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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

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McNamara Correspondence,

1969



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McNamara correspondence - 1969

ORGANISATION DES NATIONS UNIES POUR
L'ALIMENTATION ET L'AGRICULTURE



ORGANIZACION DE LAS NACIONES UNIDAS
PARA LA AGRICULTURA Y LA ALIMENTACION

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Via delle Terme di Caracalla ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5797

Ref.

28 October 1969

Dear William,

...

As agreed on the phone, I am sending you herewith our questions for Mr. McNamara and I hope it will be possible for him to answer them before 1 December.

As you can imagine, I am still not very happy about the written question-answer solution but I am sure you did your best in trying to obtain a recorded interview which was just not feasible.

Thanks for your cooperation.

Yours sincerely,

Andras Biro
Editor
CERES

Mr. William Clark
Director

Information and Public Affairs
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433

1969 OCT 28 - 1 11:28 AM

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1969 OCT 28



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Telephone : 5787

Telex : 87181 FOODAGRI

Cables : FOODAGRI ROME

Via delle Terme di Caracalla ROME

28 October 1969

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Editor
CERES

Mr. William Clark
Director
Information and Public Affairs
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433

1969 NOV -7 AM 9:46

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GENERAL FILES

Questions for Mr. Robert McNamara, President, International Bank for
Reconstruction and Development

from Andras Biro, Chief Editor, CERES, the FAO Review

- "Aid" is a term with a history, but no precise definition. Without getting into semantics, how would you define "aid"?
- What, in your opinion, is the maximum level of aid which, without upsetting the economies of the industrialized countries, can be absorbed by the developing ones?
- The effectiveness of aid has been questioned and heavily criticized. What are the major obstacles to its rational application and how does your Group propose to overcome them?
- Official aid from the donor countries has been stagnating for quite a while, and, more recently, it has even decreased; but last year the Group you are heading was able to find on the money market enough reserves to permit an 87% credit increase for the countries of the third world. What, in your opinion, is the reason for this apparent contradiction?
- You have repeatedly asked for a clear formulation of a world strategy for development. This strategy includes, naturally, the choice of priorities, and we know that banks prefer to finance economically sound operations. In this context, how do you conceive the answers to questions raised by the "developers", and in particular:

.../...

- help this country rather than that one
 - give preference to determine projects in some countries rather than to overall development plans in the same countries.
-
- In the field of agriculture, commercial enterprises are usually those which make the best use of modern technology and high yielding varieties. By contrast, the large majority of the landowning population of the third world is still attached to the economy of family holdings. In your opinion which is the strategic choice to make in giving aid to these two kinds of agricultural economies?
-
- You have underlined the need to resort to family planning in the less developed countries. How much resistance have you encountered on this particular point of a world strategy for development?
-
- A growth of the GNP does not necessarily mean that the standard of living of the large peasant population of the third world has improved. We know that the components of economic planning can be identified and quantified. But what about man, and man's progress, which is the ultimate aim of development?

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date

Oct. 21, 1969

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Clark

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

XX Information

Recommendation

Initial

Signature

Remarks

L.E. Christoffersen

THE JAPAN ECONOMIC RESEARCH CENTER

NIKKEI BLDG., NO. 5, 1-CHOME, OTEMACHI,
CHIYODA-KU, TOKYO, JAPAN

CABLE
KEIZAICENTER
TOKYO

TELEPHONE
TOKYO (270) 5541

October 16, 1969

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
Washington D.C. 20433
U.S.A.

Dear Mr. McNamara:

Thank you very much for your kind letter of October 1. It was indeed an exciting experience to participate in the work of the Pearson Commission.

The Commission's Report was warmly received by most of the leading newspapers and I myself have been on TV three times in a week and also kept busy to lecture on the Report before various groups. Although many people here feel their own living condition is still relatively poor relative to GNP growth, there are growing signs of awareness in the need of assisting other nations' economic development.

Translation of the Report into Japanese is almost completed but, because of the peak season in printing, Japanese edition will become available only in early December.

I am looking forward to the next occasion of meeting with you in Washington or elsewhere in near future.

Sincerely yours,



Saburo Okita
President

10080150 6W 1:04

SO:ks

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OCT 20 1969

President has seen

THE JAPAN ECONOMIC RESEARCH CENTER

NIKKEI BLDG., NO. 5, 1-CHOME, OTEMACHI,
CHIYODA-KU, TOKYO, JAPAN

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TOKYO

October 16, 1969

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
Washington D.C. 20433
U.S.A.

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Sincerely yours,

Saburo Okita

Saburo Okita
President

1969 OCT 20 PM 1:04

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GENERAL FILES

20:ks

President has seen

9/2 To Mr. Clark
William, Mendel
with.
R. M. M.

1. Mr. Lind
2. Mr. Clark

August 29, 1969

Dear Mr. Caranicas:

I acknowledge your letter of August 27 addressed to Mr. McNamara.

I wish to assure you that the Bank deeply regrets that internal, confidential Bank information appeared in the press and regards the incident that you describe as a serious matter. We do not know how the document in question became available outside the Bank, since divulging such information is clearly contrary to our regulations. We greatly regret also any inconvenience or embarrassment that may have resulted.

We shall, of course, take renewed precautions to ensure the security of confidential documents.

Sincerely,

M. M. M.
M. M. Mendels
Secretary

Mr. C. P. Caranicas
Economic Minister
Royal Greek Embassy
2211 Massachusetts Avenue, N. W.
Washington, D. C. 20008

cc: Messrs. Rota
Lejeune
Lind
Twining

MMM:csh

ROYAL GREEK EMBASSY
ECONOMIC MINISTER
2211 MASSACHUSETTS AVENUE, N. W.
WASHINGTON, D. C. 20008

August 27, 1969

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

Dear Mr. McNamara:

I was surprised to read in the "Financial Times" of August 22, 1969 and under the heading "Greece faces serious foreign exchange difficulties" excerpts from a World Bank memorandum "whose authenticity has been checked in Washington", according to the correspondent.

Because such staff memoranda are strictly for internal use Governments or the Executive Directors do not take cognizance of them. It seems therefore regrettable that the Bank's staff was not able to keep such a document from leaking to the press.

You may remember, Mr. President, last year's incident when the Bank's Agenda, also a confidential document, found its way to outside sources and as a consequence the discussion on the item concerning a proposed loan to Greece was postponed at the last moment.

In view of the cordial relations and the close and continued cooperation between the Bank and my Government I hope that the Bank's staff will take all precautions so that such incidents may be avoided in the future.

Yours very truly,



C. P. Caranicas

c.c. Giorgio Rota, Executive Director

Greece faces serious foreign exchange difficulties

22 August 69

By ROBERT SAUTMAN, EUROPEAN CORRESPONDENT

THE Greek Government's determination to maintain the value of the drachma at the official rate of 340 to the pound has led to a serious foreign exchange crisis. The government has been forced to suspend the automatic convertibility of the drachma and to impose strict controls on foreign exchange.

A World Bank memorandum, dated last week, stated that the government's policy of maintaining the drachma at the official rate of 340 to the pound has led to a serious foreign exchange crisis. The memorandum pointed out that the government's policy of maintaining the drachma at the official rate of 340 to the pound has led to a serious foreign exchange crisis.

"A serious foreign exchange crisis has therefore arisen," the memorandum said, "making it necessary to introduce policies designed to curtail the expansion of imports and to control the expansion of imports." The memorandum said, "Such policies must focus on increasing productivity and on measures to slow down the increase in demand, particularly for consumer goods."

The memorandum pointed out that additional direct foreign exchange controls would be contrary to Greece's Association Agreement with the EEC and would in any case have negative long-term effects on the structure of production and investment.

Although mentioning devaluation as a possibility, it emphasised that such a step, by itself, would not

be a sufficient solution with the necessary and immediate measures to be taken to ensure the balance of payments.

However, a restructuring of the economy to increase productivity and to reduce its dependence on foreign exchange would be required. There had been a suspension of technical assistance by some EEC countries, including a suspension of 5,125m by the European Investment Bank (EIB).

It was important, therefore, that the Greek Government should make every effort "to remove the political obstacles which presently prevent these countries from lending," the memorandum said.

While the rate of prospective World Bank lending to Greece in no way removed the need for EIB funds, a total amount of public borrowing abroad in the order of \$80m to \$100m might still be possible. Apart from the World Bank, finance should be available from private sources and through bilateral arrangements with the U.S. and European Governments.

The memorandum also singles out two major weaknesses in the 1968-72 Development Plan. First, the surplus envisaged in the public sector's current account was unrealistically high, which would indicate a shortage of funds for the proposed public investment

programme. Secondly, project preparation had been delayed, and therefore project funds were not being released for setting economic priorities.

The number of projects begun was also far too low in relation to annual total investment, thus leading to excessive long construction periods. "In preparing step by step with the lending programme to Greece, we will be looking for better performance in the field both in project preparation, approval and implementation," the memorandum added.

Other areas in which the World Bank intended to seek improvement were in agricultural policies, which should be better geared to promotion of non-traditional high value crops and industrial policies which should do more to promote modernisation of existing plants.

The Economic Committee recommended that the Greek Government should create conditions more conducive to the flow of capital and that World Bank lending be closely related to improvements in local performance, composition of public investment, project preparation and reduction of pressure on the balance of payments.

Subject to these conditions, Greece would be considered creditworthy and eligible for World Bank loans up to \$150m from 1970 to 1974 on conventional terms.

Many shares on the market are as much as 10 per cent higher than before the devaluation, and a number of foreign investors are expected to realise their gains by selling out shortly, thus causing a drain on reserves.

Moreover, trading sources in Paris said that the figure of 54m corresponds to the estimated amount of purchases made on the Paris market by foreign investors seeking to take advantage of the devaluation by buying in early last week.

Many shares on the market are as much as 10 per cent higher than before the devaluation, and a number of foreign investors are expected to realise their gains by selling out shortly, thus causing a drain on reserves.

ECONOMIC COMMITTEE

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NOV 15 2021

WBG ARCHIVES

EC/O/69 - 48

April 24, 1969

Subject: Economic Policy Memorandum

1. The attached Economic Policy Memorandum on Greece from the Europe, Middle East and North Africa Department (EC/O/69 - 48/1, dated April 24, 1969) will be discussed at an Economic Committee meeting to be held on Wednesday, April 30, 1969 at 2:45 p.m. in the Board Room.

C. F. Owen
Secretary

Attachment

Secretary's Department

DISTRIBUTION

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Also: Mr. McKamara, Mr. Knapp, Sir Denis Rickett and Mr. Shoaib.

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WBG ARCHIVES

EC/O/69 - 48/1

April 24, 1969

ECONOMIC COMMITTEE

Economic Policy Memorandum from
Europe, Middle East and North Africa Department

GREECE

I. Introduction

1. Settlement of almost all of Greece's pre-war external debt cleared the way for the first Bank loan of \$12.5 million to the National Investment Bank for Industrial Development (NIBID), which was signed in March 1968. The first loan was originally intended to be for highway construction, and a road project has been under consideration for four years. Progress with this project has been very slow due to the time taken by the authorities to arrange for the necessary studies and inadequate project preparation. A request for a loan for technical education was made in 1968 and the Bank has been participating in the preparation of an appropriate project.

2. The last meeting on Greece of the Economic Committee took place on November 29, 1966. It concluded that Greece was creditworthy for loans then under active consideration, namely the NIBID loan and \$20 million for roads. The five-year program now proposes lending of \$110 million as follows:

Agriculture	\$ 35 million
Transportation	25 "
Development finance	60 "
Education	20 "
Total	<u>\$110 million</u>

II. Statement of Issues

3. The issue to be considered by the Committee is whether

balance of payments,
public investment, and
fiscal performance

suffice to establish the country's creditworthiness and eligibility
for the amounts of Bank lending proposed.

III. Discussion of Issues

4. The framework for economic policies is given in the 1968-72 Development Plan. Two major weaknesses of the Plan as an operative document are (a) unrealistic high assessment of the surplus envisaged in the current account of the public sector, which would indicate a shortage of funds for the proposed public investment program and (b) inadequate project preparation - few projects have been adequately appraised - and therefore little basis for setting economic priorities. The number of projects begun is also far too large in relation to the annual total of investment thus leading to excessively long construction periods. In proceeding step by step with the lending program to Greece, we will be looking for better performance in the fiscal field and in project preparation, appraisal and implementation.

5. Other areas in which we intend to seek improvement are in agricultural policies, which should be better geared to promotion of non-traditional high-value crops, and in industrial policies which should do more to promote modernisation of existing manufacturing enterprises. There is in particular a need for greater integration of investment in agriculture with industrial processing, transport and marketing facilities, and training in technical skills.

6. An immediate problem facing the economy is a deteriorating balance of payments. Following past trends, the increase in the current deficit will substantially exceed the expected inflow of long-term capital over the next few years. A serious foreign exchange constraint is therefore likely to develop, making it necessary to introduce policies designed in particular to promote exports and control the expansion of imports. Such policies might focus on increasing productivity and on measures to slow down the increase in demand, foremost for consumption. Additional direct foreign exchange controls would be out of line with the Association Agreement with the European Economic Community, and would in any case have negative long-term effects on the structure of production and investment; a devaluation would not by itself bring a permanent solution without supporting domestic measures to facilitate a redirection of investment and production.

7. A restructuring of the economy to increase productivity and improve its competitive position in international trade requires large investments. Financial and technical assistance by some OECD countries, including a lending program of \$125 million by the European Investment Bank (EIB) has recently been discontinued. It is clearly important that the Government should make every effort to remove the political obstacles which presently prevent these countries from lending.

8. The rate of prospective Bank lending to Greece in no way removes the need for EIB funds. A total amount of public borrowing abroad in the order of \$80-100 million per annum may still be possible, without EIB participation, on the basis of past trends in aid and some improvement in project preparation. Apart from the Bank, finance should

be available from private sources, and through bilateral arrangements with United States and European governments.

9. Though service on the external debt has nearly doubled in the last four years, it still is light and did not in 1968 exceed 3 percent of export earnings. Recent borrowing on relative short-term has however worsened the composition of the debt and an increase in debt payments as a result of both acquisition of new debts and an additional worsening of terms should be expected. However, assuming the authorities will apply reasonable policies to increase the competitiveness of the economy and to control imports and that they do not resort to excessive amounts of short-term borrowing, the debt burden including service of the amount of Bank lending contemplated should be manageable. In particular, debt service at a ratio of exports of goods and services need not exceed 10 percent during the next five years.

10. We are intending to have discussions at the beginning of June with the Greek authorities on general economic and agricultural policies to obtain an appreciation of the steps they intend to take in relation to the deficiencies in performance outlined above.

IV. Recommendation

11. I recommend that:

- (a) the Government be urged to create conditions more conducive to the inflow of capital;
- (b) Bank lending be closely related to improvements in fiscal performance, composition of public investment, and project preparation and implementation, and to reduction of pressure on the balance of payments;
- (c) subject to these conditions, Greece be considered creditworthy, and eligible for Bank lending up to an amount of \$140 million over Fiscal Years 1970-74, on conventional terms.

Michael L. Lejeune
Director
Europe, Middle East and North Africa
Department

Attachment: Summary and Conclusions of the draft economic report
"Current Economic Position and Prospects of Greece"
(EHA-9, dated April 23, 1969).

SUMMARY AND CONCLUSIONS

(This draft economic report "Current Economic Position and Prospects of Greece")

1. After rising to an average 3 percent per annum in 1960-1966, real GNP growth had slowed down in 1967 but picked up again in 1968. Growth for the two years averaged 6 percent in 1967-68. The major elements in the 1967 slump included (a) a reduction in private investment expenditures particularly in manufacturing, and in building activity, and (b) a fall in foreign exchange receipts from tourism, emigrants remittances, and private foreign investment. Evidence of a slowdown had emerged towards the end of 1966, as major investments in industry were being completed and as anti-inflationary government policies were beginning to take effect. These factors were significantly reinforced in 1967 by the impact on business confidence of political events in Greece and in the Eastern Mediterranean generally.

2. Economic activity was kept from contracting even further, mainly by sharp increases in public expenditures: public investment rose by about a quarter in 1968 alone. The shift from private to public expenditures brought on a marked slowdown in import expansion relative to income growth. A precarious equilibrium in the balance of payments could nevertheless be maintained only by rapidly stepping up short and medium-term borrowing abroad. The crucial issue for the year ahead, therefore, concerns the relative timing of a recovery in private demand, including demand for imports, as against foreign exchange receipts.

3. Greek economic growth has for some time been marked by an excessive vulnerability to international competition. Three consequences have followed: (a) a heavy concentration of investment in sectors producing non-traded goods, notably construction and utilities; (b) an elaborate system of government subsidies and tax concessions to industry as well as to agriculture; but, (c) an increasing propensity to import, nevertheless. A progressively widening balance of payments gap was covered by American aid in the nineteen-fifties and largely by emigrants remittances in the early sixties. Given past import patterns, even optimistic forecasts of future exchange receipts do not permit the present rate of economic expansion to be sustained, since the current deficit would then exceed the long-term capital to which Greece is likely to have access. Hence specific measures to restrain imports are essential if fast growth is to be resumed in the future.

4. Stepped up foreign assistance is rendered difficult by the paucity of well prepared projects. Despite some promising initiatives, there is as yet very little serious project appraisal in process, and a case can therefore be made for rationalizing the allocation of expenditures before increasing their total. Most of the sharp increases in public investment of recent years have been financed by borrowing in domestic markets, a justifiable practice in conditions of economic slack, but of limited further potential once private expenditure recovers. The proportion of public investment financed from public savings has declined from about 50 percent in 1961 to 16 percent in 1967. Without additional fiscal measures, this proportion is likely to continue to drop over the next few years.

5. On the basis of recent trends in foreign assistance, an external public lending program of about \$300 million can be expected for 1969-1973; an additional \$200 million may come from private sources. Together with reasonable estimates of public saving and domestic credit, a public investment program of some \$2,500 million could be sustained over the period. Service on the external public debt is likely to remain modest, despite recent borrowing on relatively unfavorable terms. The debt service ratio to exports of goods and services is unlikely to exceed 10 percent in the foreseeable future.

From draft economic report "Current Economic Position and Prospects of Greece"
- EMA-9, dated April 23, 1969

Europe, Middle East and North Africa Department
April, 1969

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 15, 1969

FROM: William Clark *WCL*SUBJECT: Training of Development Experts

You will remember that when you met Lord Balogh he spoke vehemently about the need for training experts in the field of planning for development. I asked him to dictate a short note about this, and I attach the long note he did dictate.

At the end he summarises thus:

(This is all you need read).

- (i) It is essential that there should be a training programme for experts.
- (ii) The present training institutes are insufficient.
- (iii) Whether a new institute should be formed, or the training programmes, so to speak, let out to outside institutes or universities is a political question which I am not competent to advise on.
- (iv) The planning of development should be decentralised on sub-regional offices, reporting back to the Bank and the UNDP. The allocation of funds should be done through the UNDP and the Bank acting together.
- (v) The choice of experts should remain at the headquarters of the U.N. specialised agencies.
- (vi) The actual control of the field operations should be shifted to the sub-regional offices acting through resident representatives trained according to (i)-(iii) above, and only in case of special problems arising should there be reference to the headquarters of the specialised agencies, which should be on the whole slimmed.

WDClark:sf

President has seen

cc. Messrs. Demuth and Krishnaswamy.

PART I

The problem of development planning is, or should be at least, dominated by the shortage of competent staff, and its maximum utilisation. On the one hand we must train far better experts, or rather we must retrain technocratically competent experts to be from a social point of view effective communicators. On the other hand we must create a planning structure which is streamlined enough so that no duplication need occur, and therefore all experts are fully utilised, and duplication and conflict are as much as possible eliminated.

So far as the first problem of training is concerned, the situation is less than satisfactory. A number of training institutes have been organised by the United Nations. The Bank's training institute does not handle experts but only younger and older people from the less developed areas itself. I leave that on one side. The United Nations training agency in New York is badly staffed, badly organised, it hasn't got sufficient staff to do anything in depth and nothing else would suffice at the moment. What happens is that experts are sent to countries they have no idea of the social limitations of the action possibilities, they have no idea of the inter-relation of their specific programmes with that of the Development Plan as a whole, if there is any development plan, or with development itself if there isn't. They therefore recommend what appears to them to be the best possible technical solution of the problem. This obviously is not the best possible solution from an overall economic or social point of view. Therefore a number of the reports which have been dis-regarded is increasing at a very alarming rate, and despite the growing recognition of the shortcomings of experts' reports very little has been done to remedy this situation at its source, to wit: the training of experts themselves.

The African, Asian and even the Latin American Development Institutes are also insufficient. The first has just been reported on by Professor Jackson of Oxford University. The report is an abysmal documentation how the Institute has failed to live up to the most elementary requirements. In order to avoid an open clash the question is whether it would not be best to organise training courses for, say, between three and four months for a growing number of ex-experts, especially resident representatives, with a syllabus which ought to be evolved by experts working together with the Bank and U.N. staff. These training programmes should be implemented at the Institute but with the help of outside experts; or whether a new Institute should be organised or the present Institute reorganised is a question which is on the whole mainly political and therefore I wouldn't want to offer any advice.

I now come to the second of the problems - the problem of organising development planning. At the present moment the member countries are supposed to put forward proposals and requests on the basis of which a mission is sent out, and either technical assistance or resource aid is provided by the UNDP or the Bank, or bilateral agencies. This way of proceeding creates some very grave problems because the various agencies fight for having a greater and greater share of the total allocated, and of course fight for an increased total allocation. There is no common basis to judge between the marginal effectiveness of the aid granted in various countries or within the same country in various lines of development. The reason for this is that the aid is not really provided on the basis of a programme but on the basis of individual requests, which might or might not be fitting into a programme. The programme itself is made mainly by the Governments. It is in most cases somewhat ambitious and certainly does not in most cases live up to a satisfactory scientific standard. Apart from a limited number of countries which are big enough to plan industrialisation

and agricultural diversification on a large enough scale, the problem is complicated by the very great difficulties of liberation from colonial rule having taken place in haphazard manner, and mainly on the basis of frontiers designed by the colonial powers. Thus there is no reason why one should be able to plan a further reaching industrialisation or diversification programme because the countries are so small and probably, especially in Africa, riven into various organically differing parts. In this way the planning of a balanced programme is impeded and in some cases made quite impossible. In West Africa for instance the ecological zones run from East to West, whereas the political boundaries mainly run from South to North. In order to make sensible provision for development therefore a sub-regional planning would be required for all but the biggest countries like India, Pakistan, Indonesia, Egypt and Turkey; in Latin America possibly Brazil, certainly not most other countries.

Apart from these difficulties which flow from the vein which aid-giving and receiving is organised, there are further difficulties which flow from the fact that the United Nations agencies were organised at a time when nobody really thought of development being the central and priority problem for these agencies' activity. Thus instead of having an overall development agency which plans the diversification and modernisation of agriculture together with urbanisation, transport and other sub-structure investment, as well as industrialisation in one coherent way, we have had a fractioning of the development planning into various agencies, which have little or no economics departments which could see that the plans put forward from a technocratic point of view make sense within a total development planning, and from a social economic point of view. The technocratic aspect of development planning which has been going on is painful to behold.

PART II

The problem thus reduces itself into a decentralisation of planning, a centralisation of allocation and decision making process and a further decentralisation of the bureaucratic control of the field operations. This is more or less the opposite of what is happening now when the decision making about project is done mainly in the headquarters of the specialised agencies, therefore decentralised from the viewpoint of development, but far too centralised from a bureaucratic point of view. Moreover, as the main working field force is on the national level and as there is no sub-regional planning staff (though there are sub-regional offices and also regional offices) planning from the viewpoint of maximum effectiveness, and apart from some very few large countries, is at a frightful disadvantage. What, in my opinion, ought to be done is to decentralise planning into sub-regional offices of the economic commissions of the United Nations, which ought to be taken out of the immediate sway of the regional economic commissions, which are after all mainly of a political forum nature. What we ought to have in the sub-regional agencies is a tightly organised planning staff under a resident representative, who has been trained to plan, and these offices should continuously keep up-to-date with planning decisions in the national units in the sub-region, and maintain contact both with the Bank and UNDP as the ultimate regulators of allocations, and with United Nations special agencies headquarters. But it is in these sub-regional offices that the actual plans should be elaborated. One would have just sufficient number of people and one could grant just sufficient amount of privilege to man them up possibly with temporary people rotating from

Universities, and possibly from the bureaucracies of more developed countries. The liaison with the Government would be not through the representatives of the specialised agencies but the resident representatives of the UNDP (and the Bank, of course), acting through the planning offices of the Governments rather than the specialised Ministries, through which they now act. This is especially advisable as at the moment the specialised agencies and the specialised Ministries combine in trying to get as much of a programme as possible, irrespective of whether that programme is marginally speaking the most valuable addition to the problems of that country.

Once the sub-regional plans have been elaborated all projects, which are discussed with the Governments, should be scrutinised from the viewpoint of the plan and reported back to a Committee consisting in the main of the Bank and UNDP, cross-examining the various specialised agencies in respect of the proposals they make. The allocation should be done quite centrally but with the full knowledge of both the resident representatives of the UN, the sub-regional offices and the specialised agencies. Once a project has been approved as forming and affording the maximum support to the total plan, it should be reported back to the specialised agencies who then choose the necessary technical assistance to implement it. The choice of specialists should, therefore, be in the hands of the headquarters of these agencies, but these should pay some attention to the problem of communications, which I dealt with in the first part of this paper. That is, the expert chosen ought to be so chosen that they ought to be able to understand the social and economic problems involved in the technical problem, so that their proposals fit the country and fit the problems of the bureaucracy of that country and so on. The supervision of the actual operations on the other hand should again be centralised, and the technical operations done through the sub-regional offices, which would be in constant

touch with the experts, reporting back only if the routine is breached to the headquarters or to the Bank. In this way the tremendous top-heaviness of the present headquarters of the specialised agencies could be avoided.

To recapitulate:

- (i) It is essential that there should be a training programme for experts.
- (ii) The present training institutes are insufficient.
- (iii) Whether a new institute should be formed, or the training programmes, so to speak, let out to outside institutes or universities is a political question which I am not competent to advise on.
- (iv) The planning of development should be decentralised on sub-regional offices, reporting back to the Bank and the UNDP. The allocation of funds should be done through the UNDP and the Bank acting together.
- (v) The choice of experts should remain at the headquarters of the U.N. specialised agencies.
- (vi) The actual control of the field operations should be shifted to the sub-regional offices acting through resident representatives trained according to (i)-(iii) above, and only in case of special problems arising should there be reference to the headquarters of the specialised agencies, which should be on the whole slimmed.



Record Removal Notice

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January 8, 1969

Dear Ed:

I have considered your letter of December 13 with my colleagues and I am happy to tell you that the Bank will contribute \$25,000 to the O.D.C. for its first year of operations.

We hope that your researches and the meetings of experts that you may convene will be of real value to the World Bank in its development work.

I should add that we will consider a request for a similar contribution to O.D.C.'s second year budget in the light of your first year's program.

With best wishes for the success of your venture.

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Professor Edward S. Mason
Harvard University
210 Littauer Center
Cambridge, Mass. 02138

na
WDClark:JAdler:sf

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 7, 1969

FROM: *WCL* William Clark and John Adler *WA*SUBJECT: Contribution to O.D.C.

The current budget as presented to the Board does contain sufficient funds for us to contribute \$25,000 to the Overseas Development Council.

WDCClark:JAdler:sf

X *under*