see any difference between the process of naming some country as an appropriate source of aid (a process which does not take place) and pledging. At this point in the paper (p. V-11), what I can only describe as the author's obsession with pledging takes over, and carries him off into a strange and unrecognizable country where a kind of dialectic between pledging and performance conditions the atmosphere. It comes as a surprise, after several pages of this, to read on page V-17 three very sensible conclusions which do not depend on the previous argument.

There are a number of small but important points which reveal a similar insistence on making consultative groups into something they are not:

1. Page V-7, item (xi). Consultative groups "do not control" the use of suppliers' credits or anything else.
2. Same page, item (xii). There is an excuse for this one because our July 1965 paper does say that "in some cases if it appears necessary and if the debtors and creditors agree, debt rescheduling could be included in the terms of reference of Consultative Groups." However, in Mr. Woods' statement to the General Meeting that autumn he firmly

ruled out debt rescheduling as a function of consultative groups and this has been repeated a number of times since. We might change this position but that is the way it is now. Therefore, this item should be deleted.

3. Bottom of same page. In the light of the above, it is obvious that this whole paragraph will have to be deleted or rewritten because the evidence for a change in Bank policy that is cited is precisely the two above items.

4. Page V-9, middle of page. The UNDP (Special Fund) does not engage in project appraisal but in sector and feasibility studies and all it does on these is finance and oversee them through an Executing Agent -- i.e., it doesn't offer any "services" itself.

5. Same page, next paragraph. The UNDP was "brought directly into the deliberation of the new groups when they were set up" and has attended every meeting since.

6. Same page, penultimate paragraph. This is perhaps the best example of how the author is led astray by his insistence on using the term "management," presumably to describe the chairmanship of a consultative group. The concept of the Bank "providing" a "full-scale project appraisal service" to the members of a C.G. is just not operational. In fact, I am pretty sure our Projects Department would say that the concept of "full-scale project appraisal service" itself is meaningless and based on lack of understanding of the process of project appraisal as to the way in which the results are used.

7. In the discussion of pledging on page V-13 the author prods the subject from every side but misses one real, and, from the Bank's viewpoint, the main objection to pledging, which is that in order to "fill the gap" we have pushed through IDA credits long before the borrower was ready to use the money, and in some cases for amounts substantially greater than the borrower was able to cope with, and have thus either tied up scarce IDA funds needlessly for long periods or had to cancel some of the credit after several years.

8. Page V-19. I presume the author by now has realized that the statement at the top of the page about a 10 to 1 ratio between this year's commitment and next year's project finance is just faulty arithmetic because it ignores the existence of the pipeline.

9. Page V-19, middle paragraph. If I understand this paragraph at all, it seems to be a criticism of a theoretical procedure which nobody engages in and which has never been proposed. The implication of the last sentence that the purpose, or one purpose, of a project list, as this term is understood in the context of Bank-organized consultative groups, is "to use it as a framework within which to exercise pressure"

To: Mr. Lind

- 4 -

November 9, 1966

indicates that the author does not understand the purposes of preparing and circulating a project list. These include informing members of the group what others, including the Bank, are doing in the country, advertising interesting projects to potential investors (there are several implications at various points in the chapter that this is somehow disreputable), indicating, where practicable, the recipient country's views on priorities and, also where practicable, the extent to which the Bank shares or disagrees with those views, and providing a framework around which to organize a reporting system. I suppose what the author had in mind was that the Bank might occasionally urge a particular country to pick up a particular project. This may happen, but it has nothing to do with the existence of a project list, or of a C.G. for that matter.

The list of points of this sort could be made very much longer, without going beyond Chapter V. However, I believe enough has been said to make clear the nature of my objections to this paper. It is a brilliant effort to create a rational model of a process that is not susceptible to being analyzed by a model-building technique, especially by a model that is essentially dialectical and of which several of the basic premises are false. While I finally believe that the Bank should welcome a critical examination of the experience with various attempts at aid coordination, I do not believe that the approach reflected in this paper can ever yield a useful critique.

MLH

MLH:tf

1. Mr Lead

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

SUBS/59

7th November, 1966

2

Dear Mr. Graves,

One of ODI's publications this summer was "British Development Policies, 1966".

I enclose a copy of the National and Grindlays Bank Review for October which, as a result, has a 4-page article on "The Needs of the Third World; ODI's plea for more Aid". This example that ODI's pamphlets are not without their effect may interest Mr. George Woods and others in the Bank who are concerned with ODI's programme.

You will doubtless have seen the enclosed reference to us in the UN Economic World Survey 1965, Part I.

Yours sincerely,

David Wauton

David Wauton

Mr. Harold Graves, Jr.
Director of Information
IBRD
1818 H Street NW
Washington D.C. 20433
USA.

Enclosures.

SP

1966 NOV -3 VN 8: 4'S

COMMUNICATIONS

NOV 10 1966

acc. Nov 9/66

*sent to
search
files
11/9/66*

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2624

7th November, 1966

SUBS/59

Dear Mr. Graves,

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I enclose a copy of the National and Grindlays Bank Review for October which, as a result, has a 4-page article on "The Needs of the Third World; ODI's plea for more Aid". This example that ODI's pamphlets are not without their effect may interest Mr. George Woods and others in the Bank who are concerned with ODI's programme.

You will doubtless have seen the enclosed reference to us in the UN Economic World Survey 1965, Part I.

Yours sincerely,

David Winton

David Winton

Mr. Harold Graves, Jr.
Director of Information
IBRD
1818 H Street NW
Washington D.C. 20433
USA.

Enclosures.

2P

1966 NOV -9 AM 9:42

RECEIVED
GENERAL FILES
COMMUNICATIONS

over Mr. Graves

*11/14/66
to Mr. Graves
to Mr. Graves
to Mr. Graves*

4

1. Mr. Graves

7th November, 1966

Extract from the UN Economic World Survey 1965, Part I.

"Also indicative of the new search for answers to some of the unsolved transfer problems is the spread of interest not only among scholars but also in various private groups and institutes. Notable among these is the Overseas Development Institute in London which has published a series of surveys of national foreign aid policies and foreign aid in action in various countries"

SP

October 31, 1966

Mr. Harold N. Graves, Jr.
IBRD, London Office
15th Floor
New Zealand House
Haymarket
London, S.W.1
England

Dear Harold:

I am sending you the recent John White correspondence in case you feel like visiting ODI or you should run into John. The position is briefly as follows:

Just before you left, John sent us the manuscript of his study on consultative groups and consortia asking for clearance, from the point of view of confidentiality, to send it to some 60 people for comment.

Sandy, Stuart Mason, Mike Hoffman and I did not see any difficulty on this score and I cabled John OK; half an hour later Mike called and said that he only now had discovered Chapter 5 and that it contained very misleading information and misrepresentations. I cabled John to circulate the report for comment with the exception of Chapter 5. I also wrote him a letter (copy attached) which crossed his of October 28. Mike and Rivkin both feel very strongly indeed that Chapter 5 could do us serious harm even if receiving a limited distribution and even with any reservation that John might put in about his and our views. Our request would seem very reasonable and I hope that John has taken it well, but there might well be a need for calming him down. The difficulty is that John attributes certain functions to the consultative groups which most specifically have been excluded from their terms of reference. John's interpretations might well be taken as an underhand way of the Bank to get back at certain issues which are impopular with some major aid providers.

Let me also add that Dick Demuth advised very strongly that we should not give John anything about the IDA replenishment except the bare historical facts. I followed that advice and gave him a statistical table on resources, commitments, use, etc.

Otherwise, nothing earthshaking to report from here.

As ever,

Lars J. Lind

cc: Mr. Hoffman

LJL
LJL/jsw

October 31, 1966

Dear John:

Our letters must have crossed; I wrote you on October 27[✓] and you should have received it by now. I hope that it has made the situation a little more clear.

The fact is that in your Chapter 5, you do discuss the Bank's approach to consultative groups and you also give your own interpretations. There are several grave misunderstandings or misinterpretations in your exposé and although you and ODI of course are independent agents and have every right to your own readings, it would be highly unrealistic not to recognize that a lot of people, and particularly people who count, are perfectly well aware of our close association. Our misgivings are particularly great because some of your misinterpretations involve matters in which we have gone to particular pains to dispel the notions that you bring forward. If your report were to be read in these quarters, as it no doubt will, even in the first comment circulation period, they will conclude, perhaps because they would like to so conclude, that the Bank was playing some sort of game here and really was trying to do what they feared we would but what we, correctly, have denied that we have any intention of doing.

I therefore would like to urge you most strongly to go ahead and circulate your excellent draft minus Chapter 5 to your list of commentators. You might of course promise them Chapter 5 later; a statement that your analysis is at variance with that of the World Bank is not in our view a very realistic solution.

I do hope that you see our point of view and will follow our suggestion; I am convinced that this is not only in our best interest but also in yours and that of ODI. With the comments you will receive on Chapter 5 and possibly some on other chapters, we feel confident that the study will be of very real value.

Best regards,

Sincerely,

Mr. John White
Overseas Development Institute
160 Piccadilly
London, W.1, England

Lars J. Lind

cc: Messrs. Hoffman, Graves
LJL/jsw

October 31, 1966

Dear John:

Our letters must have crossed; I wrote you on October 27 and you should have received it by now. I hope that it has made the situation a little more clear.

The fact is that in your Chapter 2, you do discuss the Bank's approach to consultative groups and you also give your own interpretations. There are several grave misunderstandings or misinterpretations in your expose and although you and ODI of course are independent agents and have every right to your own readings, it would be highly unrealistic not to recognize that a lot of people, and particularly people who count, are perfectly well aware of our close association. Our writings are particularly great because some of your misinterpretations involve matters in which we have gone to particular pains to dispel the notions that you bring forward. If your report were to be read in these quarters, as it no doubt will, even in the first comment circulation period, they will conclude, perhaps because they would like to so conclude, that the Bank was playing some sort of game here and really was trying to do what they feared we would but what we, correctly, have stated that we have any intention of doing.

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Best regards,

Sincerely,

1966 NOV 1 10 10:27 AM
COMMUNICATIONS
UNIT 27, Lind

Mr. John White
Overseas Development Institute
160 Piccadilly
London, W.1, England

cc: Messrs. Hoffman, Graves
LJL/jaw

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

160 PICCADILLY LONDON W.1

HYDE PARK 2654

28 October, 1966

Dear Lars,

In a letter to me dated October 13th, Harold Graves raised the general point of ODI's relations with the press in the context of studies of the role of multilateral institutions.

I shall write to him personally when he returns to Washington. Meanwhile, I am writing to you to clear up one or two immediate points. First, I agree with him entirely that it would be wholly inappropriate for ODI to act in any sense as a press agency on behalf of the World Bank. Our interest in promoting ~~the~~ public awareness of the issue of IDA replenishment arises from the generality of our studies, not just those which I personally am undertaking. In our recent review of British development policies in 1966, for instance, we mentioned it as one of five main issues for the current year (page 9) and we made a specific recommendation (recommendation Number 10). Short of acting specifically and formally in line with you, we are bound to have differences of approach. Our own aim in this area - which, I repeat, arises from the nature of ODI as an institution - is to stimulate debate and to see the issue thrashed out. I hope that it is the Bank's view that it is in its own interest to cast a friendly eye on what we are doing in this respect, and that you will continue, with information and advice, to help us to avoid falling into the sillier errors of which we might otherwise be guilty; but the question of how to exploit this growing debate in practical public relations terms is, I think, exclusively for you to decide. The distinction of functions which I am trying to make is clear in my own mind. I hope I have expressed it clearly to you.

Harold Graves also raised the question of a specific piece in The Times concerning the Pakistan Consortium. I myself had immediately noticed the mistake which I presume he had in mind, and realised it would be embarrassing. Since the author of the article in question had got some of his interpretative points from me, I have taken it upon myself to ensure that the record will be put straight at the next opportunity, which will presumably be provided when the consortium meets in Paris.

More generally, we have long been concerned with the lack of any interest in the field of aid for economic development among the staff of The Times. I have at last managed to unearth someone who is anxious to move into new fields and is eager to receive ideas for stories to write. Inevitably, while he is developing his knowledge, there will be mistakes; but the value of having such a person on The Times leads me to think that the person

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

180 PICCADILLY LONDON W.1

HYDE PARK 2824

28 October, 1966

Dear Jara,

In a letter to me dated October 15th, Harold Graves raised the general point of ODI's relations with the press in the context of studies of the role of multilateral institutions.

I shall write to him personally when he returns to Washington. Meanwhile, I am writing to you to clear up one or two immediate points. First, I agree with him entirely that it would be wholly inappropriate for ODI to act in any sense as a press agency on behalf of the World Bank. Our interest in promoting the public awareness of the issue of IDA re-pleasement arises from the generality of our studies, not just those which I personally am undertaking. In our recent review of British development policies in 1966, for instance, we mentioned it as one of five main issues for the current year (page 9) and we made a specific recommendation (recommendation Number 10). Short of acting specifically and formally in line with you, we are bound to have differences of approach. Our own aim in this area - which I repeat, arises from the nature of ODI as an institution - is to stimulate debate and to see the issue thrashed out. I hope that it is the Bank's view that it is in its own interest to cast a friendly eye on what we are doing in this respect, and that you will continue, with information and advice, to help us to avoid falling into the slender errors of which we might otherwise be guilty; but the question of how to exploit this growing debate in practical public relations terms is, I think, exclusively for you to decide. The distinction of functions which I am trying to make is clear in my own mind. I hope I have expressed it clearly to you.

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Lars Lind

- 2 -

28 October, 1966

in question should continue to be encouraged by us as much as possible. This comment may sound rather patronising, and I should hate it to get back to London, so I hope that you will not repeat it too widely.

Yours ever,

A handwritten signature in black ink, appearing to read "John White", with a horizontal line above the first few letters.

John White

Mr. Lars Lind
IBRD
Washington, D.C.

JW:tr

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

160 PICCADILLY LONDON W.1

PROJ/15

28 October, 1966

HYDE PARK 2654

Dear Lars,

I received your two telegrams yesterday, and I am therefore holding up distribution of the draft for comment. In order to save time, I am writing to you immediately to ask for further elucidation. It may be, of course, that a letter from you is already in the post.

I must confess, I am a little puzzled by the identification of chapter 5 as a reason for holding up the draft, since this is almost entirely interpretative, presents my own general analysis and views, and does not purport to be either a factual description of consultative groups as they are or an analysis of the World Bank's policy in these groups. It is not clear to me, therefore, what it is that has been identified in this chapter as a reason for the World Bank to exercise its right of restraint over distribution.

Three possibilities occur to me:

1. It may be that the person or persons who are worried by this chapter have misinterpreted it as an intended portrayal of the Bank's view. If this is the case, would you not be covered against the possible consequences of such a misreading if I emphasise very strongly in the covering note that chapters 5 and 6 in particular represent entirely my own analysis;

2. It may be felt that it is misleading to advance an argument so widely at variance with the policy of the World Bank, without setting it alongside a fuller exposition of the World Bank's own policy than I have given here. My difficulty in this respect was that I did not wish to make too specific or extensive use of what are as far as I know confidential documents. In the final version, if you wish, I shall be glad to incorporate a fuller exposition of the World Bank's policy — preferably under your guidance. Meanwhile, the explanation in the covering note could be made to include an emphatic statement to the effect that this is not only my own analysis, but also one that is at variance with that of the World Bank;

3. It may be felt, in contrast, that specific references to the World Bank's policy and practice should be omitted altogether from such an interpretative chapter. The only such references that the chapter contains are page 1 (final paragraph), page 2 (first complete paragraph), page 6 (second complete paragraph — but not the long list which follows, which is compiled from my own much more extensive researches, as is made clear in the text), page 7 (final paragraph), page 8 (final paragraph and the 6-point list which follows), page 9 (first complete paragraph, which I have since

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

160 PICCADILLY LONDON W.1

HYDE PARK 2624

28 October, 1966

PROJ/15

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2. It may be felt that it is misleading to advance an argument so widely at variance with the policy of the World Bank, without setting it alongside a fuller exposition of the World Bank's own policy than I have given here. My difficulty in this respect was that I did not wish to make too specific or extensive use of what are as far as I know confidential documents. In the final version, if you wish, I shall be glad to incorporate a fuller exposition of the World Bank's policy - preferably under your guidance. Meanwhile, the explanation in the covering note could be made to include an emphatic statement to the effect that this is not only my own analysis, but also one that is at variance with that of the World Bank;

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dit

discovered contains one error of fact). Section 2 of chapter 5 contains no reference to the World Bank's actual policy or practice. If there are distortions in the passages to which I have referred, I hope they can be covered in the draft which is to be distributed for comment by the insertion of a sticker or by a correction in the covering note.

I hope it is understood that the draft will only receive very limited distribution, and that the recipients will be invited to comment freely on points of fact and interpretation. In particular, I hope to receive fairly extensive comments on the analysis and conclusions advanced in chapters 5 and 6, in the light of which I may have to make considerable modifications.

I sent you a preliminary copy of the draft because many members of the staff of the World Bank have been extremely helpful both with information and advice, and I did not wish by an oversight to embarrass them with a betrayal of information that was meant to be confidential. On the question of my own analysis and conclusions, the argument is still very open, and it may well turn out that it will be worth everybody's while for me to come to Washington for fairly extensive discussions with each person individually who would like to see modifications incorporated. But, as I understand our relationship, I do not think that disagreement in this area should be a reason for holding up distribution to other interested persons.

In the light of the points that I have made, I hope you will be able to let me have further instructions as a matter of urgency, preferably by telegram, as I am anxious to press on as rapidly as possible towards completion of the study, publication of which is impatiently awaited by a great many agencies and institutions.

Yours ever,



John White

P.S. I hope that you will be able to let me have the material for the appendices for which I asked in my letter to Harold Graves of October 5th.

Mr. Lars Lind
IBRD
Washington, D.C.

JW:tr

October 27, 1966

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1.
England

Dear John,

I sent you two cables yesterday: one saying that on the confidentiality score we had no objection whatever to your circulating your draft for comment, and another asking you not to circulate chapter 5 on the nature of the exercise to anyone, as we (Mike Hoffman) find it contains serious misstatements which might well do a lot of harm. I hasten to say that those who have read your study so far - including Mike Hoffman - are quite impressed; they find it interesting and stimulating and in fact quite remarkably well done in most parts.

I assume that we shall now receive from you more copies for the second reading for factual comment. Mike Hoffman is going through the only copy we have here for that very purpose now; we shall need another six, please.

I am enclosing an updated table of the consultative group and consortium memberships as requested. I also enclose a brief, mainly statistical, note on IDA. We don't want to say anything further at this stage, either for attribution or nonattribution; when we are ready to be more public and more explicit, we shall choose an appropriate occasion and medium. In the meantime, we all have to stick to what has been stated in public (Mr. Woods to DAC and at Annual Meeting) and what is on the public record (Annual Report). The note I am giving you, therefore, is purely factual and deals with the figures, resources and commitments.

You no doubt heard from Johnnie Miller about our displeasure over the article in Times on Pakistan; the displeasure was only associated with certain, although important, points. The article as such was positive and its general tone was well liked. What really puzzled us was that with the general approach so obviously yours there could have been such rather serious mistakes. Johnnie has explained the situation to me; it clearly was a case of Jacob's voice and Esau's hands.

RECEIVED 0158 0111:30

COMMUNICATIONS

October 27, 1966

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1.
England

Dear John,

I sent you two cables yesterday; one saying that on the confidentially score we had no objection whatever to your circulating your draft for comment, and another asking you not to circulate chapter 2 on the nature of the exercise to anyone, as we (Mike Hoffman) find it contains serious misstatements which might do a lot of harm. I hasten to say that those who have read your study so far - including Mike Hoffman - are quite impressed; they find it interesting and stimulating and in fact quite remarkably well done in most parts.

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1966 OCT 28 11:39

COMMUNICATIONS
UNIT
LONDON

- 2 -

It might be of interest to you to know that we want as little publicity as possible about the upcoming consortia meetings.

With best personal regards,

Sincerely,

Lars Lind

LL/mj

cc: Mr. Miller, Paris Office

MEMBERSHIP OF CONSORTIA AND CONSULTATIVE GROUPS
ORGANIZED AND CHAIRED BY THE WORLD BANK
as of November 1, 1966

Assisting Countries:	<u>Recipient Countries</u>								
	Co- lombia	India	Ma- laysia	Nigeria	Paki- stan	Sudan	Thai- land	Tunisia	Peru
Australia.....			X				X		
Austria.....		X							
Belgium.....	X	X	X	X	X	X	X	X	X
Canada.....	X	X	X	X	X		X	X	X
Denmark.....	X		X				X	X	
Finland.....								X	X
France.....	X	X	X		X	X	X	X	X
Germany.....	X	X	X	X	X	X	X	X	X
Italy.....	X	X	X	X	X	X	X	X	X
Japan.....	X	X	X	X	X	X	X		X
Kuwait.....								X	
Netherlands.....	X	X	X	X	X	X	X	X	X
New Zealand.....			X				X		
Spain.....								X	X
Sweden.....						X		X	
Switzerland.....	X		X	X		X	X	X	X
United Kingdom...	X	X	X	X	X	X	X	X	X
United States....	X	X	X	X	X	X	X	X	X

* * * * *

The International Monetary Fund regularly sends observers to consortia and consultative group meetings. More recently representatives of the United Nations Development Programme have also been regularly attending most of these meetings..

Note on Resources of International Development Association (IDA)

Initial Resources

IDA came legally into being on September 24, 1960 and began operations on November 8, 1960. By the end of that fiscal year (June 30, 1961) 51 of the Bank's member governments had accepted membership in the Association; the subscribed capital amounted to \$906 million, \$756 million of which was freely usable for the Association's operations.

The subscriptions of the Part I or developed countries were all in freely convertible and usable funds and were paid in five installments: 23 per cent on taking up membership and the remainder in four equal annual installments. The Part II or developing countries paid only 10 per cent of their subscriptions in convertible funds. The remaining 90 per cent rates paid in local currency which may be used in IDA's operations only with the consent of the particular contributor. The resources from the initial subscriptions were intended for commitments over a period up to five years; in fact they were entirely committed in less than four years.

First Replenishment

The Executive Directors in a report to the Board of Governors in 1963 stated that the Part I countries had agreed on a replenishment amounting to \$750 million to be paid in three annual installments of \$250 million each commencing in November 1965 and available for commitments for the period up to at least June 30, 1966.

Special Supplementary Contributions

In addition to its part in the initial subscription and the first replenishment, Sweden has made five special supplementary contributions totaling the equivalent of \$23 million.

Transfers from the World Bank

By 1963, the Bank's financial strength was such that some of its net income could be transferred to IDA for operational use. The Executive Directors recommended and the Governors approved the transfer of \$50 million from the Bank's net income in 1963/64 to IDA as a grant. The Bank's growing net income in the next two fiscal years made it possible to transfer \$75 million from the net income realized in each of these years, making the Bank's grants to IDA so far total \$200 million or approximately 11% of the Association's usable resources. The grants to IDA can be regarded as being made by the Bank in lieu of dividend payments.

Net Income and Principal Repayments

IDA's net income in the last fiscal year surpassed \$3 million and the accumulated total reached \$10 million. IDA's net income becomes part of its usable resources.

No repayments on IDA's credits are scheduled before 1971..

Second Replenishment

At the close of the fiscal year 1965/66 only \$322 million remained for new IDA commitments and at the end of September the available resources had shrunk to \$183 million.

In July 1966, the President of the World Bank and IDA submitted to the Part I members a proposal for the second replenishment. The proposed replenishment would be arranged so that IDA could increase its rate of commitments although actual payments would not have to be started before the fiscal year 1969/70. The proposal is now being considered.

**INTERNATIONAL DEVELOPMENT ASSOCIATION'S USABLE
RESOURCES, COMMITMENTS AND DISBURSEMENTS
(US\$ million; cumulative figures)**

<u>Date</u>	<u>Usable Resources</u>	<u>Commitments</u>	<u>Disbursements</u>	<u>Available for New Commitments</u>
June 30, 1961	756	101	--	655
June 30, 1962	764	235	12	529
June 30, 1963	778	495	68	283
June 30, 1964	1,455	778	193	677
June 30, 1965	1,600	1,086	415	514
June 30, 1966	1,687	1,365	682	322
September 30, 1966	1,763	1,580	742	183

**IDA's Usable Resources
as of Sept. 30, 1966
(US\$ millions)**

Subscriptions		784
Part I Members	751	
Part II Members	33	
Supplementary		768
Part I - First Replenishments	745	
Sweden - Special Contributions	23	
Transfers from World Bank		200
Earnings from fiscal years ended		
1963/64	50	
1964/65	75	
1965/66	75	
Cumulative Net Income		<u>11</u>
Total		1,763

**IDA's Commitments by Area
as of Sept. 30, 1966
(US\$ millions)**

Africa		193.7
Asia		1,197.3
(India	825.5)	
(Pakistan	324.2)	
Europe		80.7
(Turkey	80.7)	
Western Hemisphere		<u>107.9</u>
Total		1,579.6

IDA's Commitments by Sector
as of Sept. 30, 1966
(US\$ millions)

Electric Power	\$ 119.7
Transportation	563.8
Telecommunications	75.0
Agriculture	247.5
Industry	411.4
Water Supply	63.4
Education	97.3
Project Preparation	<u>1.5</u>
Total	1,579.6

U.K. Contributions to Usable IDA Resources \$227,740,000 or 12.9% of total.

IDA Expenditures in U.K. \$141 million or 19% of total disbursements as of September 30, 1966.



Record Removal Notice

File Title Projects and Studies - Overseas Development Institute - Volume 2		Barcode No. 30036167
Document Date October 26, 1966	Document Type Letter	
Correspondents / Participants To: Joseph C. Reamy, Chief, Administrative Expense Section, IBRD From: David Wauton, Secretary, ODI		
Subject / Title IBRD/ODI Study Programme		
Exception(s) Personal Information		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.
		Withdrawn by Kim Brenner-Delp
		Date December 15, 2023

021

OUTGOING WIRE

TO: JOHN WHITE
ODI
160 Piccadilly
London, W.1

DATE: October 26, 1966

CLASS OF
SERVICE: LT

COUNTRY: England

LT T

TEXT:
Cable No.:

Please do not circulate for comment Chapter five . The nature of
the exercise ~~has~~ has many misrepresentations and ~~which~~ might seriously
upset our relations with consultative group members. Regards

LIND

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME Lars J. Lind
Information
DEPT.
SIGNATURE *Lars J. Lind*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:
cc: Mr. Hoffman
Miss Nora Reade

LJL/jsw

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

For Use by Archives Division

Checked for Dispatch: *[Signature]*

(IMPROVING THE QUALITY OF SERVICE)

ORIGINATOR (LINE COPY)

12/1/86

Checked for Discrepancy:

[Handwritten signature]

For Use by Archives Division

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO ANSWER)

DISPATCHED
GENERAL FILES
COMMUNICATIONS

DEPT

Miss Mary Keady

NAME

Information
Data 1. Fund

cc: Mr. Hoffman

OCT 26 6 04 PM 1986

MESSAGE AUTHORIZED BY:

STANDARD AND COPY DISTRIBUTION:

NOT TO BE TRANSMITTED

TIME

These are reference with communication about message. Please
the execution was very satisfactory and the message was
Please do not hesitate for comment on any file. The message of

COPY NO:

TEXT:

COPY NO:

English

[Handwritten marks]

London, M.I.
100 Broadway
ODI

SERVICE:
CLASS OF

IL

TO:

JOHN WHITE

DATE:

October 26, 1986

OUTGOING MESSAGE

ASSOCIATION

INTERNATIONAL DEVELOPMENT

(3-1)

Form No. 33

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

COOPERATION

INTERNATIONAL FINANCE

OUTGOING WIRE

TO: JOHN WHITE
ODI
160 Piccadilly
London, W.1

DATE: October 26, 1966

CLASS OF SERVICE: LT

COUNTRY: England

2 T T

TEXT:
Cable No.:

No objection on confidentiality grounds for release your
study for comments. Regards

LIND

DECLASSIFIED

FEB 02 2024


WBG ARCHIVES

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Lars J. Lind
Information Department

DEPT.

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

LJL/jsw

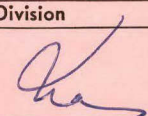
ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Miss Nora Reade

For Use by Archives Division

Checked for Dispatch: 

INCOMING CABLE

DATE AND TIME OF CABLE: OCTOBER 26, 1966 1708

LOG NO.: TELEX/26
TO: INTBAFRAD
FROM: PARIS

ROUTING	
ACTION COPY:	INFORMATION DEPARTMENT
INFORMATION COPY:	
DECODED BY:	

TEXT:

740 FOR LIND
JOHN WHITE VERY ANXIOUS FOR PRELIMINARY CLEARANCE
OF DRAFT PRIOR TO DISTRIBUTION FOR COMMENT PLEASE
ADVISE

READE

John White
No difficulties ^{to} release your
Study on Confidentiality
Grounds for comments Rep. 15
LIND

acc. 10/26/66

DECLASSIFIED

FEB 02 2024

WBG ARCHIVES

~~XXXX~~

on confidentiality grounds
No objections for release of your study for comments
Regards
Lind

GENERAL FILES COMMUNICATIONS

WBO ARCHIVES

LED 03 8054

DECLASSIFIED

OCT 26 12 12 PM 1966

no objection for release of this copy for archival purposes
on condition that the original be retained in the file

[Faint, illegible handwritten notes or markings]

OF BUREAU TO DIRECTOR FOR GENERAL FILES
DOES THIS AREA INCLUDE FOR DETERMINATION PURPOSES
AND FOR FILE

SEARCHED BY	INDEXED BY
SERIALIZED BY	FILED BY
OCT 26 1966	
FBI - [illegible]	

ENCLOSURE COPY

OFFICE MEMORANDUM

TO: Mr. Hoffman

FROM: Lars J. Lind *Lars J. Lind*

SUBJECT: Consultative Groups and Consortia

DATE: October 20, 1966

I attach the John White draft on consultative groups and consortia which he has prepared for eventual publication by ODI.

You will note that what White needs now is clearance from us as to the information culled from the restricted Bank documents to which he had access. Sandy Stevenson and Stewart Mason have read the MS and don't see any difficulty in allowing him to use what he has used.

We shall get a chance of a second reading, when we shall go more carefully into facts and data.

I am also enclosing a new table showing the membership in groups and consortia, which White wants to use as an appendix.

Could you clear that, too, please.

Attachments

LJL/jsw

*Chapter 3
The Nature of the Excess*

Messrs. Friedman and Demuth

October 20, 1966

Lars J. Lind

Note on IDA for ODI Study on Consultative Groups and Consortia

In the study of consortia and consultative groups being prepared by ODI, the author (John White) wants to include an appendix of about 1,000 words on IDA's resources, commitments and replenishments. This appendix should be attributable to the Bank.

I attach a suggested text; the figures have been checked with Treasurer's Department. In view of your special responsibility for the IDA replenishment operation, I would be grateful if you would give me your comments and clearance.

Attachment

me
LJL/jsw

ROUTING SLIP		Date <i>11/17/66</i>	
NAME		ROOM NO.	
<i>J. M. Brewer</i>			
<i>2) Gen. files</i>		<i>233</i>	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
<p>REMARKS</p> <p style="text-align: center; font-style: italic;">Correspondence you might wish to see before it is sent down.</p>			
<p>From <i>[Signature]</i></p>			

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE
Telephone - 553-2510

October 20, 1966

Mr. Lars Lind
Deputy Director of Information
International Bank for Reconstruction
and Development
Washington, D.C.

Dear Lars:

I have spoken to John White on the telephone and shall see him when I am in London on November 2. On the specific points raised in Harold's letter to him and yours to me:

1. The Times piece on the Pakistan Consortium was written by a young man called Corbett who is a comparative newcomer (we first heard of him about three or four months ago) and who seems to have decided really to interest himself in development problems. Now that Clarke has left and the two top people on that side of The Times are rather narrowly concentrated on the stock market side he is probably going to be the man we must nurse.

Apparently he had a long talk with Uquaili and, after writing up his notes, went round to the ODI to get the background explained to him. John White spent an hour or more with him - which explains the appearance in the piece of many of his ideas. The factual errors were not his (he obviously knows better) and he is going to see Corbett again and correct him so that he can get things right when the time comes to write background pieces for the consortium meetings. (I decided against writing to Egerton as I do not want to discourage an earnest young man by getting him a reproof.)

2. John White is worried by Harold having misunderstood his paragraph about wanting more ammunition on IDA replenishment. He has no desire to become a press agent for the Bank. But ODI does stand for Overseas Development Institute and it is (apart from whether we support it - a fact not widely known) the natural place for people in London to go when they want something more than factual information about the Bank and IDA. We cannot stop them going and since

we are not responsible for what anyone in ODI says I don't think we should discourage it. I realise, of course, that it is difficult to accede to John's request for more ammunition because we have no more to give at the moment. And, of course, the tactics do not concern him - only, as he says himself - trying to keep up a general interest in the subject.

3. I thought I spotted, in Harold's letter, symptoms of a slight case of Elbeejitis - or information chap's oversensitivity to any nonconformist writing. No doubt 1818 is too close to the White House to escape infection entirely, e.g.

- (a) What the Economist did was to notice (correctly) that Mr. Woods at the AGM "refrained from putting a figure on his request" and to speculate on the reason why he did not, adding that "nobody in Washington this week believes that Mr. Woods will get his billion dollars" and that "some say he will be lucky if he goes on getting the replenishment of \$250 million a year that he has been getting hitherto".

Accurate reporting, I would say, and fair comment.

- (b) That "number of Bank officials" who think there is a reason for keeping replenishment down. I don't know where John got that from but it is something I ran into when wandering round 1818 talking after the meeting. My recollection is that two people said to me that they would be alarmed if IDA got its billion and the Bank, because of the tightness of markets, had to cut its lending to well below that figure. The argument being that it is important that the Bank remain the dominant organization. It is interesting that John picked this up, apparently before I did - and certainly before Harold.

Yours ever,



John Duncan Miller
Special Representative in Europe

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10/10/70

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Yours ever,

John Duncan Miller
Special Representative in Europe

1969 OCT 24 AM 10:10

COMMUNICATIONS
GENERAL INVESTMENT BOARD

AIR MAIL

October 14, 1966

Dear John:

We are going to be in London between October 28th and November 14th for some leave. Freddy Shaughnessy (ex- J. Walter Thompson) has lent us his house at 70 Limerston Street. Do let us get together.

I would very much like, sometime during my stay, to get to have a word also with Reggie Maudling now that he is covering Overseas Development. Will he be on vacation, or will Parliament be sitting again by then?

Greatly looking forward to seeing you. Loretta is already in Florence, where I join her this weekend.

Love to Betsy.

Yours ever,



Julian Grenfell

Sir John Rodgers, Bt., M.P.
The House of Commons
London, S.W.1
England

JG:esp

October 13, 1966

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

Dear John:

- Oct 5th 11/66

Your letters were welcome, but unhappily arrive just as I am leaving for about a month away from the Bank. Lars Lind and Johnnie Miller, therefore, will have to deal with most of the points you raise.

As for points of confidentiality in your essays, we are relying on a number of readers in the European and Asian Departments, and Lars will be in touch with you as soon as they have finished.

Lars will send you a table showing where IDA funds have been disbursed. I hope you will use the figures with great circumspection -- confining yourself to the British share of the total. The reason is that, among other things, the figures show the United States is putting more into IDA than is coming back in the form of orders, at least for the time being. The whole balance of payments question is a very sore one with the United States Treasury, and it bears not only on the issue of IDA replenishment but also on the matter of World Bank borrowings in the American market. So please exercise the greatest care.

As for the state of play on the IDA figures, start with the concept that there are two things to be decided by the donor-countries: (1) the amount of the IDA replenishment; and (2) how this amount is to be shared out among the donors. For some countries, these questions can be considered independently: the Swedes, for their part, have already said (at the IDA Annual Meeting) that they are willing to quadruple their contribution. For other countries, the questions are interdependent: what the United States decides about its share of the replenishment will have a considerable bearing on the total amount of replenishment, and it also will influence what other major donors, perhaps particularly including Germany, will consider to be an appropriate figure for their share. At the Annual Meeting, Mr. Woods talked with representatives of the Part I countries. Despite some reports to the

October 13, 1966

contrary (in The Economist, for instance), his target is still a billion dollars a year for three years. As for there being "a number of Bank officials" thinking that there is a reason for keeping IDA replenishment down, I don't know of any. Some other bank, maybe? But the cardinal fact at the moment is that the United States seems not to have come to any conclusion about what it would contribute to the replenishment; and until it does, other principal donors are not going to make up their minds, either.

Where all this leaves the matter of timing cannot be precisely estimated. But it seems clear enough that IDA replenishment will not get to a decisive stage before January 1, at the very earliest, and very possibly the wait may be until spring.

The matter of success stories, which we have considered periodically here for a long time, is difficult. Stories of projects which have been a success are available: we have a whole drawerful of them here at the Bank, and I am sending you two relatively recent ones, on electric power in El Salvador and telephones in Ethiopia. Country success stories, as I don't have to tell you, offer other problems. My personal opinion is that nobody knows enough to write the kind of series you have in mind for The Economist: there are too many factors, too many variables, too many unknowns.

For the purpose of putting up a draft of Mr. Woods's Annual Meeting speech, hand in hand with one of the Bank's better economists, I tried precisely the kind of exercise you have in mind, and had to give it up. All that emerged was that countries with an encouraging growth rate seem to excel in (1) savings rate and (2) educational investment; and (2), at this stage of development, probably is more a consequence than a cause of (1). But, to answer your specific question, the Latin American country we would nominate is Peru.

Yes, I would like to have a summary of the replies for Escott Reid.

To return to your first point -- I must confess that it makes me extremely uneasy to think that you should be contemplating a press campaign specifically and tactically pointed at the replenishment of IDA. The risks of error and misunderstanding of the position, it seems to me, are too great to run; the piece in The Times the other day concerning the Pakistan consortium, for all its warm tone and favorable intent, contains one error of fact which may prove to be extremely embarrassing to the Bank, as well as several errors of less consequence.

As I wrote you at the time of your Annual Report, I do not think it is a proper role for the ODI to be conducting the Bank's press relations, and the same would be equally true for IDA. The question, I agree, is a subtle one; and I hope that Johnnie Miller will have a chance to discuss it with you.

Sincerely yours,

Harold Graves

HNG:ap

cc: Messrs. Miller and Lind

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

160 PICCADILLY LONDON W.1

HYDE PARK 2654

11th October, 1966.

Dear Harold,

I am writing to you on two questions not directly connected with the study of consortia and consultative groups.

The first is the general question of IDA replenishment. If you are as sharp-eyed as I think you are, you will probably have noticed John White's line on IDA replenishment sprouting out all over the British press, notably in The Times and The Economist. I am directly responsible for one or two of these pieces, but most of them are the work of people who have come to me for suggestions.

I think that the interest that we have succeeded in arousing is useful, but I have now reached a point at which I am beginning to feel over-extended. If I am to sustain the momentum, I need more ammunition. I do not think we should liaise too closely on these. I know that my own views on IDA replenishment differ in some important respects from those of the World Bank, and I think it is probably best that this should continue to be so. I assume that it is in your interests to have a controversy going, even if it is not precisely your own views that are being put. (As you know, I have no doubts about the importance of IDA replenishment, even though my reasons may be a little bit eccentric.)

To ~~keep~~ the thing going, I really need three things. First, I need all the statistics that you can provide concerning the use of IDA resources in the past, particularly the distribution of procurement. (The Treasury does not have much time for the crude advantage - to Britain argument, so we shall have to refine it a bit.) Secondly, I think the time has probably come to put a little more authority into the calculations of the amount required. I have always gone for the thousand million dollars, simply because I should like to see the IDA way of thinking becoming the dominant way of thinking, in the Bank. A number of Bank officials seem to think that this very possibility is a reason for keeping IDA replenishment down. What precisely is the present state of play on the figures, and why? Finally, and most important, can you give me an idea of timing. Everybody here seems very much in the dark concerning the next steps towards replenishment. The Government tends to hide behind some vague remarks about "reaching agreement among all the countries concerned". Unless I know fairly precisely what is happening and when, it is difficult to know where to concentrate the push.

ack. Oct. 13/66

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

150 PICCADILLY LONDON W.1

HYDE PARK 2224

11th October, 1966.

Dear Harold,

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1966 OCT 13 11:10:00

Handwritten notes in the bottom left corner, including "10/13/66" and "see below".

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160 PICCADILLY LONDON W.1

-2-

HYDE PARK 2654

Harold Graves Esq.,

11th October, 1966.

All this may seem a little outside my alleged study programme but it is the kind of thing that happens when one becomes an "Expert".

The other thing I need your help on is a series of articles that I am trying to fix with The Economist. Talking to a friend there the other day about the climate for aid and all that, I made the fairly obvious point that a better understanding of the scope and purpose of aid and a practical demonstration of cases in which aid had done what it was intended to do (the success stories), would do more to strengthen public support for aid than any amount of moral suasion or generalized appeals to "enlightened self interest". "What are the success stories?", he asked. "Pakistan" I replied, and then came to a dead halt, not wanting to have to trot out the dreary old special cases of Greece, Israel, and so on. In the end I added Taiwan, which has been less over-played here than in the States, and South Korea, which now does seem to be coming up surprisingly as a good performer.

What I now propose to do is a series of three articles on these or some other countries, showing needs, the kind of aid provided against those needs, and the results achieved. There will be a concluding article trying to indicate common factors (stable government? sensible planning? a large volume of aid? strategic interest? sheer good luck?) Needless to say, The Economist is a good and influential medium for this kind of thing, and I am giving this series high priority.

I hope you will be able to do two things. First, could you show this to your Western Hemisphere people to see whether they feel that they have a better national candidate than South Korea or Taiwan as one of our three aid success stories (i.e. probably not Mexico). Secondly, Do the Asia people have a recent mission report on South Korea - presumably in connection with the new consultative group - showing results achieved and future needs? If so, I wonder whether you could let me have a copy as soon as possible please.

One other small point. The Escott Reid exercise seems to have gone off very smoothly. I am astonished by the number of ministers who have replied personally with comments. It seems to have aroused much interest.

OVERSEAS DEVELOPMENT INSTITUTE

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160 PICCADILLY LONDON W.1

-3-

HYDE PARK 2654

Harold Graves, Esq.,

11th October, 1966.

I shall be preparing a summary of the replies for Escott Reid, when they are all in. Would you like a copy?

Yours ever,



John White.

JW:mh

P.S. I have given a copy of the draft of A Pledge for Development, to C.J.Martin, who was passing through.

Harold Graves, Esq.,
IBRD,
1818 H. Street, N.W.
Washington, D.C.
U.S.A.

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

160 PICCADILLY LONDON W.1

HYDE PARK 2654

5th October, 1966.

Dear Harold,

The study of consortia and consultative groups is at last completed.

I am sending, under separate cover, by airmail, one copy of the draft of the chapters that you have not yet seen. The revised Turkey chapter, which you and various others in the World Bank have already seen and commented on, is now being typed.

My purpose in sending you one copy of the remaining chapters in advance is to get your clearance specifically on the question of confidential information. When I have this from you, I shall send you as many copies of the complete version as you wish. I shall also be sending copies to fifty or sixty people in Turkey, in Pakistan, in various aid administrations, in universities, and in various other institutions. These are for the most part people who have helped me in compiling the necessary information, and I shall be seeking their comments on the sections relevant to their respective areas.

Could you let me know as soon as possible - i.e. preferably within a week or two - whether the chapters that I am sending to you contain anything which you would not wish to receive even this very limited circulation. If there are any such points, I shall excise them from the draft before distribution. When you have had a chance to look at the complete study at greater leisure, and to collect comments from other members of the Bank's staff, we can discuss points of fact, questions of interpretation, and questions of confidential information which, though they can be given the limited distribution that the draft will receive, should perhaps not be included in the published document.

I have expressed myself reasonably carefully on most of the sensitive issues, and very much hope that the draft does not in fact contain anything that will have to be removed before it is distributed for comment.

I wonder whether you can help me with two appendices that I want to include. The first will be a tabular presentation of the membership of all existing groups, including the consortia and ad hoc groups

ack. bot 13/10/66

OVERSEAS DEVELOPMENT INSTITUTE
LIMITED BY GUARANTEE
160 PICCADILLY LONDON W.1

HYDE PARK 2824

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I have expressed myself reasonably carefully on most of the sensitive issues, and very much hope that the draft does not in fact contain anything that will have to be removed before it is distributed for comment.

I wonder whether you can help me with the appendices that I want to include. The first will be a fuller presentation of the membership of all existing groups, including the consortia and ad hoc groups

CONFIDENTIAL
GENERAL
SECRET

10/2/66

OVERSEAS DEVELOPMENT INSTITUTE

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160 PICCADILLY LONDON W.1

HYDE PARK 2654

Harold Graves

-2-

5th October, 1966.

maintained by the OECD, the IADB's Ecuador group, the Paris Club and the DAC. I wonder whether you could bring my information on the World Bank's groups up to date in the form of a revised version of the Table given on page 8 of this years Annual Report. Could you specify the date to which it applies and mention separately anybody who has participated regularly with observer status?

The second appendix that I want to include is an explanation of IDA replenishment. You will notice that the final chapter of the study ends by raising this question. What I want is a statement attributable to the World Bank giving the history of IDA subscriptions since its inception, the distribution by continent and perhaps by sector of IDA commitments, the present state of IDA's resources, the full case, in a series of short points, for IDA replenishment, and a brief calculation of the volume required. Can you do this in one thousand words?

Yours ever,



John White

Harold Graves, Esq.,
IBRD,
1818 H. Street, N.W.
Washington, D.C.
U.S.A.

August 15, 1966

Dear Bill:

Thank you very much for the trouble in connection with the Ford Foundation request. I gather that Champ Ward talked to you almost immediately after I had, and that the O.D.I. may be asked for more than advice in connection with the Stikker project.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

Mr. William Clark *MSH*
Director
Overseas Development Institute Ltd.
160 Piccadilly
London W.1

MLHoffman:tsb

July 18, 1966

Dear Mr. Wauton:

I am much obliged to you for your letter of July 14. I am circulating it, together with Sir Leslie's remarks of last month, to interested members of the staff.

Sincerely yours,

Harold N. Graves, Jr.
Director of Information

Mr. David Wauton
Secretary
Overseas Development Institute
160 Piccadilly
London, W.1
England

HNG
HNG:ap

Incoming letter and ODI paper 5B sent to
Mr. Knapp
Mr. Demuth

5-021

OVERSEAS DEVELOPMENT INSTITUTE
LIMITED BY GUARANTEE
160 PICCADILLY LONDON W.1

PROJ/15A

14th July, 1966.

HYDE PARK 2654

Dear Mr. Graves,

The unsolicited testimonial to O.D.I., given below, may possibly interest you and others in the I.B.R.D. who are in touch with our work. It is taken from a background paper prepared by the Ministry of Overseas Development, for internal circulation within the Ministry, headed:- "The scale and form of publicity by the Ministry: Progress Report June 1966." Paragraph 11 read:

"Overseas Development Institute. References to voluntary bodies calls for special mention of the Overseas Development Institute whose output of background reading/the way of pamphlets, the conferences it has promoted and the steady flow of distinguished speakers from home or abroad to whom it has afforded a platform, have been a major factor in promoting understanding of aid issues. In all its work the O.D.I. is in close touch with the Ministry, and is afforded facilities for keeping itself abreast of official thinking. This of course does not prevent it from preserving a detached position as a commentator on official programmes and as an instigator of further effort in the aid field."

I also take this opportunity of sending you a copy of the Chairman's speech at our Annual General Meeting last month.

Yours sincerely,

David Wauton

DAVID WAUTON
Secretary

*Replied to
by Mr. Graves
July 18, 1966*

Mr. Harold N. Graves, Jun.,
Director of Information,
International Bank for Reconstruction and Development,
1818 H Street N.W.,
Washington D.C. 20433,
U.S.A.

RECEIVED 18 JUL 1966
COMMUNICATIONS
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ack. July 18, 1966

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OVERSEAS DEVELOPMENT INSTITUTE

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180 PICCADILLY LONDON W.1

HYDE PARK 2884

14th July, 1966

PROJ/15A

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Yours sincerely,

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DAVID WAUTON

Secretary

*Ref Mr. Graves
18 July 1966*

Mr. Harold M. Graves, Junr.,
Director of Information,
International Bank for Reconstruction and Development,
1818 H Street N.W.,
Washington D.C. 20433,
U.S.A.

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COMMUNICATIONS

arr. July 18, 1966

DHW/VML



ODI/5B

SPEECH BY THE CHAIRMAN

Sir Leslie Rowan, K.C.B., C.V.O.

To Members of the Overseas Development Institute Ltd.

at the SIXTH ANNUAL GENERAL MEETING

held at 160 Piccadilly, London, W.1.

on 14th June, 1966

You will all have received the Annual Report and Accounts for 1966. In the former the Director has made his report and there is also a more detailed review of the year's work.

Again it has been a year of solid and imaginative achievement and the credit for this goes first to the Director, William Clark, his Director of Studies, Tom Soper, and all who work full-time for O.D.I. It also goes to the members of the Council who themselves and in many cases through their companies or banks or finance institutions render considerable services to O.D.I. and practically all of it in their spare time.

It is a very good example of achievement through partnership. But the year has seen a mounting of anxieties. It would be foolish if we did not recognise that half way through the decade of development there is at any rate in some quarters a growing disenchantment with aid to developing countries. We must hope both that this is transitional and that it will be overcome. But these very desirable objectives will not be achieved unless in the industrialised countries there is a deeper understanding of the problems and possibilities, and in the recipient countries there is a more effective use of the help that is provided. In both these tasks O.D.I. is currently engaged.

Our Annual Report is entitled FIVE YEARS' PROGRESS, and we must now look to the years ahead. We have no resources other than those which are provided by our institutional helpers - Nuffield, Leverhulme, Ford and I.B.R.D. - and by the U.K. companies and others who support us so generously. The fact that last year the Ford Foundation doubled in the second five years the size of the grant they had made for the first five years is a signal mark of confidence from a body which is world known not merely for its generosity but

for its judgment. We also have a contract for three years' work from the World Bank, a body which under successive leaders such as Eugene Black and George Woods is known for its enlightened realism. That provides us with a foundation.

But we realise this is only a foundation and that we must build on it through the continued interest and support of private enterprise, whether in industry, commerce or finance. Both in this and in development, private enterprise plays an essential role; indeed we are on the point of publishing a major study on Private Enterprise in Developing Countries. Without such support we shall certainly have to reduce drastically the size of our operations precisely at the moment when we should continue them with all the strength we can muster.

I need not tell those here that O.D.I., like others, faces a continual tide of increasing cost and of higher salaries and overheads and no salaries could be better earned than those of our very hard worked and devoted staff. Nor need I tell you that it is our policy not to seek grants from the Government so that our independence is not in any way infringed.

So during the next year we shall go back to the companies who generously supported us at the outset - and perhaps others - and ask them for continued support.

The Council and Executive Committee will be studying the question of our appeal for renewed support in the months ahead. If, as I am sure, our appeal will meet with a generous response it will be due to the devotion and hard work of the team under William Clark and to the continuous support and encouragement of the members of the Council.

June 7, 1966

Dear John:

Many thanks for your letter of June 3 to Harold and the copy of your letter to Escott Reid. We are very pleased that you will handle the distribution of the reprint from World Affairs and shall send you addressed envelopes for the Governors and Alternate Governors. I agree that it would be most suitable for you to order the reprints for later billing to us. Please add another 150 copies for our own use and have them shipped directly here. We shall distribute them mainly to senior staff.

Sincerely,

Lars J. Lind

Mr. John White
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

LJL
LJL/jsw

Handwritten signature

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

1 Mr. Reid
2 Mr. Graves

R

3 June, 1966

Dear Harold,

The second paragraph of the attached copy of a letter to Escott Reid is self-explanatory. Could you perhaps let us have the envelopes in due course? I think we had better order the offprints ourselves and bill you for them, because we are ordering additional copies on our own initiative, and two separate orders would undoubtedly confuse them.

Yours sincerely,



John White

Mr. Harold Graves
IBRD
Washington

JW:tr

Enc. 1 copy

ack June 7/66

R

3 June, 1966

Dear Mr. Reid,

Thank you very much for your letters of May 27.

We should be glad to undertake circulation of the offprints from *The World Today* to the Bank's governors and alternates for you. I am writing to Harold Graves to confirm this.

I ran into Sir Roy Harrod at a dinner the other night. He very much regrets that he will not be free at the time of either of the two meetings that we are holding for you, but suggests that he could meet you at the Athenaeum at 3.30 p.m. on Thursday, June 30. The Athenaeum is only 5 or 10 minutes walk from the Institute, so it would be easy for you to come on to us from that meeting. I have checked with Chadwick, and as far as he can see none of the arrangements that we have made for you conflict with your other engagements.

We shall arrange for a tape recording of your opening remarks and answers to questions at the bigger meeting on Tuesday, June 28. Our equipment, however, is somewhat antique and not very unobtrusive in its working. For the much more informal discussion meeting on Thursday, June 30, I suggest that no record be taken. I hope to be able to persuade some people who will have attended the bigger meeting to come to the discussion meeting as well. In my view, the purpose of the smaller group would be to concentrate on the technical implications of what you will have said at the larger meeting, implications which are not of a kind that can easily be discussed in a semi-formal question and answer session. The point of having two sessions is that two steps are involved. First, one has to persuade people to accept the case for the kind of expansion which you envisage. Secondly, one has to sit down with the technicians to work out how such an expansion, once approved, might be implemented and applied. I am making this point in some detail, because I think it is important that a distinction between the two meetings should be maintained.

You are of course right in supposing that the meetings will be private, with no press report. It is probable, however, that some of our newspaper contacts will be invited to the first meeting on an off-the-record basis (i.e. usage without attribution) provided you approve.

Yours sincerely,

John White

Mr. Escott Reid

CC: Harold Graves

WDC

TS

May 21, 1966


Dear Dr. Soper:

I am much obliged to you for your note of May 6. It was kind of you to offer to let us see proofs of the Annual Report. That, of course, was not necessary; but we would appreciate receiving two or three copies of the Report when it is published.

Sincerely yours,

Harold N. Graves, Jr.
Director of Information

Dr. T. P. Soper
Director of Studies
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England


HNG:ap

ODI

May 20, 1966

Dear John:

may 18

Thank you for your note about
Leif Christoffersen. We will cer-
tainly see that he gets a copy of
the Turkey consortium draft.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute
160 Piccadilly
London, W.1
England

HNG

HNG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

TELEPHONE: HYDE PARK 2654

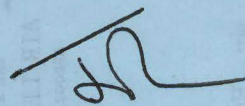
PROJ/15

18 May, 1966

Dear Harold,

A man called Leif Christoffersen, who I think is in the economics department of the World Bank, has written to Andrzej Krassowski here, a friend of his, to say that he has heard about the draft that is being circulated on the Turkey consortium, and asking whether he could have a copy. Since the draft is still subject to comment and correction, and has given rise to a number of questions, I thought I should pass this request on to you rather than answer him direct. If you have no objection to his seeing a copy, I wonder whether you could pass one on to him, assuming you still have spare copies around.

Yours sincerely,



John White

Mr. Harold Graves
IBRD
1818 H Street, N.W.
WASHINGTON, D.C.

JW:tr

ack: May 20

To of

JW

Sender's name and address: **OVERSEAS DEVELOPMENT INSTITUTE LTD.**
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1966 MAY 20 11:01
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GREAT BRITAIN
AC 508

Mr. Harold Graves

International Bank for Reconstruction &

Development

1818 H Street, N.W.

WASHINGTON, D.C.

U.S.A.

Dear Harold,
I have a letter from you which I have above which
has no objection to his seeing a copy. I wonder whether you
this request or to you whether you would like to see
I have also to a number of questions. I thought I should
the first is still subject to comment and objection, and
concerning, and I would like to know whether you have
heard about the first part of being distributed on the
United States Department of the State, and whether you
the economic department of the State, and whether you
A man called Neil Givens, who I think is in

HRG/VJZ

OVERSEAS DEVELOPMENT INSTITUTE LTD

LONDON W.1

1966 MAY 20

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: May 10, 1965

TO: Mr. Wilson

FROM: Mr. Graves

FILED UNDER: Admin. Communications - Records - Classified Material

SUMMARY:

Re. ^erequest of Mr. John White for Bank documents for ODI.

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

TELEPHONE: HYDE PARK 2654

*Mr. Lane
Mr. Jones*

ODI/5D

TPS/EE/0268

6th May, 1966.

Dear Mr. Graves

Many thanks for your letter. I was delighted to have the opportunity of meeting you in London. But it was far too short and I hope that next time you are here we can spend more time together and relax around a dinner table.

With regard to the O.D.I. Annual Report, I confirm that we are not mentioning the World Bank in relation to any specific study. What we have done is to place it in the list of subscribers at the end. We have also put it in the final section on "Finance" where other grants are acknowledged and we say: "O.D.I. acknowledges its debt to the World Bank for its grant towards the Institute's studies." This is in a separate paragraph on its own to ensure that there will be no confusion over any possible link to a specific study. The proofs of the Report will be returned to our office in about a week's time so if you are in any way worried about the references we have made do let me know straight away so that I can put in any necessary amendments.

William Clark is at the moment in West Africa but I shall of course pass on your regards to him as soon as he returns.

With all good wishes,

*Yours sincerely
Tom Soper*

Dr. T.P. Soper,
Director of Studies

Harold N. Graves, (Jr.), Esq.,
Director of Information,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

*m 3
I told Graves
I saw no
problem in
T.M. / JTB
5/16*

ack. May 21

1966 MAY -9 PM 3:28

COMMUNICATIONS

DR. T.P. SOPER,

Sender's name and address: OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY

LONDON W.1.

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Mr. Harold N. Graves, Jr.,

Director of Information,

International Bank for Reconstruction and
Development,

1818 H. Street, N.W.,

WASHINGTON D.C. 20433,

U.S.A.

ODI

May 3, 1966

Dear Mr. Soper:

Please forgive me for not having written long before now to say how pleasant it was to talk with you in London. I take it that we did agree that the World Bank would not be mentioned in the actual text of the ODI Annual Report, and that it would therefore not be identified with the Study Programme being carried out by John White.

We also agreed that the Bank certainly could be listed among the organizations giving support to ODI, as they appear in the back of your Annual Report. A corollary, although we did not specifically discuss it, is that the Bank might also be mentioned at the appropriate place in the preface of your Annual Report, if this were desirable from your point of view.

As usual, I was loaded down with other things when John White was here a week or two ago and, alas, was not able to offer him any decent hospitality. I was happy to hear him say, however, that he was well satisfied with the results of his visit to the Bank.

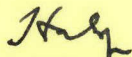
Please give my best regards to Bill Clark.

Sincerely yours,

Harold N. Graves, Jr.
Director of Information

Mr. Tom Soper
Overseas Development Institute Ltd.
160 Piccadilly
London, W.1
England

cc: Mr. Wilson
Mr. Demuth/Mr. Hoffman


HNG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

TELEPHONE: HYDE PARK 2654

ODI file.

P-001
~~DATA~~
[Signature]

29 April, 1966

Dear Mr. Hoffmann,

I am writing, first, to confirm that I have asked Teresa Hayter to let you have 50 copies of the paper you have written for the Ditchley Conference in June as soon as it has been duplicated.

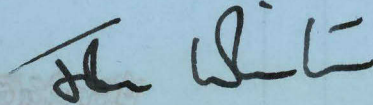
Secondly, I should like to thank you for devoting so much time to discussing my study of consortia and consultative groups and the Turkey chapter in that study while I was in Washington. I now have all the material for this study, and am starting work on the final complete version. I will let you have a copy of the final draft as soon as it is completed.

In this respect, I do hope that you and Mr. Demuth will be able to let me have an annotated copy of the Turkey draft fairly soon so that I can incorporate your corrections of specific errors and reflect more carefully on any general points that you dispute. I appreciate, however, that with many demands on your time there may have to be some delay in this.

Thirdly, the seminar which I mentioned to you covering various technical aspects of participation by bilateral donors and multilateral institutions in various mechanisms for multiple financing has now been postponed until the autumn, as you suggested. I hope that we shall have an opportunity to discuss this in more detail in June, after we have seen to what extent the Ditchley Conference has been successful in covering the more general, even philosophic, aspects of coordination.

I very much look forward to seeing you again over here in the summer.

Yours sincerely,



John White

Mr. Michael Hoffmann
IBRD
1818 H Street, N.W.
WASHINGTON, D.C.

To open cut here

JW

Sender's name and address: OVERSEAS DEVELOPMENT INSTITUTE LTD.
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LONDON W. 1.
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Mr. Michael Hoffmann

IBRD

1818 H Street, N.W.

WASHINGTON, D.C.

U.S.A.

I am writing, first, to confirm that I have asked Robert Heller, General, I should like to thank you for devoting so much time to discussing my study of comparative and descriptive grammar and the material for this study, and am awaiting work on the final complete version. I will let you have a copy of the final draft as soon as it is ready. In this respect, I do hope that you and Mr. Dennis will be able to let me have an annotated copy of the final draft fairly soon so that I can incorporate your comments. I am writing, first, to confirm that I have asked Robert Heller, General, I should like to thank you for devoting so much time to discussing my study of comparative and descriptive grammar and the material for this study, and am awaiting work on the final complete version. I will let you have a copy of the final draft as soon as it is ready. In this respect, I do hope that you and Mr. Dennis will be able to let me have an annotated copy of the final draft fairly soon so that I can incorporate your comments.

OVERSEAS DEVELOPMENT INSTITUTE LTD. 160 PICCADILLY LONDON W. 1.

30 APRIL 1966

CROSS REFERENCE SHEET

COMMUNICATION: Senior Staff Meeting SSM/M/66-15

DATED: April 25, 1966

TO:

FROM:

FILED UNDER: Committees - Senior Staff Meetings

SUMMARY:

INFORMATION DEPARTMENT

4. Mr. Graves reported that:

- (a) On his recent visit to Europe he had visited the U.K. Overseas Development Institute. The Bank had helped to finance a study program being carried out by the Institute. The first of these to appear - on Turkey - referred to the Bank in such a way as to

associate it too closely with its conclusions. He had arranged that, without affecting the substance of the Bank's cooperation with the Institute, this should be avoided in the future, and that the Institute's Annual Report would not represent the Bank as directly associated with the studies.

ROUTING SLIP		Date <i>Apr. 21</i>
NAME		ROOM NO.
Mr. Kamarck		
<p>The original studies program seems a good idea but this annual Report is frightening - it reads as though we were financing some kind of conspiracy to subvert the press & the public. John White is awfully young - I get the impression I can see why they have worried.</p>		
<i>Mr. Graves</i>		<i>453</i>
<input type="checkbox"/> To Handle	<input type="checkbox"/> Note and File	
<input type="checkbox"/> Appropriate Disposition	<input type="checkbox"/> Note and Return	
<input type="checkbox"/> Approval	<input type="checkbox"/> Prepare Reply	
<input type="checkbox"/> Comment	<input type="checkbox"/> Per Our Conversation	
<input type="checkbox"/> Full Report	<input type="checkbox"/> Recommendation	
<input type="checkbox"/> Information	<input type="checkbox"/> Signature	
<input type="checkbox"/> Initial	<input type="checkbox"/> Send On	
REMARKS		
<p><i>Andy -</i></p> <p style="text-align: center;"><i>Here is the report on the ODI study program.</i></p> <p style="text-align: right;"><i>Howard Sears</i></p>		
From		

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY LONDON W.1 HYDE PARK 2654

IBRD/ODI Study Programme

Annual Report, 1965

1 SUMMARY

The "IBRD/ODI Study Programme" was instituted at the beginning of 1965. This report describes progress during the programme's first year.

The programme was started with the aim of promoting a fuller understanding of the role and function of aid from multilateral financial institutions, by means of studies and associated activities. It was understood that the study programme would be undertaken by John White, a research officer in ODI, but it was not intended that the programme should be confined to one person's activities. It was felt that the aims of the programme would be best attained if pursued by ODI as a whole in the course of its other undertakings. Guidelines for the programme were laid down in a document which is attached. (Annex 1)

It was made clear at the start that the guidelines and content of the programme would be subject to revision in the light of experience. If the programme was to have the desired effect of encouraging a wider understanding of the role of multilateral institutions, studies would clearly have to be derived from issues of current practical interest, and they would have to be closely related to ODI's other activities and studies.

The study element of the programme was in fact revised in August, in the light of certain dominant questions which had already emerged in the course of study. This revised programme (Annex 2) still stands, with one or two minor amendments detailed below. (See Section 5.)

As the study programme has developed, it has acquired an increasingly functional emphasis. That is to say, it regards the multilateral institutions, especially the IBRD, as pivotal points in the mobilisation of aid, and is primarily concerned with the impact that multilateral institutions can have on the composition of aid from all sources, and thus

on economic development, in a world in which the bulk of aid is bilateral. This entails an examination of the working of multilateral institutions in situations in which they are not the only providers of finance.

Since the programme is concerned with the global pattern of aid, John White has consistently maintained the need to advance on a very broad front, always bearing in mind the relationship between whatever mechanism or institution is currently under study and the other mechanism or institutions with which the programme is ultimately concerned. As a result, the first year has largely been taken up with the gathering of information on a wide range of topics. Not all of this information can immediately be incorporated in a document for publication, but all of it is necessary if the document that is being prepared for publication is to be presented in context. Procedure along these lines ensures the continuity of the programme, and is of especial value in relation to associated activities, such as participation in conferences. (See Section 4.)

During the year, the following written work has been produced.

1. In the main line of studies, a historical analysis of the Turkey Consortium has been completed, and is currently on distribution for comment and correction. This study will either be published within the next month or two, or incorporated in a large study, covering the Pakistan consortium also, for publication later in the year.
2. John White has produced three major papers on the relationship between the aid programmes of various countries. The material for these papers was drawn mainly from work already done in ODI before the current programme began. They have therefore served as a useful link between past work on the bilateral donors and present work on multilateral institutions.
3. Drawing on material that is being collected for subsequent studies, John White has also written a number of articles for the Press and for broadcasting.

These three lines of production are described in more detail in Section 3.

In addition to written work, the programme provides for the dissemination of ideas through discussion groups and similar activities. In the first year, this side of the programme has been imperfectly organised. A number of visitors to London have been provided with the opportunity to address specially invited groups, as the occasion arises.

Eight meetings of this kind have been held. They have been extremely valuable - so valuable that it is hoped that in the coming year, by arrangement with the World Bank and other institutions, a greater number of such meetings will be possible, with greater continuity between them. (The meetings held in 1965 are listed in Section 3.)

It is now felt that the time has come for a more systematic approach. (See Sections 4 and 5.) As a first step, therefore, ODI is organising a seminar on the problems of multiple financing (Annex 3).

Perhaps the most important development in this respect, however, lies in the extent to which ODI generally has benefited from the specialised knowledge which the programme makes available. It is very noticeable that in the past year ODI's horizons have altered, and that the role of multilateral institutions enters at all sorts of points into discussions which would previously have been conducted exclusively within the context of British, or at best European, aid. (See Section 4.) ODI is increasingly recognised in Britain as a source of information and ideas concerning multilateral institutions. It is largely on this basis, for instance, that ODI has been invited by the Ministry of Overseas Development to make a large contribution to the 1966 Cambridge Conference. (The nature of the Cambridge Conference, and of ODI's participation in 1965, is described in Section 2. The proposed contribution to the 1966 conference is described in Section 5.)

During the past year in London, the potential role of the IBRD and other multilateral institutions has figured with increasing prominence in public discussion of aid for development. There are several reasons for this. It is not for one moment claimed that ODI is solely or even primarily responsible. What is undoubtedly true is that ODI, because of its established position as a forum for public discussion and because of the specialised knowledge derived from the IBRD/ODI Study Programme, is peculiarly well placed to take a central and constructive part in this new debate.

2 SCHEDULE OF ACTIVITIES

This section describes the way in which John White's time has been distributed during the past year. It is therefore not a complete account of activities under the heading of the IBRD/ODI Study Programme. Although John White has overall responsibility for the programme, its success rests largely on the way in which questions raised within the study programme tend to be taken up by the Institute as a whole, thus

becoming incorporated into the general debate on aid for development.

John White's activities have been broadly of four kinds, with time very roughly distributed equally among them. (They do, of course, overlap to some extent.)

First, there has been time spent on laying the general foundations of the programme, through personal contacts with a variety of multinational institutions and related organisations, and through study of documents. Secondly, the specific study of the Turkey Consortium, now completed, has occupied approximately three months spread over the period July - December. Thirdly, the need to pick up the threads of work already done on bilateral aid, and to weave these threads into current studies, has been met by means of three major papers completed during the year. Fourthly, time has been devoted to a range of miscellaneous related activities, such as external conferences, subsidiary publications, assistance to interested persons and groups, and so on.

The programme began formally with a six-week visit to Washington in March/April. Before that, John White had had to spend some time completing his study of German aid for publication, and familiarising himself with such basic documents as the Articles of the IBRD and its affiliates.

The principal purpose of the visit was that John White should gain an insight into as many aspects as possible of the World Bank's operations. Time was also spent preparing the ground for an ODI study of U.S. aid, to be undertaken by Andrzej Krassowski, and in examining the activities and preoccupations of the relevant divisions of the UN Secretariat.

The next three months were largely taken up with correlation of material brought back from Washington and with a parallel examination of OECD, particularly the DAC. Two visits were made to Paris and Geneva. The second visit covered the DAC high-level meeting, on which John White produced a detailed confidential report, based on impressions gained through comparison of the views freely expressed by various delegations outside the formal sessions.

From Paris, John White went by way of Geneva to Ankara, to do the main work for the study of the Turkey Consortium. Two weeks were spent in Ankara and Istanbul.

In September, John White attended the 1965 Cambridge Conference, on "Overcoming Obstacles to Development".

The Cambridge Conference is an annual event, sponsored by the Cambridge Overseas Studies Committee and organised by the Ministry of Overseas Development. Started as a kind of refresher course for British overseas civil servants and their counterparts in dependent and newly independent countries, it has evolved as a meeting ground for academics interested in development, British aid administrators, administrators from developing countries, and so on. (John White's report of the conference, published in The Economist, is attached as Annex 4.)

ODI presented three papers at the conference, of which the one most directly related to the content of the IBRD/ODI Study Programme was a paper by John White on the four main bilateral donors. Using this paper as a basis for argument, John White took the opportunity during the discussion group period of the conference, first, to present a number of problems arising from the multiplicity of aid sources for one country or one region, and second, to draw attention to possible solutions based on the functioning of the IBRD and of regional development banks. It appears to be largely as a result of the conclusions reached in this discussion group that the international administration of aid has been set as one of the main themes of the 1966 conference.

From Cambridge, three members of the staff of ODI - T. Soper, P.R.C. Williams and John White - went to Berlin to participate in an Anglo-German colloquium which was largely concerned with questions of aid coordination.

The remaining three months were largely taken up with completion of the study of the Turkey Consortium. A visit to Pakistan for the other half of the study of consortia, which was to have taken place at this time, had to be postponed, because the outbreak of hostilities rendered it pointless.

This section summarises what ODI has done during the past year within the terms of reference of the programme.

a) Main studies

The study of the Turkey Consortium has been completed. About one-third of the work has been done for a similar study of the Pakistan Consortium. It remains undecided whether to publish these as a single study, or to publish the Turkey study first and the Pakistan study later. Some of the work has also been done for a proposed study of the role of regional development banks. This study is now likely to be brought forward. (See Section 5.)

b) Major papers

Three major papers (5,000 words and over) have been produced:

- i) For the 1965 Cambridge Conference - a paper on the four main bilateral donors;
- ii) For UNESCO - a paper on aid administration in the light of experience;
- iii) For The European Handbook (to be published by Anthony Blond) - a chapter on European aid.

All three of these papers are primarily concerned with conflicts and anomalies in bilateral policies, and with possible methods of constructing a framework for a better integrated aid effort. The UNESCO paper is part of a project in which institutes are participating from Czechoslovakia, France, Poland, U.K., U.S.S.R. The principal interest of this project is that it provides an informative - perhaps valuable - opportunity to discuss problems of multiple financing with aid technicians from Communist countries.

c) Subsidiary publications

Articles and letters in various newspapers, broadcasts, etc. The following are worth mentioning:

Three articles on the Pakistan Consortium, of which the most important was an article in a Pakistan supplement of the Financial Times, 28.6.65;

Syndicated articles on the Asian and African Development Banks;

A broadcast by the Director on the BBC Home Service, on the work

of the World Bank in India.

Miscellaneous broadcasts, including broadcasts on the India consortium, the Pakistan consortium, UNTAD, proposals for multi-national efforts in S.E. Asia, the Commonwealth as a framework for aid, etc. (All for BBC overseas service.)

d) Meetings

Eight meetings have been held, at which visiting speakers addressed selected audiences. These meetings took various forms, from that of a full-scale lecture to an audience of forty or so to that of a private briefing session for ODI staff with perhaps one or two persons invited from outside.

The eight meetings were for:-

- Mr. Willard Thorp - on aid coordination
- Mr. John Adler - on the prospect for development
- Mr. Robert Gardiner - on the role of ECA in economic integration
- U Nyun - on Ecafe, the Mekong River scheme and the Asian
Development Bank
- Mr. M. Beheiry - on the African Development Bank
- Dr. I.H. Ergas - on FAO/IBRD cooperation
- Mr. J. Miller - on the position after the World Bank's annual
meeting
- Mr. D. Gordon - on the World Bank's East African office.

It is hoped to make greater use of restricted briefing sessions in the coming year, since these have been found especially valuable.

e) Personal contacts

Two separate kinds of activity have taken place under this heading.

First, in the course of collecting information, John White has often found that his position as an individual, not tied to any one international institution or organisation, enables him to act as a useful additional channel of communication between institutions which normally only meet in a rather more formal context. This function, which is really that of an unauthorised messenger boy, can make a marginal contribution to mutual understanding. At the DAC high level meeting, for instance, a number of things were said in the lobbies, and could with discretion be passed on, which were not being said in the formal meetings of delegations.

Secondly, as an acknowledged source of information on multi-lateral institutions, ODI has been of help to a large number of individuals or groups in the United Kingdom. Particularly important in this respect is the briefing of journalists. Close relationships exist with the appropriate staff members of the Financial Times, The Guardian and The Economist. The Times, with which John White personally has the closest links, does not at present have any single staff member devoting particular attention to aid and development.

Up till now, these contacts have been used passively: i.e., John White has waited to be asked for information, rather than actively spreading it. When the Financial Times, for instance, had a somewhat premature report from Washington on the compensatory finance study, no action was taken. Comment on the extent to which it would be useful if these contacts were more actively exploited would be welcome.

f) Lobbying and policy recommendations

In general, this is an important part of ODI's activity. Within the framework of the IBRD/ODI Study Programme, the Institute has pressed along two main lines: first, a strong initiative from the U.K. when IDA replenishment comes up for negotiation; secondly, after the Director had discussed the issues with Mr. Eugene Black, emphatic support for the two newly established regional development banks. ODI urged an increase of the proposed subscription to the Asian Development Bank (originally \$10m, subsequently raised to \$30m).

4 APPRAISAL

The IBRD/ODI Study Programme has gathered momentum rather more slowly than expected. Although it is possible to show a reasonable amount of work produced as a result of the first year's activities, this work has not yet taken shape as a coherent and forceful operation. There has been a certain lack of precision and determination in the choice of targets, largely the result of delays in reaching firm conclusions concerning the content of the programme.

The delays of the first year have stemmed from three main causes:-

- a) Time taken to conclude previous commitments;
- b) Time taken in laying down the general framework of the programme;
- c) The Kashmir War, which threw the consortium project out of schedule.

Neither of the first two of these is necessarily to be regretted. The firmness with which the current programme is now linked to earlier work on the bilateral donors is one of its strengths, giving it a realism and a practical tone which it would otherwise lack. The time spent on laying down the framework of the programme has ensured that individual study projects will not become detached from their proper context. The programme now proceeds on the basis of a wide underlay of knowledge.

The study programme proper is now well established, and seems likely to gain greatly from the original decision to base it as widely as possible. This decision will have been justified if John White's forecast of a greatly increased rate of production in 1966 turns out to be correct.

The impact of the programme within ODI's immediate range of contact has already been remarked upon, and is remarkable. This impact would probably not have been achieved if the programme had not been so closely linked to earlier work.

The most conspicuous weakness of the programme at present lies in the area of the immediate dissemination of knowledge - corresponding to ODI's educational function. This area ought to be covered roughly by the activities listed under (d) and (e) in the previous section.

The proposed seminar is a first step towards remedying this situation. What is also needed is a far more concerted use of small discussion meetings on a theme related to the work of one visiting speaker. In part, success in this respect will depend upon improved communications with the IBRD, especially with regard to IBRD personnel passing through London. The meeting for Mr. Gordon, for instance, was of great value, but it was largely by chance (in the form of the presence of Mr. Miller in London) that ODI learnt that Mr. Gordon was available. The IBRD is asked to consider ways of resolving this awkward administrative problem.

In appraising the programme, it also has to be asked to what extent current activities are in harmony specifically with the interests of the IBRD.

Broadly speaking, the functional emphasis selected by John White has meant that the IBRD appears in the programme as one institution operating in a field which is far broader than the field of the IBRD's

own activities. But the programme is much concerned with the problem of aid management, and as one situation after another is examined it becomes increasingly clear that the necessary qualifications of a management institution are (1) that it should be to some extent supranational and (2) that it should have financial resources of its own with which to operate. Failure to meet the first qualification puts the institution too much at the mercy of its national members (e.g. OECD). Failure to meet the second means that it lacks the necessary instrument for implementing its own initiatives (e.g. UN regional commissions). So the programme at the moment consists of a multiplicity of cross bearings which are bound eventually, by a process of elimination, to focus attention on four institutions - the IBRD and its affiliates, and the three regional development banks.

This theme is dominant, for instance, in the study of the Turkey Consortium already completed.

5 PROPOSED ACTIVITIES DURING 1966

This section summarises briefly a number of proposals which have been referred to in previous sections.

The first task is to complete the study of consortia, the form of which is under discussion. The possibilities are discussed in a covering note to the draft that has been circulated.

That done, there are three lines of activity for which preparations are already being made.

a) The next study project is to be concerned with the role of the three regional development banks. This will involve a fairly rapid tour of the banks themselves, the UN regional commissions, and key capitals, which in practice appears to mean Washington, Rio, Santiago, Tokyo, Manila, Bangkok, Nairobi, Addis Ababa, Abidjan.

The question of what part the regional development banks should play in the pattern of development finance is clearly one that urgently requires examination. With two such institutions newly established, casting around for the answer to this question, a study of regional development banks is likely to be of particular relevance in the coming year. This study is therefore being brought forward in the schedule. (In the outline produced in August, 1965, this project figured only as a

part of project (d). See Annex 2.)

The study will be concerned with such questions as the relationship of the regional banks to the World Bank (with especial regard to the function of the two regional offices set up by the World Bank), the position of the regional banks in relation to American and European capital markets, the value of funds on the model of the Social Progress Trust Fund, the potential of the regional banks as instigators of coordination in aid and in regional planning, the kind of project criteria and procedures that they should employ (identical with or complementary to World Bank procedures?), and so on. (John White's article on the Asian Development Bank is attached as Annex 5, to give a fuller indication of some of the issues with which the study may be concerned.)

b) The seminar is regarded as an operation of major significance. It is proposed that participation in this seminar should be at operational level - i.e. representatives from government and from large private companies will be the people actually responsible for negotiating agreements in situations in which finance is provided from several sources. It is expected that the first two sessions in the proposed outline will in fact provide the basis for the entire seminar, as suggested in the covering note.

c) The Cambridge Conference is an annual event of growing significance. ODI's contribution will be a major one, and will draw largely on work already done under the IBRD/ODI programme. Three papers are to be presented. A paper by John White on "Consortia, Consultative Groups and the Problem of Management" will come directly under the Programme's terms of reference. Two other papers - on the pattern of aid to Tunisia (by Andrzej Krassowski, based on material collected for his study of U.S. aid) and on the pattern of aid to Uganda (by Hal Mettrick, based on material collected for a three-volume ODI study of aid to Uganda) - will raise issues that are closely related to the content of the IBRD/ODI Programme.

A fourth line of activity is under consideration. It is the initiation of studies more closely related to the operations of multilateral financial institutions as such, rather than to the role of multilateral institutions in relation to other sources of aid. This would probably entail the allocation of a proportion of the time of a second research officer to the programme.

For a first project, an examination of IBRD projects and IDB projects in Latin America has been suggested.

6 FINANCE

This report does not include a detailed financial statement. That is covered separately by the periodic statements of the Secretary.

In general, it may be said here that the financial basis of the programme, as at present set up, with travel charged ad hoc, appears to be entirely satisfactory; and the estimates originally produced have been confirmed by the first year's experience.

The proposal mentioned at the end of the previous section might entail additional cost. This would in part be met automatically by the present arrangements for travel expenses. The balance would be partly offset if, as is expected, the allocation of an additional research officer enabled John White to devote some of his time to other ODI activities.

PROJ/15

JW:tr

8 February, 1966

IBRD/ODI STUDY PROGRAMME

1. It is proposed to undertake a series of studies with the object of promoting a fuller understanding of the role and function of multilateral aid.
2. These studies will be concerned with those multilateral development agencies which deal with the financing of aid - not those whose prime concern is with technical assistance - and thus will concentrate on the operations of the World Bank and its affiliates (the IDA and IFC), the Inter-American Bank, the European Investment Bank, the Special Development Fund of the EEC. Particular attention will be paid to their place in the total world aid programme and their relationship with bilateral aid agencies.
3. It is not intended in these enquiries to argue the case for or against bilateral aid. The intention is to assess what can be or ought to be the functions of multilateral institutions in a world aid programme which is predominantly bilateral; to work out to what extent multilateral agencies can increase their own effectiveness and how they can act as a lead in, as a focus, or a make-weight for bilateral programmes; and by so doing increase the effectiveness of bilateral aid.
4. This entails study projects, leading to publication in the form of articles and books, and also associated activities such as discussion meetings, lectures and the stimulation of interest in appropriate bodies.
5. Three kinds of project are proposed:

a) Coordination

An examination of two consortia - preferably one IBRD and one OECD - their functioning and purpose. In particular we should look at what donors and recipients expect of a consortium and the extent to which these expectations have been fulfilled. The following questions may be borne in mind:

- i) Can a consortium take responsibility for an entire development plan?
- ii) What is the function of a consortium in relation to the recipient's balance of payments?
- iii) Does the view of existing consortia as hat-passing sessions correspond to the facts; if so, is this acceptable?
- iv) Can or should a consortium avoid the label of a "donor's club" by blurring the distinction between donor and recipient (e.g. by relating several different consortia within a single administrative framework)?

The potential of other neo-consortia such as the working groups that the IBRD is now sponsoring, e.g. in Nigeria, should also be examined.

The role of IBRD regional offices now being set up in Africa involves a new departure of particular interest and will be the object of study.

An examination should also be made of the problem of the external debt of developing countries with particular reference to the re-financing of loans that developing countries have received from donors.

The role of multilateral organisations such as the World Bank in solving the debt problem that is developing between donor and recipient countries on a bilateral basis is a matter of great concern, which will be examined.

b) Multilateral Finance

There should be an individual examination of multilateral finance projects or groups of projects, with a view to determining the role of multilateral institutions in the other two respects mentioned above, as a lead-in for additional resources and as a make-weight, or complementary source of aid. For this purpose, it might be best to look at single large projects, or to look at a range of activities over an area.

Two questions would have to be borne in mind:

- i) To what extent has IBRD finance brought other resources in its train - other multilateral, official bilateral, external private, and domestic?
- ii) Does experience in the area concerned lead to conclusions concerning the proper division of functions between multilateral institutions and other resources?

c) The Scope of Multilateral Institutions

In the course of undertaking the studies already outlined, it will be possible to build up a picture of the nature and scope of multilateral financial institutions. This should include an analysis of the different types of multilateral institution: the World Bank, the Inter-American Bank, the European Investment Bank and the Special Development Fund of the EEC, and also a detailed consideration of the proper relationship between the various members of the World Bank family. It should also include an examination of the extent to which the Bank can depart from strict banking activities and move in the direction of extra-curricular operations such as compensatory finance schemes, investment guarantees and arbitration, etc.

ANNEX 2

To: WDC

From: JW

Programme for IBRD Studies

The following replaces the original outline that I gave you after my return from Washington.

1. Terms of reference

I have now narrowed the terms of reference down as follows:-

To study, and to reach value judgments concerning, the functioning of various mechanisms, institutions, and organisations in facilitating an orderly and adequate flow of financial aid in situations in which aid is available from more than one source, with particular reference to the role of multilateral and multinational institutions and organisations.

2. First project - comparative study of consortia

a. Purpose of study: to review the history of consortia in a comparative context, to evaluate current objections to the way in which consortia function, to identify those special elements which appear necessary to the proper functioning of a consortium, and to offer suggestions concerning the future role and scope of consortia.

b. Area of study: comparison of Pakistan and Turkey consortia. These two are particularly suitable for comparison. The volumes of aid that they have provided are very roughly equal, but there the similarity ends. Point for point, they are direct opposites, and the differences in composition and context fully explain the differences in functioning. Basically, one obviously had to take one IBRD and one OECD consortium. India had to be excluded, because the special problems of scale rendered it less useful as an illustration of consortia as such. Nearly all statements about the India consortium end up as statements about India. The Greek consortium also had to be excluded because it has never met.

c. Time table: I have now collected most of the material on Turkey, and will shortly be producing this chapter. After conferences in September and holiday in early October, I propose to go to Pakistan, writing the Pakistan chapter towards the end of November. The pamphlet should be completed round about the end of the year.

d. Shape of the pamphlet: The pamphlet will be called "A Pledge for Development" and will concentrate on the question of what it is that a consortium pledges or commits itself to. This breaks down into three questions:-

1. What does a consortium pledge itself to (an arbitrary volume, a foreign exchange gap, a savings investment gap, support for a 5-year plan, etc.)?

2. What procedure should it adopt for fulfilling this pledge or commitment?

3. What role does the consortium as such have in policing the implementation of pledges and in exacting from the recipient the necessary equivalences in performance?

Chapters will be as follows:-

- Chapter 1: The Nature of Consortia
- Chapter 2: The Pakistan Consortium
- Chapter 3: The Turkey Consortium
- Chapter 4: The Two Compared
- Chapter 5: Comments and Conclusions.

The pamphlet looks like being about 20 - 30,000 words.

3. Second Project - Latin America

The programme starts with consortia because they are structurally the simplest of coordinative mechanisms, and because they are mechanisms in which there is the greatest amount of operational experience to draw on. After that, however, I want to go on to the more interesting situation that arises when one has several recipients as well as several donors. The most advanced case of this at the moment is the Latin American structure, involving ECLA, OAS, CIAP, LAFTA, the Central American Common Market, the Inter-American Bank, the World Bank, and AID, with the Europeans playing an ambiguous but sometimes diabolic role around the fringes. The purpose of this study will be to sort out the proper role of each of the institutions involved, and in particular, now that moves are afoot to get the Europeans more heavily involved in Latin America, to examine the possibility of adapting this complex to accommodate on an integrated basis a large number of bilateral programmes.

Much of the basic material is in Washington and I would have to start there, but it would also involve a tour to take in the following countries, each of which presents special problems for the continental pattern of aid-giving as a whole: Mexico, Brazil, Colombia, Ecuador, Peru, Chile, Argentina.

I propose to make this trip directly from Washington sometime early next year, i.e. as soon as the consortia study is out of the way. The Dominican crisis slightly queered my pitch as it has caused a holdup in the vital ministerial meeting on which all of this hinges, which was to have taken place last May, then postponed to November. However, things should have shaken down a bit by next year. I expect this project to take me up to next year's summer holiday, by when a draft pamphlet should be completed.

4. Third Project - Africa

By the end of next year, it should then be possible to mount a similar though more primitive exercise for Africa, taking in the ECA, the African Development Bank, and the World Bank regional offices, and FEDOM. At the moment any discussion of this complex would be pure guesswork, but the operational pattern may be a little clearer by the end of next year.

Clearly, this would involve an African tour taking in Abidjan, Lagos, Addis Ababa and Nairobi.

5. Fourth Project - Classifying institutions

Up to now the projects have been tied to countries or areas. By this stage, enough material should have been collected for it to be possible to begin classifying institutions. The obvious starting point would be a discussion of the role of regional development banks, three of which (or four if you count the EIB) should be in action by then. The big question at that point would be their relationship to the World Bank. I am convinced that the World Bank's main justification for laying claim, as it is doing, to a special management position in the coordination business is that it is itself an operational institution with independent funds.

The corollary of this is, of course, that there is a special role at the regional level for the regional development banks, which, with consultative groups being set up for individual countries, offers the outline of a reasonably systematic pattern for the ordering of financial aid. A further corollary, of course, is that neither the OECD nor the DAC has any continuing management role (with the possible exception of countries which are members such as Turkey), though there may of course be special jobs that the OECD can undertake - see my notes on the DAC meeting...

This takes us, I reckon, well into 1967. The first two projects you can take as firm. The third and fourth projects have to be regarded as part of a "perspective plan".

JW:tr

OVERSEAS DEVELOPMENT INSTITUTE LTD.

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ANNEX 3

To: T.S.

24 January, 1966

From: J.W.

cc: WDC, ROs, G. Wilson, J. Miller

re Seminar on Multiple Financing

I attach a tentative outline for the proposed seminar on the role of multinational institutions in the provision of finance for development. The outline covers a seminar spread over six sessions, and it is envisaged that they should take place at intervals of between two weeks and one month.

I also attach an explanatory note to be sent to persons being invited to comment on the proposed outline before the invitations are sent out.

PROJ/15

Seminar on the Problem of
Multiple Financing

Explanatory Note

It is proposed that ODI should hold a seminar on the range of questions that arise from the problem of multiple financing for development. The phrase "multiple financing for development" is used here to mean the provision of official financial assistance, on concessional terms, for the purpose of promoting economic development, to a project or programme within a developing country, to a developing country, or to a group of developing countries, from more than two sources. (Financial assistance from two sources is a special case, in which all three participants can retain bilateral relations without getting their lines crossed. Note that in geometry a triangle is the only figure in which all points can be joined without intersections.) The seminar will be primarily concerned with the group of problems inherent in the relationship or lack of relationship between these multiple sources of financial assistance.

The word "coordination" is deliberately avoided in the title. There are two reasons for this. First, "coordination" is an emotive word, the use of which begs a question. To class the group of problems with which the seminar is concerned under the heading "The Problem of Coordination" would imply that the solution lies in improved coordination. This is by no means incontrovertible. There may be advantages in retaining full competition in aid - or, to borrow the current jargon of certain donor countries, to subject the giving of aid to the "unfettered forces of a market economy". At the other end of the scale, it may be argued that the problem of multiple financing is insoluble, and that nothing short of the channelling of all aid through a single multilateral institution is entirely satisfactory.

Secondly, the word "coordination" is ambiguous. It is variously used to mean "exchange of views", "correlation", "comparison", "aggregation", "full harmonisation", and even, in some extreme cases, "unification". These restrictive uses are all improper. The adjective "coordinative" is used in the outline, for want of a better word. It is used in a wide, non-prescriptive sense, to mean "pertaining to the relationship between the relevant parts".

The problems of multiple financing fall into four main groups:-

Conflicts in the terms and conditions of financial assistance:
interest rates and repayment periods, degrees of currency-tying, degrees of project-tying, procedural requirements, etc.

Conflicts in allocations to different sectors or projects: imbalance in sectoral emphasis, competition between similar projects serving a restricted market, failure to provide connective links between projects, etc.

Divergences in view of recipient's needs: mutually incompatible performance requirements, policy recommendations, etc.

Vulnerability of individual donors: recipient's ability to play one off against the other, compulsion to react to temporary situations, difficulty in maintaining a consistent programme, etc.

These four groups, clearly, overlap and interact to a very large extent.

It is taken as self-evident that greater efficiency will be secured, in a situation in which assistance comes from more than two sources, if all the participants, including the recipient, are working to a common purpose. (This is in fact true of all situations of aid-giving, even when aid comes from only one source.) The problem, then, boils down to this. How is the correct common purpose to be identified, what is it, and how can it best be established and maintained? All four of the groups of problems listed above can be subsumed under this question.

To state the problem in these terms is to state the ideal first objective - the establishment of a sense of common purpose. (It is a continuing ideal, of course, only if the ideal purpose is the one that is established.) The question then arises, is the ideal attainable? If not, what is the correct course of action? To approach as near to the ideal as possible, or to choose some different, more attainable ideal, which can be expected to produce some of the same results by different means.

By no means all coordinative mechanisms are geared to the attainment of the objective discussed here, even in theory. Governmental project syndicates, for instance, are concerned largely with the securing of contracts. Consultative groups often rest on the assumption that the correct common purpose already exists between the donors, and that the problem is how to impose this purpose on the recipient, while consortia, to some extent, rest on the assumption that the correct common purpose exists between the recipient and the institution managing the consortium, and that the problem is how to impose this ~~assumption~~ ^{purpose} on the other donors. These assumptions are nearly always false.

Even those international institutions which do look upon the problem of multiple financing in these terms have been known to fail, because of a lack of clear analysis, in their efforts to make their view understood. The World Bank, to take one example, is probably currently doing more than any other single institution to construct a common approach. Yet the impression persists among both donors and recipients, not wholly without justification, that the World Bank's primary aim in this field is to have its own moral and intellectual authority recognised. DAC and UNTAD, which to some extent share the same objective, have achieved reputations respectively as donors' and recipients' mutual security alliances.

This institutional oddity provides a clue to the correct approach to the problem. An exhaustive examination would contain answers to the following questions, in the order given:-

1. What jobs have to be done to secure an appropriate provision of development finance?
2. What mechanisms are required to do these various jobs?
3. What institutions are available to operate these various mechanisms?
4. What new institutions are required to operate mechanisms for which no satisfactory institution exists?

If this examination were carried to its logical conclusion, it would end up with a complete list, in tabular form, of all the institutions required to operate a world aid effort, the mechanisms that they would employ, the function that they would fulfil in the employment of these mechanisms, and their functional relationship to each other. A table of this kind would amount to a formal effort to provide solutions in one framework for all the administrative and theoretical problems of aid, solutions which would govern every decision from the determination of global totals down to the source and nature of allocations for the tiniest developmental activity.

To what extent can a restricted seminar abstract from such an intolerably over-ambitious inquiry a few questions that are central and yet within its scope? The emphasis of what has been said so far is on institutionalism and multiplicity - that is to say, the role of institutions in the context of aid from multiple sources, most of which, as it happens, are bilateral donors.

Since the context is a multinational one, the emphasis must be on multinational institutions. The word "multinational" is chosen with care. The word "multilateral" has a wide range of meanings. It has been applied to situations in which no more than partial harmonisation takes place between a small number of independent participants. The limiting case at the other end of the scale is a global operation in which contributions and disbursements are controlled neither by the source nor by the recipient, in which contributions are not identified by destination and in which disbursements are not identified by source. Whatever definition is chosen, however, all multilateral devices in this context are necessarily multinational devices. The reverse proposition, it must be made clear, is far from true.

Since the role of multinational institutions is being considered in relation to other sources of aid, there must be an equal emphasis on their methods of operation, i.e. the mechanisms that they employ. An important group of questions lies in this area. There is as yet, for instance, very little appreciation of the radical differences between consortia, consultative groups and syndicates.

The seminar should seek to conclude its discussions with a delineation of the range of institutions that is required, attached to a catalogue of the mechanisms that each can best employ.

As outlined, the sessions fall into two groups. The first three sessions are devoted to a review of the existing situation. The last three sessions, which take the same questions, in a slightly different order and at a more theoretical level, are concerned with prescription.

Even this programme will prove too ambitious unless discussion is rigorously disciplined, perhaps too rigorously. It is therefore proposed as an alternative that the first and second sessions, as outlined, be spread over six sessions, and that the questions posed in the remaining four sessions, as outlined, be allowed to arise wherever appropriate.

Seminar on the Problem of
Multiple Financing

Outline Programme

First Session: A Review of Mechanisms

A rapid survey of existing mechanisms and their defining characteristics.

a) Global mechanisms:-

Donor-governed consultation - DAC
Institutionally governed consultation - IBRD annual meetings
Open consultation - UNCTAD

b) Regional mechanisms:-

Globally sponsored mechanisms: e.g., conferences organised by UN regional commissions
Regionally sponsored mechanisms: e.g., CIAP
Open mechanisms: e.g., Colombo Plan

c) Single-country mechanisms:-

Aid-extracting mechanisms - consortia
Performance-extracting mechanisms - consultative groups
Informal mechanisms - local consultation at mission level

d) Single-operation mechanisms:-

Project-syndicates { institutionally sponsored
government-sponsored
private companies
Joint programmes (commoner in technical assistance)

Second Session: A Review of Institutions

A rapid review of the multinational institutions presumed to have an interest in multiple financing, and their present coordinative functions

a) Multilateral financial:-

IBRD family
The three regional development banks
The EEC (inc. EIB and FED)

b) Multilateral non-financial:-

UN ~~Technical Assistance Board~~ ^{Development Programme} and related departments
UN regional commissions
UN specialised agencies

c) Non-multilateral

OECD
UN Trade and Development Board (which falls into this

section by virtue of the dominance of national interests, and the relative impotence of the secretariat, in UNTAD and UNCTAD operations)

Third Session: The Combination of Resources

Multilateral, multinational and bilateral aid. Are these separate classes, or approximate divisions on a spectrum? Does any of them have certain inherent qualities, good or bad, simply by virtue of their falling under one of these three headings? In other words, are these labels useful? Is some other set of labels more useful - such as "suppliers' credits", "official project loans", "programme loans", etc.? What is meant by the combination of resources? What is the range of purposes that coordinative mechanisms should be designed to achieve?

Fourth Session: Forms of Combination

In the first three sessions, it is likely that numerous instances of actual problems will have emerged. To start the prescriptive part of the discussion, the review of the first session should be re-analysed more systematically, with a view to suggesting modifications or substitutions in the existing mechanisms. The following questions may be put:-

To what extent do the mechanisms listed in the first session meet the requirements listed in the third?

Which mechanisms meet which requirements?

In the light of the previous question, re the functions of existing mechanisms, and the mechanisms themselves, properly distributed? (For instance, are the existing consortia and consultative groups correctly set up, and is there a case for more or fewer of either?)

Are totally new mechanisms needed? (For instance, using the classification of the first session, can one design a mechanism that is both aid-extracting and performance-extracting? Are the techniques of consortia and consultative groups necessarily applicable only to single-country mechanisms, with the implication of selectivity?)

Fifth Session: The Minimum Components of Coordinative Mechanisms:-

Systematically, the minimum components have to provide for:-

- a) recipient participation and definition of the recipient's commitment (i.e. to fulfilment of certain performance requirements)
- b) review of recipient's performance
- c) donor participation and definition of the donor's commitment (i.e. pledging, terms and conditions of aid, criteria for allocation, etc.)
- d) review of donors' performance.

The question of management. What does one expect of an institution in asking it to operate a certain mechanism? Qualifications of the manager. Management with participation (e.g. IBRD) or management without participation (e.g. OECD)

Sixth Session: The Division of Functions

What is the purpose of a division of functions? Do we need more than one institution?

The institutions involved, and their respective functions. Is there a role for each of the institutions listed in the second session? What is the specific role of, or mechanism to be operated by, each institution retained in the list?

The question of participation. What kind of secretariat arrangements are required. Level, location and frequency of meetings. What formal authority do the managing institutions require?

JW:tr
PR?J/15

IBRD/ODI STUDY PROGRAMME

Annual Report 1965

Annex 4

Report of the Cambridge Conference, 1965, by John White, published in The Economist of September 25, 1965 and entitled "Hard Heads at Cambridge"

There is one point of light in the gloom that surrounds the present political arguments about foreign aid. This is that officials involved in development, from industrialised and developing countries alike, are increasingly speaking the same increasingly sophisticated language. This came out at Cambridge during the two-week annual conference, ending on 25th September, sponsored by the Cambridge overseas studies committee and organised by Britain's ministry for overseas development. For one thing, the conference has shown, as did last year's UN trade and development conference in Geneva, that the developing countries are making more of the running in debate. In the past, these Cambridge sessions have been regarded largely as education for colonial civil servants and their newly appointed counterparts in independent countries. But this year, though a third of the delegates were British, with a sprinkling of Americans and international officials, the didacticism has gone and so has the colonial atmosphere. (This may explain the difficulty in organising two teams for the traditional cricket match.) Most of the more stimulating points were made by delegates from the twenty developing countries that took part, mainly from the Commonwealth but also, for the first time, from outside it.

In fact, some of the teachers, the theoretical economists, found they were being taught. While they made noble attempts to take account of the non-economic factors that have falsified so many of their previous calculations, their efforts tended to end in whimpers, such as that this "calls for another paper - which the mere economist cannot write". They were duly challenged and many of them felt they had been given a beating. What they were in fact given was an invitation to come out into the open, to modify their model-building and their quantifying in favour of a broader, less compartmentalised approach.

The theme of the conference - overcoming obstacles to development - helped to prise discussion into the areas where theory and

practice can find common ground. Though in the plenary sessions there were the usual set pieces beginning "The real problem ...", the discussion groups showed a determination to fit all the elements into the general pattern of what was termed "administrative capacity". Debate on this could, as in the past, have drifted off into disparagement of the developing countries' efforts, countered by angry self-defence. This did not happen. The conference stuck fairly steadily to its purpose of assembling a full armoury of policies for development.

On economic planning it came up with the simple but necessary message that planning is not just a blueprint for action but a continuing operational process. One African delegate even suggested that the operational process had to come first and that full-scale planning on the Indian model would not suit Africa until 1980.

Similarly, the most interesting things that were said on aid were about its administration. Aid, as one delegate pointed out, has been bedevilled by the disillusioning search by donors for a simple key to all the doors - first capital funds, then key investments like giant dams, then technical assistance, then private investment and, most recently, the recipients' own efforts.

At Cambridge the matter was put differently. Discussion turned on the difficult relationship between giver and taker, the part to be played by multilateral institutions and the kind of administrative machinery needed to allocate and use aid efficiently.

immediate release

FS/890

Week of December 11, 1965

ASIAN DEVELOPMENT BANKImportant New Institution to Bridge World's Divisions

By JOHN WHITE

(Research Officer at the Overseas Development Institute)

THERE was a time when embassies around the world preferred to regard economic relations as a subsidiary plane, beneath their notice. All that is changed. Half-way through the so-called Development Decade, inaugurated by the United Nations in 1960, one important achievement can be marked up. The future of the world has been seen to depend in large measure upon economic development. It is a small enough achievement, to have got one's terms of reference right after five years, but it is something. It opens the door to the right sort of institution-building. The United Nations Trade and Development Board has given the U.N. a new aspect and a new role, which it pursues in the teeth of the political wind.

Some time in the New Year, a new financial institution is expected to open its doors for business. The Asian Development Bank, the charter of which is now virtually settled after years of sporadic debate, will complete the chain of regional institutions supplying development finance, not primarily for profit, but for prosperity.

The Inter-American Development Bank has been in business for some years. Its success has already converted many of the sceptics. The African Development Bank, still seeking the most fruitful interpretation of its terms of reference, has the brightest prospect in Africa. The Asian Development Bank seems a certainty. These three institutions, assured as they now are of the good will and sense of community of the World Bank, lend strength and realism to the existing trio of U.N. regional economic commissions which up till now, underpinned by the Economic and Social Council, have lent impassioned reason to advocacy of the developing countries' case.

Asia is in some ways more suited to investment within a regional framework than either Africa or Latin America. The administrations of many Asian countries are well developed, minimally derivative, and fully capable of formulating and implementing their own plans. Asia is that part of the world in which all interests meet and clash, from China to the United States. It is no one man's sphere of influence. It is too vast, and too old, to be bewitched by memories and fears of imperial tutelage. Above all, Asia has in Japan its own rich source of capital and initiative, a country whose political and economic interests coincide in the compulsion to seek to spread its wealth to its neighbours. The Greater East Asia Co-Prosperity Sphere was not as mad an idea as all that. In those days, though, people did not fully understand what a

Common Market was for. (Some people still don't.) That is the bright side of the picture. Yet Asia is the last of the great poorer continents to have its own regional bank. Why? The Economic Commission for Asia and the Far East (Ecafe), the Colombo Plan, the Mekong River Scheme, even the South-East Asia Treaty Organization, have all been or have led to attempts to pool the continent's human resources. Human, but not financial - Asia was poor, and it was assumed that the money would come from elsewhere, until governments began, in the heading used by 'The Economist', to "consider Japan".

The donors concurred. If money from outside was merely to be added to existing wealth for profit, where was gratitude? How could one exert influence? Politically, the United States would fade from being the defender of freedom. Economically, the World Bank would have to admit that someone else had been right. In the early 1960s, the weight of resistance to an Asian Development Bank came from national and international Washington.

CRUCIAL ISSUE

Even in 1963, the outsiders were jealous. With the U.S. in Korea and Vietnam, with the French whispering their way back through Indochina to China, with Britain bellicose for Malaysia, how should Asia be held together? Japan read the warnings and stayed out. Japan had discovered that its future lay in Asia. It would come in when the more distant magnates had been relegated. The U.S. wanted to let Korea free. Japan offered a treaty, with aid. The U.S. declared that Taiwan needed no more American aid. Japan came to invest.

This was the crucial issue that had to be resolved. At one extreme, Ecafe wanted an Asian institution run by Asians. The rich countries might lend; they must not own. "How will you float your bonds?" they asked in Wall Street. "You must have U.S. backing".

The issue has been resolved. The U.S. wants no backyards. Latin America taught it the lesson. Equal allies are strong allies. Japan, too, has given the go-ahead. Asia has room to breathe again.

MOVING RAPIDLY

So Ecafe found itself able to resuscitate the resolution, passed at Manila in 1963, for the establishment of an Asian bank. Ecafe wanted its subscribed capital to be \$1,000m. The question of U.S. voting rights was left open.

The two key countries were still the U.S. and Japan. In Wellington, New Zealand, in March, 1965, both countries were dampening. They seemed to find the whole idea embarrassing. But then events moved rapidly. Japan proposed that non-Asian countries should subscribe not more than half the capital.

President Johnson caught on fast. The Alliance for Progress had already been revived in Latin America, by the growing desire of the United States to act in consultation with the nations it helped, not in loneliness. Why not the same in Asia?

But that is hardly the point. The smallness of its resources is in fact its strength. To start with, its guarantee can be sychologically reinforced by the impressive support of the World Bank, and by the shield afforded by the World Bank's cast-iron record. So it will ally itself with the Inter-American Bank in putting the World Bank firmly where it belongs, as poverty's ultimate broker. That in turn gives it authority over its own members beyond the resources that they will themselves have provided.

If it follows the example of the Inter-American Bank, as it should, it will operate at the margin. Its small contribution will be the little extra that can make or mar a project. If the bilateral donors make the terms too stiff, it can withdraw. If it withdraws, the donors lose contracts. So it has authority over the donors as well, authority which, to do them justice, they are eager to accept. In the face of foreign ministries around the worlds, it is and must be asserted that aid must be a generous act, if it is to work at all.

Paradoxically, the creation of the Asian Development Bank, a regional organisation, is a logical consequence of the desire for world unity. Like its relatives, the Inter-American Bank and the African Development Bank, it is the offspring of the mood created by the San Francisco conference which set up the U.N., by the Bretton Woods conference which led to the World Bank, and most recently by that most revolutionary U.N. conference on trade and development in Geneva. It asks for global amity for its success. It denies the partitions implicit in Bandung, the Organisation for African Unity, the Treaty of Rome, and ultimately the East-West division.

JOHN WHITE

Please send us two press cuttings of this article

Then President Johnson made one of those moves on which his political reputation rests. He persuaded Mr. Eugene Black, former president of the World Bank, to act as chief advocate for the new institution. He thus proclaimed that the U.S. was seeking a multinational discipline, while demonstrating also the conversion of the former leader of those conservative elements who had once regarded the World Bank as the only foundation of discipline. One may suppose that Mr. George Woods, Mr. Black's successor, was delighted. He was already doing everything in his power to make the World Bank's experience available for the scrutiny and the benefit of the entire world aid effort, not just of the World Bank's own operations. He had new allies.

The details were worked out in Bangkok in June. \$400m. had been offered. Canada and western Europe were to be asked to provide \$200m. To ensure Asian control, the Asian countries would have to provide \$400m., in addition to Japan's \$200m. Apart from Japan, Asia could certainly provide about \$200m., though there might be difficulty for some countries, particularly India, in fulfilling the requirement that one-half of the paid-in capital, or one-quarter of the subscribed capital, should be in convertible currency.

MOMENTUM GAINED

The remaining \$200m. is still not assured. It has to be voting stock, if Japan is to hold the balance of power that it seeks. There was a possibility of bond flotations in London and New York, but it had been assumed that these would be additional resources, over and above the \$1,000m. Mr. Black, followed by U Nyun, Executive Secretary of Ecafe, found the Europeans enthusiastic but ungenerous. They showed him their interest, and then they showed him the door. Britain pleaded the sterling crisis, with more reason than cogency. That caused the Germans to pause. France remained unconvinced that it was not an American initiative, for an American instrument.

But the momentum had been gained. The wind began to blow towards success. The climate of confidence was such that Ecafe could send a mission, which included Henry Bloch, the man who had done most to make the U.N. think in terms of regional development, to the Inter-American Bank, where it sought fraternal counsel. The Soviet Union, as a member of Ecafe, was superbly asked to participate. The battle was on for the Asian Development Bank's location. Teheran, Singapore, Colombo, Pnom Penh, Kabul, were considered. Japan offered a site, and asked for the presidency. The latter request seems likely to win acceptance. But the Bank will be located in Manila.

SMALL RESOURCES

On the face of it, the Asian Development Bank will have to work with desperately small resources. Its proposed subscribed capital is less than the foreign aid received by India in one year. If 50 per cent of this is called in during the next few years, there will be precious little in reserve to back the open market flotations that would give it a persuasive voice with which to address, not only non-Asian governments, but also its own Asian members.

ODI

OFFICE MEMORANDUM

TO: Mr. Wilson ✓

FROM: Lars J. Lind *Lars J. Lind*

SUBJECT: Visit from Mr. John White of ODI

DATE: April 14, 1966

Mr. White is seeing you tomorrow at 1500 hours, and I gather that he wishes to talk to you about a planned ODI Seminar on Multiple Financing (memorandum attached, which I think you have already seen). ODI would like to have two Bank participants at some stage of the Seminar. It is suggested that priority one should be for someone from Development Services - Mr. Hoffman or Mr. Rivkin perhaps; and if it is decided to send a second representative, someone from the Economics Department or Friedman's group is indicated; Bob de Vries or David Kochav for instance.

I shall have lunch with John White tomorrow.

Attachment

LJL:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY LONDON W.1 HYDE PARK 2654

Annex 3

To: T.S.

24 January, 1966

From: J.W.

cc: WDC, ROs, G. Wilson, J. Miller

re Seminar on Multiple Financing

I attach a tentative outline for the proposed seminar on the role of multinational institutions in the provision of finance for development. The outline covers a seminar spread over six sessions, and it is envisaged that they should take place at intervals of between two weeks and one month.

I also attach an explanatory note to be sent to persons being invited to comment on the proposed outline before the invitations are sent out.

PROJ/15

Seminar on the Problem of
Multiple Financing

Explanatory Note

It is proposed that ODI should hold a seminar on the range of questions that arise from the problem of multiple financing for development. The phrase "multiple financing for development" is used here to mean the provision of official financial assistance, on concessional terms, for the purpose of promoting economic development, to a project or programme within a developing country, to a developing country, or to a group of developing countries, from more than two sources. (Financial assistance from two sources is a special case, in which all three participants can retain bilateral relations without getting their lines crossed. Note that in geometry a triangle is the only figure in which all points can be joined without intersections.) The seminar will be primarily concerned with the group of problems inherent in the relationship or lack of relationship between these multiple sources of financial assistance.

The word "coordination" is deliberately avoided in the title. There are two reasons for this. First, "coordination" is an emotive word, the use of which begs a question. To class the group of problems with which the seminar is concerned under the heading "The Problem of Coordination" would imply that the solution lies in improved coordination. This is by no means incontrovertible. There may be advantages in retaining full competition in aid - or, to borrow the current jargon of certain donor countries, to subject the giving of aid to the "unfettered forces of a market economy". At the other end of the scale, it may be argued that the problem of multiple financing is insoluble, and that nothing short of the channelling of all aid through a single multilateral institution is entirely satisfactory.

Secondly, the word "coordination" is ambiguous. It is variously used to mean "exchange of views", "correlation", "comparison", "aggregation", "full harmonisation", and even, in some extreme cases, "unification". These restrictive uses are all improper. The adjective "coordinative" is used in the outline, for want of a better word. It is used in a wide, non-prescriptive sense, to mean "pertaining to the relationship between the relevant parts".

The problems of multiple financing fall into four main groups:-

Conflicts in the terms and conditions of financial assistance:
interest rates and repayment periods, degrees of currency-tying, degrees of project-tying, procedural requirements, etc.

Conflicts in allocations to different sectors or projects: imbalance in sectoral emphasis, competition between similar projects serving a restricted market, failure to provide connective links between projects, etc.

Divergences in view of recipient's needs: mutually incompatible performance requirements, policy recommendations, etc.

Vulnerability of individual donors: recipient's ability to play one off against the other, compulsion to react to temporary situations, difficulty in maintaining a consistent programme, etc.

These four groups, clearly, overlap and interact to a very large extent.

It is taken as self-evident that greater efficiency will be secured, in a situation in which assistance comes from more than two sources, if all the participants, including the recipient, are working to a common purpose. (This is in fact true of all situations of aid-giving, even when aid comes from only one source.) The problem, then, boils down to this. How is the correct common purpose to be identified, what is it, and how can it best be established and maintained? All four of the groups of problems listed above can be subsumed under this question.

To state the problem in these terms is to state the ideal first objective - the establishment of a sense of common purpose. (It is a continuing ideal, of course, only if the ideal purpose is the one that is established.) The question then arises, is the ideal attainable? If not, what is the correct course of action? To approach as near to the ideal as possible, or to choose some different, more attainable ideal, which can be expected to produce some of the same results by different means.

By no means all coordinative mechanisms are geared to the attainment of the objective discussed here, even in theory. Governmental project syndicates, for instance, are concerned largely with the securing of contracts. Consultative groups often rest on the assumption that the correct common purpose already exists between the donors, and that the problem is how to impose this purpose on the recipient, while consortia, to some extent, rest on the assumption that the correct common purpose exists between the recipient and the institution managing the consortium, and that the problem is how to impose this ~~assumption~~ *purpose* on the other donors. These assumptions are nearly always false.

Even those international institutions which do look upon the problem of multiple financing in these terms have been known to fail, because of a lack of clear analysis, in their efforts to make their view understood. The World Bank, to take one example, is probably currently doing more than any other single institution to construct a common approach. Yet the impression persists among both donors and recipients, not wholly without justification, that the World Bank's primary aim in this field is to have its own moral and intellectual authority recognised. DAC and UNTAD, which to some extent share the same objective, have achieved reputations respectively as donors' and recipients' mutual security alliances.

This institutional oddity provides a clue to the correct approach to the problem. An exhaustive examination would contain answers to the following questions, in the order given:-

1. What jobs have to be done to secure an appropriate provision of development finance?
2. What mechanisms are required to do these various jobs?
3. What institutions are available to operate these various mechanisms?
4. What new institutions are required to operate mechanisms for which no satisfactory institution exists?

If this examination were carried to its logical conclusion, it would end up with a complete list, in tabular form, of all the institutions required to operate a world aid effort, the mechanisms that they would employ, the function that they would fulfil in the employment of these mechanisms, and their functional relationship to each other. A table of this kind would amount to a formal effort to provide solutions in one framework for all the administrative and theoretical problems of aid, solutions which would govern every decision from the determination of global totals down to the source and nature of allocations for the tiniest developmental activity.

To what extent can a restricted seminar abstract from such an intolerably over-ambitious inquiry a few questions that are central and yet within its scope? The emphasis of what has been said so far is on institutionalism and multiplicity - that is to say, the role of institutions in the context of aid from multiple sources, most of which, as it happens, are bilateral donors.

Since the context is a multinational one, the emphasis must be on multinational institutions. The word "multinational" is chosen with care. The word "multilateral" has a wide range of meanings. It has been applied to situations in which no more than partial harmonisation takes place between a small number of independent participants. The limiting case at the other end of the scale is a global operation in which contributions and disbursements are controlled neither by the source nor by the recipient, in which contributions are not identified by destination and in which disbursements are not identified by source. Whatever definition is chosen, however, all multilateral devices in this context are necessarily multinational devices. The reverse proposition, it must be made clear, is far from true.

Since the role of multinational institutions is being considered in relation to other sources of aid, there must be an equal emphasis on their methods of operation, i.e. the mechanisms that they employ. An important group of questions lies in this area. There is as yet, for instance, very little appreciation of the radical differences between consortia, consultative groups and syndicates.

The seminar should seek to conclude its discussions with a delineation of the range of institutions that is required, attached to a catalogue of the mechanisms that each can best employ.

As outlined, the sessions fall into two groups. The first three sessions are devoted to a review of the existing situation. The last three sessions, which take the same questions, in a slightly different order and at a more theoretical level, are concerned with prescription:

Even this programme will prove too ambitious unless discussion is rigorously disciplined, perhaps too rigorously. It is therefore proposed as an alternative that the first and second sessions, as outlined, be spread over six sessions, and that the questions posed in the remaining four sessions, as outlined, be allowed to arise wherever appropriate.

section by virtue of the dominance of national interests, and the relative impotence of the secretariat, in UNTAD and UNCTAD operations)

Third Session: The Combination of Resources

Multilateral, multinational and bilateral aid. Are these separate classes, or approximate divisions on a spectrum? Does any of them have certain inherent qualities, good or bad, simply by virtue of their falling under one of these three headings? In other words, are these labels useful? Is some other set of labels more useful - such as "suppliers' credits", "official project loans", "programme loans", etc.? What is meant by the combination of resources? What is the range of purposes that coordinative mechanisms should be designed to achieve?

Fourth Session: Forms of Combination

In the first three sessions, it is likely that numerous instances of actual problems will have emerged. To start the prescriptive part of the discussion, the review of the first session should be re-analysed more systematically, with a view to suggesting modifications or substitutions in the existing mechanisms. The following questions may be put:-

To what extent do the mechanisms listed in the first session meet the requirements listed in the third?

Which mechanisms meet which requirements?

In the light of the previous question, re the functions of existing mechanisms, and the mechanisms themselves, properly distributed? (For instance, are the existing consortia and consultative groups correctly set up, and is there a case for more or fewer of either?)

Are totally new mechanisms needed? (For instance, using the classification of the first session, can one design a mechanism that is both aid-extracting and performance-extracting? Are the techniques of consortia and consultative groups necessarily applicable only to single-country mechanisms, with the implication of selectivity?)

Fifth Session: The Minimum Components of Coordinative Mechanisms:-

Systematically, the minimum components have to provide for:-

- a) recipient participation and definition of the recipient's commitment (i.e. to fulfilment of certain performance requirements)
- b) review of recipient's performance
- c) donor participation and definition of the donor's commitment (i.e. pledging, terms and conditions of aid, criteria for allocation, etc.)
- d) review of donors' performance.

The question of management. What does one expect of an institution in asking it to operate a certain mechanism? Qualifications of the manager. Management with participation (e.g. IBRD) or management without participation (e.g. OECD)

Sixth Session: The Division of Functions

What is the purpose of a division of functions? Do we need more than one institution?

The institutions involved, and their respective functions. Is there a role for each of the institutions listed in the second session? What is the specific role of, or mechanism to be operated by, each institution retained in the list?

The question of participation. What kind of secretariat arrangements are required. Level, location and frequency of meetings. What formal authority do the managing institutions require?

JW:tr
PR?J/15

Fines

April 8, 1966

Dear John:

Just a note to say that we have now got you ensconced in Executive House for as long as you like. Having got you covered to that extent, we will now look into the possibility of getting you something closer and less expensive.

Sincerely yours,

Harold Graves
Harold Graves

Mr. John White
Ivoire Hotel
Abidjan
Ivory Coast

Harold Graves
HNG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

PROJ/15

1 April, 1966

Dear Harold,

Just in case our rendezvous in space next week does not come off, I am writing to let you know that I am hoping to arrive in Washington on April 15th and shall be staying at the Executive House.

Yours sincerely,



John White

Mr. Harold Graves
IBRD
1818 H Street, N.W.
Washington, D.C.

JW:tr

Mr. Graves --

Mr. White is confirmed at Executive House (through our Travel Office) and may stay on as long as necessary.

Appt. with Mr. Wilson set for 3:00 on the 15th.

AP

OFFICE MEMORANDUM

TO: Mr. Wilson

DATE: March 27, 1966

FROM: Harold Graves *HNG*SUBJECT: Overseas Development Institute

As you suggested last week, I cabled Johnnie Miller about some of our concerns with respect to the ODI -- the content of the Turkey Consortium paper, and the relationship between us and ODI in general. I indicated that I would be in London on April 5, and would be glad to talk about the Bank/ODI relationship with William Clark, if that were agreeable to Johnnie and to Clark.

On Wednesday, just before I went to Canada, I had a telephone conversation with Johnnie about ODI. He first reported that he had had several conversations with John White about the Turkey paper. He now understood that it would be much condensed, considerably de-adjectivized, and included (as we knew) as simply one kernel within the larger shell of a study about consortia.

He also said that of all the comment received on the paper, according to John White, the most enthusiastic had come from the Turks.

I explained to Johnnie that, more generally, the Turkey paper had seemed to us to indicate the need of breaking the link that now exists between the Bank and John White's studies, without at all lessening our financial or substantive support. I suggested as one possibility that our contribution, instead of being linked to the Study, simply could be linked to the ODI's expenditures for unspecified personal services and travel. Johnnie said he thought this would be acceptable to ODI.

Bill Clark himself is now away from London, but Johnnie indicated that it would be both productive and feasible to talk with Clark's number two (whose name I forget) and with John White. I would propose to confirm to White that we would go over the Turkey paper when he visits here in April; and to see what kind of amendments to our present ODI/Bank administrative arrangements seem mutually agreeable.

On returning to the office, I find that Johnnie has been on the telephone again -- possibly, but not certainly, on the ODI matter. I am expecting to talk to him on Monday, March 28.

cc: Mr. Demuth

HNG:ap

URGENT

OVERSEAS DEVELOPMENT INSTITUTE
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160 PICCADILLY LONDON W.1

S → ODI

PROJ/15

SPECIAL DELIVERY

25 March, 1966

HYDE PARK 2654

Dear Harold,

Thank you for your letter of March 22. On the basis of that letter, a letter I have had from Geoffrey Wilson and two telephone conversations with Johnnie Miller, I am writing urgently to give you my present ideas on the rewriting of the Turkey Consortium study.

I hope this letter will reach you in Washington in time for your discussions on Monday.

The points that I shall make in this letter are an amplification of my letter of March 10, in which I outlined my ideas of the remaining sections of the study but did not go into any detail concerning the section on Turkey itself.

1. I am spending two days in Paris April 4 - 5, principally in order to discuss the Turkey draft with Raymond Bertrand and others in OECD and with Uzol and others in the Turkish delegation. The Trade and Payments Department of OECD, of course, is unhappy with the draft, though favourable comments have come from other quarters. I have made it clear to Raymond Bertrand that it is only a draft that they have had and that the tone and content of the argument are open to considerable amendment still and that I am anxious to correct all factual errors. It is my impression that on the basis of this assurance relations are moderately amicable again.

2. Reaction from the Turks has on the whole been favourable, though they are of course unhappy about specific criticisms of the Turkish administration. Relations there appear to be entirely amicable.

3. Comments from other people on the list that I sent you, with no institutional position to defend, but with considerable knowledge of Turkey's dealings with her creditors, have been highly favourable.

4. My present feeling is that the draft has four main faults which need to be corrected.

a. In a blow-by-blow account of this kind, which necessarily contains a lot of facts which have had to be obtained by a wide variety of unofficial means, there are certainly a number of factual errors which must be cleared up.

b. The general argument, which in essence I still maintain unmodified, is in some places too uncompromisingly expressed and lays me open to a refutation not germane to the main points made.

OVERSEAS DEVELOPMENT INSTITUTE

LIMITED BY GUARANTEE

180 PICCADILLY LONDON W.1

SPECIAL DELIVERY

25 March, 1966

HIDE PARK 2884

PROJ/15

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b. The general argument, which in essence I still maintain unmodified, is in some places too uncompromisingly expressed and lays me open to a reputation not germane to the main points made.

c. The main argument is occasionally obscured rather than strengthened by the direct style and the references to personalities and specific departments.

d. On its own, the argument of the draft seems to apply solely to Turkey, and needs to be set far more firmly in the wider context of conclusions to be drawn in general about the coordination of aid in the economic development of a single recipient country.

5. Point a. I hope to deal with in the course of my visits to Paris and Washington. Point b is also likely to be taken care of by the discussions I shall be having in the next few weeks. Indeed, I deliberately put the arguments in the most uncompromising form in the draft in order to be sure of attracting in the commentaries all the relevant counter-arguments, so that the conclusions reached in the final version may be more solidly based and more carefully modified. Point c. is largely a question of going through the draft to remove some of the superfluous adjectives. This needs to be done in any case in order to tighten up the writing. Point d. I hope to cover within the general framework of the study as set out in my letter of March 10.

6. On the question of whether it is worthwhile to publish a document which, even if validly argued, might do more harm than good by unnecessarily offending the institutions and personalities concerned, my own feeling is that there is value in the forcible exposition of a non-official and critical view, but that this is really only of relevance to the people who have been technically concerned. I do not think that the arguments which relate specifically to Turkey would be of such central interest to ordinary readers. It can be argued, therefore, that the circulation of the draft will already have achieved one of the study's tasks, and that there is a strong diplomatic case to be made for a far milder published version. On balance, and taking into account the reluctance born of pride of ownership, I feel bound to accept this argument, within limits.

7. All commentators on the draft are agreed that the study will gain from a far fuller context including an adequate treatment of the Pakistan consortium and consultative groups. They are also agreed that this would entail shortening the section on Turkey. I therefore propose to try and shorten it by approximately one third, although, for reasons which I set out in a letter to Geoffrey Wilson, there are certain technical difficulties in this.

8. It must be very clear from the draft that ODI proposes to take sole responsibility for this study programme and that the help provided by the World Bank has not inhibited our independence. I know that this is in accordance with your own views as to how the programme should progress. With this material to go on, however, I hope we shall be able to discuss the formal nature of the relationship, i.e. whether, while making it clear that the World Bank has no responsibility for the study, we wish to state explicitly that the World Bank is linked in some way with the project as a whole.

25 March, 1966

9. Since the end of the period covered by the draft, the prospects of the Turkey Consortium have brightened even more than indicated in the final section. I have my own views of how and why this has come about, and think that this should be added to the published version in order to bring it up to date and to give the study as a whole even wider relevance than it already has.

Johnnie Miller is arranging a meeting for us, and for you and Tom Soper, while you are in Europe. By the time you get this letter, those arrangements will be fixed.

Yours sincerely,



John White

Mr. Harold Graves
IBRD
Washington, D.C.

JW:tr

PS. Apologize for unclarity due
to haste

March 22, 1966

Dear John:

Before I give you the briefest of replies to your welcome letter of March 10, let me say how interesting I found your article in The Financial Times on the subject of consortium financing of large construction projects.

Several of us are looking forward to seeing you in April, and I will alert Stevenson and McDiarmid to your approaching visit.

I blush that you have had no comment up to now about either the Annual Report or the paper on the Turkey Consortium. On the Consortium paper, we are somewhat torn between differing views here. Geoffrey Wilson (who liked the paper) is considering the matter now, and we may in the end find it profitable to put this subject on the April agenda.

What about those twins? Are they still able to recognize their father, or is he simply a stranger who comes in with some airplane luggage once in a while.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute
160 Piccadilly
London, W.1
England


HNG:ap

Mr. McDiarmid

March 22, 1966

Harold Graves

Overseas Development Institute

As you may know, the Overseas Development Institute, a British non-profit organization, has been conducting a study, with some financial help from the Bank, of multi-national arrangements for the financing of economic development. You may have met John White, the ODI staff member chiefly charged with this study. In any case, White has written to say that he expects to be in Washington sometime in April to begin a study of the Pakistan Consortium. He asked that you be specifically informed of his impending arrival.

cc: Mr. Stevenson

Handwritten signature
ING:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD.

160 PICCADILLY
LONDON W.1

Plains - 601

Files

TELEPHONE: HYDE PARK 2654

21st March 1966

Shaw's office says this acknowledgment of their march 4 letter. Rem

Dear Mr. Graves,

Thank you for your letter of March 16th to Mr. William Clark and for the enclosed three papers. Mr. Clark is at present in Latin America and returns to London on April 13th when he will see your letter. Meanwhile I am circulating your papers round this Institute as they will be of interest to others here.

Yours sincerely,

Henry Edgerton

Secretary to Mr. Clark

Mr. Harold Graves
I.B.R.D.
1818 H Street NW
Washington
D.C. 20433
USA

ME



1818 H Street NW
Washington
D.C. 20433

Sender's name and address: **OVERSEAS DEVELOPMENT INSTITUTE LTD.**

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Mr. Harold Graves

I.B.R.D.

1818 H Street NW

Washington

D.C. 20433

USA

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OVERSEAS DEVELOPMENT INSTITUTE
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Pps.

HYDE PARK 2654

PROJ/15

10 March, 1966

Dear Mr. Wilson,

Thank you very much for your letters of February 16[✓] and 28[✓], and for your helpful comments on the draft of the Turkey Consortium.

Comments are now beginning to come in from several quarters (though a deathly hush is still all I've had from the OECD), and the view seems to prevail that I ought to give more than passing attention to the Pakistan consortium.

This raises a number of technical problems, none of which is insurmountable:-

1. The time factor. I am anxious to get something published under the IBRD/ODI Study Programme as soon as possible.
2. The present state of the Pakistan consortium which makes it difficult to advance firm conclusions.
3. The difference between the Turkey and the Pakistan consortia. It is true that the history of the Turkey Consortium is on the whole a horror story and the history of the Pakistan consortium is on the whole a success story. But the difference is more fundamental than that. The Turkey Consortium has no formal structure which one can describe and from which one can deduce certain conclusions. If one wants to argue, as I have argued, that the Turkey Consortium made just about every mistake in the book, and that these mistakes arose from certain basic flaws in the way in which the consortium was set up, a blow-by-blow account is the only possible supporting evidence that one can give. The Pakistan consortium, in contrast, does have certain structural features from which it is possible to draw certain conclusions, conclusions which can be corroborated by a passing reference to the historical record. (I find it interesting, for instance, that Pakistan has gone from the consortium members a closer approximation to what it originally wanted in 1965-66, a year in which the consortium has in principle been suspended, than Turkey managed to obtain in years in which the consortium was in full flood, in which the Americans were perfectly happy to bear a large part of the burden, and in which the consortium met 4 or 5 times a year.) In other words, one can advance an argument on the Pakistan consortium and give this argument all the backing, the authority, and the evidence that it needs, in a far shorter space than is possible with the Turkey Consortium.

G. Wilson

There is one other factor that now has to be taken into account. I originally intended to discuss consultative groups quite briefly in the concluding chapter, arguing that they were in a different category from consortia and not in any sense a substitute for consortia, since the job that they were designed to do was quite different. This argument was based on the record of the early consultative groups. The ones which are now being set up seem to be developing rather differently, and even to be evolving a procedure which looks remarkably like pledging.

I still think that the Turkey Consortium can stand as the main case history in the study, if only because it illustrates so completely all the mistakes that can be made. But I have in mind a rather different form for the first chapter, which might include, as well as a general ~~con~~ *description* ~~struction~~ of consortia and consultative groups, three sections discussing specifically:-

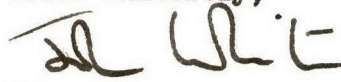
1. The Pakistan consortium
2. The early consultative groups
3. The new consultative groups.

The final chapter would then be an attempt to tie all this material together with conclusions concerning the essential methods and objectives of these various mechanisms. There would also have to be a /introduction, ^{short} making it crystal clear that there were specific reasons for the Turkey Consortium as the main history, and that it is not typical.

As far as Pakistan is concerned, I rather feel that it would be wasteful of time and money to make an extended trip to Pakistan at this stage. Apart from the difficulties of getting the kind of material I want under present circumstances, if my view of the Pakistan consortium is correct, then the material that I need is in Washington, and not in Karachi. Material gathered in Pakistan would lead me into a study of Pakistan's development, not a study of the consortium.

I have to be in Dakar (not Dacca) at the end of this month, and am taking the opportunity to go over to Abidjan to start collecting material for the regional development banks study. After that, I propose to come to Washington principally to talk about Pakistan with the appropriate people, including, I hope, yourself, but also to cover the IADB, and perhaps to discuss with the World Bank some of the general issues that arise out of the annual report on the IBRD/ODI Study Programme, which we sent a few weeks ago. It looks as if I shall be in Washington during the second and third weeks of April. Does this fit?

Yours sincerely,


John White

Mr. Geoffrey Wilson
IBRD
Washington, D.C.

Graves

OVERSEAS DEVELOPMENT INSTITUTE

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PROJ/15

10 March, 1966

HYDE PARK 2654

Dear Harold,

Many thanks for your letter of February 22. I am sorry it has taken me so long to acknowledge it, but I have been dashing about a bit recently.

I am writing now mainly to let you know how plans for the consortia study are shaping up. From the comments which are now beginning to come in, it is clear that there is a general feeling that I shall have to devote more than passing attention to the Pakistan consortium. For various reasons, I am inclined to argue that the additional material I need is of the kind that is in the files in the World Bank, rather than of the kind that is to be found in government departments in Pakistan. The Pakistan consortium really is very much simpler than the Turkey one, and does not seem to me to need the historical blow-by-blow account which the Turkey study required, and the material for which could only be collected in Turkey itself.

I am also hoping to include in the first chapter two separate sections on (a) the early consultative groups (four of them) and (b) the new consultative groups which are opening for business in the next few weeks. These two sections and the Pakistan section will probably all be about the same length, i.e. about 5,000 words each, and there will be a concluding section summarising the general arguments that apply to these various mechanisms and their functions. If all goes according to plan, the final draft will be ready for the printers by about the beginning of May.

As it happens, I have to be in Dakar at the end of this month, and I'm going on to Abidjan to make a start on collecting material for the regional banks study. It seems sensible to make a round trip of it, and to come on from there to Washington. I hope to be in Washington during the second and third weeks of April.

My main aim will be to bring my ideas on Pakistan up to date, and this will mean principally talking to Geoffrey Wilson, Stevenson, and McDiarmid. I have written to Geoffrey Wilson, but I wonder whether you could alert the other two. *

I hope that while I am in Washington we shall have a chance to discuss some of the more general issues that we raised in the report on the first year's record, which we have sent to you. In particular, I should like to discuss the proposed seminar, and possible lines of inquiry for the proposed study of the role of multilateral institutions in Latin America (mentioned briefly at the bottom of page 11 of our annual report). I should also like to discuss the possibility of increasing the number of small meetings that we hold here, which are discussed on page 7 and page 9 of our annual report.

acc March 22, 1966

of our primary efforts.

My meeting with me today here, which she discussed on page 1 and page 2
around also like to discuss the possibility of increasing the number of
(mentioned briefly at the bottom of page 11 of our primary effort). I
proposed study of the role of multilateral institutions in Latin America
like to discuss the possibility of increasing the number of industrial for the
first year, a record which we have sent to you. In brief, I would
discuss some of the more general issues that we raised in the report on the
I hope that while I am in Washington we shall have a chance to

other two.

I have written to Geoffrey Mason, but I would prefer you could check the
this will seem particularly striking to Geoffrey Mason, Stevenson, and McDermott.
It may seem that we are to bring my ideas on Pakistan up to date, and

second and third weeks of April.

come on from there to Washington. I hope to be in Washington during the
relevant weeks ahead. It seems desirable to make a long list of it, and to
I, in coming on to April to make a start on collecting material for the
as it happens, I have to be in Paris at the end of this month, and

lead for the business of April.

their functions. It will also according to him, the first draft will be
allowing the general statements that apply to these various mechanisms and
January, i.e. about 2,000 words each, and there will be a concluding section
two sections and the Pakistan section will probably still be about the same
the whole which are opening for business in the next few weeks. These
on (a) the early conventional loans (some of them) and (b) the new contracts-
I am also hoping to include in the first chapter two separate sections

material for which could only be collected in the early stage.

the historical from-then-then account which the United Kingdom led, and the
is very much simpler than the United Kingdom one, and does not seem to me to need
long in Government documents in Pakistan. The Pakistan consortium really
is in the line in the world bank, rather than of the kind that is to be
we included to give that the additional material I need is of the kind that
than bearing attention to the Pakistan consortium. For various reasons, I
it is clear that there is a general feeling that I shall have to devote more
ahead are appearing. From the comments which are now beginning to come in,
I am writing now mainly to let you know how things are for the committee

we so long to acknowledge it, but I have been wanting to get a bit recently.

My thanks for your letter of April 25. I am sorry it has taken

Best regards,

BOB/12

TO MASON, 1966

MADE BANK 2224

Harold Graves

- 2 -

10 March, 1966

While I am in Washington, I shall try to assemble the basic material I need on the IADB on the regional development banks study. The IADB, however, will need far fuller treatment than the other two regional banks, and I shall probably have to have a more careful look at it later on, probably in the early autumn. (Since I shall have to go to Manila at some time, it will presumably be possible to do this on my way back from there.)

Incidentally, comments already coming in on the Turkey Consortium have been extremely helpful. It is astonishing how much more precisely people's thoughts are when they have a piece of paper in front of them to scribble remarks on. From the OECD, however, all I have had so far is a deathly hush. Is this surprising?

Wish best wishes.

Yours, sincerely,

A handwritten signature in dark ink, appearing to be 'JW', written in a cursive style.

John White

Mr. Harold Graves
IBRD
1818 H Street, N.W.
Washington, D.C. 20433

JW:tr

March 4, 1966

Dear Bill:

On general principles, I thought you might like to see some announcements of the forthcoming meeting, in New York City, of the Society for International Development; and I am sending them by separate mail. Some of the papers from this meeting will be coming my way, and if any seem to be of potential interest, I will send them along.

In the meantime, if you or John White think some of your colleagues, or any press people, would be interested in this material, I would be grateful if you would pass it along to them. One correction in the program: Because of your elections, the luncheon address will not be given by a Minister of H.M.G., but probably will come from a Canadian.

Sincerely yours,

Harold Graves

Mr. William Clark
Overseas Development Institute
160 Piccadilly
London, W.1
England

HNG:ap

SID Press Releases and Program sent air print

February 28, 1966.

ack 3/10/66

Dear White,

Your study of the Turkey Consortium turned up at the end of last week and I read it over the weekend. I have only known about this business rather remotely, and I was fascinated by the story.

✓
In your letter of January 25th you asked specifically for my reaction to the two possibilities set out in your covering note to the study. My difficulty about this is that I am not convinced about your statement that a sizeable reduction in the size of the Turkish section would "drastically alter the whole nature of the presentation". You may be right, and I personally found this lengthy version held my interest from beginning to end. But I am very doubtful how far any general lessons can be drawn from a study of the Turkish experience alone - there are far too many factors involved which are (I hope!) peculiar to Turkey. For this reason I think you may be in danger of losing quite a lot if you do not have a study of a more normal case (if there are any such) alongside of the Turkish one, and see what conclusions can be drawn from that. If this involves a Pakistan study as long as the Turkish one, then so be it. But I would hope that you might be able to deal with each of them at about half this length. In short, as between your two options, I would prefer the second though I would hope that the Pakistan study could be a bit longer than you contemplate and the Turkish study a bit shorter.

I think that the consultative groups are very important in all this. My impression is that, while they are different animals at the moment, they are likely to develop strong family relationships; so strong in fact that the differences may become a good deal less important than the similarities.

i.e. C. G's + Consortia.

Mr. John White.

2.

February 28, 1966.

There is not much to go on yet but I think that a study of what happens at the Tunisian and Nigerian Groups in Paris and of what will happen at the Malaysian and Thai Groups in London in May will be well worthwhile.

Yours sincerely,

(Signed) G. M. Wilson

G. M. Wilson

John White, Esq.
Overseas Development Institute
160 Piccadilly
London W.1.
ENGLAND.

Stevens - 001

Mr. Demuth

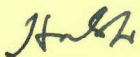
February 26, 1966

Harold Graves

Overseas Development Institute

Here is the draft of the first of a series of papers on consortia, to be published by the Overseas Development Institute. Since this one concerns Turkey, I thought you might want to read it yourself, as well as to pass it on to Mike Hoffman. I would be glad to have your comments, or you might choose to give them directly to William Clark of ODI.

Attachment



HNG:ap

Mr. Cope

February 26, 1966

Harold Graves

Overseas Development Institute

Here is the draft of a paper intended for publication by the Overseas Development Institute of London. Since it concerns Turkey, you might want to have it read by a member of your Department. I would be glad to have any comments that result, for forwarding to ODI.

Attachment

HNG

HNG:ap

February 16, 1966

Dear John:

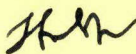
Forgive me for not acknowledging before now your welcome letter of 25 January. I had thought to wait for the arrival of your study of the Turkey Consortium, and am writing now to say that it has not yet arrived. I can easily imagine any number of reasons for this delay, but am writing you on the chance that there has been some failure in the postal service that you might wish to look into.

In the meantime, the Annual Report has arrived. Please accept my thanks, which I am also communicating to William Clark.

Sincerely yours,

Harold Graves

Mr. John White
Overseas Development Institute
160 Piccadilly
London, W.1
England



HNG:ap

rec March 10, 1966

Fries

February 16, 1966

Dear Bill:

Thank you so much for your note of 10 February ✓
and the attached Annual Report. I shall read it at-
tentively, and so will others here. As for comment,
I rather imagine that Geoffrey Wilson will consider
that question and decide through what channel it
will arrive from here.

Sincerely yours,

Harold Graves
Harold Graves

Mr. William Clark
Overseas Development Institute
160 Piccadilly
London, W.1
England

HNG

HNG:ap

OVERSEAS DEVELOPMENT INSTITUTE LTD

160 PICCADILLY LONDON W1 HYDE PARK 2654

10th February 1966

Dear Harold,

Last September, John White raised with you the question of how best to keep the IBRD informed of the wide range of activities undertaken by ODI under the heading of the IBRD/ODI Study Programme. It was agreed between you (your letter of October 11th) that we should let the IBRD have an annual report at the end of the calendar year, in good time for your own annual reviews.

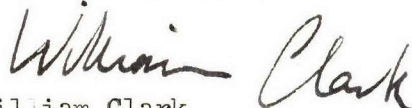
This report has now been completed, and I am sending you a copy herewith, complete with various annexes. I am also sending a copy direct to Johnnie Miller. As you will see, we have ourselves been thinking fairly hard during the past few weeks about the future of the programme, which is why we have held the final version of the report back for a month.

The content of the programme during the past year is described in detail in Section 3 (pages 6 - 8).

I am sending you under separate cover, by sea mail, another dozen or so copies of the report. These are for distribution to whomsoever you think may be interested. John White mentions that the people in the Bank with whom he has had most contact, apart from yourself and Johnnie Miller, are Geoffrey Wilson, Irving Friedman and Dick Demuth. Please let us know if you need more copies.

I am sure that John White would be extremely interested by any comments that you have to make at the end of the first year of this new relationship between the Bank and ODI, and in comments from others. Is it easier for people to write direct, or for you to present him with, so to speak, a collective view?

Yours sincerely,



William Clark

Mr. Harold Graves
IBRD
1818 H Street, NW
Washington, DC
USA

Enclosures

acc Feb. 6, 1966.

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1 Mr. [unclear]
2 Mr. [unclear]

PROJ/15

25 January, 1966

HYDE PARK 2654

Dear Harold,

No. 5000
5000

I am sending you under separate cover the completed draft for my study of the Turkey Consortium. I have also sent copies for comment to Mr. Wilson, Mr. Cope, Mr. Demuth and Mr. Miller. Attached is a full list of those to whom the draft is being sent.

Because of all sorts of delays (earlier commitments, sickness, the need to establish the wider background for this whole study, and other such obstacles to progress), and because of the fact that this study has developed along lines different from those that I had expected (it has, with increasing insistency, become very, very prescriptive), I am now re-considering the best way to publish. I should be grateful for your views, after you have looked at the points that I raise in a covering note to the draft.

I don't know what OECD will make of the study, as it is not very kind to them, or very delicate in its handling of confidential information. Still, every information officer ought to know, ought he not, that often the only way to keep a confidence is to share it? I have explained OECD's position, and rather odd behaviour, in a note to page 1. People who live in glass houses can't ever turn their pictures to the wall.

In the next few days, I shall send you my annual report; also an outline for a seminar that we are preparing on the problem of multiple financing and the role of multilateral institutions therein. I have the feeling that after the past rather thin year you will be getting, if anything, too much paper from me in the next few months.

With best wishes.

Yours ever,



John White

TO: LINA 05 11:05 28 JAN 1966

Mr. Harold Graves
IBRD
1818 H Street, N.W.
Washington, D.C.

COMMUNICATIONS
SECTION
IBRD

JW:tr

Enc. 1

acc. 2/16/67

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HIDE PARK 2884

25 January, 1966

PROJ/15

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With best wishes,

Yours ever,

John White

1966 JUN 28 AM 11:07

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Mr. Harold Graves
IBRD
1818 H Street, N.W.
Washington, D.C.

Enc. 1

W:tr

one 2/10/66

Turkey Consortium Draft

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184 Boulevard Malesherbes
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Ministry of Finance
Ankara
3. Mr. C. Tayyar Sadiklar
Same
4. Mr. Alexis Lachmann
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5. Mr. Beran Tunçer
Director of the Economic Planning Dept.
State Planning Organisation
Ankara
6. The Director (Mr. Akarun)
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State Planning Organisation
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8. Mr. Lloyd Jonnes
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14. M.J.W. Hackett
OECD, Paris
15. Ernest C. Parsons
OECD, Paris
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IBRD, Washington
17. Mr. S.R. Cope
IBRD, Washington

18. Mr. Harold Graves
IBRD, Washington
19. Mr. R.H. Demuth
IBRD, Washington
20. Mr. K. Berrill
King's College
Cambridge
21. Mr. J.F. Waring
U.K. Delegation to OECD
Ambassade de la Grande Bretagne
Paris
22. Mr. Henry Shavell
AID Liaison Officer, US Embassy
Grosvenor Square, London

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160 PICCADILLY
LONDON W.1

*B.V. then document
arrives.*

TELEPHONE: HYDE PARK 2654

PROJ/15

25 January, 1966

ack 2/16/66

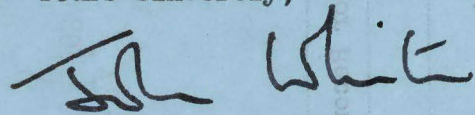
Dear Mr. Wilson,

After all sorts of delays, the study of the Turkey Consortium is at last complete, in draft form, and I am sending you a copy under separate cover. I am also sending copies to Mr. Cope, Mr. Demuth, Mr. Graves and Mr. Miller.

One reason for the delay is that I found that I had to go into more detail than I had intended on a number of issues in order to provide sufficient evidence to support a frankly prescriptive line of argument. The change in the shape of the thing which this entails raises an issue which I have set down in a covering note. I should be grateful for your comments.

I have sent copies to various people in OECD. I don't know what they will make of it, particularly all the direct quotations from allegedly confidential documents, but presumably they must know that the withholding of all information is an invitation to the inquisitive. Anyway, I have explained my own position in a note to page 1. Though much of the information used is confidential, I personally have not broken any confidence - at least not deliberately. To be sure of this, with respect to the Bank, I am asking Mr. Miller to go through the Keban bit especially carefully. I hope that the analysis of the operation can stand, since it is important for my general theme that an institution without operational responsibility simply cannot fulfil the wider functions implicit in managing a consortium.

Yours sincerely,



John White

Mr. Geoffrey Wilson
IBRD
Washington, D.C.

JW:tr

ack Feb 28/66

