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McNamara Correspondence,

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McNamara correspondence - 1968

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 31, 1968

FROM: William Clark *WCL*SUBJECT: Bank Contribution to Overseas Development Council

1. My view is that you should promise \$25,000 for five years. The work O.D.C. can do in the largest donor country is of great importance to the Bank, and will help fulfil the duties of this Department in public education on aid for development.
2. In the case of the O.D.I. (London) the \$15,000 was originally given "for studies in multilateral aid," but is now unconditional (though only on a year to year basis). It has always appeared openly on this Department's budget, but has not been questioned by nor raised with the Board.
3. Mr. Ripman is worried lest a grant without mention of services rendered would open the flood gates to requests from all countries with such Institutes. (But nearly all other institutes have Government backing; which would be self-defeating in U.S. and U.K.)
4. Mr. Demuth thinks you should inform the Board without asking their agreement.
5. I suggest procedurally that you write to Ed Mason offering \$25,000 for five years and expressing the hope that the O.D.C. will be able to render some services to I.B.R.D., e.g. by studies of multilateral aid, by holding meetings of experts in various development fields which could help the Bank to break new ground etc.
6. If they want the money before July it can be paid out of "contingencies". If after that it can come through this Department's budget.

WDCClark:sf

Please draft a letter to Mason stating:
1) we will contribute \$25,000 to ODC for its
1st yr of operation
2) we will consider a request for a similar

contribution to ODC's 2nd yr budget
after we have observed its 1st yr program.
Before I sign the letter I will want a statement
initialed by you & others indicating that the Bank's
FY 69 budget has been presented to the Board,
and funds are available to cover the expenditure. Since

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Mr. Robert S. McNamara

WBG ARCHIVES

December 30, 1968

William Clark

Part I - Strategy for the Bank, 1969

By your speech to the Governors and the 'five year plan' on which it was based you have made yourself and the Bank, in effect, the leaders of the World Development effort. We enjoy a rather lonely eminence since there is no real sign of leadership in this field emanating from the U.S., U.K., U.N., France, Germany or Japan.

The problem for us in 1969 is how to keep up the momentum you have so far achieved, and in what directions to lead the world effort. I suggest that on the matter of directions we rely on the Pearson report and plan carefully how to make the best use of it in Fall '69.

To achieve our objectives and keep up momentum two lines of action are essential in the immediate future:

1. To secure our home base i.e. to make sure we have maximum support:

- (i) Within the Bank staff (and Fund)
- (ii) In "Wall Street", the financial centres of the U.S. and other capital markets, so that we can raise the money we need.
- (iii) In the legislatures of the rich nations, especially Congress, to ensure that IDA 1968-70 is replenished. Almost at once we must plan for "Replenishment '71", when Germany and Japan and Britain will be almost as crucial as the U.S. The form of the next replenishment and indeed the future of concessionary finance is one of the things on which Pearson may have influence.

2. To secure the alliance, i.e. to get into close working relations with our "allies" without whose support we cannot hope to produce an effective World Development strategy. This will involve closer working relations with:

- (i) The L.D.C.'s. We have begun on this, especially in the Indian trip, where I believe we transformed the relationship in a positive direction.
- (ii) The U.N. and its major development agencies. The opportunity offered us by Robert Jackson's review is crucial here.
- (iii) The "Aid Establishment" in the donor countries e.g. the Reg Prentices in contrast to the Roy Jenkinsons.

This means Ed. Martin's team of Ministers and their top civil servants. They are largely converts to whom we do not need to preach development but whom we shall need to rally to support any more effective efforts.

WDClark:sf

CONFIDENTIAL

Mr. Robert S. McNamara

December 30, 1968

William Clark

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Part II. Tactical Action Necessary

(Enumeration follows the outline in Part I)

1. To secure our home base.

- big mrg.
- (i) Within Bank (and Fund). There is no doubt that there is considerable uncertainty in the Bank staff as to what your plans and ideas are. I would tentatively suggest that you spend a bit more time with both the P.C. and the senior staff telling them of your thinking (not only decisions) and inviting comment. The Senior Staff Meeting is very big now, and there is a general feeling that it is a purely formal meeting at which you want everyone to be as brief and executive as possible - as a result people don't raise their doubts or difficulties and they tend to fester. In brief senior staff do not feel involved in your decisions; this needs to be altered.

If you could attend over the next few months, say, one Departmental meeting a week you could get to know less-senior staff and they could get to know you, and feel they understood your policies better. This would be time consuming but perhaps worth while.

About the Fund I am without specific suggestions. But the need for the two institutions to coordinate policy on Development is clear, yet apart from your relations with Schweitzer what contact is there?

- (ii) In "Wall Street" and other Financial Centres. This is obviously in the front of our minds now; the Finance White Paper and subsequent speech are part of the answer. But it will also be necessary for the 'Bankers' to get to know you. I fear you must expose yourself to a number of meals with no obvious point except to let others get to know you.

I hope you will accept the lunch invitation from the Fed., also a forthcoming dinner invitation from David Rockefeller that he spoke of to me. Couldn't Doug Dillon help with some friendly contacts?

Further if we offer an issue in New York you should certainly attend the Underwriters launching lunch etc.

I am struck, on enquiry, to discover how completely this business with the Bankers has in the past been kept

in the hands of Woods and Black (both bankers). That perhaps explains why there is no traditional wisdom about the matter in the Bank. But it makes it doubly important for you as a non-banker to get into their world. This is not a job that can be devolved. It might be tactful and useful to ask some help in all this from your predecessors Black and McCloy - I know you do so already from George Woods.

In Europe we need to make the equivalent contacts - not only central bankers, but also (in British terms) the City leaders - in brief our Bond buyers as well as our Bond sellers.

On all these visits - to New York, London, Paris, Tokyo etc. - I will see that you keep contact with the Press including the influential, small circulation, technical Press.

I also hope you can attend a few of the better 'leaders-in-business' lunches e.g. Arthur Dean's Asia Society. There is no spin-off journalistically from these, but there is an important spin-off in gossip in business-finance circles - which we need to make favourable.

- (iii) In Legislatures. Our tactics over IDA in Congress need a separate note when it is a little clearer how things are going to work out in the next few weeks. But it is vital that we should get alongside the new Administration soon so that we exert some influence on their long term Aid program.

I would also hope that Mr. Pearson (or Dillon) would be able to see Nixon before too long so as to explain what he was doing, and - hopefully - persuade the President to finalise his Aid program only after the Commission reports, and in relation to its recommendations.

In Europe it is very important to show recognition of the fact that they have generally behaved well over IDA, and not to give the impression (of which I heard a lot in 1967) that the Bank is only interested in the American contribution to IDA. This strengthens the argument for your visits to Europe and some speeches (I suggest 3 in 1969, in London, Paris and Germany). But this needs to be followed up by our European office (I am working on this, and may try to do one or two speeches myself for which I have invitations). But the Paris office does need a shot in the arm by a visit from you; this is quite a high priority.

An obvious gap in all this is Japan, which over the next five years is going to be one of the three countries most important to us. I am sure you ought to pay a more extended visit in 1969 i.e. before Expo '70 takes everyone there. We should also consider whether it is not advisable to have some permanent representation there.

2. To secure the alliance.

(i) The L.D.C.'s. I hope you can visit Africa during your first year in office, so the trip to (French) West Africa should begin before April 1st if possible. Also I hope you can visit the East African office and area in 1969 and perhaps Central America. There are three battle areas which you ought to visit if peace and reconstruction break out: Nigeria, Vietnam and Israel.

Mexico
Colombia

We also need to capitalise on your visits in 1968 to L.D.C.'s. I am trying through my Department to get much more coverage of Bank activities in the Press and Radio of the L.D.C.s.

We should also try to get active and visible support from the Executive Directors of the L.D.C.'s. This means more private contact with them and perhaps some suggestions to their Governments about the instructions they get. I still want to use these Part II E.D.'s as speakers about the Bank's work in Part I countries. (e.g. Kochman in France).

In general the enthusiastic support of the L.D.C.'s if we could obtain it would be very helpful in building a rational World Development effort.

(ii) The U.N. and Agencies. I understand that Robert Jackson is anxious to bring the Bank into the centre of his coordination of multilateral aid. While we need to know more (and perhaps influence his final recommendations) I am sure this is a healthy direction in which to move. The U.N. development effort is potentially very important, but at present is loused up by every sort of national and agency rivalry. With our slightly independent stance we could exert a lot of influence for the good if we decided to try. You are to see Jackson in January and this should come up.

When in New York for some of your financial business we might also keep our contacts bright with the U.N. (especially U Thant, Hoffman and Co., de Seynes). Many of these U.N. contacts strike me as rather ineffective, but we need their good will and they could benefit from our guidance. Further you should attend the next A.C.C. meeting if possible, and you could perhaps at these meetings strike up useful

relations with the better Agency heads e.g. Boerma of F.A.O., Maheu of Unesco and Candau of W.H.O.

Incidentally I have got all the Chief Information officers of the U.N. and its agencies meeting at the Bank (for the first time ever) in February. I hope you will formally open the proceedings, but you need not attend!

(iii) The "Aid Establishment". This is the old, original stage army of the good, but it is important to us if we want to put into effect any post-Pearson Development effort. It includes the Ministers of Aid, an occasional senior Civil Servant and some business men (e.g. the Chairman of I.C.I.) I would hope you would get to know them (there are various opportunities such as a second and better Tidewater Conference) in the first half of this year, with the objective of rallying them behind the Pearson Report towards the end of the year.

As I see it any international development conference will take place at two levels, the half dozen big decisions will be taken by Finance Ministers, who will attend briefly, but the preparation for the meeting and the hard slog of negotiation will fall to this "Aid Establishment". We need to know them quite well in preparation.



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

OFFICE OF THE PRESIDENT

August 19, 1968

Mr. Rene Maheu, Director-General
United Nations Educational, Scientific
and Cultural Organization
Place de Fontenoy
Paris 7^e, France

Dear Mr. Maheu:

We have now had an opportunity to consider the various thoughtful suggestions put forward in your letter of July 19 and I should like to give you our reactions.

Referring first to the points you raise as general considerations, I have the following comments.

I am essentially in agreement with your statement that "the decision to accord assistance should be based only on the assessed needs and priorities of a recipient country." Thus, for a country for which assistance to primary education has a clear priority, we would be willing to consider it. The Bank's assessment of needs and priorities for economic development would, as in the case of other projects, be based on the technical, economic and financial criteria which govern all our lending.

At the same time, the circumstances which have inclined the Bank to avoid the area of primary education in the past are, in my judgment, likely also in the future to limit the number of cases in which primary education has a priority claim for Bank assistance. We are all aware of the strong political pressures which impel many governments to expand primary enrollments and thus overcommit their resources at the expense of other levels and types of education or training whose economic benefits would be more immediate and direct. We know, too, that over-rapid expansion may seriously undermine the quality of teaching and learning, increase drop-outs and thus reduce the educational benefits derived from the investment. I am sure you will agree also with President Nyerere's comment in his statement, Education for Self Reliance, that primary curriculums are too often geared only to preparation for a higher academic level and do not serve the needs of the masses for whom further education is not possible. Finally, since primary school construction is, or should be, often a matter of simple facilities and local self-help, it generates a relatively low demand for foreign exchange. For these reasons, the case for Bank/IDA assistance in financing a rapid expansion of traditional primary school systems would generally not be strong.

On the other hand, there is a case for well-conceived projects which point the way toward more efficient and economic use of resources for primary education -- experimental projects employing instructional television or other modern educational technology, innovations in primary curriculums and teacher training, or modern types of school construction. Mexico's successful organization for prefabricated school building offers an example of how Bank lending might usefully be applied. In summary, we would regard as suitable for Bank Group financing experimental projects in primary education which promised improvements in economy, efficiency and the relevance of instruction to the real needs of the community.

To a large extent this innovative approach is what we have been using at the secondary level. The strategy agreed between Unesco and the Bank has been to assist quantitative expansion where justified and to use lending operations to encourage needed reforms in curriculums, teaching methods, teacher training and particularly the diversification and practical orientation of instruction at the upper level of secondary education. We have also, as you know, stressed economies in building methods. This strategy has, we think, made a successful beginning. The impetus thus given to modernization and efficiency should in the long run be of greater benefit than the financial assistance itself and we expect therefore in future to give greater emphasis to accelerating these changes.

In higher education, I agree that greater emphasis should be given to those scientific, technical and professional fields which contribute directly to economic development and that in many cases such assistance could appropriately be provided within the framework of general universities. In some regions post-university institutions combining training and research might deserve support. The Los Banos Rice Institute is a good example. In other regions, notably Africa, we feel that at present the predominant emphasis should be on strong undergraduate programs and, to the extent possible, their staffing by Africans. The Bank will continue, of course, to encourage and assist post-secondary technical education below the university degree level since sub-professional manpower remains a critical shortage.

With respect to the "object of assistance," I note that you make three specific suggestions for financing: (a) the initial investment for basic equipment and supplies for the school network as a whole; (b) an initial stock of textbooks and supplies for schools in a particular project; and (c) facilities for local production of textbooks and other teaching materials. I agree that the lack of relatively small amounts for these items often greatly reduces the benefit from much larger expenditures on buildings and teachers. I suggest, therefore, that we consider specific cases of these kinds in the light of guidelines to be worked out between our respective staffs.

As I have indicated above, the Bank is interested in assisting the development of modern teaching technology at various levels. We agree that before major investments are made in "hardware" there must be a good deal of preliminary work on "software" -- syllabus development, programming, related teaching materials, training of key personnel, etc. I agree that in appropriate cases the financing of technical assistance for these purposes could be included within the scope of Bank/IDA financing.

August 19, 1968

It has also become clear that giving greater emphasis at various levels to innovation and reform will require larger inputs of technical assistance. We hope to intensify our cooperation with multilateral, bilateral and private agencies which are engaged in providing technical assistance for this purpose, but we also expect that the Bank Group will have to increase the amounts allocated for technical assistance in its own financing if more rapid progress is to be made.

Finally, among the general points you raise, I agree that the period of time between identification of a promising project and its ultimate financing is often far too long. I am attempting to speed up our work in every way consistent with quality and I welcome your assurance that the Unesco Secretariat will continue to do the same. The specific measures to improve procedures being discussed between our staffs, some of which have already been implemented, should be helpful in this regard.

Turning to the specific situations referred to, I share fully your view of the priority of education and training in Africa. As you know, that region has figured prominently in Bank/IDA lending activities for education thus far. Of the 21 educational loans and credits totaling \$162 million approved by the Bank Group up to July 1, 1968, 12 loans and credits totaling nearly \$100 million -- about 60% in both number and volume -- have been for Africa. Nevertheless, the need for a large expansion of educational financing in that continent is urgent and we will therefore be particularly interested in the recommendations of the recent Nairobi Conference.

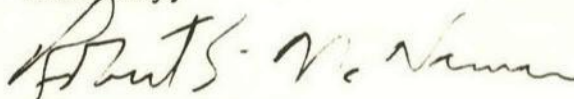
In Indonesia, where we are establishing a strong resident mission, we expect to give attention to education as well as other sectors and hope to have the benefit of Unesco's views regarding priorities and worthy projects.

Regarding the preservation of monuments I would prefer to defer comment since this is a question primarily related to tourism into which the Bank is just beginning to feel its way.

Finally, regarding the Experimental World Literacy Program under which Unesco and the UNDP are conducting a number of pilot projects in work-oriented adult literacy training, I question whether the Bank now should finance literacy programs per se. However, I would not exclude projects designed to improve the productivity of a selected working force in which literacy was an essential factor; such projects should, I believe, be examined in their entirety and judged on the basis of their contribution to productivity.

May I thank you again for your letter. I very much welcome your remarks and I hope we may continue from time to time to exchange views on various aspects of the Bank/Unesco Cooperative Program.

Sincerely,



Robert S. McNamara