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MAY 22 2013

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March 6, 1970

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Pearson Commission Recommendation No. 19 Concerning Integration of Technical and Capital Assistance

Recommendation

"Multilateral and bilateral technical assistance should be more closely integrated with capital assistance."1/

Background

This recommendation appears in the context of the Commission's consideration of ways to make aid more effective, and is one of several proposals concerned with technical assistance.2/ The Commission comments that technical assistance "often develops a life of its own, little related either in donor or recipient countries to national or global development objectives". It adds that technical assistance "should form part of any development aid program both at the sectoral level and at the project level", that it is "often necessary in advance of project selection to ensure that the right choices are made and that necessary preparations take place", and that it "must often continue throughout the construction stage and well beyond in order to ensure that the investment comes to full fruition."3/

Analysis

I agree completely with the Commission's view of the importance of assuring a proper relationship between technical and financial assistance. Most of the technical assistance which the Bank provides is given in the normal course of its financing activity and is accordingly completely integrated with capital assistance. We consider all aspects of a project -- economic, technical, managerial, organizational, commercial, financial --

1/ Report, page 190.

2/ See also the memoranda analyzing Recommendations Nos. 20, 21 and 22.

3/ Report, page 180.

in the course of appraising it for possible Bank Group support, and make suggestions, where this seems indicated, for improvements of the initial plans in any of these respects. And, as the Executive Directors are well aware, it is our standard practice to do all we can to ensure that the projects we finance are properly carried out. This is accomplished through periodic visits to the project by the Bank staff, periodic reporting by the borrower, and frequent consultations to anticipate problems or to work out solutions when problems nevertheless arise.

In the last few years we have given increased emphasis to the formulation, and to the earlier step of identification, of projects suitable for financing by the Bank or IDA. We are doing this through the work of our own staff, including economic missions; through the cooperative programs with Unesco and FAO; by allocating part of a project loan or credit for studies designed to identify other projects which the Bank Group might finance; through loans or credits for sector and feasibility studies,^{1/} carried out generally by consultants whose services include training of local personnel; through grants, of up to \$200,000, for smaller preinvestment studies. It is our practice, unless the circumstances are exceptional, to finance only those studies which appear likely, if the conclusion is affirmative, to lead to Bank Group financing. We have also stationed staff members in developing countries with responsibility for providing assistance to governments in project identification and preparation, i. e., the Permanent Missions in Eastern and Western Africa, and the Resident Staff in Indonesia. Similar activities are carried out in the framework of our agricultural and water development program for East Pakistan.

The U. N. Development Programme (UNDP) asks the Bank to comment on all requests from governments for UNDP financing of preinvestment studies and other technical assistance, and takes the Bank's comments into account in determining its response to the requests. Applicants for UNDP assistance are asked to indicate, among other things, how the development of the economic sector involved fits into present or proposed Bank Group operations and how the specific study or other activity for which UNDP assistance is sought fits into that sector. The Bank, in providing the UNDP with information relevant to the latter's evaluation of the request, typically also deals with this issue.

As the Executive Directors know, the Bank itself has served as Executing Agency for UNDP-financed preinvestment studies, 10 of which have already led to Bank Group project financing of about \$719 million. Normally, our willingness to serve as Executing Agency depends upon the extent of our

1/ A "sector study" is the analysis of a particular sector of the economy looking to the preparation of a coordinated investment program for the sector and the identification of projects within it. A "feasibility study" determines whether projects already identified are economically justified and technically feasible.

operational interest in the country or program for which UNDP assistance is sought, and upon the availability within the Bank of the knowledge and technical competence required to organize and supervise the particular study. Where there is a reasonable prospect that a UNDP-financed study will lead to a project suitable for Bank Group financing, but where it is unlikely that the Bank will be Executing Agency, we express "special interest" in the proposed study when responding to the UNDP request for comments. The UNDP will then instruct the Executing Agency to consult with us during the preparation and execution of the project, to submit draft terms of reference for the study and the plan of operation for Bank review, and to provide the Bank with copies of all reports pertaining to the study. The purpose of these arrangements is to help to assure that our criteria for project identification and preparation will be met by the Executing Agency and accordingly to facilitate and expedite the possibility of Bank Group project financing.

As the Executive Directors know, we are expanding the scope of inquiry of our comprehensive country economic missions to include pre-investment surveys and studies required to carry out the development program of each developing country and of the relative priority of those requirements. The reports of these missions will be made available to other international institutions, to governments and to the coordinating groups for which the Bank provides economic reporting services.^{1/} They should, we believe, help to insure preparation of an integrated country development program, including both preinvestment and investment projects, for consideration by not only the Bank Group but other sources of finance, bilateral as well as multilateral. In this work we have enlisted the cooperation of the U. N. Development Programme, whose Resident Representatives will be associated with the missions and will play a central role in formulating technical assistance and preinvestment programs, and of the specialized agencies particularly concerned with the Bank's operations - FAO, ILO, Unesco and WHO.

Conclusion

I agree with the Commission that the coordination of technical and financial assistance is an essential element in achieving the greatest possible developmental effectiveness of capital assistance. I believe that present Bank policy and practice, as well as the directions we plan for the future, are fully consistent with the Commission's recommendation.



1/ See the memorandum analyzing Recommendation No. 12, on aid coordination.

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MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Pearson Commission Recommendations Nos. 20 and 21 Concern-
ing Financing for Technical Assistance

Recommendations

"Donors should give financial assistance for local recurring expenditures and for equipment, transport, and other supplies in connection with technical assistance projects."^{1/}

"Loans for projects should include a greater component of technical assistance."^{2/}

Background

These recommendations appear in the portion of the Commission's report which is devoted to consideration of ways in which technical assistance, both bilateral and multilateral, might be reoriented to make it contribute more effectively to economic development.^{3/}

The first of the two recommendations is preceded by the Commission's observation that technical assistance which is offered "ostensibly" as a grant may in fact "represent a considerable cost" to the recipient country, which must not only contribute to the salaries of expatriate experts but also provide them with housing, local transport and office facilities. The Commission suggests that, "As a measure to offset the large and growing costs to recipients, donors should, in supplying experts and teams of technicians, commit themselves to provide the needed equipment, supplies, and operational support necessary to make technical assistance fully effective."^{4/}

^{1/} Report, page 190.

^{2/} Ibid.

^{3/} See also the memoranda analyzing Recommendations Nos. 19 and 22.

^{4/} Report, pages 182-3.

The considerations which led to the second of the recommendations do not emerge clearly from the immediate context. However, read in the light of the full discussion of technical assistance in the report and against the background of papers prepared for the Commission by its staff, the recommendation appears to reflect not only concern that recipients do not appreciate the true cost of technical assistance but also concern that technical assistance is not always related, or is insufficiently related, to specific development objectives and priorities. The Commission felt that the relevance of technical assistance, as well as the recipient's commitment to such assistance as an instrument of development, might often be better assured if the assistance were provided as part of a project loan.

It appears that in making these recommendations the Commission had primarily in mind technical assistance from bilateral sources. However, the recommendations are in principle equally applicable to the international agencies.

Analysis

I am in complete agreement with the Commission that developing countries should be made aware, before accepting technical assistance, of the true cost to them of such assistance. But I also believe that the way to maximize the development contribution of technical assistance, from whatever source and on whatever terms it may be provided, is to assure that the assistance is directed to a specific and priority development objective. So directed, the benefits of the assistance to the recipient government should more than justify the government's contribution to its cost.

As stated in my memorandum analyzing the Commission's Recommendation No. 19,^{1/} the relevance and priority of technical assistance can most effectively be assured if it is integrated with capital assistance in the framework of an over-all development strategy. That is a principal purpose of our expanded program of country economic missions, with which representatives of the UNDP and of other specialized agencies are being associated: we are helping the governments of developing country members to draw up development programs covering every major sector of the economy and including an analysis of both investment and preinvestment priorities. To facilitate the preparation of these integrated country development programs, World Bank economic missions will be collecting information on current and proposed preinvestment studies and related technical assistance. The reports of these missions, which are to be made available not only to the government concerned but to other sources of capital and technical assistance, bilateral and multilateral, will include recommendations concerning the principal preinvestment surveys and studies required to carry out

^{1/} SecM70-92, dated March 6, 1970.

the country's development program and the relative priority of those requirements.

As for the manner of financing technical assistance, I agree with the Commission that an effective technique to assure the desired relevance and priority is to incorporate funds for technical assistance in a project loan or credit. More and more this is becoming our normal practice when a borrower needs assistance in administering or operating the project being financed, in planning for future expansion of that project, or in preparing additional similar or closely related projects. We are financing in this way a variety of technical assistance: training abroad of nationals of the borrowing country; services of engineering, management, accounting or financial consultants; employment of expatriate staff for advisory, operational or training services; and feasibility studies for future expansion.

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67 loans & credits
1,041 million
40.4% for technical assistance
23 experts & consultants
15 years studies
2.4% for research
In fiscal year 1969, 54 project loans and credits aggregating \$747 million (out of the year's total financing of \$1.78 billion in 122 loans and credits) included \$39.5 million for technical assistance. Of this amount, \$29 million was provided for the services of experts or consultants to help in the execution of the project being financed during its early stages, \$9.1 million for feasibility studies designed to identify possible future projects, and \$1.5 million for overseas training and fellowships. We have found that the inclusion, in a loan or credit, of funds to finance technical assistance not only achieves the objectives identified by the Commission, but expedites project implementation and encourages the efficient use of consulting services, often by affording continuity from one project to another. It seems likely that, as our lending program expands, the technical assistance component of lending operations will increase.

When a country is in need of technical assistance unrelated to a project being financed by the World Bank or IDA, as for example a sector study or a feasibility study for an entirely new project, it is our policy to ascertain whether the UNDP is prepared to provide financing and, if so, to help the government concerned in arranging for it. The UNDP is the member of the United Nations family with primary responsibility for financing preinvestment studies, and finances them on a grant basis. Since current UNDP procedures now permit quick approval of small projects and early initiation of larger projects, any World Bank Group financing of technical assistance outside of a project loan or credit is likely to be undertaken only in very exceptional circumstances.

The Commission has proposed that donors should finance equipment, transport and other supplies associated with a technical assistance project. It is customary World Bank practice to meet all foreign exchange costs of such projects. These include, in addition to the principal item of experts' services, the costs of transporting personnel (and their families) to and from the recipient country, and of purchasing vehicles imported for transport within the country in connection with the project,

and other equipment and supplies not available locally. Governments are called upon to provide only those services, materials, equipment and supplies available within the country.^{1/}

Conclusion

I believe that the World Bank will effectively help to achieve the objectives of the two recommendations to which this memorandum is directed by its emphasis on integrated country development programs. Insofar as these identify the technical assistance projects required to implement priority investment projects, they will help to assure that technical assistance offered to the developing countries is relevant to the needs of those countries and that their contributions to the cost of technical assistance are well spent. As for technical assistance closely related to World Bank Group projects, I believe provision for the financing of such assistance should be included in our loans and credits. It seems likely that, as our lending program expands, the technical assistance component of our lending operations will increase.



^{1/} Similarly, the UNDP requires a counterpart contribution and a contribution toward local operating costs.



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March 6, 1970

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Pearson Commission Recommendation No. 22 Concerning
Creation of International Technical Assistance Corps

Recommendation

"International technical assistance should be strengthened by the creation of national and international corps of technical assistance personnel with adequate career opportunities."^{1/}

Background

The recommendation appears in the context of the Commission's consideration of ways to increase the effectiveness of development aid. The Commission believes that some redirection of technical assistance is called for and makes a number of suggestions to that end. It notes that, although it is reasonable to look forward to increases in the developing countries' supply of trained manpower -- scientific, technical, administrative and educational personnel -- the indications are that these countries' requirements cannot for some time be met entirely from their own populations. At the same time, it adds, the supply in donor countries of persons competent to provide technical assistance overseas is limited, and competition for their services is keen; in consequence, the average quality of those offering their services "has tended to deteriorate".^{2/} The Commission also comments that the short-term employment contracts offered to experts recruited for field work by U. N. agencies often fail to attract qualified personnel and, in any event, serve to deprive the organization of the benefits of continuity.^{3/} One of several measures which the Commission proposes as a means of reversing this trend is the recommendation to which this memorandum is addressed. The Commission points out that a permanent corps of development personnel with adequate career opportunities

^{1/} Report, page 190.

^{2/} Report, pages 183-4.

^{3/} Report, page 217.

would offer the elements of continuity and commitment; it might therefore succeed in attracting greater numbers of qualified personnel. Moreover, the corps itself, together with cooperating "national teams", could accelerate the integration of multilateral, technical and capital assistance, an objective which the Commission also endorses.^{1/}

Analysis

This recommendation is not explicitly directed to the Bank; the Commission does not propose that the Bank take the initiative to establish an international technical assistance corps. In fact, it appears from the papers prepared by the Commission's staff that the U. N. Development Programme (UNDP) may have been envisaged as the most appropriate situs. In his study of the "capacity" of the United Nations system, submitted to the Administrator of the UNDP in September 1969, Sir Robert Jackson likewise proposed that a "career service" be established for the permanent staff engaged in planning and administering the "development cooperation" activities within the U. N. system, and that the UNDP take the initiative in establishing it.^{2/}

Our experience confirms both the Commission's view of the importance of competent technical assistance and its appraisal of the supply situation in developing and developed countries. We have consistently emphasized to our borrowers that sound management is essential to the success of a project. We have normally considered a "management" position to be one which, if unfilled or filled by an unsuitable individual, would have a significantly adverse effect on the outcome or objectives of a project.^{3/} Our own expanded lending program is adding to the demand for management assistance. We have on occasion tried to help our borrowers to find qualified personnel, through bilateral technical assistance programs and the international program, the UNDP's Operational Assistance (OPAS) and its predecessor OPEX. But assistance under bilateral programs, although theoretically available, may be

1/ See Recommendation No. 19, the subject of a separate memorandum.

2/ A Study of the Capacity of the United Nations Development System, United Nations, Geneva, 1969. Vol. 1, p. 39. The Study comments that this proposal is "in keeping" with the Commission's recommendation for a technical assistance corps.

3/ Thus, the term is viewed as including either an individual or a team, and such functions as the chief executive of a power authority, the director of a highway department or other transport entity, a technical or engineering director, a financial manager, managers or advisers of development finance companies, a chief accounting officer, specialists in agricultural credit or livestock management, educators or educational administrators, sector economists, architect-administrators, commercial or marketing specialists, superintendents of highway maintenance, and the like.

unacceptable in practice for political considerations. As for the international program, both OPAS and its predecessor have been subject to a number of limitations, including in particular the fact that they have not been able to offer career opportunities.

Because of the difficulties encountered in finding qualified managers, particularly for the agricultural projects which play such a large role in the economies of developing countries, the Bank itself set up an Agricultural Development Service (ADS) in 1966 to provide or retain managers, through secondment, for agricultural projects in East Africa,^{1/} and subsequently itself employed and seconded managers for several livestock projects in Latin America and Africa where there appeared to be no suitable alternative. In addition, the Bank has on occasion seconded advisers or managers to development finance companies. In planning prospective Bank Group operations for the next several years, the Projects Departments reviewed the need for managers to operate the projects scheduled in the program, and concluded that for a large number of positions no qualified local managers would be available. There is some reason to believe that, for one or another of the reasons identified by the Commission, it may not be possible to fill all these positions with qualified expatriates, whether through direct employment by the prospective borrower or through the existing bilateral or international programs. The projected shortage of managerial talent might well impede the successful implementation of our lending program in a number of countries. To avert this danger, we have under review within the staff the desirability of establishing, on an experimental basis, a program (additional to the ADS) under which the Bank would hire and second, on an ad hoc basis, a limited number of managers for Bank-financed projects. Should we conclude that this would be advisable, I shall put a proposal to the Executive Directors for approval.

The existence of a corps of technical assistance personnel such as the Commission recommends might well have obviated the need for the Bank to consider taking such a step. I believe that it would be feasible to create such a corps and that the career opportunities it would provide would serve, perhaps not immediately, but over time, to attract the wide range of competence for which there is need. I have no doubt that there would be occasion for the Bank Group, among others, to draw upon a soundly organized corps.

Conclusion

I fully agree with the Commission that the availability of an international corps with career possibilities could significantly improve the effectiveness of technical assistance. I believe that the Bank should encourage creation of such a corps under the auspices of the U. N. Development Programme.



^{1/} See SecM65-170.



EXECUTIVE DIRECTOR

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July 10, 1970

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Pearson Commission Recommendation No. 23 Concerning Research
in the Field of Human Reproduction and
Fertility Control

Recommendation

"The World Bank, in consultation with the WHO, should launch immediately a wide ranging international program for the direction, coordination, and financing of research in the field of human reproduction and fertility control."^{1/}

Background

This recommendation appears in the portion of the report concerned with population policy, aid to education, and assistance to research. The report comments that many potentially interesting methods of fertility control center on relatively unexplored aspects of the reproduction process, and that while there is no shortage of suggestions and hypotheses, funds for research in reproductive biology are lacking, as are facilities for the coordination of such research and systematic contact among the researchers in this field. This leads the Commission to the conclusion that "an international program of research in human reproduction, enlisting existing institutions and laboratories in high priority work on fertility control might accelerate progress in this field by years or decades."^{2/} The Commission adds that such research can absorb "fairly sizable funds."

Comment

In my address to the Boards of Governors in 1968, I proposed that the Bank should join with others in programs of research to determine

^{1/} Report, page 207.

^{2/} Report, page 199.

the most effective methods of family planning and of national administration of population control programs. The Commission's recommendation goes further. While it does not call for the Bank itself to administer an international research program, it does propose that the Bank, in consultation with WHO, take the initiative in a cooperative endeavor to devise machinery and to find the financing needed for a new program involving support for and coordination of intensified international research efforts.

Since the proposal relates to a field in which WHO has major responsibilities, last December I invited the views of Dr. Marcolino Candau, Director-General of WHO, on the Commission's recommendation. I asked for his advice on a number of questions raised by the proposal: what general order of magnitude of funds could usefully be employed for research in reproductive biology and fertility control, additional to the amounts already being employed for that purpose; what specific areas of biological and social science research particularly need to be strengthened by the action of international agencies; would it be desirable to have a substantial international fund to support population research and, if so, should a new fund be created; if international support is needed, should it be directed to strengthening existing research activities or to establishing new ones; and is international machinery needed to gather and make available data concerning the subjects, methods and findings of individual research projects?

Dr. Candau replied in January that many of the questions I had raised would be discussed at a meeting to be held under WHO auspices, on the promotion of research in the biomedical aspects of reproduction, including fertility regulation, to be attended by experts in this field drawn from governmental bodies and foundations. While saying that a more comprehensive outline of WHO's views, as well as the views of others involved in the field, would be sent to me after that meeting, he gave me a preliminary response to my questions. He said that there was urgent need to improve coordination and intensify international research efforts in the field of human reproduction. He added that it was apparent that the gradual increase in funds being devoted to such research falls short of the available research potential, and that substantial increases over the current level of expenditures are required. In his view, the action of international organizations could strengthen research in several areas and, while there is need to strengthen existing research activities and institutions, there is also room for additional international research and training centers to support national institutions.

The meeting called by Dr. Candau (which was attended by a Bank observer) was held in the middle of June. Although the official report of that meeting is not yet available, the Bank's observer reported that the discussion covered the areas of research requiring further support, the need for inter-agency coordination, and possibilities for increasing the funds available for research. There was general agreement that present levels of assistance were insufficient, that many agencies suffered from constraint on the funds at their disposal and that there was a clear need

for increased and better exchange of information among agencies active in the field.

In early April, a conference on population was held in Bellagio, which Dr. Candau and I attended together with the heads of other international agencies and representatives of governments and private foundations concerned with the promotion of research in human reproduction and in other aspects of population planning.^{1/} The conference considered possible areas of research, the research availabilities and requirements, and the manpower and financial needs for new research. It concluded that a study of the desirability of creating a new international research institute, concerned with both biomedical and social science research, should be undertaken. The Rockefeller Foundation has assumed responsibility for making the study. An "Executive Committee," headed by the Director of the United Nations Fund for Population Activities, and composed of representatives of the Ford and Rockefeller Foundations, the Population Council, USAID and the Swedish International Development Agency, was set up to guide the study.^{2/}

I am informed that the "Executive Committee" has decided to consider the proposal for a new international research institute, now being studied by the Rockefeller Foundation, as only one of a number of possible approaches to the promotion of a greater international research effort in the field of human reproduction. The other possible approaches include the expansion of existing centers and the establishment of new institutions of a character different from that being considered by the Rockefeller Foundation. In addition to institutional questions, the Committee is expected to identify priority areas of research which need to be supported by international action. The "Executive Committee" proposes to submit to the next meeting of the participants in the Bellagio group, now scheduled for December 1970, an appraisal of the various alternatives.

There appears to be general agreement among those concerned with the problem that there is need for a significantly increased and better coordinated research effort in the field. But it is not yet clear what the nature of that effort should be, how it can most effectively be organized, or what its scale should be. I believe, therefore, that we should continue consultations with WHO and the other concerned international agencies, and await results of the next meeting of the Bellagio group. If there should emerge from that meeting one or more specific proposals

^{1/} Four papers distributed at the Bellagio Conference were circulated to the Executive Directors for information, under Document SSM/A/70-10, dated April 16, 1970.

^{2/} The Chairman of the Committee has indicated that he would welcome the Bank's association in the Committee's work.

which the Bank could appropriately join in supporting, I shall submit a recommendation to the Directors. In any event, I shall keep the matter under review and report to the Executive Directors on developments.

Robert S. M. Numan

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March 6, 1970

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Pearson Commission Recommendations Nos. 24 and 27 Concern-
ing Research

Recommendations

"Multilateral lending agencies also will need to finance research and development projects on a larger scale than before. The World Bank Group, as well as the Regional Banks, should pay greater attention to problems of research and development in their country studies and should themselves identify needs for scientific and technological research."^{1/}

"Regional or national laboratories and research institutes should be established to study techniques of natural resource utilization and to improve industrial product design and production techniques . . . Industrialized countries should assist in the establishment of international and regional centers for scientific and technological research in developing countries, designed to serve the community of developing countries and specializing in distinct fields of research and their application."^{2/}

Background

These recommendations appear in the context of a strong plea by the Commission for greater support, by all sources of development assistance, multilateral and bilateral, for research activities focused on development problems. Research in new techniques of education and in human reproduction and fertility control are specifically proposed for financial support by the Bank Group.^{3/} The portion of the

^{1/} Report, page 205.

^{2/} Report, page 207.

^{3/} The recommendation for support of research in education (Recommendation No. 26) is the subject of a separate memorandum. The recommendation for support of research in human reproduction and fertility control (Recommendation No. 23) will also be separately analyzed.

report concerning assistance to research in general, in which the recommendations quoted above are found, suggests several other areas as deserving of investigation (e.g., tropical agriculture, housing and urban planning, utilization of natural resources, improved design of industrial products, weather control), but adds that it is not possible at this point to identify the specific subjects that might most usefully be studied.

Noting that a considerable, but insufficient, amount of external assistance has been devoted to research in the past (especially in agriculture and medicine by former colonial governments and by private foundations), the Commission takes the view that not enough thought has been given to getting the most out of this total international effort. Research efforts in the developing countries have too often been imitative of research done in wealthier countries; too often their budgetary support has been wholly insufficient; and too often limited funds and research staff have been scattered too thinly over too wide a set of activities. Also, too few resources have been devoted to social science research. To overcome these many deficiencies, the Commission recommends that developing countries establish top policy-making bodies to guide scientific and technological research activities and to link the nation's scientific community to planning authorities. Activities regarded as "scientific" should be linked to universities; activities to promote technological change should be assisted by the establishment of regional or national laboratories and research institutes.^{1/} Although there is no formal recommendation by the Commission that the Bank should finance the establishment of such technology-changing institutions or that it should assist in the establishment of international research centers designed to serve the needs of several countries, the text makes clear that the Commission believed that the Bank should do so.

Analysis

The Commission's emphasis on the need for more research on applied development technology and for its necessary scientific infrastructure is surely correct. We can, I believe, accept the recommendation that we broaden our country study work to include consideration of scientific and technological policies and institutions. I am instructing the Area Departments to arrange for coverage of this topic in country economic reports when in their judgment it would be both practicable and important from the standpoint of the country concerned to do so. I am also instructing those Departments to place the topic on the agenda of meetings of Bank-sponsored aid coordinating groups when they consider that it would be appropriate and useful to have it discussed by donors.

In the past, the Bank Group has been more concerned with the transfer of existing technology to the developing countries than with the adaptation of technology or the development of new scientific and technological knowledge. Occasionally we have supported research and development-oriented activities and institutions when these were integrated into projects: for

^{1/} Report, page 203.

example, we have helped to finance agricultural research activities as an aspect of an agricultural college or a multipurpose water-use project. But we have not directly financed activities and institutions which are primarily research and development-oriented.

I believe that we should accept in principle the Commission's view that the Bank Group should be prepared to finance the establishment of national and international research and development institutions. Indeed, as the Executive Directors will recall, their report on "Stabilization of Prices of Primary Products,"^{1/} which I transmitted to the Board of Governors on June 25, 1969, stated that the Bank Group would be prepared to "participate in financing agricultural and other research having high priority in developing countries, as much as possible in cooperation with other national and international institutions."

The record of technological and research institutes is not everywhere favorable. Frequently they have functioned without any clear set of national policies, with wholly inadequate budgetary support and a consequent inability to attract competent staff; often they have failed to establish effective relationships with the productive sectors they are intended to serve. On the other hand, there are a number of successful research and development institutions, both national and international, which demonstrate the extraordinarily high productivity which these activities can attain if properly organized, financed and staffed. It would be important, I believe, that we limit our support to institutions operating in fields in which we possess the expertise necessary to evaluate performance or where we can ally ourselves with a technical partner competent to provide it. This suggests that for the present we should concentrate primarily on the fields of agriculture, industry, education and population, in all of which, as the Commission suggests, there is need for a great deal more research. We would of course wish to be sure that the particular institute proposed for Bank Group financing was soundly organized and managed or, in the case of a proposed new institute, that the contemplated arrangements are satisfactory.

The financing of national institutions presents no particular problems. They may appropriately be financed by a loan or a credit to the government concerned. Some financing of local currency expenditures may be required.^{2/}

International institutes are in a different category since their activities are designed for the benefit of a number of countries, not merely for the country in which they are located. Always assuming they are soundly organized and managed, institutes of this type are, I believe, particularly worthy of our support. An international institute can expedite the establishment of, strengthen, and provide guidance to, national institutes and programs, which can benefit from and adapt to their own

^{1/} R69-144/1, June 24, 1969.

^{2/} See the memorandum analyzing Recommendation No. 17, on financing of local currency expenditures.

requirements the work done at the international center. The teams of scientists assembled at an international institute can provide training of scientists and technicians to staff national institutes and may be called upon by the latter for advice and technical assistance. Through them, programs carried on in individual developing countries can be linked together. The International Rice Research Institute in the Philippines and the Center for the Improvement of Maize and Wheat in Mexico are outstanding examples of what can be accomplished.

In October 1969 I invited the U.N. Development Programme (UNDP) and the Food and Agriculture Organization of the United Nations (FAO) to join with the Bank in exploring the possibility of mobilizing long-term financial support from international agencies, governments and private sources to supplement present arrangements for financing existing international agricultural research institutes and, over time, a number of new ones. The UNDP and FAO have both expressed interest in cooperating with us in this matter. If, as I hope, the exploratory discussions prove promising, I shall make specific proposals to the Board with respect to the Bank's participation.

At present we do not have any clear idea of the order of magnitude of financial support which could usefully and appropriately be provided. I believe, therefore, that, while accepting the policy of Bank Group support for research, we should proceed on a pragmatic basis, starting with the initiative relating to international agricultural research institutes mentioned above.

Conclusion

The Commission's recommendation that our country economic reports take explicit account of problems of research and development, including, where feasible, the identification of need for scientific and technological research, should be accepted. We should also accept, in principle, the recommendation for Bank Group support of national and international research and development institutions which satisfy our normal project criteria. We should confine ourselves initially to research institutes in the fields of agriculture, industry, education and population. If the initiative already put in train to mobilize long-term financial support for international agricultural research institutes proves successful, I expect to present specific proposals for Bank Group participation to the Executive Directors for approval.





INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

OFFICE OF THE PRESIDENT

May 27, 1970

1720-447

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Support for International Agricultural Research Institutes

This memorandum is in the nature of a progress report, and a notification of the further steps I now propose to take, in the absence of objection, with respect to Bank support for international agricultural research institutes, the subject of my memorandum of March 31 (SecM70-141).

In that memorandum I outlined some tentative ideas for a joint Bank/FAO/UNDP initiative to mobilize and provide finance in support of such institutes. I referred to the work being done by the four existing institutes organized and in large part financed by the Ford and Rockefeller Foundations; to the need to find additional sources of funds if the work of these institutes is to expand as it should; and to studies under way to investigate the feasibility of setting up several additional international institutes over the next few years to conduct research into other aspects of agriculture. I said that I had been thinking of the formation of a Consultative Group organized specifically for support of existing and new international agricultural research institutes. I added that, if a Consultative Group were established, the Bank Group itself should consider making a financial contribution, and that this contribution would probably have to take the form of grants, perhaps to be made out of a specified percentage or whatever amount of the Bank's net income might be transferred to IDA. Finally, I noted that, after further discussion with FAO and UNDP, and some exploration of the idea with participants in a forthcoming "heads of agency" meeting at Bellagio, I would probably be in a position to make a more specific proposal.

The discussions we have had since I submitted my earlier memorandum have made it clear that an initiative of the kind proposed would be welcomed by the governments and private entities which have thus far been the principal source of finance for international agricultural research institutes as well as by other governments which are prospective contributors, and that the FAO and the UNDP are prepared to join with the Bank in organizing the undertaking.

I now propose to take steps looking to the formation of a Consultative Group for support of existing and new international agricultural research institutes, to be composed of governments, international organizations, regional development banks and private foundations prepared to make substantial contributions for this purpose. The Bank would act as chairman of the Consultative Group and would house and provide at least some of the requisite secretariat services.^{1/} I intend to set the preliminary work in motion promptly, so that a first meeting of the Consultative Group may be held in the second half of October. The first meeting would be essentially exploratory and organizational, but it would also (a) receive progress reports on the four existing institutes and on the status of feasibility studies being made for possible new institutes, and (b) consider how to meet the expected shortfall in the financial requirements of the existing institutes for 1971, now estimated at about \$1 million.

I hope to schedule a discussion by the Executive Directors of the proposed Bank Group role in support of international research institutes in July, preferably in connection with a discussion of my memorandum on Pearson Commission Recommendations Nos. 24 and 27, concerning Bank support of research.



^{1/} FAO is considering our suggestion that a member of the secretariat be provided by it.



OFFICE OF THE PRESIDENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D.C. 20433, U.S.A.



March 31, 1970

178-141

MEMORANDUM TO EXECUTIVE DIRECTORS

Subject: Support for Agricultural Research Institutes

The Executive Directors will recall that in my address to the Board of Governors at the last Annual Meeting, I said that I was convinced that the Bank should assume a greater leadership role in promoting agricultural research. I expressed the hope that the Bank and organizations particularly experienced in this matter, such as the U.N. Development Programme (UNDP), the Food and Agriculture Organization (FAO), national aid institutions, and the Rockefeller and Ford Foundations, could join with developing countries to launch a sustained effort in applied research; I referred to protein production, water management, and reduction of animal and plant diseases as critical areas.

Earlier this month the Executive Directors received my memorandum analyzing two recommendations of the Pearson Commission concerning support for research, in particular for international research institutes.^{1/} I there proposed acceptance of the Commission's view that the Bank should be willing to support international research institutes, suggesting that any such support should for the present be concentrated on agriculture, industry, education and population. I also reported that the Administrator of the UNDP and the Director-General of FAO had responded affirmatively to my invitation to join in exploring the possibility of mobilizing long-term financial support from international agencies, governments and private sources to supplement present arrangements for financing existing international agricultural research institutes and, over time, a number of new ones.

I believe that it would be desirable, before I proceed further in this matter, to acquaint the Executive Directors with the principal considerations underlying my Annual Meeting remarks and my approach to the UNDP and the FAO, and to indicate the direction of my thinking.

A substantial increase in total agricultural production in the developing countries must be achieved in the next two or three decades. In most

^{1/} SecM70-92, dated March 6, 1970.

instances, the increase will have to come primarily from higher yields per acre and from improved livestock. This in turn means that farming and ranching methods based on new technology must take the place of the traditional low yield approaches characteristic of a considerable part of the areas where there is most need for greater productivity. As far as crops are concerned, a "package" of technology must be made available in which improved water and fertilizer usage is supplemented by higher yielding varieties, pest and disease control, and better husbandry. Increases in livestock production must be achieved by evolving more fertile and efficient strains and improving their nutritional environment.

The last few years have demonstrated that traditional farmers will accept new technology, when it is coupled with financial incentives and market facilities. The essential new technology is developed principally through research; and research is also normally needed to adapt any such new technology for use outside the environment in which it was originally developed.

There are well trained agricultural scientists in many developing countries; in some countries the number is substantial. In time, these countries may well increase the effectiveness of their own research, training and extension organizations and apply the resulting improved technology effectively. National research should indeed be encouraged and supported. But the pioneer work already done by two international agricultural research centers established and largely supported by the Rockefeller and Ford Foundations -- the International Maize and Wheat Improvement Center (CIMMYT) in Mexico and the International Rice Research Institute (IRRI) in the Philippines -- has demonstrated that an international institute can offer significant advantages.^{1/}

An international institute with well-defined objectives, sound management and adequate funds, equipment and research facilities, can attract outstanding scientists from a number of countries and with a variety of disciplines. Brought together in one place, their skills will be mutually reinforcing. The international institute can not only expedite the development and application of new technology directly, but can encourage and strengthen national research and extension organizations in developing countries in a variety of ways: by making results of research available to them; by serving as a training ground for personnel who may later staff national institutes; by providing advisory and technical assistance to develop or reorient national undertakings; by engaging in research in cooperation with national institutes; and by using national institutions as vehicles for field operations. The quality, relevance, and effectiveness

^{1/} Two other institutes have been more recently established, the International Institute of Tropical Agriculture (IITA) in Nigeria and the International Center of Tropical Agriculture (CIAT) in Colombia. These are problem-oriented, rather than crop-oriented, and the work of one supplements that of the other: IITA's objective is improvement of the quantity and quality of food production in the hot humid tropics, while CIAT, functioning in a similar environment, is concerned with both tropical crops and the development of beef cattle production, including pasture and forage production.

of national research programs can be enhanced if a close relationship is established between country research and an international research center. International centers can be a vehicle for exchanges among scientists in different developing countries and can serve to link together national organizations. And not only can research results flow from the international institutes to the national levels but, also important, there will be a return flow of experience gained in a variety of environments.

It has been amply demonstrated that methods of research are transferable. More significantly, results can, within limits, be transferred from one locality to another. For example, wheat strains developed at CIMMYT, in Mexico, have had an even greater impact in the Middle East, India and Pakistan than in Latin America, and CIMMYT maize is grown in East Africa. Similarly, strains of rice developed at IRRI in the Philippines are now available in Latin America. Nor is the interchange confined to developing countries: varieties of wheat developed at CIMMYT have been grown successfully in Denmark and are to be grown in Britain this year.

There is no doubt that the international research institute concept is sound and that it can serve as a practical shortcut to the development of improved technologies, while national institutions and programs are being established or improved. I strongly believe that the concept deserves support and encouragement from the Bank Group. It was made plain to me at an Agricultural Development Assistance Conference held in Bellagio last spring, attended by heads of bilateral and multilateral development assistance agencies and representatives of various foundations, that an active role for the Bank Group would be warmly welcomed. Early next month I shall be attending another and similar Bellagio conference which is to devote one day to the problem of international agricultural research.

The Ford and Rockefeller Foundations, which set up the four institutes mentioned above (IRRI, CIMMYT, IITA and CIAT) and have provided most of their funds, now contribute \$3 million each toward the aggregate annual operating costs of these institutes. While, I have been informed, the foundations are disposed to continue their support at this level, under present policy neither is prepared for the time being to increase it. The "core" budgets of the four institutes (i.e., the costs of operating basic research, training and "outreach" programs, in contrast to projects carried out with funds made available for specific purposes) now total about \$7 million. The foundations' contributions are supplemented by grants from the United States Agency for International Development (USAID), the Canadian International Development Agency (CIDA), and the Kellogg Foundation (a private U.S. foundation). The UNDP is providing funds for a research project at CIMMYT, some small part of which may be available for CIMMYT's core budget. Similarly, the Inter-American Development Bank is considering the provision of support to both CIMMYT and CIAT. Nevertheless, it appears that there may be a short-fall amounting to perhaps \$450,000 in the core budgets of IRRI and CIMMYT together for the calendar year 1970.

Given the present policy of the foundations, it is essential to find additional sources of funds, if the existing institutes are to continue to be effective instrumentalities of development, which implies an expansion

of their work. The immediate problem is the relatively minor one of making up the deficits in the IRRI and CIMMYT budgets for the current calendar year. But thereafter, the need for funds for these four institutes will be greater. Present estimates by the foundations and the institutes are that by 1974-75, if the existing four institutes are to do the work that may reasonably be expected of them, their core budgets will reach about \$14 million.

It is also important that the activities of international agricultural research, so successfully started, should be directed toward broader objectives. The accomplishments to date, although far reaching, are limited to certain geographical and ecological areas and to certain crops. There are many millions of farmers who, for example, do not have and cannot expect to have the benefits of irrigation and who do not grow rice, wheat or maize. This means not only continuing work on cereals, but encouraging research on other aspects of agriculture as well. Some of the research possibilities suggested as appropriate for additional international institutes are: water management as related to crop production; food legumes; starchy root crops; livestock systems in Southeast Asia; upland crops in Asia; and farming systems suitable to the semi-arid areas of West Asia and Africa. The feasibility of establishing institutes to deal with these or other possible fields of research, and with the relative priorities of the needs, requires thorough investigation.^{1/} A reasonable estimate of the average cost of any such feasibility study is \$75,000-100,000.

It would be reasonable to envisage that, if adequate finance could be found, some four or five new international institutes might be established over the next five years. It is, of course, not possible to estimate with precision what the financial requirements for new institutes might be, since this would depend on the kind of institute to be created, the extent to which new physical facilities might be required, what contributions might be made by the local government, etc. But it appears that something of the order of \$40-50 million might be needed for capital costs of setting up four new institutes over the next five years, with annual core budgets aggregating \$16-20 million.

I approached the UNDP and the FAO with the objective of exploring the possibilities of their joining with the Bank in seeking to mobilize finance, in a systematic way, from governments, international organizations, regional development banks and private organizations to support and expand existing international agricultural research institutions, and to help establish new ones. I have been tentatively thinking that something along the lines of the consultative groups which we have organized for the coordination of development assistance might be an appropriate vehicle. Such a group, composed of contributors and potential contributors, would consider which institutes required and deserved international support, review the institutes' budgets, assess the magnitude and priorities of financial assistance required, and examine the relationship of the institutes' programs to the economic development problems of the developing countries and to the investment programs

^{1/} Investigation of the feasibility of a water management institute, commissioned by the foundations, is near completion.

being carried out in those countries by participants in the group. The group, or some members in the group's behalf, might commission feasibility studies and suggest research projects to the appropriate institute. On the basis of their analysis, members of the group would make their contributions, perhaps directly to a particular institute, perhaps to a central fund. I would think that the Bank might appropriately provide secretariat services for such a group, as it does for the aid coordination groups, and that if establishment of a fund appeared a desirable way to handle the finances, the Bank might agree to administer it. All of this remains for exploration.

I would emphasize that I do not envisage that the Bank, or the group, as a group, would undertake any management or programming responsibilities with respect to the individual institutes. The existing institutes have their own boards of trustees, drawn predominantly from the developing countries. While some representation of new donors might well be appropriate -- just as the foundations are now represented on the institutes' boards -- it would be extremely important to preserve the independent character of the existing institutes and to assure a similar status for any new institutes which may be created. Either one of the experienced foundations or an experienced national research organization in the agricultural field -- for example, the Commonwealth Scientific and Industrial Research Organization of Australia or one of the several French organizations such as the Office de la Recherche Scientifique et Technique Outre-Mer -- might be commissioned to prepare plans for and ultimately to organize and backstop new institutes to be financed with funds provided by the group.

I believe that the Bank should not merely assist in mobilizing support, but should itself make a financial contribution. In the context of their report on stabilization of prices of primary products,^{1/} the Executive Directors agreed that the Bank Group should be prepared, while applying its normal lending standards and procedures, to finance high priority agricultural research, to the extent possible in cooperation with other institutions, national and international. While, as I noted in my memorandum on the Pearson Commission recommendation concerned with support for research, national institutions may appropriately be financed by a loan or credit to the government concerned, international institutions are in a different category. The government in whose territories such an institute is, or is to be, located may well be prepared to make a site available and even to contribute to the establishment costs. But it may not be able to assume a continuing obligation for support of the institutes. For these reasons, it seems possible that assistance which we might provide for international institutes, including the financing of feasibility studies, might have to take the form of a grant.

The Bank could make grants for agricultural research directly out of net earnings in excess of reserve requirements. But, assuming that the Directors agree that we should contribute to the financing of such institutes, I believe it would be preferable for the Executive Directors, when

^{1/} Stabilization of Prices of Primary Products, Part II, Report of the Executive Directors, 1969.

recommending the allocation of the Bank's net income for the fiscal year, to propose that the Board of Governors authorize a limited amount of any funds transferred by the Bank to IDA to be available for use by IDA to make grants for agricultural research purposes. We would of course engage in the equivalent of a project appraisal before making use of any such authority, whether for an existing or a new institute, and the approval of the Executive Directors would be obtained for each grant.

The Executive Directors will understand that I am not now making a specific proposal for Bank financing. I think it likely that, after further discussions are held with the UNDP and FAO and with interested persons at the forthcoming Bellagio conference, I shall be able to be more precise about the framework in which the Bank might play a role in mobilizing funds from other sources and about the magnitude and nature of the financial contribution which it might make itself.

Robert S. McNamara