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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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McNamara Papers

Contacts
United Nations (1970-1971)

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President's papers - Robert S. McNamara Contacts with member countries: United Nations - Correspondence 02

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UNITED NATIONS
DEVELOPMENT PROGRAMME



PROGRAMME DES NATIONS UNIES
POUR LE DEVELOPPEMENT

UNITED NATIONS
NEW YORK

TELEPHONE: 754-1234

CABLE ADDRESS: UNDEVPRO • NEW YORK

REFERENCE:

8 January 1970

Dear Bob,

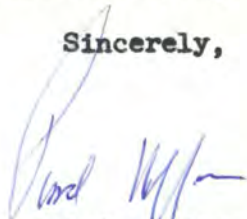
.....

I enclose herewith the Minutes of the meeting which I had with you when you so kindly called on me at my office on Saturday, 13 December 1969. My colleagues and I were very happy to have this opportunity to exchange views with you in regard to UNDP co-operation with the IBRD Country Missions and on the subject of the Capacity Study. I had intended to send these Minutes much earlier but could not do so due to the intervention of the holidays and my own absence from New York during the last two weeks.

I hope you will find that the Minutes accurately reflect our discussions.

With kindest regards and all good wishes for 1970,

Sincerely,


Paul G. Hoffman
Administrator

Mr. Robert S. McNamara
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

President has seen

Bank country Missions had been sent to the UNDP and also to the major specialized agencies such as FAO, ILO, etc. There was no further need to labour this point. It was perfectly clear and understood that the UNDP Resident Representatives would fulfill a key role in the preparation and co-ordination of the pre-investment portion of the Mission Report.

Mr. McNamara also agreed that the co-operation between the Resident Representative and the three Bank Missions in January and February 1970 could be regarded as experimental and as a basis for establishing a future pattern of co-operation.

There was some discussion in regard to the Jackson Study. Mr. McNamara expressed the view that he could not favour a reduction of the operational activities of the specialized agencies. The Bank's co-operation in recent years with the specialized agencies on a bilateral basis had proved very fruitful to the Bank. He had no doubt in his own mind that the operational activities and the normal activities of the agencies complemented and benefitted each other.

Mr. Hoffman expressed his complete agreement with this view. Already the Administrator had authority from the Governing Council to enter into direct contractual arrangements with an institute or consulting firm for undertaking specific projects. However, Mr. Hoffman felt very strongly that in the years immediately ahead the overwhelming majority of UNDP projects would continue to be executed by the specialized agencies.

Mr. McNamara

to see
Lee 2/27

OFFICE MEMORANDUM

TO: Mr. Christoffersen

DATE: February 27, 1970

FROM: Federico Consolo

SUBJECT: Mr. Ismat Kittani

In the course of a recent reorganization in the higher levels at the UN, Mr. Ismat Kittani, a young Iraki-Kurd, was nominated Deputy-Assistant Secretary General for Inter-Agency Affairs. At the end of this year he will succeed to Mr. Martin Hill as Assistant Secretary General for Inter-Agency Affairs.

In this capacity Mr. Kittani will be Chairman of the ACC Preparatory Committee, Rapporteur and Secretary of the ACC itself.

Mr. Kittani is coming to Washington to visit the Bank on Thursday next, March 5, and the Fund on Friday the 6th. He will be in the Bank from 10 a.m. to 4 p.m. and Mr. Demuth will be hosting a lunch for him.

I am arranging for Mr. Kittani to meet those senior members of the staff who directly or indirectly are involved in UN affairs. As Mr. McNamara will be meeting Mr. Kittani at ACC and other UN sessions, I think it would be appropriate and useful if Mr. McNamara were to find it possible to see Mr. Kittani for, say, 10 minutes on Thursday.

Mr. Kittani is likeable, intelligent, dynamic and very much "in" with the Secretary-General and upper echelons in the UN. For some years he was Secretary of the ACC PrepCom and of ECOSOC. He was then moved to the Secretary-General's cabinet as Director of General Assembly Affairs.

I will appreciate your letting me know if Mr. McNamara will be able to see Mr. Kittani and when. Many thanks.

for:

May we schedule?
Lee 2/273/5
12:10

President has seen

14

OFFICE MEMORANDUM

TO: Files

DATE: November 25, 1970

FROM: K. Kanagaratnam *Kanagaratnam*SUBJECT: U.N. Feasibility Mission for Proposed International Population Institute -
Discussion in Mr. McNamara's Office with Members of the Mission

1. The members of the U.N. Feasibility Mission, led by Mr. David Morse, met with Mr. McNamara in his office for an hour and fifteen minutes on November 18. Also present were:

Sir Colville Deverell	-	Member of the Mission
Mr. John Fobes	"	" " " "
Dr. P.M. Kaul	"	" " " "
Mr. Kailas Doctor	-	Rapporteur of the Mission
Mr. Charles L. Perry	-	UNDP Liaison Officer, Washington, D.C.
Mr. R.H. Demuth	-	IBRD
Dr. K. Kanagaratnam	-	"

2. Mr. Morse opened with a summary of the results of the Mission's work and their current thinking. He said that the Mission was convinced that training had to be done at the national and possibly regional level and that there was no case for an International Institute for this purpose. The Mission, however, felt that there was a need for the Institute to deal with policy aspects of population and recommended the creation of an "autonomous institute" within the framework of the U.N., primarily to serve the U.N. system. The Board of the Institute which they will propose would be small in number and consist of those with a special interest in major aspects of population. It was suggested that the Board would include members nominated by WHO, UN, UNESCO, UN Population Fund, the Bank (if it would agree to participate), four persons representing donor and recipient countries by regional groupings, and four experts. The Board would be a "collective" Board. Arrangements would be written in for the Institute to be in consultative relations with other agencies and bodies.

3. The Mission members have visited Asia, Africa, the Caribbean and South America, and in their view the reception in every place has been good to the whole idea of the Institute.

4. Mr. Morse emphasized that the Mission's approach is modest; they visualize a core expenditure of \$5 million over the next five years, besides this, further grants were envisaged for activities such as research and projects. Funds would be obtained from the UN Population Fund, into which funds intended for the Institute would be paid in the first instance.

President has seen

5. The British Government has offered host facilities to establish the Institute in the United Kingdom with relevant arrangements for these facilities; it will also make a contribution towards the expenses of the Institute. The Iranian Government has also made a similar offer of host facilities. The French Government has offered to give their support to the Institute.

6. The Institute would promote activities at the policy level within the U.N. system and in the countries. The program of work would cover not only less-developed countries and medium-developed countries but also the developed countries; in other words, the world as a whole. By covering developed countries as well, the Mission hopes that the objection that the population program is only directed to the developing world can be overcome. The Mission found that some 20-25 countries will need assistance to form policy, particularly in Africa. The Institute will also operate through Regional Offices. The research objectives of the Institute would be not to duplicate existing research, it would be problem-oriented and problem-solving research. It would also develop an information center and break new ground in research (all this was not spelled out however). The Institute would also deal with the training of the trainers and would also cover the training of policy makers, managers, planners etc. It would be, to use a common phrase, "a brain trust" in this field and be at the center of world and UN planning and thinking.

7. Mr. McNamara made the following points:

- (i) He agreed fully with the concept that there was a need to provide a unified leadership within the U.N. system; a specialized agency for population, or something of that order would be the real answer. The increasingly competitive nature of international agency activities in this field was becoming serious; the U.N. system, in such an important field, needs to speak with one voice.
- (ii) The proposed size envisaged by the Mission for the Institute (\$1 million a year, or approximately 20 professionals) was much too small to make any impact whatsoever on the problem in hand and the work to be done. It would have neither the stature nor would it be able to attract the type of staff needed for the Institute to enjoy world confidence.
- (iii) Training was not the real need. This can only be done on the basis of adequate knowledge and experience. Most programs lack such knowledge.
- (iv) Neither is the question of political commitment or public policy the major issue with governments. In the past ten years the changes in the direction have been beyond our expectations. He referred to President Marcos' recent statement that population growth was hampering the Phillipines' economic development.

(v) The issue was to enable countries to know what was going on in their population. A proper demographic base and adequate fertility information are needed to show results of programs. He referred to the absence, in spite of 20 years of family planning, of any meaningful data on age-specific fertility rates in India, which after all was the critical element in relation to planning programs. The few East Asian countries which have demonstrated remarkable decline in fertility have taken this approach and can show how much of the decline was due to the program and how much to other factors. In neither India or Pakistan, nor most of the other countries, has this been developed and so an adequate basis for population planning does not exist.

8. Discussion next turned to the location of the Institute. The Mission tended to favor the choice of London, particularly having regard to the offer of the British Government for providing full facilities; the acceptability of siting such a Center in London was discussed, in the context of whether it would have the right flavor in the non-developed world and in the Communist group of nations. The support of these two groups was essential to any U.N. effort in this field.

9. Mr. Demuth asked whether the Mission had considered the possibility that the United Nations Fund for Population Activities, now within the UNDP, could not be part of the Institute's activities: this would give the Institute the leverage as a funding agency to influence the total program effort. Without such leverage, the technical advice would not be heeded. Mission members were of the view that this might not be politically acceptable within the U.N. system and that the more modest approach they had taken was about as far as they thought they could get acceptance at the present time.


10. The mission agreed to consider the points made and also review their proposed budget for the Institute.

cc: Messrs. Demuth (cleared)
Christoffersen

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OFFICE MEMORANDUM

TO: Files

FROM: Richard H. Demuth 

SUBJECT: Meeting between Messrs. McNamara and Terver

DATE: March 1, 1971

Mr. Pierre Terver, Assistant Director-General of FAO, paid a short call on Mr. McNamara on Monday, January 25. I was also present.

The principal item discussed was arrangements for financing expenses of the Technical Advisory Committee and of any consultants employed by it in connection with the work of the International Agricultural Research Consultative Group. On this matter, I suggested that, in principle, the costs of the Technical Advisory Committee should be divided equally among the cosponsors, i.e., the UNDP, FAO and the Bank. Mr. McNamara agreed, and indicated that he was prepared to recommend inclusion of one-third of the costs in the Bank's budget, providing the rest of the expenses were defrayed by the other two organizations. Mr. Terver also agreed with this principle, but pointed out that it might be difficult for FAO to include the necessary funds in an already tight budget. Mr. McNamara asked him to explore this matter further with Messrs. Hoffman and Morse, representing UNDP, and with Mr. Boerma, so far as FAO was concerned, and Mr. Terver agreed to do so.

Mr. Terver took the occasion to thank Mr. McNamara for his agreement to FAO's including its share of a total \$7 million FAO/IBRD Cooperative Program item in the FAO budget for 1972/3, with the understanding that the Bank was not committed to agree to utilization of the full amount.


RHD:tf

President has seen

16

OFFICE MEMORANDUM

TO: Files

FROM: Richard H. Demuth 

SUBJECT: Meeting between Messrs. McNamara and Salam

DATE: March 2, 1971

Mr. Abdus Salam met with Mr. McNamara on January 27. I was invited by Mr. McNamara to be present because Mr. Salam, together with Messrs. Marshak and Revelle, had been the author of a proposal for the creation of an International Foundation for Scientific and Technical Development, which Messrs. Marshak and Revelle had discussed with Mr. McNamara on an earlier visit.

On this occasion, however, Mr. Salam's interest was in presenting his views concerning population control. These views are summarized in the attached memorandum which Mr. Salam left with Mr. McNamara, in which he argues that the Pakistan population control program has failed because of its reliance on the IUD; Mr. Salam recommends that, instead, Pakistan should go over on a massive scale to the pill. Mr. McNamara thanked Mr. Salam for the views he had expressed but stated he was not in agreement that the IUD should be discarded and sole reliance placed on the pill.

No mention was made by Mr. Salam of the proposed International Foundation for Scientific and Technical Development.

Attachment

RHD:tf

cc: Dr. Kanagaratnam

President has seen

NOTE ON PAKISTAN'S POPULATION CONTROL PROGRAMME

Pakistan has one of the highest birth rates in the world - nearly 3 per cent per annum. East Pakistan is one of the most densely populated areas on earth, and also one of the poorest. The disastrously high number of recent cyclone casualties were but one aspect of the overcrowding of East Pakistan. Unless Pakistan's explosive population growth is resolutely checked - and now - nothing but a total breakdown of food services, of education, shelter and employment provision looms ahead.

Pakistan has a population control policy. With the assistance of the U.N. and other agencies an effort is being made to introduce family planning. The chief contraceptive method which Pakistan is relying on is the Intra-Uterine Device (IUD).

A network of health visitors supported by doctors in large centres has been created - during the last seven years or so - to perform IUD insertions. For every insertion a monetary inducement is offered both to those who want them and to the health visitors. Notwithstanding all this - there is practically no change in the population growth. Perhaps this is asking too much in such a short time. What can be asserted, however, without any fear of contradiction, is that there has been no psychological receptivity of family planning. There was an initial enthusiasm, a desire on the part of older women to limit their large families, but that has long since waned. The programme is virtually a failure.

The reason for the failure in the case of Pakistan is very simple; it is the IUD itself. The IUD causes uterine bleeding, pain, and in some cases even uterine perforation. Bleeding, however, is the main reason for the IUD's being discredited in the public mind. No one among the urban middle classes, the most prolific strata of society, will consider using the device. Monetary rewards bring poorer women into the clinics; however, the removal rate is as large as the insertion rate.

Why was a device, little used in Europe and the U.S.A., whose contraceptive action is unknown, whose insertion is a professional task and which has never been subjected to the same stringent clinical tests for side effects as other drugs, been allowed to be used so extensively in Pakistan? The answer is cost. The IUD is inexpensive. No foreign exchange is

expended in importing them. The health visitors and the local doctors are paid in local currency.

There is only one way to bring back public enthusiasm for the family planning programmes, and that is to discard the IUD completely and go over on a massive scale to the one practical, universally used and simple method of contraception: the Pill.

The Pill is one hundred per cent effective. Even the most non-mathematical of our women will know how to use those types of pill which are taken every day without break. Most important, the Pill present no special distribution problems. A village grocer will sell them like aspirins. If they are inexpensive, a woman will buy them without taxing her husband. The Pill will inaugurate a true Women's Revolution in family limitation, and unless that revolution comes about one may say goodbye to all prospects of success in population control measures. One must recognise, of course, that no married woman in Pakistan will practise birth control until she has had two or perhaps three children; this is part of the family's social security. From then on, however, she wants something that she can rely on, is easily available and inexpensive. The Pill meets all these requirements.

Why then is this very simple truth, that the developing countries need the Pill, the best contraceptive method available, and nothing less, an anathema to doctors in WHO, in the World Bank, in Pakistan? I do not understand. What I do understand is that at present the Pill is prohibitively expensive. A month's supply is sold at a retail price of 12 rupees (\$2.50) in Multan; the wholesale price at which some Government Agencies will sell a month's supply is 5 rupees (\$1.00). For the average wage earner with a monthly salary of less than 100 rupees (\$20.00) this is simply too high. On the national scale, for twenty million women of childbearing age the wholesale prices would work out at around 200 million dollars per annum - in foreign exchange. When one remembers that the total U.S. quantum of aid and loans to Pakistan amounts to no more than 100 - 150 million dollars annually, one can see the magnitude of the problem for the country as a whole.

The U.S. Government is at present selling the Pill at 15 cents per month's supply in its domestic "poverty areas". My own estimation is that we shall not reach the poorer sections of our community in Pakistan if the retail price is higher than 5 cents ($\frac{1}{2}$ rupee). Assuming that the village grocer makes a profit of 2 cents on every packet he sells, and assuming, pessimistically, that the U.S. Government or other Agencies make the Pill available to the Pakistan Government at 15 cents per packet, the Pakistan Government would need to raise some 28 million dollars yearly (for 20 million women) in Pill subsidies in foreign exchange.

This is still quite costly. International tendering among drug manufacturers may competitively bring down costs. Alternatively, we may and should manufacture in Pakistan. I am told that there are no patent difficulties; it is just that the chemical processes involved - comprising some twenty steps - are of the more sophisticated variety. Personally I feel attracted to local manufacture for this may also be one way to build a local pharmaceutical industry - a field Pakistan has sadly neglected.

The Anti-Pill Campaign

An anti-Pill campaign has built up in the U.S.A., based on Food and Drugs Administration's fears extrapolated from animal testing, that the Pill may increase the danger of blood clotting in legs and lungs. To get the facts into perspective, the death rates of women in England and Wales are set out in the following table:-

TABLE I

Death Rate of Women aged 20 - 34 (England and Wales)

Total	600	per million
Pregnancy	228	" "
Blood Clotting		
i) healthy non-pregnant	2	" "
ii) maximum possibly attributable to Pill	15	" "
Road Accidents	50	" "

TABLE II

Risks of Conception

Pill	0%
IUD	2%
Mechanical Barriers	15%
Rhythm	25%

The important point to make is that the biggest death hazard for healthy women is pregnancy itself. The risks of death through possible bloodclotting caused by the Pill are infinitesimal compared to it. In Pakistan the risk of death from pregnancy is not just 288 per million but nearer 1000 per million. If the Pill eliminates unwanted pregnancies

(40 - 50% of the total), it will have saved more lives than possibly ever endangered them. The Pill is a potential life-saver for women in **Pakistan.**

My urgent recommendation therefore is: Pakistan (and the entire developing world) should turn massively to the Pill - produce it internally, cheaply, and bring about a Women's Revolution - and particularly older women's revolution - in respect of family planning. Professor Carl Djerassi, Professor of Chemistry at the University of Stanford and President of Syntex Research Corporation Palo Alto writing in Science, Vol. 166, 468 (1969), has made the gloomy prognostication that beyond the presently known contraceptive agents, there are just no new agents on the horizon which - with the testing standards now prescribed by the Food and Drugs Administration - are at all likely to reach the consumer market in the next ten years. Our problems are far, far too urgent to wait that long. To decide in the realities of this decade, there is one inescapable conclusion. We must discard the discredited, clinically misunderstood device we have been using (the IUD) and turn to the Pill, which is sure, easily taken, easily distributed - and in Pakistan's conditions, paradoxically enough, a potential saver of women's lives.

Abdus Salam

January 1971

OFFICE MEMORANDUM

*Mr. McNamara**For your 12.15
12/26 inty*

TO: Mr. L. E. Christoffersen

DATE: December 23, 1970

FROM: Michael H. Wiehen *(MHW)*SUBJECT: Professor Abdus Salam

You asked for a brief note in connection with Dr. Salam's forthcoming interview with Mr. McNamara.

Professor Abdus Salam, Ma., PhD., DSc., FRS

Born - January 29, 1926

Educated: Government College, Lahore
St. John's College, Cambridge

Present involvements: Scientific adviser to the President of Pakistan
Professor - Theoretical Physics, Imperial College of
Science and Technology, University of London
Director - International Centre for Theoretical physics,
Trieste
Member - UN Advisory Committee of Science and Technology

Awards: Honorary Doctor of Science, Punjab University, Lahore - 1957
Hopkins Prize, Cambridge Philosophical Society - 1957
Adams Prize, Cambridge University - 1958
Maxwell Medal and Prize, Institute of Physics and the Philosophical
Society - 1962
Hughes Medal, Royal Society - 1964
Atoms for Peace Award - 1968

*Next step UNESCO (Dr. MANDP) & other "consultational" info similar to
Lahore Ag. Re. & ask with I. K. J. J. J.*

Documents Returned to Mr. Demuth 1/28/71

17

Files

April 19, 1971

Duncan S. Ballantine *MB*

Visit of Officials from Unesco International
Commission on the Development of Education
April 15, 1971

On April 15 Mr. Edgar Faure and two members of his Unesco International Commission on the Development of Education visited Mr. McNamara. Present at the meeting were Mr. McNamara, Messrs. Edgar Faure, Majid Rahnema (member), F. Champion Ward (member), Jack Masse (staff) and Andre Varchaver (staff) for Unesco, and Messrs. Demuth and Ballantine for the Bank.

Mr. Faure began by emphasizing the importance of the link between education and development which in most countries has not existed sufficiently. Two major objectives for Unesco and his Commission were to determine how education could serve the cause of (a) peace, and (b) improvement of the quality of life and society. The Commission would address itself to these questions in both the developed and developing countries. It was approaching its task in a loosely structured manner and had no a priori assumptions.

Responding to the question how the Bank viewed these matters, Mr. McNamara disclaimed any competence to comment on the problems of the developed countries. In all cases, the point of departure must be the values and goals of the society itself. He referred, in this connection, to a popular book in the United States -- Reich: "The Greening of America". His comments, however, would be restricted to matters of direct concern to the Bank i.e., to the problem in the developing countries.

In terms of quantitative objectives of the Bank, Mr. McNamara compared two periods, 1964-68 and 1972-76. In dollar volume there would be about a five-fold increase in the Bank Group's educational financing -- i.e., from \$150 million to \$750 million. The number of projects would increase from 21 to 100; the number of countries involved from 19 to about 60; and the number of professionals in the Education Projects Department from 16 in 1968 to around 100 in 1976.

Despite these impressive targets on the quantitative side, the qualitative problems of education in the developing countries are even more important. Few, if any, countries have a solid philosophical foundation for their educational planning, i.e., a conception of what kind of people and society their development aims at and how education can contribute most effectively to achieve it. Few, if any, countries have a solid plan for the development of education itself, much less a plan adequately related to economic and social development. There is no clear conception of the percentage of GNP which should be devoted to education and no explicit guides for determining that percentage, which would, of course, differ from country to country. Moreover, even if there were

April 19, 1971

agreement on the percentage of GNP to be allocated to education, there are no guides to the allocation of that amount among the various types and levels of education.

Mr. McNamara added that the Bank Group is aware that curriculums inherited from developed countries are unsuitable and irrelevant for developing countries, but we have no clear idea what to substitute which would be appropriate for the stage of development in particular countries. We have as yet no thoughtful studies of the relation of the output of graduates to their absorption in the labor market. Ceylon's present civil strife reflects in part the problem of the "educated unemployed". Perhaps most important of all, we have no clear idea how to provide for the needs of the very substantial numbers of people who will have had no schooling or will have been undereducated or miseducated.

Mr. McNamara hoped particularly that the Faure Commission would establish the point that there must be some limit to the percentage of its resources which any country can devote to education and perhaps assist in defining the principles and criteria by which individual countries could determine that limit. He hoped also that the Commission could draw attention to the inefficiencies of the present system of education, in particular to dropouts and repeaters -- as indicated in the high average number of student years required to produce one graduate from primary school. In connection with the needs of the uneducated and miseducated, he referred to the research project in non-formal education being done for the Bank by the International Council for Education Development. He also referred to the Education Sector Program Paper and offered to provide a copy to the Commission once it has been revised.

Mr. Faure hoped that Unesco's efforts in research might be closely related to those of other agencies. He felt that the systems of education even in developed countries (citing France as an example) are not general education but rather specialized education serving specialized groups such as teachers, lawyers and other professionals. As in the developing countries, this mismatch between education and needs also contributed to unemployment. He felt that the development of qualitative models, including new curriculums, would be difficult.

Mr. Rahnama, expressing appreciation of the Bank's very substantial interest in education, felt that the growing numbers of educated unemployed are the result more of the irrelevance and unsuitability of traditional curriculums than of the creation of new schools and expansion of enrollment. He objected to the idea of establishing limits on the amount of resources devoted to education and appeared to feel that if the question of educational quality could be solved then the problem of quantity would not be important. Mr. McNamara, while agreeing that these problems of quality were of the first importance, felt nevertheless that limits on the allocation of resources could not be ignored.

In the discussion of non-formal education, Mr. Faure cited the example of some rural schools in France which provided a basic education closely

April 19, 1971

related to the local environment and which attempted to motivate students and develop a capacity for observation by beginning with what is of immediate and local interest and concern to the student. These schools operate on a part time basis, enabling students to work on the farm or in the home in alternate periods.

Mr. Rahnema spoke of the functional literacy experimental project being conducted by Unesco in Iran for persons aged 15 to 45. It offers two cycles of 35 weeks each and is work-oriented but is also designed to enable students to pass the examination for completion of primary school.

Mr. McNamara referred to the new technologies such as radio and television, pointing out that while substantial gains might be achieved in learning and teaching efficiency through the new media, not every situation made it an economic proposition. There is need for more studies on the costs of alternative technologies.

Mr. McNamara concluded the discussion by urging that the Faure Commission try to reserve some funds for attractive publication of its report so that it might be broadly distributed throughout the world to persons in decision-making positions. He cited the case of the Pearson Commission Report and suggested that too frequently this aspect of the task and of the budget receives too little attention.

OFFICE MEMORANDUM

TO: Mr. L. E. Christoffersen

DATE: April 15, 1971

FROM: D. S. Ballantine *DSB*SUBJECT: Visit of Mr. Edgar Faure

Although I do not know what either Mr. McNamara or Mr. Faure and his colleagues may wish to discuss this afternoon, I list below some points which I think might be of interest to the Faure Commission:

1. The volume of Bank lending (see Sector Program Paper). *Reduce estimate from \$900 million to \$700-750 million*
2. The thrust and strategy of Bank lending (see Sector Program Paper).
3. Research - gaps in our knowledge to which Unesco might contribute. Mr. McNamara himself has a fairly clear idea of the kind of evaluative data and background needed to provide a better philosophical base for our activities as indicated by his comments on the Sector Program Paper. In this connection, Unesco has the field personnel around the world which, if properly directed, could be used in collecting more development-oriented data.
4. What the Bank might expect from Unesco:
 - (a) Implementation of technical assistance financed by Bank Group loans.
 - (b) The Cooperative Program work in identifying and preparing projects for the Bank, including identification of preinvestment studies.

For Mr. McNamara's reading, I am attaching:

1. A copy of the Director-General's long-term outline plan for 1971-76 presented to the General Conference in 1970 and our very brief summary of it.
2. Comments prepared by this Department for Mr. Carriere.
3. Copy of Mr. Coombs' research project.
4. ODM - Review of Aid to Education.

In case the discussion should turn on the relation of Unesco to the UNDP, Mr. McNamara might wish to review Mr. Maheu's comments on the Jackson Report to the ACC meeting.

Attachments

DSBallantine:sfu

cc: Mr. Demuth

OFFICE MEMORANDUM

TO: Mr. Robert McNamara

DATE: March 2, 1971

FROM: Richard H. Demuth *RHD*

SUBJECT: UNESCO - International Commission for Educational Development

About three weeks ago, Mike Hoffman mentioned at a President's Council meeting that UNESCO was planning to appoint an International Commission for the Development of Education and you asked to be kept informed about it.

The Commission has now been created and the President will be Edgar Faure. In brief, the purpose is to survey the state of education in the world and to make recommendations to governments on strategies for the development of education. Attached is a Press Release issued by UNESCO's New York office giving details about the members of the Commission and its purposes. It is intended that the Commission will, in effect, be a "small Pearson Commission" on education. I call your attention to the fact that the Commission's membership does not include the U.K. or any member of the Commonwealth and that the only European country represented is France.

We have been informed by UNESCO's New York office that Edgar Faure, accompanied by another member of the Commission, Mr. Majid Rahnema of Iran and by Mr. J. Masee, a UNESCO staff member, will be visiting the United States and Latin America in the near future for initial consultations. They will be in this country from April 12 to 30 and expect to meet with a number of prominent people. They will want to see you. Could you suggest a date when you could receive them?

10-20

8/3
Let's set
the time after
we know
their schedule.

Talked with Mr. de Silva on 3/6 and he agreed to let us know more precisely when the visitors expect to be in Washington. Tentatively, he believes April 15 or 16 might be the best.

UNITED NATIONS

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Office of Public Information
United Nations, N.Y.

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Press Release UNESCO/1981
16 February 1971

INTERNATIONAL COMMISSION FOR EDUCATIONAL
DEVELOPMENT NAMED BY UNESCO

(The following is reproduced as received from the New York office of UNESCO.)

Rene Maheu, Director-General of the United Nations Educational, Scientific and Cultural Organization (UNESCO), has just named the International Commission for the Development of Education, whose wide-ranging task will be to survey the state of education in the world today and to draw conclusions designed to assist governments in devising new strategies for educational development to meet the rapidly changing needs of individuals and societies.

The Commission, formed at the beginning of the Second United Nations Development Decade, will examine new ways and means to increase education's contribution to social and economic goals and to develop international co-operation and mutual assistance in all aspects of education, with its findings to serve, in particular, as a guide to UNESCO's work.

Edgar Faure, former French Prime Minister and Minister of Education, has been appointed President of the seven-man Commission.

In addition to this prominent political career and his efforts for realizing a wide-sweeping education reform programme in France, Mr. Faure is also a distinguished jurist. He is an Advocate at the Court of Appeal in Paris and Professor in Law and Economic Science.

The other six international figures named to the Commission are:

Lane Felipe Herrera, of Chile, President of the Inter-American Development Bank; formerly Executive-Director of the International Monetary Fund, General Manager of the Central Bank of Chile, Finance Minister and Professor of Economics at the School of Law and Sociology, University of Chile;

(more)

Abdul-Razzak Kaddoura, of Syria, presently visiting scientist, Nuclear Physics Laboratory, Oxford University; formerly Professor of Physics, then Vice-President of the University of Damascus. Professor Kaddoura, who is a member of the American, British and Syrian Physical Societies and of the Belgian and Syrian Associations of Engineers, is currently on the Board of Governors of the United Nations International Atomic Energy Agency;

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The Commission will meet as a body several times during the year, and its members will travel to centres where the problems of the developing countries can be examined on a regional basis.

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1971 FEB - 1 AM IC: 36
SECTION
UNESCO

UNITED NATIONS EDUCATIONAL,
SCIENTIFIC AND CULTURAL ORGANIZATION



Mr. Ernesto Franco
IBRD
1818 H St.
Rm D 1116

With the
compliments of
the New York Office

Con un cordial saludo

De Jours

UNITED NATIONS, NEW YORK

INTERNATIONAL COMMISSION FOR EDUCATIONAL DEVELOPMENT

The General Conference of UNESCO at its fifteenth session in 1968, having considered the various measures which should be undertaken for the promotion of international co-operation for the advancement of education, in connexion with International Education Year 1970, authorized the Director-General "to advise Member States, in co-operation, as appropriate, with other agencies, bodies and organs of the United Nations system, on the principal objectives on which they should focus their attention and concentrate their efforts, so as to contribute to the framing of a global strategy for education for the Second Development Decade" (Resolution 1.112, paragraph (b)). In conformity with the intention therein expressed, the Director-General considered it advisable to enlist the co-operation of an international commission of experts, and he requested the Executive Board of UNESCO to authorize him to establish such a commission in 1970 - during International Education Year and on the eve of the Second Development Decade. The Executive Board at its 84th session (May-June 1970) adopted a resolution recommending that the General Conference "authorize the Director-General to establish an international commission of experts to formulate strategies for the development of education throughout the world, within the framework of the Second Development Decade" and authorized the Director-General to commence forthwith the preliminary operations required for this project....."

Approval for the creation of an International Commission to study and report on strategies for the development of education systems in the developing countries, including questions of international aid, was duly given by the General Conference of UNESCO at its sixteenth session in 1970. It is envisaged that this commission will do for educational development

what the Pearson Commission did in the broader field of economic development. Several meetings of the UNESCO Commission are planned for 1971, preferably in centres where the educational problems of developing countries can be examined on a regional basis. Work will then focus on overall recommendations and strategies, and it is expected that the Commission will complete its report by July 1971.

Mr. Edgar Faure, former French Prime Minister and Minister of Education, has been appointed Chairman of the seven-man Commission, whose wide-ranging task will be to survey the state of education in the world today and draw conclusions designed to assist governments in devising new strategies for educational development to meet the rapidly changing needs of individuals and societies. The Commission will also examine new ways and means to increase education's contribution to social and economic goals and to develop international cooperation and mutual assistance in all aspects of education, with its findings to serve, in particular, as a guide to UNESCO's work.

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/...

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United Nations Educational, Scientific and Cultural Organization
Organisation des Nations Unies pour l'éducation, la science et la culture

place de Fontenoy, Paris-7^e

The Director-General

reference : DG/1.1/CDE/4

1 March 1971

Dear Mr. McNamara,

At its sixteenth session last November, the General Conference of Unesco authorized the Director-General to establish an International Commission on the Development of Education to survey the state of education in the world today and to draw such conclusions as may assist governments in devising the new strategies for educational development required to meet the rapidly changing needs of individuals and societies.

The seven members of the Commission have just been appointed. They are Mr. Edgar Faure (France), who is the President, Mr. Lane Felipe Herrera (Chile), Mr. Abdul-Razzak Kaddoura (Syria), Mr. Henri Lopes (People's Republic of the Congo), Mr. Arthur Vladimirovitch Petrovsky (USSR), Mr. Majid Rahnema (Iran) and Mr. Frederick Champion Ward (USA).

The Commission will meet as a body several times during the year, and its members will travel as necessary to discuss problems of educational development with prominent national and international personalities. The Commission's tentative travel schedule will be decided at its first meeting during the week 15 to 19 March 1971.

In view of your interest and involvement in educational development, it would be of advantage to the Commission to have the benefit of your views, particularly in identifying the major problems requiring attention and in pinpointing the trends affecting them.

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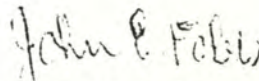
Mr. Robert S. McNAMARA
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

U.S.A.

To this end, members of the Commission would appreciate the opportunity of visiting you during the course of their work and Mr. Faure will be writing to you shortly to arrange a mutually convenient date.

I shall be most grateful for your co-operation in what I consider to be an essential effort to give new impetus and guidance to national and international actions for the development of education.

Yours sincerely,



John E. Fobes
Acting Director-General

UNITED NATIONS

Press Services
Office of Public Information
United Nations, N.Y.

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(more)

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INDEXED
FEB 17 1971

Mr. Richard H. Denath

December 9th, 1970

D. S. Ballantine

Summary of Unesco "Long-Term Outline Plan 1971-76"
(Document 16 C/1)

1. In response to Mr. McNamara's request for a summary of Unesco's 6-year plan, which was recently discussed by Unesco Executive Board and General Conference, this memorandum sets out the main aspects of this Document. Particular attention is given to matters of interest to the World Bank Group.
2. Following the general practice in many U.N. Specialized Agencies, the Unesco General Conference in 1968 decided that the Secretariat should prepare a long-term plan for Unesco activities during the period 1971-76. In August 1970, the Director-General presented such a program. The Executive Board and the subsequent General Conference have now completed their discussions of this long-term plan but I understand there was little added to the emphasis or content of the Document.
3. The Plan Document is divided into two main parts: The first part, "General Hypotheses" is largely the work of the Director-General himself; the second part presents a technical survey of the main elements of Unesco's future program. In the first part, Mr. Maheu covers the aims of Unesco's activity in the 6-year period, the means by which these aims would be attained and some of the problem areas under consideration.
4. In his introduction, Mr. Maheu emphasizes that he is setting out a number of hypotheses and options "upon which he feels the need to consult the General Conference before presenting a sketch program and in order to be able to present it". On the basis of the General Conference's discussion, he proposes to submit a plan to the General Conference at its next session in the fall of 1972.
5. The main points of interest to the Bank Group in Part 1 of the document ("General Hypotheses") are the following:
 - (a) Development: The report states that about two-thirds of Unesco's resources are at present devoted to development. The precise nature of Unesco's contribution to development is not yet clear, but it is recognised that the organization can no longer be content with fixing "development norms"; rather it should be concerned with "patterns of action" aimed at helping member states determine the fundamental options in the national planning of their education;

Mr. Richard H. Douth

- (b) Country Programming: The report notes that "a number of bodies are anxious to affect the integrated country programming of international aid". In this context, the World Bank is identified as an organization "whose planning activities are by far the most advanced and the most forcefully carried out". Other international agencies, such as UNDP, are also alluded to. Mr. Mahon emphasises that sectoral programming whether at a country level or on a worldwide basis is a presupposition of the integrated planning of the whole of international aid. Later in the report, reference is made to the relationship between the productivity of education systems and country programming:

"Everyone is aware of the serious gap existing in many countries between the 'products' of secondary and higher education and the possibility of employing them. This gap has resulted in what is called 'intellectual unemployment'. Unesco cannot hope to deal with every aspect of this problem. It could, however, be taken into consideration more specifically in country programming and in the instructions given to the experts whose task it will be to help governments coordinate their education and economic strategies. ILO and FAO representatives will accordingly be invited to join planning or identification missions to countries, and efforts will be made to arrange for Unesco specialists to be included on a reciprocal basis in economic missions organised by other international institutions in order that the interrelation of educational and employment policies may receive more systematic attention."

- (c) Budget growth rates: The long-term plan recommends the following percentages of growth for Unesco for the year period, 1973-76 :-

Programme Operations and Services

Education)	10 %
Science)	
Social Sciences, Human Sciences and Culture - Communication		8 %
International Standards, Relations and Programmes		6 %

./..

Mr. Richard H. Denuth

General Policy

General Administration and Programmes
Supporting Services

Documents and Publications Services

Common Services

5 %

- (d) Decentralization of Unesco Secretariat : Mr. Maheu refers to the policy of decentralization already embarked upon in the current biennium and anticipates a continuing trend in this direction which will lead to the strengthening of regional offices in the education and science sectors. Contrary to this trend Unesco's Chiefs of Mission are to be abolished and a number of regional specialist centres (such as the Asian Institute of Education Planning and Administration or the Regional Educational Building Institute for Africa) are to be discontinued. The plan envisages that national commissions should play a greater part in the implementation of Unesco's programme in order to reduce the tendency for the headquarters secretariat to grow in size and responsibility.

6. Part II of the plan, which refers to the main elements in the programme, emphasises, as far as education is concerned, the importance of increased productivity and qualitative improvements. Reference is also made to matters of continuing interest, such as, education for women, "life-long education" in relation to curriculum reform and functional literacy. There are no new policy departures foreshadowed in the part of the outline plan dealing with the education sector.

7. The IBRD/Unesco Cooperative Programme is referred to briefly in a paragraph which suggests that the size of the programme in 1973-74 will be about the same as during the forthcoming biennium although reference is made to the qualitative change in the type of studies undertaken reflecting the Supplement to the Memorandum of Understanding which was approved by the Bank's Board of Governors earlier this year.

cc: Messrs. Alderson
Chadenet
Damm

RFennell/th

For your
THURSDAY 5.45
city

APR 7 1971

Dear Mr. Faure:

Thank you very much for your letter of March 25, 1971, regarding your forthcoming visit to Washington. I will be pleased to meet with you and with Messrs. Rahnama and Ward. I am well aware of the importance of your wide-ranging assignment and welcome Unesco's initiative in creating the Commission. It's work, I am sure, will contribute significantly to a better understanding of the learning process and to the development of new strategies for education.

Unesco's New York office has informed us that it will be convenient for you and your colleagues to come to my office on April 15 at 5.45 p.m. I look forward to seeing you then.

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Mr. Edgar Faure
President
International Commission on the
Development of Education
C/o United Nations Educational,
Scientific and Cultural Organization
Place de Fontenay
75 Paris 7e, France

cc: Mr. McNamara (2)
Messrs. Demuth/Hoffman
Ballantine

Central Files with incoming letter

EFranco/mncd
April 6, 1971

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara: April 1, 1971

Assistant Secretary of State, John Richardson, is hosting a lunch at State Department at 1:00 p.m., April 15 for Mr. Edgar Faure and the UNESCO delegation with whom you will be meeting at 12:00, and invites you to attend.

Linda Servis
632-2464

Muriel

*Edgar Faure to
4/15 5 pm
or later*

*Confirmed w/ Franco
5.45
on 4/15
cc 4/1*

*Request lunch
because of Board mtg. —*



Mr. Demuth
March 29, 1971

April 14

united nations educational, scientific and cultural organization
organisation des nations unies pour l'éducation, la science et la culture

place de Fontenoy, 75 Paris-7^e
1, rue Miollis, 75 Paris-15^e

international commission
on the development of education

commission internationale
sur le développement de l'éducation

adresse postale : B.P. 3.07 Paris

téléphone : 566-57.57
câbles : Unesco Paris
télex : 27602 Paris

référence : CDE/6

MAR 30 REC'D

25 March 1971

Dear Mr. McNamara,

I am honoured to have this opportunity of addressing you in my capacity as president of the International Commission on the Development of Education. As Mr. Fobes informed you in his letter of 1 March, the members of the Commission are planning to undertake fact-finding missions to various regional centres and international organizations to discuss with leading authorities their views on educational development.

I will be visiting the United States, together with Mr. Rahnema, during the period 12 - 20 April. In both New York and Washington, we will be joined by Mr. Ward, and the three of us look forward very much to the opportunity of exchanging ideas with you on the problems and perspectives of education and, in particular your view on the rôle of the IBRD in educational development activities.

Mr. de Silva, Director of Unesco's New York Office and who is co-ordinating arrangements for our mission, has been in contact with appropriate officials in your organization as to the exact timing of our visit, which I am sure will provide us with essential information and guidance for our work.

Yours sincerely,

Edgar Faure
President,
International Commission on the
Development of Education

Mr. Robert S. McNAMARA
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

*Jan: Please send a copy of this letter and file
enclosures to Mr. Ballentine.*

~~FILE~~

March 12, 1971

Mr. John E. Fobes
Acting Director-General
United Nations Educational, Scientific
and Cultural Organization
place de Fontenoy
Paris - 7^e, France

Dear Mr. Fobes:

On behalf of Mr. McNamara I acknowledge receipt of your letter of March 1 and wish to thank you for the information on Unesco's recently established International Commission on the Development of Education.

Mr. McNamara will be very interested in meeting with Mr. Faure and his colleagues. I wish to confirm what Mr. de Silva has already communicated to you, that this meeting has been arranged for Thursday, April 15, at 12 noon in Mr. McNamara's office.

Sincerely yours,

Federico Consolo
Special Representative
for
United Nations Organizations

cc: Mr. McNamara (with copy of incoming letter and press release)
Mr. Demuth " " " " " " "
Mr. Franco " " " " " " " ✓

Mr. Ballentine

Central Files with incoming letter
FConsolo:da

18

OFFICE MEMORANDUM

TO: Mr. McNamara

FROM: Richard H. Demuth *RHD*

SUBJECT: Meeting with Messrs. Hoffman and Morse on May 10

DATE: May 6, 1971

As you know, our meeting with Messrs. Hoffman and Morse next Monday, May 10, is to be held at the Century Club, 7 West 43rd Street. I told Dave Morse that we would be taking the 10 o'clock shuttle and therefore might arrive closer to 11.40 than the scheduled time of 11.30. The only other person who will be present will be Myer Cohen.

On the basis of telephone conversations with both Messrs. Morse and Cohen, I understand that the following matters are likely to be brought up for discussion:

A. GENERAL RELATIONS BETWEEN UNDP AND THE BANK

1. Bank as Executing Agency:

Under this heading Mr. Hoffman simply wants to describe the UNDP reorganization and explain the changes which this will bring about in the channels of communication between the Bank and UNDP. As I understand it, the item is solely for information and raises no issue for discussion.

2. Country Programming:

Mr. Hoffman wants to discuss how the Bank and UNDP might cooperate in the country programming exercise. We have just received today a copy of the definitive guidelines issued by UNDP for country programming which reflects a number of comments which we made on an earlier draft, although it also ignores some. These guidelines are attached for your information.

To be effective, both the UNDP and the Bank must support a single program in each country - namely, the government's own program - even though each of us may finance different segments of it. Because our interests are so closely interrelated, I believe the Bank should try to give the UNDP Res. Reps. such assistance as they may wish in connection with the UNDP programming exercise. The Res. Reps. already receive our economic and sector mission reports. In addition, should they want a Bank country economist or operating officer to advise both in the preparation of the country programming exercise and in the negotiation of it with the government, I think we should be prepared to cooperate to the greatest practicable extent.

Mr. Hoffman may, I understand, ask you whether the Bank would be willing to provide an economic adviser to serve on the Res. Rep.'s

*Banker's
Credit
mission*

President has seen

May 6, 1971

team in selected countries. I think the answer to this should be that we would be glad to give the Res. Rep. economic advice in connection with the country programming exercise, but that we do not see why the Res. Rep. should need a full-time economic adviser on his staff. If there is need for a resident economic adviser, he should probably be adviser to the government's planning office rather than to the Res. Rep.

*conflict with
the Fund -
we want
less -
relation of
res. mission*

3. Feasibility Studies:

We have expressed concern that the new country program approach may make it difficult for the UNDP to finance as many feasibility studies needed for Bank lending programs as it does at present, simply because the case for such feasibility studies is sometimes made at a fairly late stage. Mr. Hoffman intends to assure you that the UNDP will find a way to keep on financing these feasibility studies. They will try to do it as part of the country programs and within the indicative planning figures (IPF's) for each country. This seems to me clearly the correct approach and one that is feasible provided the country programs contain a sufficiently large contingency item to enable these studies to be added to the programs whenever the need for them is demonstrated. I understand that Mr. Hoffman will tell you that, if it proves impractical to finance feasibility studies within the IPF's, the UNDP will find some other way of financing them. Under these circumstances, I believe you should assure Mr. Hoffman that we will continue to give UNDP the right of first refusal of all feasibility studies which the Bank is asked to finance (except those which are included as an integral part of a project loan).

B. INVESTMENT FOLLOW-UP

1. Bank Cooperative Programs with FAO, Unesco and WHO:

Mr. Hoffman will probably want to discuss our cooperative programs with other specialized agencies with a view to determining whether there are ways in which UNDP can be tied in more closely with those programs and to examine whether the programs can be made more useful to UNDP. What I think they have in mind is that the cooperative program teams within the other specialized agencies should be used to give UNDP projects executed by those agencies a greater investment orientation. This already takes place in connection with FAO-executed projects as a result of tripartite UNDP-IBRD-FAO annual reviews of such projects, and the same procedure is being discussed with Unesco. In the case of the new WHO program, a UNDP tie-in is virtually assured because a single WHO unit will be working on UNDP projects and on the cooperative program with the Bank.

2. Data on Investment Follow-Up:

UNDP feels that it does not have adequate data on the amount of investment actually following from UNDP-financed studies. It recognizes that it should get most of this data from the governments but hopes

that in some way the Bank might be able to contribute to UNDP's information on this matter. We already give UNDP full information on all Bank investment which is any way related to UNDP preinvestment work, whether carried out by us or by another agency.

3. IBRD Executed Projects:

According to UNDP's information, of 69 completed UNDP projects for which the IBRD was executing agency, investment is taking place in less than 30. The UNDP wants to know why this is so. I am having a separate paper prepared on this subject giving the full details; suffice it to say here that UNDP's facts, provided by Mr. Skjerdal, are quite wrong. The figure 69 represents the total number of UNDP projects allocated to the Bank for execution; of these 43 have been completed and by the end of the fiscal year at least 28 will have led to investment, 25 by the Bank and three by others. Five more are related to projects in our lending program for subsequent years. Details about the other 10 will be given in the separate paper. *

.....

Attached hereto is a note prepared by Mr. Riley of my Department entitled "Preinvestment Studies" which I believe you will find useful background reading.

* After this paper was finished Mr. Cohen called from New York to say UNDP had now discovered that its information was inaccurate. So this item may not be brought up at all.

PREINVESTMENT STUDIES

I. Scope of paper. This paper is directed to the question, "How should preinvestment study * needs be identified?" A subsidiary and related question concerns how preinvestment studies, once they have been identified, are then to be financed, but this question is not treated in this paper.

II. The need for identifying preinvestment studies. If governments are to make sound decisions regarding priorities for investment, preinvestment studies are essential. Since these take time to plan, finance and execute, and many in themselves involve a significant outlay in domestic and/or foreign resources, advance planning of preinvestment is essential if the process of investment is to proceed smoothly. These considerations are largely independent of questions of external aid.

The principal users of preinvestment studies are:

A. The governments of the developing countries are themselves the greatest potential consumers of preinvestment studies. It is estimated that at least 80 percent of investment in developing countries is internal and, although this varies considerably from country to country, the role of foreign assistance is small by comparison, almost everywhere. Adequate identification and preparation are essential if the benefits of this domestic investment are to be maximized.

* The Bank defines this term in the paper, "Preinvestment Study Programs for Developing Countries," issued by the Office of the Director, Projects, February 6, 1970, wherein it was stated that "preinvestment studies" include "all studies needed to (1) establish investment priorities, (2) determine the feasibility of individual projects, and (3) define such changes in governmental policies, operations or institutions as may be necessary to ensure the successful implementation and functioning of investment projects. The studies should therefore cover the full range from basic resource inventories, river basin surveys and studies of alternative development patterns or of sectors on a regional and country-wide scale, to the functional design, preliminary engineering and financial or economic analyses required for specific projects. To the extent necessary for launching investments, the studies should also include analysis of (or advisory services in) project-related organizations, administrative problems, planning machinery, regulatory and marketing policies, manpower resources and training requirements." It should be noted, however, that under this definition a number of UNDP activities are not included (e.g., support of research and training institutes or the drafting of legislation that would implement recommended policy and administrative changes.

B. The Bank needs preinvestment studies for its own investment decisions.

C. In addition, the Bank in its capacity as sponsor or supporter of coordinating groups for approximately 20 countries has need for this information to help the members of these consultative groups in their investment decision-making.

D. Other multilateral and bilateral organizations, private investors, etc., need preinvestment studies to facilitate the flow of capital to the developing world.

Once needed preinvestment studies are identified, there is a basis for seeking financing for them internally or externally. When external financing is required, UNDP, the Bank, and other multilateral and bilateral aid agencies may be involved in the process of providing it.

III. The role of outside assistance. Basically, the task of defining preinvestment needs should be undertaken by the government. It is only to the extent that governments are unable to define their needs, or to do so in a way that adequately meets the requirements of lenders such as IBRD, that outside assistance is called for. Some idea of the magnitude of the problem may be ascertained from some of the recent Bank experience.

A. A large Bank mission, which visited Colombia in January-February 1970, had as one of its major objectives a comprehensive survey of preinvestment needs covering most of the productive sectors. Its report, issued in November 1970, identified 49 priority studies of which 27 were project studies, and the others background studies of various kinds. These 27 project studies were to be initiated in 1970-72 and to be completed within a time span ranging mostly in the period 1972-73. By comparison, however, Colombia presented to the consultative group meeting in February 1971 an investment program of approximately 90 projects for financing in the two year period 1971-72. Moreover, the UNDP Resident Representative found, in organizing a country programming exercise, that the Bank report was too limited in scope to be more than a modest input to the country programming which UNDP was to help the Government to prepare.

B. The recent Bank report on Indonesia, "Investment and Growth Perspectives in the 1970's; a First Report," dated March 25, 1971, gives some indication of the scope of the problem in that country. Paragraph No. 142 states:

"The Government's report on the status of technical assistance during 1967-70 shows that about 160 separate foreign aid teams and individuals are currently assisting state departments and agencies and that nearly 150 other team and individual

assignments have been completed since 1967. Those still in the field are concentrated mainly in the agriculture, health and education sectors. Many assignments are not directly related to project aid, but over 50 involve investment and feasibility studies which have led or will lead to project aid requests, mainly for agriculture and the economic infrastructure. The 1971-72 technical assistance lists contain 135 requests for pre-investment and feasibility studies, some for the continuation of services already being supplied, others relating to projects for which commitments are sought for the same year, and many which will lead to detailed investment analysis in areas not yet studied in depth."

On the other hand, there are countries, or sectors within countries, where a concerted effort in the preparation of preinvestment lists would be unnecessary or impractical.

1. Some are too big, complex or dynamic, e.g., India (all sectors), Mexico (transport, industry).

2. Some countries or economies are so small and simple that the priority project studies can be readily identified without any sophisticated investigation.

IV. Present Bank activity.

A. The Comprehensive Preinvestment Survey Mission Program has been a step toward providing information needed, but it has proved exceedingly cumbersome. In little more than a year, the Bank has mounted three missions covering five countries. At this rate it will take 20 years to do all the developing countries. For these and other reasons, Mr. Chadenet is recommending that the emphasis of the Bank's preinvestment field work be shifted to sector analyses.

B. Bank economic missions. For more than a year the Operational Memoranda have included a requirement that general economic reports should aim to provide "an analysis of the principal preinvestment surveys and studies required to realize the country's development objectives and to ensure a continuous flow of projects for external financing, and of the relative priorities of those requirements." (O.M. No. 1.11, Para. S4(e)) However, the number of cases so far in which this has been done is still quite limited. X what
L ds

C. Sector missions. Operational Policy Memorandum No. 2.10 provides that sector missions should include a preinvestment analysis of that sector. The number of cases in which this has been done is very limited.* Sector missions are being increasingly emphasized,

* Industrial studies are in the process of being prepared for Korea, Indonesia and Boliva (mineral only); and agricultural sector review missions to Brazil, Iran, Malaysia, Nigeria and Congo (K) have done, or are now doing, preparatory work which will be used in study programs to be done by future missions.

however, and as noted above, Mr. Chadenet has recently proposed shifting to sector studies the main thrust of the preinvestment analysis.

D. Lending program projections. In the Monthly Report on Lending Operations (Preparation and Identification), space is provided on Form No. 49.03 to indicate "Preinvestment Studies Required." This is a limited exercise in that it concerns only Bank Group lending and covers only the current and next fiscal years. If the lending program presented in the Country Program Paper were used as a base, it should be possible to work backward and come up with an identification of preinvestment needs (for Bank lending) for a longer period. ?

E. The Bank is involved in identifying preinvestment needs in other ways, some of which are listed below. Generally these are oriented strictly toward a small portion of the preinvestment spectrum (i.e., projects needed for Bank lending), and the choice of such projects may be made without necessarily taking an overall look at the economy as a whole. Such a project may just be the next logical one in our lending program. X

1. Cooperative Programs with FAO, UNESCO, WHO.
2. Preinvestment identified and financed as part of a project loan for an earlier phase of the same project or system (usually called piggy-back operations).

F. Economic Development Institute. The projects courses do not, of course, do preinvestment planning, but they provide governments with the capacity to do more of it themselves.

V. UNDP's plans for country programming. UNDP, following the Consensus adopted in 1970, will hereafter be financing primarily those preinvestment activities included within country programs. Such a program (normally of five years' duration) is to be prepared for each of approximately 100 developing countries. Estimates of UNDP resources expected to be available to each have already been announced, and the country programs are to be concerned primarily with the use of these funds (called indicative planning figures or IPF's). While the concentration will be on programming those UNDP inputs, an effort is supposed to be made to relate these to other inputs, but it is questionable to what extent this will prove feasible.

About 16 country programs * are to be prepared this summer and to be ready for approval by the Governing Council in January 1972. The balance of the programming exercises are to take place during 1972 and 1973.

* At the present time, country programs are scheduled to be prepared for the following countries in 1971: Chad, Ghana, Mauritius, Togo, Panama, Venezuela, Colombia, Afghanistan, India, Laos, Malaysia, Philippines, Algeria, Cyprus, Fiji, and Yugoslavia.

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pre-invest.*

While it is premature to reach conclusions on this exercise, a number of factors are likely to restrict its usefulness. These may be grouped as follows:

A. Scope.

1. About \$1.25 billion of UNDP funds are to be programmed for approximately 100 countries over a five-year period.
2. At least one-third to two-fifths will be required for projects approved in the last five years, but not yet completed.
3. Perhaps one-fourth will be required for extensions, second phases, etc., of ongoing activities.
4. At most, this leaves one-third to two-fifths, or \$400-\$500 million, to be programmed for expenditures for new projects over the 1972-76 period. In some countries it is expected that there will be almost nothing left for new projects. Even where there are funds for new projects, it is questionable how much of this will be in the preinvestment category.

B. Capacity. In theory, UNDP with its Resident Representatives has a field setup that should be able to provide information on preinvestment needs, but:

1. Many Resident Representatives lack the capacity and their offices are thinly staffed.
2. In many places they have little contact with or support from the key power or decision-making centers in the government.
3. Many Resident Representatives and most agency personnel are oriented toward technical assistance (in the narrower sense)--advice, research and training institutes, etc.--rather than towards investment. Projects identified by agencies (other than IBRD) are not in most cases preinvestment studies.

Because of these limitations, UNDP will be programming only a fraction of the preinvestment studies needed by IBRD and a smaller fraction of those needed by the developing countries for all purposes, even if, under the new country programming exercise, strictly preinvestment activities are given higher priority by governments than UNDP has hitherto given them.

In addition to the factors listed above, there is substantial uncertainty at this time regarding the posture that governments may take toward the country

programming exercise. Since the whole emphasis of the undertaking is that it is to be an expression of the governments' will, the attitude taken by governments is likely to be crucial.

A. There is some concern that, because of internal and external (including agency) pressure, governments, for political or other reasons, may not apply their UNDP resources to real priority needs.

B. On the other hand, there are many in UNDP who think that the indicative planning figure (IPF) system will give governments for the first time a sense that it is their money that is being spent. Previously everything they got came out of the big UNDP pot and the more the better. In the absence of any better ideas they agreed to low-priority projects, lest the money go elsewhere. Now they see the IPF as their money and many in UNDP think that countries will be:

1. More insistent that it go for high-priority purposes;
and

2. More desirous of using more of it for preinvestment. Information just received from the Resident Representative in one of the 16 countries doing its country programming exercise this year indicates that a high emphasis is expected on preinvestment.

A further potential problem with UNDP country programming is the extent to which it may freeze UNDP assistance into an inflexible mold once the country programming is completed. The programs will normally run for five years although there is a provision for an annual review. Nevertheless, the inclusion of new projects in the program will only be possible if: 1) the growth of UNDP resources exceeds the 9.6 percent annual rate of growth presently projected; 2) governments hold a part of their IPF in reserve for later programming; or 3) during the annual review the governments (despite internal or external pressures) drop projects already in the program and substitute others.

VI. Conclusions.

A. Different degrees of assistance are needed by different countries in the task of identifying preinvestment needs. Given this diversity, the size and complexity of the task, and the many institutions already active on various aspects of the problem, there is no case for a single preinvestment approach or for a single agency to be responsible for it all. There is, on the other hand, a very strong case for close coordination and cooperation on preinvestment planning among the Bank, UNDP, and other multilateral and bilateral organizations and the coordination of all these efforts with each government's own efforts.

B. Primary responsibility rests with the government, and where it is doing a good job of identifying its preinvestment needs, outside involvement may be limited to ensuring that the preinvestment is adequate for the investment that is to follow. Outside assistance may, of course, be required to finance the preinvestment that is identified. Generally, however, outside involvement in identifying preinvestment should only be supplementary to what the government is able to do.

C. UNDP is theoretically in a position to make a very significant contribution to the identification of preinvestment needs. Its actual contribution is likely to be restricted, however, by the limited funds it has available, the capacity of its staff and their present lack of orientation towards strictly preinvestment activity.

D. It has been recommended by Mr. Chadenet that the Bank in the future limit its work on comprehensive preinvestment surveys (of the Colombia type) and instead do more in the areas in which it is presently committed, i.e., the preinvestment work called for in connection with economic and sector missions.

The amount which the Bank might do in this area is considerably more than is being done now, although the main lines of Bank activity are already laid out. Some of the measures that could be taken are:

1. The inclusion in terms of reference for each economic mission and for each sector mission of a specific requirement for an analysis of preinvestment requirements, except in instances where it would be inappropriate.

2. The establishment of appropriate follow-up procedures to ensure that it is being done--e.g., the Economic Program Department should routinely question the completeness of any economic report which fails to provide an analysis of preinvestment requirements. Similar questions should be raised by the Projects Departments when a sector report lacks a preinvestment analysis.

3. Consideration of the feasibility of working backward from the Country Program Paper to identify preinvestment studies needed to prepare the projects included in the five-year lending program.

E. The Bank exercises described above could contribute very significantly to the success of the UNDP country programming exercise, and in many situations can draw from the work done under that country programming exercise. There should be a continuous pattern of give and take between the two. Increased efforts also should be made to

establish closer coordination with work being done in this area by other multilateral and bilateral organizations, and with the work done by the governments of the developing countries themselves.

Vincent J. Riley
Development Services Department
May 6, 1971

Briefing for Mr. McNamara on Bank/UNDP Relationships

1. Next only to the IMF, our closest institutional relationships are with the UNDP. The Bank considers the UNDP to be the primary organ of the UN family for the financing of preinvestment studies. Consequently, the Bank looks to the UNDP for this kind of activity and will engage in such financing itself only when the UNDP is for some reason unable to meet a priority need, or when a borrower desires to use part of a loan or credit for financing studies directly related to the investment project being financed by the loan or credit. When requested by a member government, the Bank acts as executing agency for the UNDP. The Bank has been executing agency for 79 projects (\$68.1 million UNDP funds) of which 39 (\$43.7 million) have been completed. Moreover, at the request of the UNDP, the Bank's technical staff reviews all preinvestment projects being seriously considered by the UNDP for financing.
2. In general, BANK/UNDP relations at the top have always been close and harmonious based on a clear view of the President of the Bank and the Administrator of the UNDP that they must complement and reinforce each other. Relations at the operating level have been increasingly intimate and, with rare exceptions, also harmonious.
3. UNDP resident representatives are invited to be associated with all Bank economic missions, especially to contribute information concerning preinvestment activities and requirements of the country. Bank reports in turn are available to the UNDP and to its resident representatives as basic studies in connection with the discharge of UNDP's new responsibilities for programming UNDP inputs of technical assistance to each country.
4. The establishment of regional bureaus, the procedure for programming UNDP inputs country by country for three to five years in advance based on indicative planning figures for each country, and the decentralization of some functions, as called for by the 1970 consensus, will necessitate

numerous changes in the Bank's operational relationship with the UNDP. It is too early to say just what these changes will be or whether they will tend to strengthen or weaken the degree to which the two organizations can reinforce one another. Much will depend on:

- (a) Who succeeds Paul Hoffman as Administrator of the UNDP.
- (b) The extent to which the introduction of indicative planning figures approved by the Governing Council will "freeze" allocation of UNDP resources along lines that do not take account of true development priorities and therefore make them unavailable for preinvestment studies which the Bank and a member government may wish to have carried out.
- (c) The capacity of the new regional bureaus to operate on the basis of development rather than political criteria in handling their resources.
- (d) The ability of the UNDP to replace the poorer resident representatives -- perhaps half of the total number -- with new ones able to discharge effectively the considerably increased responsibilities being placed on them under the new system.

NOTE ON INVESTMENT FOLLOW-UP IN BANK-EXECUTED UNDP PROJECTS

As of February 28, 1971, the Bank had been designated executing agency for 69 UNDP studies. Of these, 43 (for which UNDP allocated \$32,573,290) were completed; the balance are under way.

Of the 43 completed projects, 3 were not directed toward investment, but toward developing conditions that would promote or facilitate it. The status of the remaining 40 in regard to investment follow-up is as follows:

- 26 projects will have resulted in Bank Group investment by the end of this fiscal year; in some instances there have been several loans from one project.
- 4 projects have led to investment by other multilateral or private investors.
- 7 projects are in the Bank/IDA lending program for future years.
- 37 projects have resulted in actual or scheduled investment.
- 1 study was terminated early when the project was found to be economically unfeasible.
- 2 projects have as yet no indication of investment follow-up.

In addition to the above, two loans have been made on the basis of partial results of Bank-executed UNDP projects that are still under way. Total Bank Group investment follow-up on projects which we have executed exceeds \$1 billion.

A listing of the completed projects and status of investment follow-up for each is given in the annex.

Enclosure

5/7/71

UNDP PROJECTS FOR WHICH IBRD IS EXECUTING AGENCY

Projects Completed Through February 28, 1970

<u>Country</u>	<u>Title</u>	<u>Completed</u>	<u>UNDP Allocation</u> (<u>\$</u>)	<u>Remarks</u>
Argentina	Power Study	1960	287,500	1 loan - \$82 million.
Argentina	Transportation	1962	520,000	3 loans - \$176.5 million.
Bolivia	Integrated Transport Survey	1969	948,500	Additional technical assistance now underway. Small loan contemplated FY-73.
Botswana	Pre-Investment Survey of Utilities for Mining Development	1968	383,400	\$2.5 final engineering Credit made. \$29 million Shashi loan scheduled June 1971.
Brazil	Survey of Hydro-electric Resources in Minas Gerais	1966	777,000	1 loan -\$26.6 million.
Brazil	Survey of Power Development for South Central Brazil	1966	2,023,300	5 loans - \$247 million.
Brazil	Power Development Programme for the Southern Region	1970	470,400	1 loan - \$70.0 million.
Brazil	Transport Survey (Phase II)	1970	1,730,000	2 loans - \$126 million.
Central African Republic	Road Feasibility and Road Maintenance Study	1970	359,500	IDA Credit \$4.3 million.
Chile	Railway Organization and Operations	1970	911,000	\$26 million loan in FY 72 lending program.
Colombia	Survey of the Cauca Valley Coal Deposits	1964	216,500	Study terminated when project determined to be uneconomic.
Colombia	Transport and Urban Development Study, Bogotá	1970	207,000	UNDP has approved follow-up study. Loan for \$20 million in FY 73 program.

<u>Country</u>	<u>Title</u>	<u>Completed</u>	<u>UNDP Allocation</u> (<u>\$</u>)	<u>Remarks</u>
Congo(K)	River Transport Study (Phase I)	1970	1,067,000	\$7 million IDA Credit scheduled for May 1971.
Costa Rica	Port and Railway Study	1964	204,000	\$17.6 million loan scheduled for December 1971.
Dahomey	Land Transport Survey	1970	607,500	1 loan - \$3.5 million.
Dominican Republic	Surveys for the Multi-purpose Development of the Yaque River Basins	1968	1,220,800	IDB has made loan. \$6 million Bank loan scheduled November 1971.
Ethiopia	General Road Study	1970	330,900	\$10 million Credit in FY 72 lending program.
Gabon	Iron Ore Transport Survey	1965	2,302,500) \$25 million loan in FY 72) lending program.)
Gabon	Engineering Study of the Owendo-Belinga Railway	1969	4,104,890	
Ghana	Studies of Two Trunk Roads	1968	426,000	Project Preparation Credit - \$1.5 million.
Guatemala	Power and Irrigation Study	1963	633,500	1 loan - \$7.0 million.
Guinea	Highway Feasibility Studies	1969	503,000	No follow-up; country considerations.
Guyana	Georgetown Bar Siltation and Erosion Study	1963	278,000	1 loan - \$5.0 million. Second loan scheduled June 1971.
Ivory Coast	Transportation Survey (Phase I)	1970	663,500	\$20 million Bank loan scheduled June 1971.

<u>Country</u>	<u>Title</u>	<u>Completed</u>	<u>UNDP Allocation</u> (<u>\$</u>)	<u>Remarks</u>
Mali	Transport Survey	1969	204,000	1 IDA Credit - \$7.7 million.
Nicaragua	Highway and Port Survey on the Southern Atlantic Coast	1970	768,000	Loan by CABEI.
Nigeria	Niger Dams Survey	1961	735,000	2 loans - \$96.5 million.
Nigeria	Western Nigeria - Highway Development Study	1970	290,000	\$20 million loan scheduled June 1971.
Pakistan	Telecommunications Survey	1968	486,000	2 IDA Credits - \$31 million.
Pakistan	Advisers to Planning Commission	1970	1,214,200	Not directed towards investment.
Papua & New Guinea	Transport Survey	1970	489,600	1 Loan/Credit - \$9.0 million.
Paraguay	Road Survey in Southern Paraguay	1967	597,100	The UNDP project provided supporting data for this \$6.0 million loan. A direct follow-up is in FY 72 program.
Philippines	Transport Survey	1970	788,000	1 loan - \$8.0 million.
Sierra Leone	Land Transport Survey	1970	687,000	1 Loan/Credit - \$7.2 million.
Sudan	Electric Power Survey	1963	115,200	1 loan - \$24.0 million.
Surinam	Mineral Survey	1967	847,000	Private investment.
Surinam	Transportation Study	1968	510,500	---
Thailand	Bangkok Port Siltation and Sriracha Port Feasibility Studies	1966	1,015,000	1 loan - \$12.5 million.
Tunisia	Transport Survey	1969	490,000	\$850,000 Project Preparation Credit. \$24 million loan scheduled for May 1971.

<u>Country</u>	<u>Title</u>	<u>Completed</u>	<u>UNDP Allocation</u> (<u>\$</u>)	<u>Remarks</u>
<u>REGIONAL</u>				
Africa	Survey of Transport Studies in Africa	1969	357,000	Not directed towards investment.
Burundi and Tanzania	Bujumbura-Kigoma Road Feasibility Study	1970	359,000	Project Preparation Credit - \$380,000 to Burundi. \$8.0 million Credit in FY 72 program.
Central America	Study for Development of Telecommunications	1963	770,000	IDB & CABEI have financed regional network. Bank has made several supporting loans to National Telecommunications systems.
Kenya, Tanzania and Uganda	Transport Study	1969	675,000	Not directed towards investment.
TOTAL			<u>\$ 32,573,290</u>	

Mr. Chadenet

April 23, 1971

Richard H. Demuth

Preinvestment Study Programs

I have just re-read your memorandum to Mr. McNamara of April 21 on the above subject. I want to make one comment in addition to the comment I made on the earlier draft. You state at the bottom of the first page that the countries selected for comprehensive study programs are often not those to which a particular Projects Department (or Departments) has to give priority in its lending program. You add that "In such cases, providing staff for comprehensive study programs distorts the work programs of this (or these) Department." I take some exception to the quoted sentence. It is true only if you assume that the lending program constitutes the work program of the Projects Department. It is not true if you assume that formulating preinvestment study programs is part of the responsibility of the Projects Departments and therefore part of their work programs.

Having said that, I do not quarrel with your conclusion that, at the present stage, we should concentrate on sector studies and sector preinvestment programs. However, it must be recognized that in many cases this will leave a gap which eventually we will have to try to fill.

RHD:tf

cc: Messrs. McNamara, Knapp, Aldewereld and Hoffman/Riley

OFFICE MEMORANDUM

TO: Mr. McNamara
FROM: Richard H. Demuth
SUBJECT: Preinvestment Studies

DATE: April 21, 1971

Attached is a rough outline--unduly long, I'm afraid--of a paper on preinvestment studies of the kind you asked me to prepare. I believe that, with the assistance of Projects, a paper along these lines can be prepared for consideration in advance of our May 10 meeting with Messrs. Hoffman and Morse.

VJRiley:RHDemuth:cbh

Enclosure

PREINVESTMENT STUDIES

I. What is included in the term "Preinvestment Studies"?

This is a cloudy concept. Our use of the term, for example, is not identical to that of UNDP. The Bank defined the term in the paper, "Preinvestment Study Programs for Developing Countries," issued by the Office of the Director, Projects, February 6, 1970, wherein it was stated that "preinvestment studies" include "all studies needed to (1) establish investment priorities, (2) determine the feasibility of individual projects, and (3) define such changes in governmental policies, operations or institutions as may be necessary to ensure the successful implementation and functioning of investment projects. The studies should therefore cover the full range from basic resource inventories, river basin surveys and studies of alternative development patterns or of sectors on a regional and country-wide scale, to the functional design, preliminary engineering and financial or economic analyses required for specific projects. To the extent necessary for launching investments, the studies should also include analysis of (or advisory services in) project-related organizations, administrative problems, planning machinery, regulatory and marketing policies, manpower resources and training requirements."

This text noted, however, that UNDP includes within this term a whole range of technical assistance such as studies "required to establish research and training institutes or to draft legislation that would implement recommended policy and administrative changes." For the purpose of this memo, the Bank definition given above is adequate.

II. There are two big questions to be answered:

- A. How should preinvestment studies be identified?
- B. How should identified preinvestment studies be financed?

This note is concerned with Part A - the procedures for identification.

III. What is the purpose in trying to identify preinvestment studies?

- A. Governments need this information to make sound investment decisions. Eighty percent of investment in developing countries is internal although this varies enormously from country to country.
- B. The Bank needs such studies for its own investment decisions and for decisions by members of consultative groups for which the Bank takes the lead.
- C. It is needed by other multilateral and bilateral organizations, private investors, etc.
- D. Once needed preinvestment studies are identified, there is a basis for seeking financing for them internally or externally.

IV. How big a job is involved?

- A. It is hard to know. Basically, the task of defining preinvestment needs should be undertaken by the government. It is only to the extent that governments are unable to define their needs, or to do so in a way that adequately meets the needs of lenders such as IBRD, that outside assistance is called for.
- B. A comprehensive listing is not needed for each sector of every country. Some are too big, complex, dynamic, e.g., India (almost all sectors), Mexico (transport, industry).
- C. In Colombia it has been reported that the country consumes about a hundred project preparation studies a year. By comparison, the Bank report, produced in November, covered almost all sectors and identified only 52 studies to be undertaken in two years, mostly in 1971 and 1972.
- D. On the other hand, some countries and economies are so small and simple that the priority project studies can be readily identified without any sophisticated investigation.

V. What is the Bank doing?

- A. The Comprehensive Preinvestment Survey Mission Program has been a step toward providing information needed, but it has proved exceedingly cumbersome. In little more than a year, the Bank has mounted three missions covering five countries. At this rate it will take 20 years to do all the developing countries. For these and other reasons, Mr. Chadenet is recommending that the emphasis of the Bank's preinvestment field work be shifted.
- B. Bank economic missions. For more than a year the Operational Memoranda have included a requirement that general economic reports should aim to provide "an analysis of the principal preinvestment surveys and studies required to realize the country's development objectives and to ensure a continuous flow of projects for external financing, and of the relative priorities of those requirements." (O.M. No. 1.11, C.S4(e), p. 2) So far, however, this has been done only in a few cases.
- C. Sector missions. There is a requirement that sector missions include a preinvestment analysis of that sector. The number of cases in which this has been done, however, is very limited. Sector missions are being increasingly emphasized, however, and Mr. Chadenet is proposing shifting to sector studies the main thrust of the preinvestment analysis.
- D. Cooperative Programs with FAO, UNESCO, WHO.

E. Bank-Financed Piggyback Operations.

These last two, however, while they provide projects for future Bank financing, choose these without necessarily looking at the sector as a whole. The project may just be the next logical one in our lending program. Moreover, they are oriented strictly toward a small portion of the preinvestment spectrum, i.e., projects needed for Bank lending.

F. Identification of preinvestment as part of the projection of Bank lending operations. In the Monthly Report on Lending Operations (Preparation and Identification), space is provided on Form No. 49.03 to indicate "Preinvestment Studies Required." Of course, this too is a limited exercise in that it concerns only Bank Group lending and covers only the current and next fiscal years. If the lending program presented in the Country Program Paper were used as a base, it would be possible to work backward and come up with a definition of preinvestment needs (for Bank lending) for a longer period.

G. Economic Development Institute. The Projects courses do not, of course, do preinvestment planning, but they provide governments with the capacity to do more of it themselves.

VI. What is UNDP doing or about to do? Country Programming.

A. UNDP will be programming for the UNDP inputs, normally for the next five years. It is supposed to relate these to other inputs, but it is questionable to what extent the UNDP Resident Representatives will be able to do this.

B. Even with respect to programming UNDP inputs, the exercise is likely to be of limited scope and may often be poorly executed:

1. Scope

- a. About \$1.25 billion is to be programmed representing five years' estimated UNDP resources to be spent in 90 countries.
- b. At least 1/3 to 2/5 will be required for projects approved in the last five years, but not yet completed.
- c. Perhaps 1/4 will be required for extensions, second phases, etc., of ongoing activities.
- d. At most, this leaves 1/3 to 2/5, or \$400-\$500 million, to be programmed for expenditures for new projects over the 1972-76 period. In some cases there will be

almost nothing left for new projects. Even where there are funds for new projects, it is questionable how much of this will be in the preinvestment category.

2. Capacity

In theory, UNDP with its Resident Representatives has a field setup that should be able to provide information on preinvestment needs, but:

- a. Many Resident Representatives lack the capacity and their offices are thinly staffed.
 - b. In many places they have little contact with or support from the key power or decision-making centers in the government.
 - c. Many Resident Representatives and most agency personnel have no orientation for investment or preinvestment. They are oriented toward technical assistance (in the narrower sense)--advice, research and training institutes, etc. Projects identified by agencies (other than IBRD) are not in most cases preinvestment studies.
- C. UNDP will be programming only a fraction of the preinvestment studies needed by IBRD and a smaller fraction of that needed by the developing countries for all purposes, even if, under the new country programming exercise, strictly preinvestment activities are given higher priority by governments than UNDP has hitherto given them.

VII. Other thoughts on UNDP.

- A. There is some fear that, because of internal and external (including agency) pressure, governments, for political or other reasons, may not apply their UNDP resources to real priority needs.
- B. On the other hand, there are many in UNDP who think that the Indicative Planning Figure (IPF) system will give governments for the first time a sense that it is their money that is being spent. Previously everything they got came out of the big UNDP pot and the more the better. In the absence of any better ideas they agreed to low-priority projects, lest the money go elsewhere. Now they see the IPF as their money and many in UNDP think that countries will be:
 1. More insistent that it go for high-priority things; and
 2. More desirous of using more of it for preinvestment. Information just received from the Resident Representative in one of the few countries doing its country programming exercise this first year indicates that a high emphasis is expected on preinvestment.

VIII. How should preinvestment be handled?

- A. Different degrees of assistance are needed in different countries. There is no case for a single preinvestment approach or for a single agency to be responsible for it all.
- B. Primary responsibility rests with the government, and where it is doing a good job of identifying its preinvestment needs, outside involvement may be limited to ensuring that the preinvestment is adequate for the investment that is to follow. Outside assistance may, of course, be required to finance the preinvestment that is identified. Generally, however, outside involvement in identifying preinvestment should only be supplementary to what the government is able to do.
- C. UNDP will provide some assistance, but its staff is of uneven quality and they are not really oriented towards strictly preinvestment activities.
- D. Except for the Comprehensive Preinvestment Survey Missions, which it has been proposed should be curtailed, the Bank should do much more in the areas in which it is presently committed, i.e., the preinvestment work called for in our economic missions and in our sector missions.
- E. To make this effective will require:
 1. A clear statement of policy of what is expected;
 2. Staff and time to do it;
 3. Appropriate follow-up to ensure that it is being done--e.g., except in instances where it would be inappropriate, the Economic Program Department should routinely question the completeness of any economic report which fails to provide an analysis of preinvestment requirements. Similar questions should be raised when a sector report lacks a preinvestment analysis.
- F. The Bank exercise described above could contribute very significantly to the success of the UNDP's country programming exercise, and in many situations can draw from the work done under the country programming exercise. There should be a continuous pattern of give and take between the two.
- G. Whatever is done will require continuous, or at least periodic, updating if it is going to remain useful.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 21, 1971

FROM: B. Chadenet *B. Chadenet*SUBJECT: Preinvestment Study Programs
Status and Prospects

This memorandum is in response to your question about the status and prospects of our preinvestment study programs.

As you know, we planned to do preinvestment programming at both the sector and the country level. At the sector level, programs of industrial studies are in the process of being prepared for Korea, Indonesia and Bolivia (minerals only), and agricultural sector review missions to Brazil, Iran, Malaysia, Nigeria and Congo (K) have done, or are now doing preparatory work which will be used in study programs to be done by future missions. At the country level, we have had two large missions which prepared "comprehensive country programs" of preinvestment studies, covering four countries:

1. One was attached to the economic mission to Colombia, in February-March 1970 (grey cover report issued November 1970).
2. One was attached to the economic mission to Kenya, Tanzania and Uganda, in November-December 1970 (green cover report on Kenya attached - others to be issued by the end of April).

In addition, a mission is leaving for Iran this week to complete a study program on which preliminary work in various sectors has been in progress by various missions since last December. The draft of the Iran mission's report is scheduled for completion by the end of June.

We have experienced two major difficulties in mounting such comprehensive country missions:

The requirement of simultaneous staffing in all sectors interferes with the normal operations of individual Projects Departments and, furthermore, it leads to large and somewhat unwieldy missions;

the countries selected for comprehensive study programs are often not those to which a particular Projects Department (or sometimes several Departments) has to give priority in its lending program. In such cases, providing staff for comprehensive study programs distorts the work programs of this (or these) Department.

In addition to these internal reasons, the proper coordination of the Bank with UNDP's increasing activity in the field of preinvestment

Mr. Robert S. McNamara

April 21, 1971

programming is causing us to review our approach: UNDP has announced that its resident representatives will assist governments in preparing "country programs", which are to cover all UNDP inputs over a period of three to five years. According to our latest information the UNDP is to initiate such programs in about fifteen countries during calendar year 1971. The programs will be extended to some thirty additional countries next year, and essentially all developing countries are to be covered by the UN system within three years. The programs are to be submitted to the UNDP's Governing Council for approval and will be kept up-to-date by annual reviews.

Although Mr. Demuth thinks that the UNDP exercise may cover only a small fraction of countries' preinvestment requirements, comprehensive preinvestment programs carried out by the Bank are likely to duplicate efforts, confuse governments and cause jurisdictional problems.

In the light of these three considerations and in spite of the risk that the comprehensive preinvestment programs prepared by governments under this new procedure may not be thorough enough, particularly in the first years, our role should be to concentrate on substantial upgrading and updating of study needs in the sectors in which we are most active. More specifically, we propose to intensify sectoral preinvestment study planning in the course of the Bank's regular sector work. While the primary objective would be to provide the basis required for our lending operations, it would also provide valuable support to the UNDP's effort in the areas where we are best qualified to make substantive contributions. We will also endeavor to do some preinvestment programming when we give support to economic missions. We are presently planning in more detail the new approach described above.

This more limited approach will exclude the sectors in which we do not propose to lend, such as health, and it will reduce the opportunities which arose during comprehensive missions for determining inter-sectoral study priorities. We will call on the Area and Economic Program Departments to provide guidance on a continuous basis in coordinating studies in various sectors with one another.

Attachment

PEngelmann/BChadenet:jfh

c.c. Messrs. Knapp
Aldewereld
Ballantine
Evans
Fuchs
Kanagaratnam
Knox
Koch

Messrs. Sadove
Weiner
Hoffman
Engelmann
J. King