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HOWELL, WILLIAM F - ARTICLES AND SPEECHES (1947-1963)

The World Bank Group
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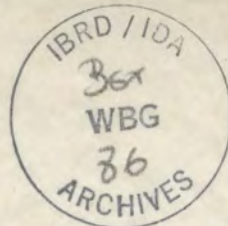
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Howell, William F. - Articles and Speeches

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MR. WILLIAM F. HOWELL
School of Bus. & Pub. Administ.
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Ithaca, N.Y.
December 16, 1947

1. ORIGIN OF THE BANK: BRETTON WOODS

As you all know, the International Bank for Reconstruction and Development had its origin in the Bretton Woods Conference of 1944. This conference of 44 nations was called together, while the War was still being waged with the utmost intensity, to consider the economic and financial problems which seemed likely to be encountered after military victory had been secured.

Two related but separate organizations resulted from the Bretton Woods deliberations -- the International Monetary Fund and the International Bank for Reconstruction and Development.

Boiled down to its essentials, the main aim of the Fund is to revive and expand International Trade by promoting exchange stability. It has the further responsibility to attempt to improve the destructive exchange policies which crippled World Trade long before the last War started.

The Bank differs from the above responsibilities of the Fund in that its essential objective is to promote the International flow of all types of long-term capital for productive purposes and to assist in financing the rebuilding of devastated areas, and the developing of the resources of member countries.

Organization and staffing for the two institutions started in the Spring of 1946. However, it was not until late '46 and early '47 that initial plans were completed and operations really got under way. Both institutions were quite adequately staffed by Summer of 1947. Both are located in the same building in Washington, and undertake many phases of administrative management in common, although separate organizations exist.

2. THE BANK'S CHARTER - THE ARTICLES OF AGREEMENT

The Articles of Agreement of the Bank lay down the lines on which it must approach its task of assisting in the economic and financial recovery of member nations. They may be summarized as follows:

- First, the Bank is to assist in the reconstruction of economies destroyed or disrupted by war and the development of the less developed countries.
- Second, it is to promote private investment whenever possible and supplement it when necessary.
- Third, it must seek to promote international trade and the raising of levels of productivity, standards of living and conditions of labour throughout the world.

It is also laid down that the Bank must deal with the most useful and urgent projects first and that it must be satisfied that the borrower would be unable to obtain the loan elsewhere on reasonable terms and that he will be in a position to meet his obligations under the loan.

3. THE CAPITAL OF THE BANK

The authorized capital of the Bank is \$10 billion, divided into 100,000 shares of \$100,000 each. The total amount which has been subscribed is just under \$8½ billion, of which 20 percent has been called. The remaining 80 percent is liable to call only if required to meet the obligations of the Bank. As regards the capital paid up, 2 percent was payable in gold or U.S. dollars and 18 percent in the currency of the Member country concerned. The whole of this 20 percent has now been paid up, with the exception of a small amount (about \$5 million), representing deferments, under a provision in the Articles of Agreement, for certain countries which have suffered enemy occupation. The United States has paid in \$635 million and is committed to, up to a maximum of \$2,540,000,000 upon call from the Bank to cover liabilities.

The funds at the disposal of the Bank consist in the first place of its paid up capital and, in the second place, of such funds as it may borrow in the markets of its Members. As regards the paid up capital, although the 2 percent payable in gold or U.S. dollars is freely available for lending, the remaining 18 percent (which is payable in the currency of the Member country) may be used for loans only with the consent of the Member concerned. This provision was, of course, necessary since many countries would be in no position to extend immediate credit to others and could only afford to export in return for essential imports. So far, the United States, the only country which is in a position to supply goods on a large scale to other countries without requiring immediate countervalue, is the only Member which has given permission for the whole of its 18 percent to be used in making loans; Belgium has given this permission to the extent of \$2 million worth of its currency. Other countries can be expected to follow suit, but the amounts so made available cannot be great until more countries are able to export goods without requiring immediate countervalue.

The effect of the payment of the calls on the 20 percent paid up capital was to place at the disposal of the Bank, U.S. dollar funds amounting to approximately \$727 million and the equivalent of \$873 million of currencies other than U.S. dollars, the use of the latter for lending purposes being subject, as I have said, to the consent of the Member concerned.

As regards further funds for its purposes, it is clear that the Bank must chiefly depend in the immediate future on the markets of the United States, since countries which are unable at present even to allow the use for lending of the amounts of their currencies paid in as part of their capital subscriptions cannot afford to make funds available through their financial markets. As you all know, the Bank made its first offering of bonds in the United States in July last. This offering, consisting of \$100 million of 10-year 2 and ¼ per cent bonds and \$150 million of 25 year 3 percent bonds, was heavily over-subscribed. I think it is fair to say that this was largely due to the fact that misunderstandings as to the Bank's policies and purposes which had been prevalent in its early days had been dispelled.

4. THE BANK'S LENDING POLICY

Since it is clear that the funds required for reconstruction and development are enormous and the resources of the Bank are limited, it is of the

greatest importance that the Bank should seek to obtain the maximum effect from the use of its money. One of the fundamental principles of the Bank's lending, therefore, is that as far as possible its loans should be used to eliminate bottlenecks to production, or, by some other strategic use, to make the greatest possible contribution to the revival or stimulation of production; in this way, comparatively modest sums can have effects out of all proportion to the size of the investment. Whether the money is spent on repairing a damaged source of production or in establishing what might be called a strategic new project which greatly stimulates production, the aim must always be to obtain the greatest possible results in the shortest possible time in proportion to the amount spent.

Apart from this basic principle of the strategic use of funds, certain other general principles have emerged as a result of the examination of loan applications, the study of the problems which they have raised, and the discussions which have taken place with prospective borrowers. It may be worth reviewing briefly the most important of these principles.

(1) Acceptance of Risk

The Bank must not be deterred from making loans simply by reason of the general economic and political uncertainties which at present obstruct the free flow of private capital; on the contrary, one of the objectives of the Bank's loans is to help to remove these uncertainties and to establish conditions in which private capital will be able once more to play its part. Nevertheless, the Bank cannot make imprudent loans, for its loans form the collateral for its own borrowings. In the last resort, the Bank will depend for its power to borrow, on the confidence which its lending policy will have created.

(2) Self Help

The Bank's resources must not be used to relieve a borrowing country of tasks which that country could justifiably be asked to perform itself; the major effort in reconstruction or development must always be made by the people of the nation concerned.

(3) Limited Commitments

A single loan application may relate to a plan which will take several years to complete. It is the Bank's policy, however, to grant loans in such cases only to cover the needs of a relatively short period and to invite a further application at the end of that period, which will be considered in the light of the progress made with the assistance of the first loan and of the position as it then appears.

(4) Control Over Use of Proceeds

When a loan has been made, the proceeds are made available to the borrower only against evidence that they are being used in payment for goods specified in the Loan Agreement. Arrangements are also made by observation within the borrowing country to ensure that the goods so purchased are in fact put to their intended use.

(5) Information and Consultation

The Bank requires to be kept fully informed, not only as to the use of the funds which it provides, but also as to the general economy of the borrower, since this affects the security of the loan. The regular submission of information and frequent consultation which this involves calls for a much closer relation than has been usual between creditor and debtor in the international field, and is made possible only because the Bank is fundamentally a cooperative institution, which lends only to its Member countries or upon their guarantee; since the borrower or guarantor is a Member of the institution, it has an interest in the Bank's success and indeed participates in the framing of its lending policy.

5. LOANS TO DATE

The first applications for loans were mostly from European countries, and since the Bank is bound to deal with the most useful and urgent projects first, it is natural that particular attention has so far been given to problems of European recovery. Before the war, more than half the world's trade was done by European countries. These countries still have the productive capacity and the skills; to put them to work by furnishing the necessary machinery, materials and fuel presents a great opportunity to raise the level of world production with a minimum of outlays.

It may be of interest here to review briefly the four loans which the Bank has granted for European reconstruction.

France

The Bank's first loan was one of \$250 million to France. The importance of France in the economic position of Europe made it particularly fitting that she should be the first country in whose reconstruction the Bank should play an active part.

In spite of the gravity of the French situation as it is today, we must not overlook the tremendous progress which France has made in overcoming the effects of the war. By the end of 1946, her production had been restored to approximately 90 percent of the 1938 level and the volume of exports to 75 percent. In spite of the difficulties and uncertainties facing France, therefore, the Bank believes that its loan to that country will hasten the progress of reconstruction both in France and in Europe as a whole, and that the risks involved are of the type which the Bank was designed to accept.

Netherlands

The Bank's second loan was one of \$195 million to the Netherlands. The Dutch people have displayed remarkable determination and energy and have achieved great progress in restoring output and combating inflation. But the abnormally heavy imports necessary to make good war damage and losses, the loss of Germany as the principal source of imports and as an important market, and the decline of supplies and revenue from the Dutch East Indies have placed a heavy strain on Dutch foreign

exchange resources. This may be judged from the fact that 35 percent of essential imports in 1947 will have to come from the United States, as against only 11 percent in 1938. The excellent debt record of the Netherlands and its long tradition as an important creditor nation make it a good credit risk.

Denmark

The Bank's third loan was one of \$40 million to Denmark. It was granted for the purpose of hastening economic recovery by the purchase of agricultural and textile machinery, machine tools, trucks, steel products, textiles and chemicals. Denmark has already taken effective steps to create the healthy internal conditions -- a balanced budget and stable price and wage levels -- which should result in the Bank's loan having the most rapid effects.

Luxembourg

The Bank's fourth loan was one of \$12 million to Luxembourg. It was granted for the purpose of financing the purchase of equipment for the steel industry and of rolling stock for the railways. Iron and steel production is the major industry of Luxembourg and exports of metallurgical products in the years preceding the war comprised about 80 percent of all exports. Owing to under-maintenance during the war the industry now needs to be modernized and adapted to post-war market requirements. The railways also are of vital importance, particularly as international carriers linking the Ruhr, the Saar, Lorraine, Switzerland and the Low Country ports. The Bank's loan, by providing the means for raising the volume of traffic of Luxembourg's railways and for expanding the country's capacity to produce the type of steel products for which there is a heavy demand, will contribute not only to the recovery of Luxembourg but also to that of her neighbors.

In addition to the four loans already granted for European reconstruction, the Bank has received and is examining applications for loans from Czechoslovakia for the reconstruction of war damage and losses and for the restocking of raw materials; from Poland for the purchase of equipment and materials for coal mining, the iron and steel and textile industries, electricity and transport; and from Italy for purchases of equipment necessary to restore the damage the war wrought.

As regards applications from non-European countries, we have so far received one from Chile for hydro-electric, forestry, harbor, transport and railway projects; one from Mexico for irrigation, hydro-electric, pipe-line, highway, railroad and harbor projects; and one from Iran for the development of agriculture and transport. All these applications are receiving the most careful and thorough study. Fact-finding missions have visited Denmark, Poland, the Ruhr, Brazil and Italy; and invitations have been accepted to send a similar mission to Mexico. Discussions are also proceeding with other countries regarding their development plans.

6. ORGANIZATION OF THE BANK

The Bretton Woods Agreement established a Board of Governors which is the legislative body for both the Bank and the Fund. Actually the member countries own the stock of the Bank and vote this stock through a Governor for each member country. Most of these Governors are Finance Ministers from their respective countries.

In the case of the United States, the controlling party is the National Advisory Committee, consisting of the Secretaries of the Treasury, of State, and of Commerce, the Chairman of the Federal Reserve Board, and the President of the Export-Import Bank. The Secretary of the Treasury serves as Governor. The Board of Governors meets annually to consider broad policy matters, to review the work of the organizations during the past year, and outline in broad terms, future programs. The Second Annual Meeting was held in London last September.

The countries are represented in the Bank by 13 Executive Directors. The 5 largest member countries each have one Director, and the others are elected by a group of countries. These Directors or their Alternates, give full time to the business of the Bank. However, it has been clearly understood that their functions are to decide on policy and not to manage the Bank. The management structure follows quite closely the usual corporate form, with a President, a Vice-President, and heads of 8 various departments. As you know, Mr. John J. McCloy, former New York lawyer and Assistant Secretary of War, assumed the Presidency on March 17th. At the same time, Mr. Robert L. Garner, former Vice-President of General Foods, became Vice-President and serves as General Manager, of the Bank. The Departments and their heads are as follows:

LOAN DEPARTMENT -- headed by Mr. William A.B. Iliff (recently named)
United Kingdom subject.

RESEARCH DEPARTMENT -- Leonard Rist, French National.

TREASURER'S DEPARTMENT -- D. Crena de Iongh, Dutch subject.

SECRETARY'S DEPARTMENT -- Morton M. Mendels, Canadian.

LEGAL DEPARTMENT -- Chester McLain, American.

ADMINISTRATION DEPARTMENT -- C.G. Parker, American.

MARKETING DEPARTMENT -- Fleetwood Dunstan, American.

PUBLIC RELATIONS DEPARTMENT -- Drew Dudley, American.

The staff now totals approximately 380 and we believe this to be about 90 or 95 percent of our eventual total group needed. Although no pre-determined quotas have been set, the staff has been recruited on an International basis, as the listing of the above Departments shows. At present, we have 22 different countries represented on our staff, but in terms of the total, it is predominately American and will so remain.

Internally, we operate on a basis of delegating more responsibility and authority to Department heads for administrative management, than is true in many organizations. Our concept of such operations as Personnel Administration, is almost entirely staff. In a small specialized agency like the Bank, I believe that this is the only practical pattern to follow and our experience with it has been satisfactory.

7. SOME PARTICULAR PROBLEMS OF ORGANIZATION AND MANAGEMENT

In conclusion, I would like to mention some of the problems we have faced in organizing and operating the Bank. I do not pretend that these are all the questions we have faced, nor do I presume that we have discovered the perfect answers. However, I think they are somewhat unique in terms of the character of the organization and the fact that it is an International body.

(1) It has been difficult to get policy statements effectuated and agreed upon covering some of the most ordinary day to day problems. On the whole, this grows out of the differences in environmental background of the various nationalities comprising our staff. For example, position evaluation or classification is a common technique in American commercial, industrial, and public practice; yet, it has only limited application, or none at all, in most of the member countries of the Bank, and is used in the public service of only Brazil and Canada and the United States. Before anything can be undertaken of this nature, it has been necessary to obtain mutual understanding on the needs and methods of such work. This has been done and a position evaluation survey is under way, aided by a firm of outside consultants. Had such a step been taken a year ago, I am sure it would have met with failure. This typifies the necessity for devoting considerable time building group understanding prior to undertaking certain organizational and management procedures.

(2) The whole range of salary administration operations have problems unique to an International organization. The present status of currencies in many countries, the wide variance of the cost of living throughout the World, and social prestige derived from levels of posts in many countries, are factors which have to be considered. In this connection, I know that many of you are aware in some degree, of the problems presented by National taxation. Briefly, the situation is this: Under the International Immunities Act passed by the 79th Session of Congress, other than U.S. Nationals employed in this country by recognized International organizations, are exempt individuals from Income Tax liability if they are out of their home country throughout the tax year and earn their income elsewhere. Thus, it is possible to pay a Frenchman \$5,000 for a particular job, pay an American the same amount, and yet not be paying them equal pay for the same work, when the tax liability is considered. We have dealt with this problem by quoting all salaries on a net of Federal tax basis and by paying the American National the additional amount he would have to have in order to net the stated salary after Federal Tax deductions.

On the whole, previous earnings of other than American Nationals, have very little meaning in determining an individuals qualifications for a post at a set salary level. In effect, it becomes necessary to consider his earning record in terms of U.S. standards if he is to be employed in the United States. This obviously results in some fairly sizeable salary increases for individuals from many countries coming to Headquarters.

MR. WILLIAM F. HOWELL
Civil Service Assembly
meeting - Dallas, Texas.
November 19, 1947.

Any consideration of current international personnel administration must start from the recognition that there are about as many variations in policies and practices as there are international organizations. Plans for world collaboration which took form during and after World War II called for specialized organizations to concentrate in such fields as agriculture, finance, trade, health, aviation, science, and education. Thus today, in addition to the United Nations Secretariat there are the following major specialized international organizations:

Food and Agriculture Organization,
International Bank for Reconstruction and Development,
International Monetary Fund,
International Labor Organization,
International Civil Aviation Organization,
United Nations Educational, Scientific and Cultural Organization,
International Telecommunications Union,
International Postal Union,
World Health Organization, and
International Trade Organization,

UNRRA has concluded the major part of its postwar work but still have a staff for final distribution of supplies and for liquidation operations. Two parts of its responsibilities have been picked up by recently established specialized agencies - International Refugee Organization and The Children's Fund.

These specialized organizations have been established by agreement among member nations, thereby creating separate charters which give each agency a considerable degree of autonomy in policy determination and administrative management. In personnel administration each agency has created its own organization, separately recruited its staff, determined its salary scale and conditions of employment. As I shall mention in more detail later, there has been no overall machinery for coordination of personnel activities. However, a great deal has been achieved informally through representative committees meeting from time to time at the call of the UN Personnel Bureau.

On the surface, the conclusion can well be reached that such a picture of independent or semi-independent agencies largely going their own way in personnel activities, can but result in unsound discrepancies in practices, unnecessary competition for staff and competitive standard of conditions of employment. Without denying the undesirability of such results and their existence in some minor degree, it can be concluded from the vantage point of being in the picture that no other path was possible once the overall decision was made to create specialized agencies. This was, I feel very certain, a sound practical decision in itself. From a program standpoint it made possible concentrated specialized efforts needed in immediate and longer range postwar reconstruction and cooperation. In the realm of administrative management it has made for more flexibility and constructive experimentation. The situation is not unlike the well known concept of the value of various state legislative experimenting in our own

Federal-State history.

Once created, an international agency has found it necessary to get into operations quickly. As Robert Biren states in his recent article in Public Personnel Review, staffing an international agency has been like sailing a boat while building it. Putting together an international staff in some instances representing as many as 45 countries, located in divergent headquarters with differing environmental conditions, does not lend itself to predetermined overall standards of position evaluation, selection nor conditions of employment. Coordination and establishment of common standards and practices has had to await the internal gyrations within the several agencies attendant upon the initial organization and early program activities. By the same token, the international organizations have learned that internal administrative orders and regulations cannot be laid down per se without much informal conferring, necessary to bring about some basis of common understanding. In an article in the September issue of Personnel Administration, William Lehman tells of his experience at UN where a promotion policy was adopted in a statement which did not advert to the respective responsibilities of the Personnel Bureau and the supervisors. Such concepts of line - staff relationship is outside the ken of many and has to wait further development of group understanding.

Still another diverging factor has grown out of administrative management in the various specialized agencies taking on the characteristics of the organizations' basic functions and programing. Our personnel policies and procedures in the Bank are similar in many respects to those followed in large Banks in this country or central Banks elsewhere. Our needs in this respect, as well as qualifications for staff, differ materially from those of an organization designed for specialized research.

The above does not mean that the desirability of close working relationships in administrative management between the agencies is not recognized. On the program level the UN Economic and Social Council has established a coordination committee, composed of the Secretary-General of UN and the heads of the agencies having agreements with UN. Some work has been done by the Fifth Committee of the General Assembly in appending to the UN annual budget those of specialized agencies. Incidentally, at least two organizations do not come under this, as neither the administrative budgets of the International Monetary Fund nor the International Bank are financed through annual contributions of members.

In its first session, the General Assembly directed the Secretary-General to form, in consultation with other agencies, an International Civil Service Commission to advise him on recruitment and selection. After some delay, a working party was established composed of representatives of the Personnel Divisions of the several agencies, under the chairmanship of Mr. Byron Price, UN Assistant Secretary-General for Administrative and Financial Services. This group recommended a change in title to International Personnel Advisory Board. The Board would be composed of outstanding individuals selected on a wide geographic basis. Its infrequent meetings would be to advise the Secretary-General. A small full-time Secretariat would serve as a clearing house of information on personnel practices and policies and con-

duct research into various phases of different agencies' programs as requested. No further action has been taken to date but will be, I am sure, in the near future.

Such a step would undoubtedly contribute to the overall personnel program. By the very nature of things its program would not be an extensive one, to be expected under the circumstances.

Let me turn to the present status of some phases of personnel operations in the agencies.

The established organizations have for the most part concluded initial recruiting and not a great deal more employment is anticipated. The specialized agencies are small, generally having a few hundred staff members. The UN report dated June 30, 1947 showed 3,379 employees, 2,815 of them being located in New York. Although no formal apportionment system has been established, the general practice has been to recruit on an international basis, especially for middle grade and higher level posts. Over 90% of the UN staff at \$2,130 and below has been recruited from the Headquarters Area. At higher levels, there are staff members from 51 of the 57 member countries. My observation has been that the percentage of successful candidates obtained from these efforts has not been large. Applicants known to staff members and officials, recommended candidates of member governments, and those obtained through specialized professional and administrative organizations and other international agencies seem to have been the largest source of supply of administrative and professional staff.

One fruitful source for us at the Bank has grown out of the fact that many member governments had qualified specialists in pertinent activities in Washington during the war. It has been relatively easy to evaluate these people and a large number were interested in employment in an international organization.

There are many obvious difficulties in international recruiting and I shall not dwell on them in detail here. Varying languages, customs, training, among other things, must be considered. Unfortunately, many professions are not universal in terms of qualifications or acceptance. Hence, a specialized program finds it extremely difficult to obtain qualified professional staff upon a well-distributed international basis. A part of the answer to this rests in the need for employing at the junior and trainee level. At the outset, the international organizations quite naturally looked for the finished technician. The time is fast coming when these agencies should employ and train promising young people from as large a number of member countries as possible. We in the Bank hope to be under way with such a program in the near future.

The other side of employment, reduction in force, has been experienced in large measure by one international agency - UNRRA. The staff of the personnel division was largely concentrated on out-placement activities about a year ago. A successful program has resulted and in the interim the head-

quarters office alone has referred 9,961 applications to other international agencies with over 400 appointments having been made. Many referrals have been made successfully to other sources of employment.

We in the United States personnel work, both in industry and government, have come to accept job duties and specifications as the basis for personnel operations. However, a similar governmental approach to ours in this respect exists only in Canada and Brazil. Other nationals in the international organizations lack the concept or give it only limited application. It is in this area that I feel the predominately U.S. staffed personnel divisions have moved too quickly and without sufficient regard to varying backgrounds. UN early established a salary administration section vested with position allocation and salary determination authority. It has since found it necessary to abolish the section. The agency is moving towards a system of broader classes, fewer salary grades and more flexibility in starting initial appointments within a salary grade rather than at the base. The League of Nations concept of broad classes, similar to many Europeans' experience, has considerable standing in many agencies. Yet, as staffing has been completed and organization lines established a need for a position concept has become better recognized. The Food and Agriculture Organization recently completed a classification survey, conducted by Public Administration Service. We are now conducting a position evaluation survey in the Bank, aided by a firm of consultants which has done similar work for a large number of American banks. The actual evaluation is done by a committee of high ranking staff members. The by-product of training in organization and personnel obtained by participating staff is about as important as the end results.

Although there is a lack of standard grades and resulting rates of pay between the agencies, I know of no cases of shifts of personnel from one agency to another as a direct result. When we have compared salaries with other agencies we have found that scales, independently arrived at, are very similar. However, the overall exchange of information I mentioned as a function of an International Personnel Advisory Board, would be of real value in this field.

Generally speaking, the international agencies have felt it necessary to establish a rather comprehensive employees' benefit system. This need is based upon the fact that many nationals give up considerable social insurance benefits in joining an international organization. Thus, the retirement system adopted by United Nations a year ago is, in effect, a system of social insurance and retirement. At present, the plan is being reviewed for the General Assembly by a committee of experts and a consultant actuary, and certain changes are anticipated. Specialized organizations which have been brought into contractual relationship with the Economic and Social Council are eligible to participate in the United Nations Pension Plan. The International Bank and the Monetary Fund are now working on a joint pension scheme.

Most of the agencies have made some special arrangements for employees' health and medical care. The three International agencies located in Washington - Food and Agriculture Organization, the International Bank and

The Monetary Fund, have signed contracts with the Group Health Association, for staff participation on a voluntary basis. In the case of the Bank and the Fund, located in the same building, the contract calls for Group Health staffing and operating a joint health room. A nurse is on duty full time and a doctor is available certain hours of the day. Approximately 60% of our staff have become members of Group Health. The agency participates in the membership cost on a graduated scale, the Bank paying quite a sizeable proportion for the lower bracket staff. We are requiring our staff to take annual physical examinations given by Group Health at the Bank's expense.

The past year has seen considerable interest developed on the part of the newer organizations in training programs. The Personnel Bureau of United Nations has employed an in-service training staff and started certain activities primarily of an orientation nature. The Bank hopes to start a program of training for junior professional and administrative staff. We anticipate recruiting a small number of the most promising young professionals we can find among the various member countries, giving them a year of intensified training in various phases of the Bank's activities. We anticipate that at the end of this time some will be retained in junior professional or administrative posts, while some will return to their own countries where they would be more familiar with many of the fiscal aspects of international problems. Interest exists in similar plans in several of the international organizations.

One of the very real personnel problems in international employment is the question of tenure of staff members. There is some divergency of views as to whether staff should be recruited and employed on a career basis or for limited periods in order to gain experience in international affairs which may be used on return to their home countries. Obviously the latter belief has far-reaching implications in matters of pension plans, the effects of higher turnover rates and the problems of integrating a working team. On the whole, the personnel programs of the international organizations are being developed on the assumption that a career service concept will be followed. A part of this program calls for varying types of contracts of employment with so-called permanent contracts used for permanent staff. The contract concept of employment is, as you know, quite foreign to most American public service practices. There is a precedent for it in the League of Nations experience and in some of the older specialized organizations. It has serious implications insofar as budgetary matters are concerned, morale of staff, and an evaluation of the effectiveness of the selective processes. We have not followed this practice in the Bank, believing that a well rounded and carefully worked out statement of conditions of employment, plus sound practices of staff management, are better basis of employment security than the negotiations necessary to a more formal contractual relationship. Actually we are in a better position to pursue this course than a larger more diversified organization, such as the Secretariat of United Nations.

In conclusion, let me state my firm and optimistic belief that international staffs can be assembled from many countries and integrated into a well working and successful organization. It is being demonstrated every day by the work done in the various international organizations. It requires at the outset, an approach which makes for experimentation in personnel practices and changes in many concepts which we have learned in this country to accept as

standard procedures. I can become very enthusiastic about the esprit de corps shown by the staff of an organization such as the International Bank. In the relatively short time we have been in existence, staff members have demonstrated many times, their willingness to give their best to the interest of the organization and to perform in a manner of real credit to the highest concept of international cooperation.



Address by William F. Howell,
Director of Administration, International Bank for Reconstruction and
Development, at a Graduation Ceremony of the Administrative Management
Institute, Graduate School of Public and International Affairs,
University of Pittsburgh, Thursday, January 24, 1963

It is a great pleasure for me to attend this
graduation dinner and an honor to be asked to address you.

Having been associated with international
organizations for longer than I like to admit - some 18 years -
I have a deep respect for international gatherings and suggest
there should be more rather than less. Particularly do I
endorse gatherings in an academic atmosphere.

My employment in international agencies has been
on the administrative management side. It would be possible,
of course, for me to discuss at some length the nature,
magnitude and, on occasion, vexations of administrative
management problems in an international agency. It would
also come to light in such a discussion that the administrative
side of an organization like the Bank has its deep satisfactions

and successes. We have a staff in the Bank and its affiliates now totalling about 900 from 55 different countries. Encouraging about the work of a staff of this nature is how well they work together, rather than individual and national differences; how a successful team approach can be achieved and how independent of national prejudices and emotions an international staff member becomes in approaching his responsibilities.

As a matter of fact, we have said in the Bank that on occasions a national of a given country has proved to be much more critical of his country's practices and policies than one of his colleagues from another country. Beyond this I would say that I have long approached administration in an international agency in the belief that basic principles of administration are similar regardless of the governmental level and regardless of whether the institution is public or private. I recall many years ago talking to a group and

quoting Don Stone to the effect that if administration is generic in nature, then the principles and problems have similarity regardless of the nature of the institution.

I believe that we need to give more thought and spend more time in attempting to distill from administrative experience basic principles including those of a philosophic nature, in the belief that sound principles so arrived at can serve to improve and strengthen the administrative sector of all of our endeavors. Certainly we in the Bank have come to recognize most fully the importance and significance of soundly conceived, honestly and energetically carried out administration in the various aspects of economic and social growth in those parts of the world referred to so frequently as "developing."

Therefore, I want to devote my time this evening not to matters of detail, but to one all-important theme, one general aspect of all administration, whether international,

public, or private. This is what I may call the oneness or unity of things. This is, of course, not a new idea. It applies equally to man and to the universe. John Donne, the English 17th Century poet, put one aspect of this unity very well in the short poem to which he owes his immortality. You will know the one I mean, for it is often quoted, either in whole or in part. It begins --

"No man is an island, entire of itself;
Every man is a piece of the continent, a part of the main;
If a clod be washed away by the sea,
Europe is the less, as well as if a promontory were,
As well as if a manor of they friends or of thine own were;
Any man's death diminishes me, because I am involved in mankind;
And therefore never send to know for whom the bell tolls;
It tolls for thee."

Long before Donne, ancient philosophers had been struck by the same idea. In our own times there is much talk of how modern scientific developments have shrunk all the countries of the globe into one world. One great American put the same thought another way when he justified the idea of American aid by saying that the situation could not continue with the world "half skyscraper and half rubble."

Indeed, the World Bank itself is an expression of that thought, of the need for all the nations of the world to pool their resources, the rich helping the poor to raise their standards of living.

I was certainly reminded of this "oneness of things" theme last week when I read in the Washington Post a summary of a report submitted to President Kennedy by a committee of 12 prominent scientists. May I quote from this two or three pertinent paragraphs?

"A presidential advisory committee warned yesterday that man is manipulating nature at a dangerous rate which 'his forebears would find frightening.' In a report to President Kennedy, a committee of 12 scientists declared that 'perhaps the most critical and most often ignored resource is man's total environment.' The committee noted that 'man is altering the balance of a

relatively stable system' by polluting the atmosphere and water supplies, by deforestation, by overgrazing grasslands, by irrigation, by draining swamps and by building dams. 'The effects on man himself of the changes he has wrought in the balance of great natural forces and in the new microenvironment which he has created are but dimly perceived and not at all well understood,' the committee concluded.

"Diseases such as cancer and heart ailments are in some way linked to environment but no one knows how they are linked, except that 'as various environments have become more industrialized they have shown a rise in certain types of cancer, a drop in others.' No one knows the physical and mental effects of artificial climates, changes in the light-dark cycles, changes in temperature and humidity and increases in noise levels. There is little understanding of artificial rain-making methods

through the seeding of clouds or of the dissipation of hurricanes, cyclones and thunderstorms.' 'In summary,' the report stated, 'it is apparent that man must concern himself with a variety of changes in the environment, both those caused by human beings and those reflecting man's responses. Some are good; some may be harmful.'

But old and perhaps hackneyed as the idea of the unity of things may be, it is often forgotten in many walks of life, and not the least in public administration. Each separate department of a government can be so intent on its own affairs that it forgets the repercussions of its actions on other parts of the government machine. Or so forgetful of the principle of unity are some governments at certain times, that they force through a policy whose benefits are more than overwhelmed by the disasters that are produced as side effects.

Talking in concrete terms, and if I may talk in specific terms, the government of Juan Peron in Argentina was a classic example of this. Peron was dependent initially on the votes of the industrial workers in the towns, so that he naturally sought to benefit them above all other sections of the community. In addition, Peron remembered ~~that the countries which~~ suffered most from world depression were those, like Argentina, depending on the export of food and raw materials. He saw that diversified industrialized economies fared better in times of depression because only some sectors of their economies experienced bad times, while others continued to function. One-crop countries, on the other hand, were very hard hit. This memory also drew him to the idea of favoring industry in his country over the agriculture which had traditionally been its main support. Peron then embarked on a policy of industrialization at all costs. He wanted high levels

of industrial wages, so the industry established under his regime had to become accustomed to operating at high costs behind protective barriers of quotas and tariffs. This kept out foreign competition and passed on to the Argentine consumer the high prices which were the inevitable results of the policy. Because so much of the new industry established was dependent on imported raw material, necessary imports for the agricultural sector were neglected and the balance of payments situation in Argentina became increasingly difficult. The transportation system of the country was allowed to wither, both railways and highways suffering from lack of new equipment and ^{of} maintenance. Agriculture languished and foreign investors who might have assisted the drive for industrialization were repelled by Peron's extreme economic nationalism. So the net result of Peron's program to improve standards of life in Argentina was to bring the country to the

verge of economic ruin -- all because Senor Peron forgot about the unity of things and failed to consider the consequences of his actions. I am not saying, of course, that industrialization was a bad policy in itself, but only that the emphasis and the administration of the policy was bad.

Peronism is, of course, an extreme example of this neglect of the fundamental principle of unity, but it is not an isolated one. Almost all of you, I am sure, will be able to think of plenty of contemporary examples of the same thing. If I may cite another example without naming the country, there is at present one case of great interest which displays the same neglect of fundamentals as did Peron, but in other ways. In this other country, industrialization is also being pursued very fast and is unfortunately being based too much on imported raw materials with consequential heavy burdens on the country's balance of payments. But the major fault lies elsewhere.

A new government expropriated the former class of owners of industry and put in their place very capable technicians and production engineers. The result has been, in most cases, efficient production, but an absence of all the skills and qualities associated with management. As a result, the industrial program of that country is rushing toward a crisis, carried on only by its momentum. Quite soon the price will have to be paid. The country has been borrowing to the limit to sustain its policies, with the result that it now finds it almost impossible to borrow any more. The balance of payments is already burdened by a very high level of debt service payments. It is becoming impossible to import raw materials for industry or even spare parts to keep the machinery running. In short, another case of "failing to see the woods for the trees."

In the field of economic affairs the constant awareness of the unity of things is vital to successful economic administration -- as it is of course in other fields. In spite of this, however, we are often faced with fragmentation instead of unity. There is a tendency in some parts of the developing world to try to overcome weaknesses of central administration by setting up autonomous agencies to perform specific functions. These agencies have the merit of having more continuity of management and operation and, because of their autonomy, may be less subject to political pressures. There is a case for using this method with government services which are self-sustaining. For example, an autonomous port authority may well be the best way of administering ports, and autonomous electric power administrations are similarly of great benefit in many instances. But often autonomous agencies are created to perform functions wholly or mainly supported by government

finance, out of taxes. If there are a large number of them outside the central government machine, they are also outside the central government budget, and the budget comes to have less and less relation to the total reality of government expenditure. In one developing country I am told that no less than 800 autonomous agencies have been counted, all deriving most or part of their revenues from the government and all performing functions which in most countries would be a part of the government organization. In such a case as this the budget of the central government is meaningless as a guide to what is really going on in the field of public expenditure. This makes all financial planning extremely difficult. As one observer of public administration has said, "The widespread attempt to solve the problems of public administration by the creation one after another of new organizations, autonomous or nearly so,

may contribute to the solution of particular administrative problems, but represents as a whole a series of makeshifts instead of a fundamental reform of the organization and methods of the public service, such as is needed in new situations generated by the new and complex tasks confronting governments." In short, fragmentation must be regarded as the enemy of orderly administration because it is at odds with the fundamental principle of unity.

To take an even more general case, there is hardly a country in the world which has not allowed road facilities to expand at the expense of the railroads. Now, it may well be that highways should have expanded and railroads should have been allowed to fall back. But there were no cases, to my knowledge, where highway development was undertaken with a conscious knowledge of what this would do to the heavy investment the country had already made in railroads. What is more, the picture throughout the world in general has been that railroads have had to carry the full

cost of the track, and of financing the land on which the track is built. This has put them at a great disadvantage compared to the trucking industry which in almost every country has not borne anything like the cost of buying land for roads or of making the roads on which the trucks travel. Yet, surely it is clear that transportation is a unity and there should be comprehension of the cost to the economy of encouraging one means of transport more than others.

The World Bank has found that the simple maxim of the unity of things is so neglected that we have established a special Staff College whose main efforts are directed to bringing the whole picture of economic development into perspective. This Staff College of ours is the Economic Development Institute, which has operated in Washington since 1956. Its regular courses run for six months and are attended only by senior officials from less developed

countries who are concerned with the management of the economy or with development programing. Each course has only about 20 participants, so it can be conducted by the seminar method, the object being to improve the level of economic management in the less developed countries by training senior officials to see development as a whole. Obviously, 20 graduates a year of such an institution cannot have much of an impact in the short run, but there is a cumulative effect as the years go by and the number increases of people in the less developed countries who have had this or similar training.

I have spoken tonight of general matters, perhaps at first blush more general than any of you are likely to have to administer. But I suggest the principle of the unity of things is valid in all circumstances. I believe that your stay here at the University of Pittsburgh will

have given you a comprehension of your need as public administrators to keep the whole picture in mind and to watch keenly that one part of it does not cause damage to other parts. This comprehension will stand you in good stead and will greatly increase your value as public servants, although it may not increase your popularity at those times when your task will be to deal with those whose ambitious ideas must be brought into line with reality. But that is a burden which you must bear in any case, and I hope willingly. It remains only for me to thank you for your attention and to wish you all the greatest of good fortune.